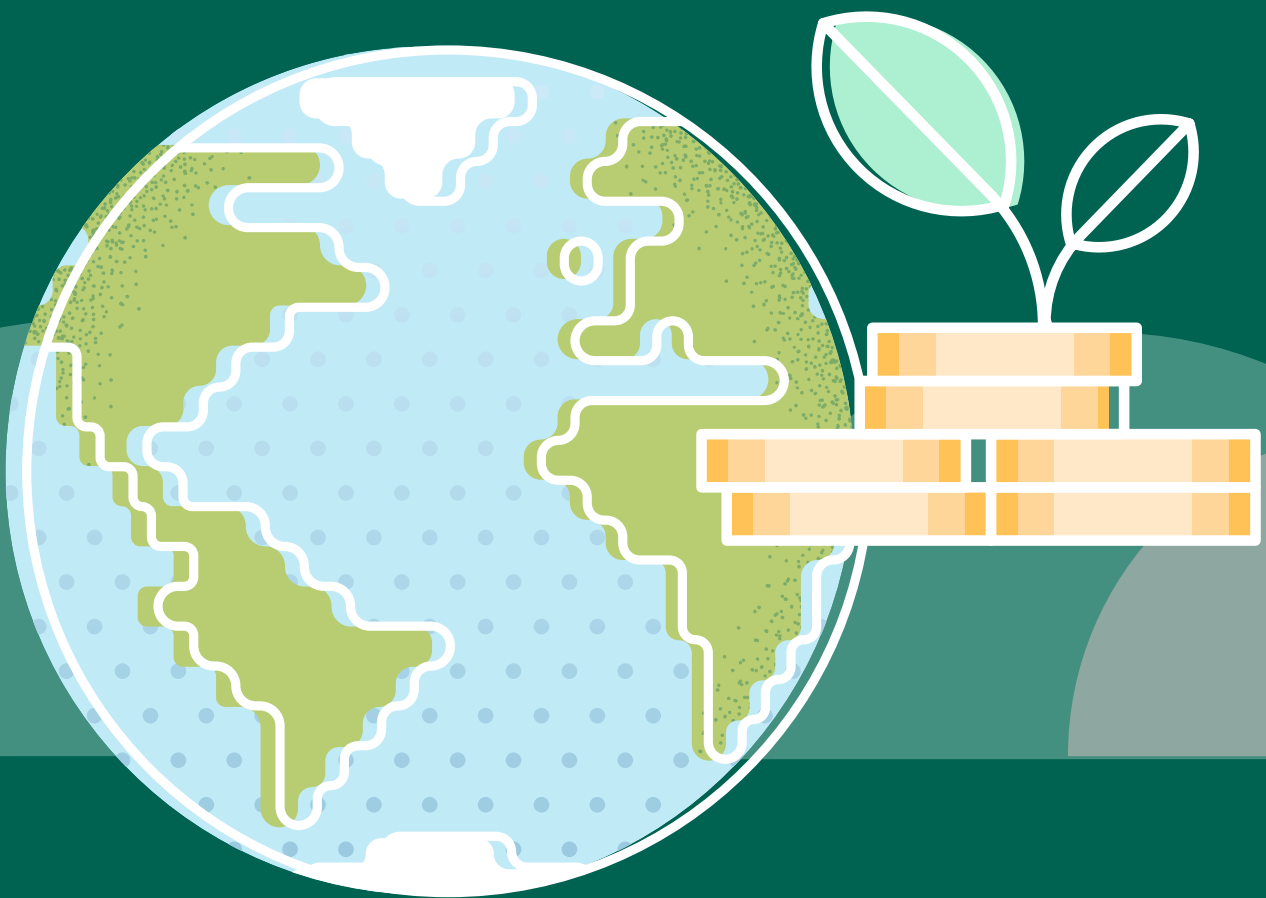


The Climate Finance Challenge

A DEVEX PRO REPORT



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Letter from the Editor

The devastating impacts of the climate crisis are already being felt across the development sector, and most severely by the world's most disadvantaged and marginalized communities. There is growing pressure on a range of donors to step up to the challenge. Climate finance flows — the financial changes needed to mitigate and adapt to climate change — are expected to continue to increase. But making sense of this multibillion-dollar field is no easy task.

Primary sources of data — such as biennial reports to the United Nations and official development assistance — are important ways to monitor progress. But experts tell Devex that climate finance data is messy and difficult to understand, and sometimes raises more questions than answers.

