Climate Finance in Provided and Mobilised for Developing countries: Lessons from the USD 100 billion goal and opportunities ahead

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Chiara FALDUTO

Policy Analyst, Finance for Climate Action

OECD Environment Directorate

OECD

BETTER POLICIES FOR BETTER LIVES

The USD 100 Billion Goal under the UNFCCC

- At COP15 developed countries committed to a **collective goal of mobilising USD 100 billion per year by 2020** for climate action in developing countries. The goal was then reiterated at COP21 and **extended to 2025**.

- The **OECD** has been **tracking progress** towards this goal since 2015, capturing four climate finance components of climate finance:
  - Bilateral public
  - Multilateral public (i.e., outflows attributable to developed countries)
  - Export Credits
  - Private climate finance mobilised by public finance interventions (attributable to developed countries).

What is the scope of OECD assessments of progress towards the USD 100 billion goal?

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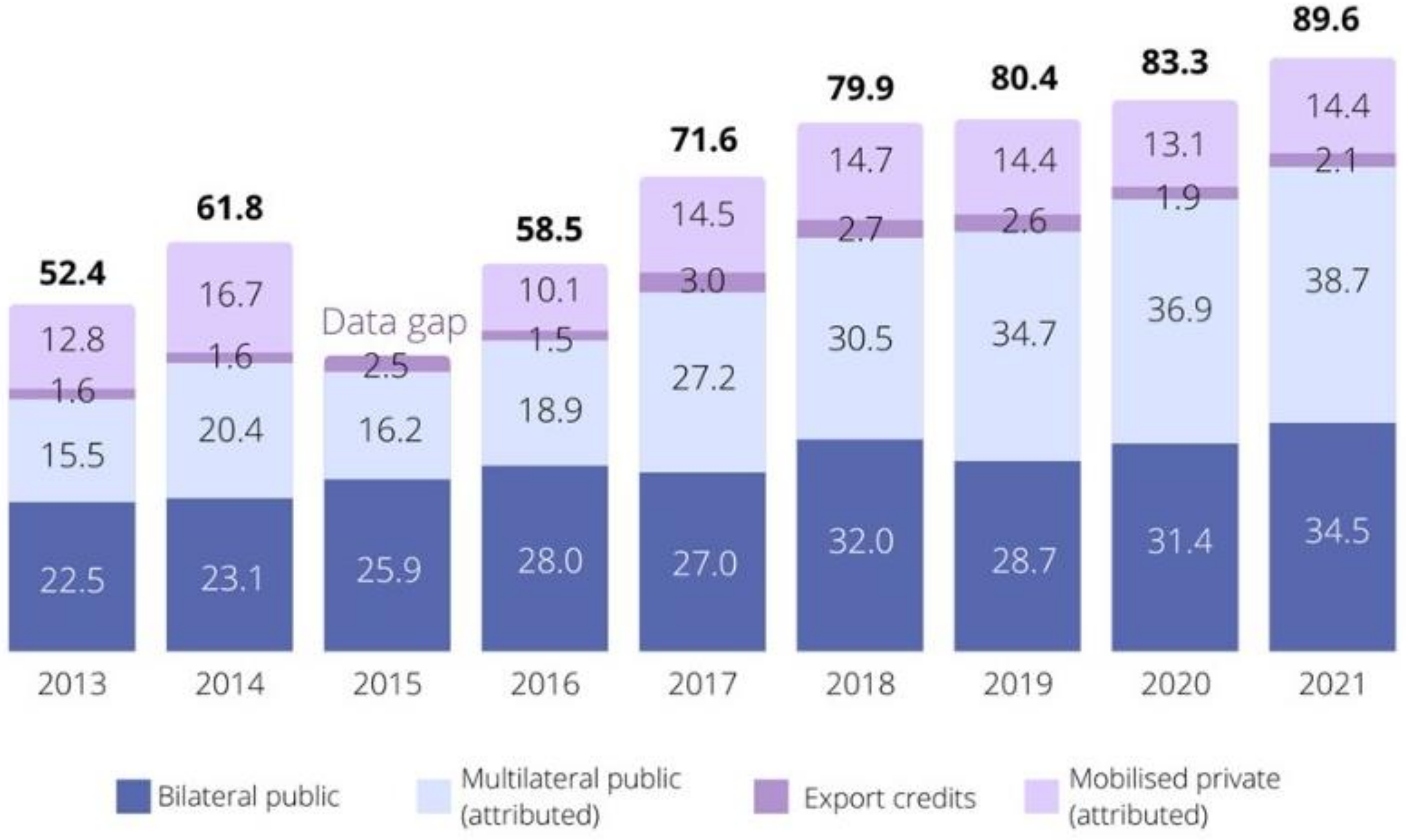
- Developed countries' bilateral public climate finance
- Multilateral public climate finance attributable to developed countries
- Developed countries' climate-related export credits
- Private climate finance mobilised by public climate finance interventions and attributed to developed countries'