The data that can be analyzed shows that the donor community is not doing enough. Loosely defined terminology and timelines are the greatest barriers to determining if achievements have or will be made. Another issue is the lag in results. The latest climate finance data from the Organisation for Economic Co-operation and Development ends with 2018.

To understand the trends in climate financing from leading donors, we need to combine the data with policies and politics. In this report, we turn an

eye to contrasting donor profiles: Switzerland and Australia. One leads the way with new climate funding contributions, while the other raises questions around data accuracy and transparency. Budgets are also being tightened due to the pandemic and accessing funding flows is more complex than ever. Can funding be leveraged to simultaneously make communities more resilient to both crises?

And what are the impacts of the climate crisis on people's livelihoods? The agriculture sector is one of the world's largest contributors to global climate change and reaching the millions of smallholder farmers to promote climate-smart and adaptive practices can be difficult.

In the Climate Finance Challenge series, Devex analyzes the data and key players to see where climate finance efforts stand. What financing is needed to achieve climate goals? Here's the real story behind the numbers.



HELEN MORGAN

Associate Editor



HIGHLIGHTS

“Not only are they helping the oil industry, they’re calling it climate finance for the Paris Agreement.”

HEIKE MAINHARDT, SENIOR ADVISER,
URGEWALD

Can the
world
mobilize
1% of global
GDP for
nature?



SPOTLIGHT ON



**Global
Environment
Facility**



**Switzerland's
international
cooperation strategy**



Climate change



Job creation



Reducing forced
migration



Law and
governance



OECD estimates climate finance from rich countries to LMICs went up some **\$13 billion** from 2016 to 2017.

“The OECD numbers are overstating how much money is actually flowing into climate finance.”

SINEAD DWYER, SEEK
DEVELOPMENT

12 leading donors with climate profiles



Australia



Germany



Sweden



Canada



Italy



U.K.



European
Union



The Netherlands



U.S.



France



Spain



Japan



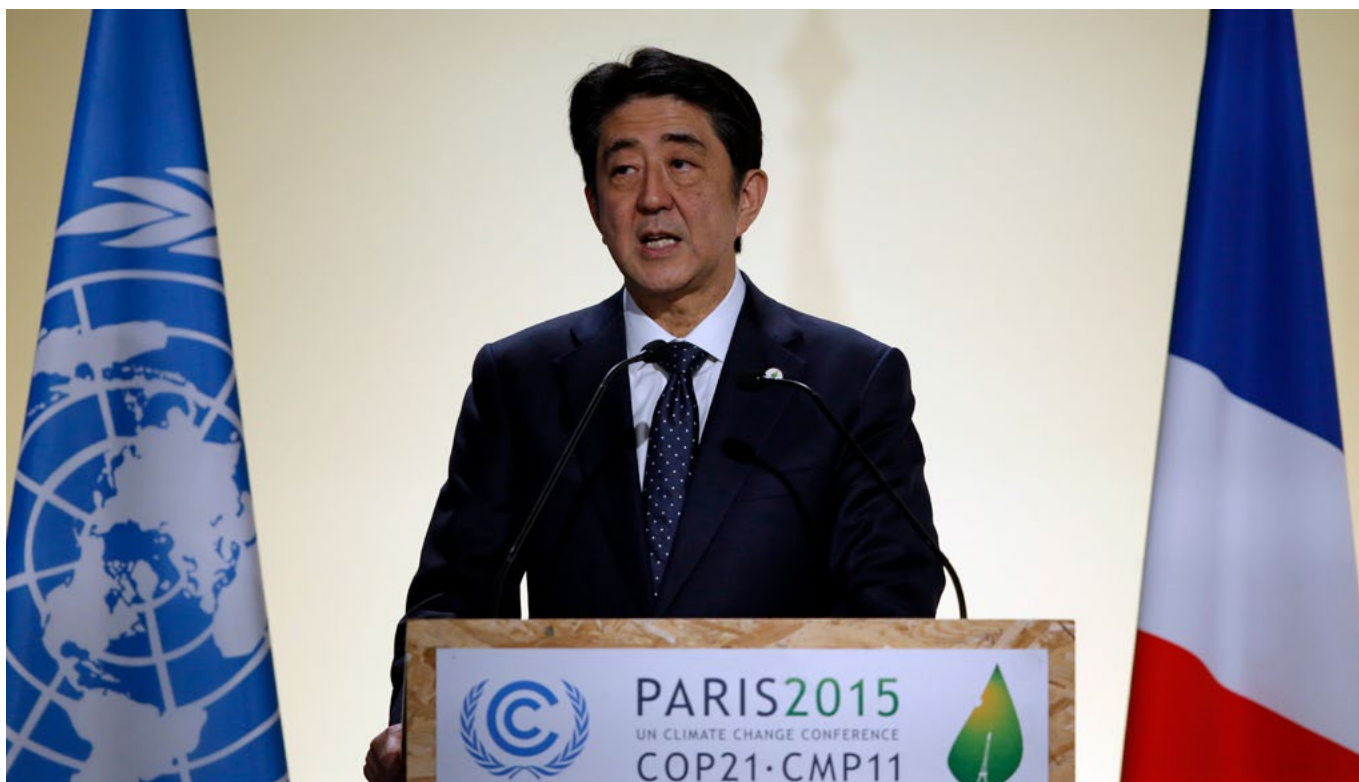
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To understand climate financing, look at climate politics