OUT

- Developing countries' domestic public and South-South public climate finance
- Multilateral public climate finance attributable to developing countries
- Private finance mobilised by developing countries' public climate finance interventions
- Private finance in the absence of developed countries' public climate finance interventions

Climate Finance Provided and Mobilised in 2013-2021

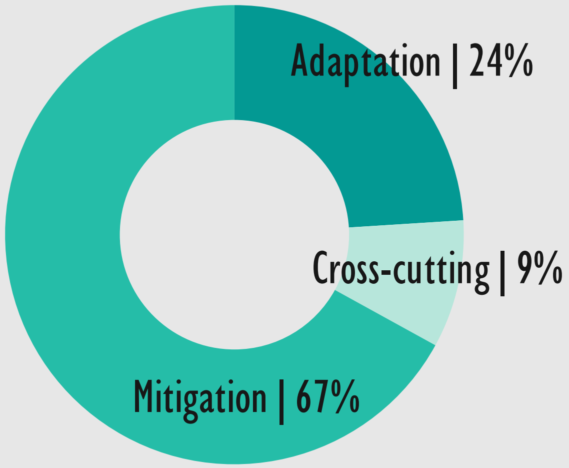


- In 2021, **USD 89.6 bn** were provided and mobilised for climate.
- This means that the goal was **not met** in 2020.
- **Increase** over the years primarily driven by **multilateral public outflows**.

Insights from disaggregated data analysis

Climate Theme

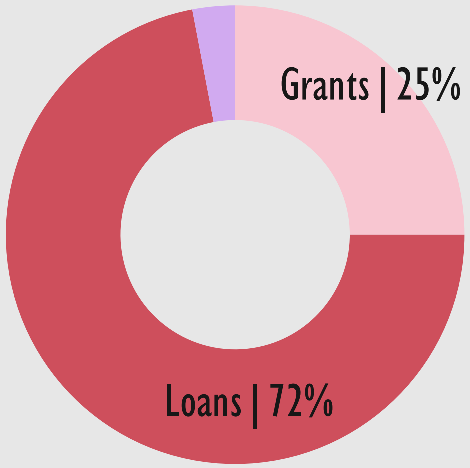
(2016-2021, %)



Mitigation finance remained the majority, but adaptation finance continued to grow

Public finance instrument

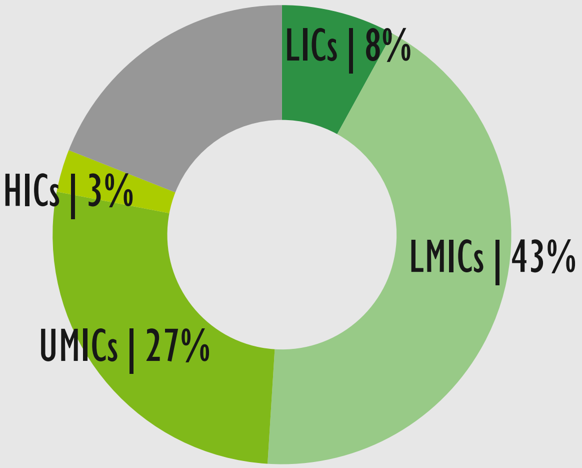
(2016-2021, %)



Loans continued to be the main instrument used to provide public climate finance

Recipients' income group

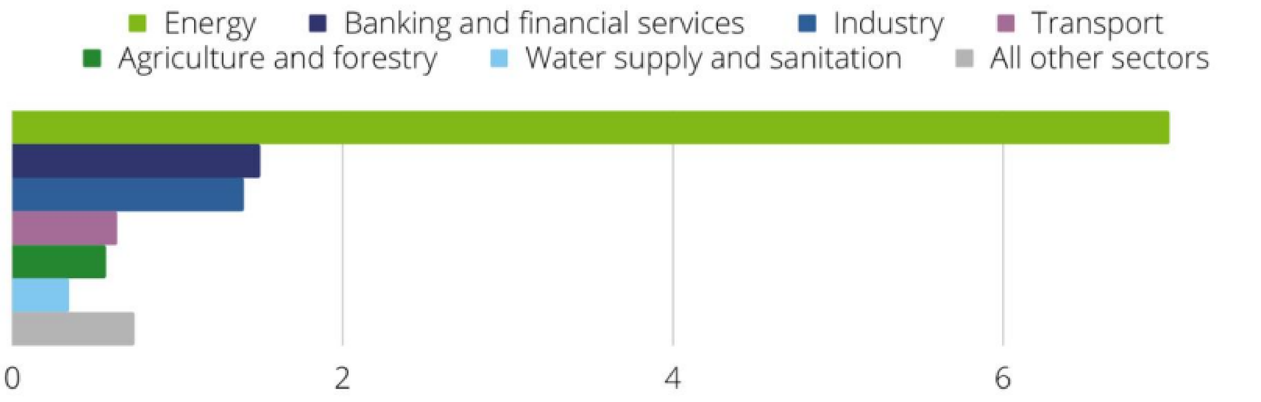
(2016-2021, %)



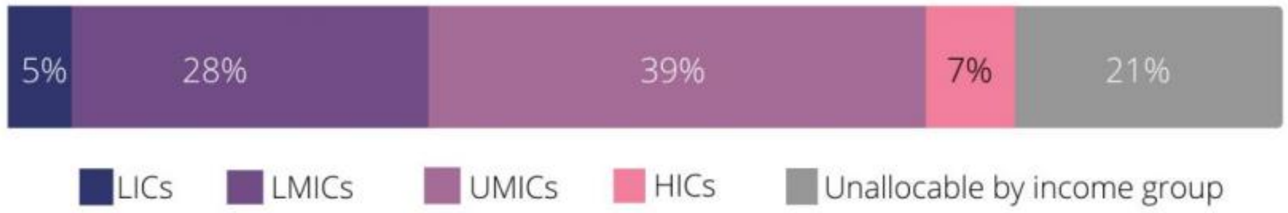
Middle-income countries benefitted from more than half of total climate finance

Focus on mobilisation of private climate finance

Distribution of private climate finance mobilised across sectors (USD billion, annual average)



Distribution of private climate finance mobilised across income groups (%)



- Private climate finance was primarily mobilised for activities in the **energy** sector.
- **Adaptation** represented a very **small share (9%)** of total private climate finance mobilised.
- Nearly **40%** of private finance was mobilised in **upper-middle income** countries.

The role of Multilateral Development Banks

- MDBs were a key driver in progressing towards the USD 100 billion goal. As they accounted for 88% of total public climate finance provided and 60% of total private climate finance mobilised

- Provided a higher share of public finance in the form of **loans**, compared to bilateral providers.

- Mobilised a larger proportion of private finance for developing countries with relatively **higher risk profiles** compared to bilateral providers.

Key opportunities for MDBs in the context of climate finance

- **Re-think how climate finance is deployed**, increasing efficiency of blended finance instruments and scale up use of new instruments.
- **Revisit MDBs operational structures and mandates**. For example, define targets for mobilisation and adaptation, increase lending in local currencies, and improve data disclosure and transparency
- **Strengthen capacity in developing countries** through support in the development of project pipelines, enhancement of enabling environments, and improving access to finance.

Opportunities for the NCQG

→ At COP29, Parties will need to agree on a New Collective Quantified Goal on Climate Finance (NCQG) that will replace the current USD 100 bn goal.

1. **Clearly outline roles and responsibilities of various public actors.**
   - Recognise leading role of developed countries but also increasing role of non-traditional providers.
   - Highlight role of multilateral providers
   - Potential for domestic action within capabilities.
2. **Recognise the critical role of private sector in bridging the climate financing gap.**
   - Private finance mobilised by public finance interventions.
   - Broader catalysation of private finance through the combined effect of a wider range of public interventions
3. **Capture monetary and non-monetary elements, with the aim to reflect both quantity and quality of climate finance, as well as underlying drivers**