The latest OECD data on climate financing from bilateral donors ends with the 2018 calendar year. While providing important insights, combining this data with policies and politics shows the trends in climate financing from leading donors.

BY LISA CORNISH



Former Japanese Prime Minister Shinzo Abe delivers a speech during the opening session of COP21 at Le Bourget, near Paris, France. Photo by: Christian Hartmann / Reuters

CANBERRA — The latest climate finance data from the [Organisation for Economic Co-operation and Development](#) — insights on climate financing from bilateral donors using official development assistance, or ODA — [ends with the 2018 calendar year](#). Collating, cleaning, and confirming the data creates a lag in results, and a challenge in understanding whether donors are doing their part in responding to climate change.

Financially, Japan leads the way in climate funding, contributing [\\$9.6 billion](#) — and 53% of its bilateral

development assistance — to programs targeting climate adaptation and mitigation in 2018. However, 94% of this funding was directed at programs where climate was a significant goal of the program and not a “principal” goal. This means the programs could have gone ahead even without a climate objective.

But the OECD data is just part of the story. While developing [country profiles on climate funding](#) for the Donor Tracker website, Raimund Zühr from [SEEK Development](#) told Devex that politics plays an important role.













“To understand climate financing, we need to understand the climate politics,” he said. “OECD data is slow to be updated. But by combining the policies being introduced, we can better predict the directions donors are moving with their funding.”

Japan may be the headline country based on the value of its contribution, but the [Donor Tracker profile for Japan](#) shows that there may be other political motives behind its spending. The country's investment in climate programming is predominantly targeting large infrastructure programs, funded using debt instruments. This focus is due to a policy of better utilizing Japan's technological capacity in foreign aid programs.

Donor Tracker focused on 12 leading donors for its climate profiles: Australia, Canada, the European Union, France, Germany, Italy, the Netherlands, Spain, Sweden, the U.K., and the U.S., along with Japan. While the values of climate contributions from European countries differ, the priorities are similar, with agriculture a leading sector in climate programming.

For countries that have seen major shifts in aid programming or national leadership, the profiles paint a picture of development assistance heading down widely differing paths.

12 leading donors with climate profiles

 Australia	 The Netherlands
 Canada	 Spain
 European Union	 Sweden
 France	 U.K.
 Germany	 U.S.
 Italy	 Japan



Profiling political shifts

CANADA

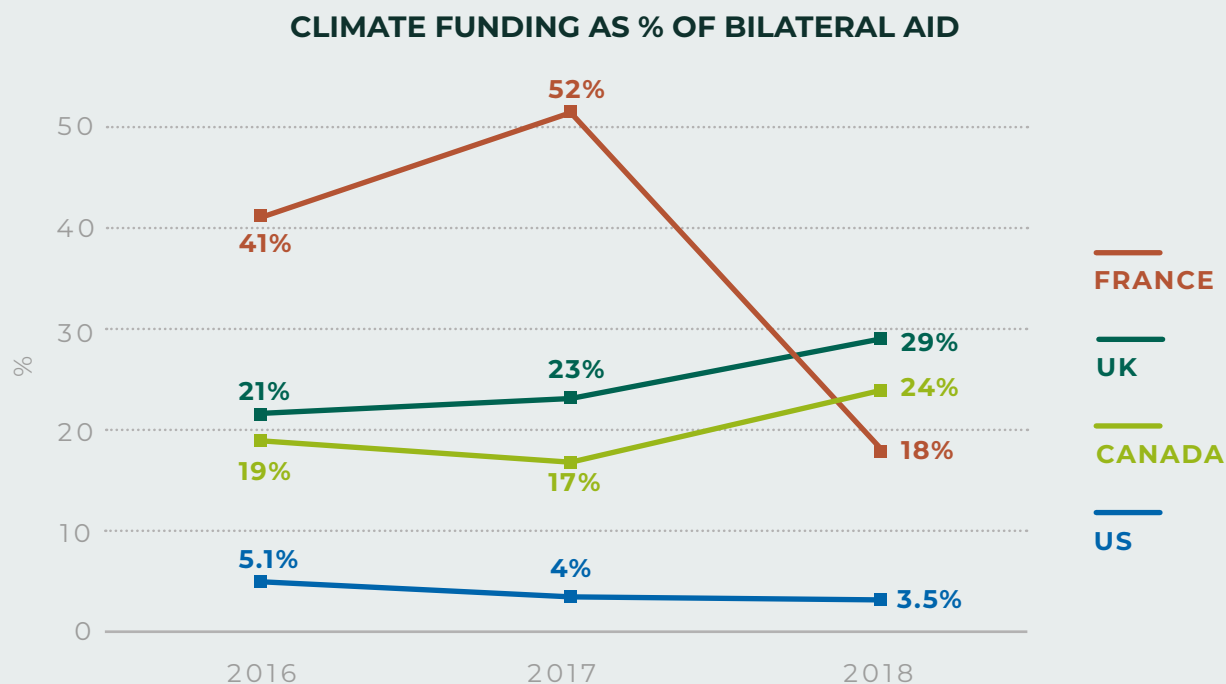
Changing national leadership and political objectives have led to new approaches to aid programs and the targeting of climate within them. The announcement of a [feminist focus](#) for Canada's international assistance program in 2017 has led the country on an upward trajectory in bilateral climate focus. This new policy included environment and climate as key areas of action due to their perceived impact on women and girls.

“Women and girls are often the primary producers of food and providers of water, heating and cooking fuel for their households,” the policy reads. “When these resources become more unpredictable and scarce due to, for example, extreme weather, women and girls have to spend more time and effort attending to basic needs, such as growing food and collecting water and fuel.”

After the [2017 OECD data showed](#) Canada's contribution to climate adaptation and mitigation programs dropped 42% from the \$670 million contribution in 2016, 2018 has seen the numbers increase again to \$631 million — still below the 2016 level.

What have changed substantially are the climate goals of programs. Of the programs supporting climate adaptation and mitigation in 2018, 73% had these as their principal goal, compared with just 29% in 2016. And almost a quarter of bilateral aid spending targeted climate in 2018, compared with 19% in 2016.

With Canada's feminist aid approach, the 2018 OECD data shows that direct targeting of climate change has become a greater focus, and this is further reflected in energy and agriculture being the leading sectoral focus of the country's climate programming.



FRANCE

In France, the leadership of President Emmanuel Macron has resulted in a declining contribution from its bilateral aid spending to support climate programs, according to the OECD data listed in its Donor Tracker profile — despite policies supporting increased climate action.

“French President Emmanuel Macron has bolstered the country’s commitment to tackling climate change by making it a flagship issue of his presidency,” the Donor Tracker report for France reads.

The [Agence Française de Développement](#) has committed to disburse 50% of its financing to climate-related programming. Nationally, climate-friendly policies include a commitment announced in June for a [€15 billion \(\\$17.6 billion\) investment](#) in a range of measures to combat the climate crisis, such as for transport, housing, work and production, food, and consumption of natural resources.

The 2018 OECD data shows disappointing results in the bilateral contribution of France to climate action. While 2018 saw \$1.2 billion directed at climate mitigation and adaptation activities, this was 18% of its bilateral aid spending, down from 52% in 2017.

Programs with climate as a significant goal in their objective made up 98% of this \$1.2 billion — an inverted figure from the previous year, when 98% of programs had climate as a principal goal.

National policies on climate change may not be responsible for this shift, but looking elsewhere at changes under Macron can reveal the reasons behind it. The [2018–2022 strategic plan](#) for AFD, introduced under Macron, included a quadrupling of grant assistance to support priority countries in Africa.

This meant that large-scale infrastructure using debt instruments, which contributed to the bulk of climate-related programs in 2016 and 2017, dropped substantially in 2018 as the French aid programs transitioned to this new approach. How this changes in 2019 will show whether the climate targets are a priority within bilateral aid spending.

UNITED STATES

Since the beginning of the Trump administration in the U.S., there has been a downward trend in bilateral aid supporting this space, [according to Donor Tracker](#). In June 2017, Trump announced a withdrawal of the U.S. from the Paris Agreement, which led to a [further decline](#) in climate-related action at the federal level.

Within the OECD data, these changing politics have resulted in an aid program with a progressively smaller climate focus; in 2018, just 3.5% of the U.S. ODA was directed at climate programming, down from 5.1% in 2016. Climate as a significant goal now accounts for almost one-third of climate spending, compared with 6.5% in 2016, and principal climate programming has decreased.

UNITED KINGDOM

While the combination of national policies and OECD data provides a more insightful profile of how donors are targeting climate, the delay in the publication of data still creates a challenge.

The U.K. [Donor Tracker profile](#) shows bilateral assistance for climate change on the rise. In 2018, the U.K. directed \$2 billion to climate programming. This was 29% of ODA, with 77% targeting climate adaptation and mitigation as a principal goal of programs.

In June 2019, the U.K. government [pledged to align](#) all of its ODA spending with the Paris Agreement. But since then, leadership has changed — and the aid program along with it. Prime Minister Boris Johnson's approach to climate change is [seen as confused by many observers](#), creating questions around what direction his leadership will take.

“Women and girls are often the primary producers of food and providers of water, heating and cooking fuel for their households. When these resources become more unpredictable and scarce due to, for example, extreme weather, women and girls have to spend more time and effort attending to basic needs, such as growing food and collecting water and fuel.”

CANADA'S FEMINIST INTERNATIONAL ASSISTANCE POLICY

But regardless of Johnson's personal views, the merger of the [Department for International Development](#) with the [Foreign & Commonwealth Office](#) to form the [Foreign, Commonwealth and Development Office](#), and [aid budget cuts](#) will create a big shift in U.K. development finance — and in climate financing along with it.

These changes will take years to be reflected in the data.

Climate funding: What you need to know about the data

Loosely defined and untimely data makes climate finance hard to assess. We break down the data.

BY LISA CORNISH

CANBERRA — In 2009, high-income countries committed to mobilizing [\\$100 billion per year](#) in climate finance by 2020, with the goal of supporting low- and middle-income countries in combating the challenges of climate change. In assessing the data behind the commitment, loosely defined terminology and timelines are the greatest barriers to determining if this achievement has been made or will be made this year.

Primary sources of data are the [biennial reports](#) to the [United Nations Framework Convention on Climate Change](#) by countries supporting this commitment. But ODA as reported to [OECD](#), is also an important way to monitor progress, with the two datasets sometimes providing inconsistent results.

Raimund Zühr and Sinead Dwyer from [SEEK Development](#) have been delving into OECD data since 2015 to create [country profiles on climate funding](#) through the Donor Tracker website. They told Devex the data raises more questions than answers.

“The data that exists on climate finance is messy and difficult to understand,” Zühr said. “But the data we have — which is not perfect — already shows that the donor community is not doing enough.”

Donor rhetoric on climate action has not led to an increase in climate-related programs, Dwyer said, adding that the share of ODA has been “pretty constant at around 20%.”



Photo by: Aurélie Marrier d'Unienville / IFRC / CC BY-NC-ND

“So four-fifths of the money going into development assistance isn’t even significantly related to climate change,” she said.

After investigating the data, Zühr and Dwyer shared with Devex important lessons they have learned about climate financing to improve understanding of the challenges and limitations.

Climate financing is loosely defined — and some countries are taking advantage of it

Climate is a crosscutting area of development assistance, making it difficult to assign a definitive “climate” value in ODA data. But this is further challenged by loose definitions that can make comparing data between countries problematic.

OECD uses a [methodology](#) implemented by [Development Assistance Committee](#) members and other bilateral and multilateral donors to assign programs a rating of “principal,” “significant,” or “o” — the lowest score — in its targeting of climate objectives.

A project is marked “principal” when climate change mitigation or adaptation is explicit in the design and purpose of the activity. It is rated “significant” when climate change mitigation or adaptation is explicitly indicated in its purpose but is not the main driver of the project. In addition, some projects are not assessed for climate change drivers, although this has been reduced in the most recent data.

“One of the big issues when working at the project level is if you are doing a massive project that is principally climate-related, you can tag all that money as being climate-related — which would be a generous way of looking at it,” Dwyer said. “The climate marker

used is subjective, and there is going to be variation across countries and how they perceive it.”

While OECD does perform quality assurance on the data, Dwyer said there were inconsistencies with UNFCCC-reported data, creating a challenge for analysts outside the donor system in understanding and interpreting the differences.

“One of the things I find difficult getting my head around is how these numbers don’t match up to what is reported by countries on their climate financing,” she said. “Countries use OECD DAC data, but they cut it in a different way so they can report all the principal funding and some of the significant funding. But this does tell us the OECD numbers are overstating how much money is actually flowing into climate finance.”

Climate finance is also meant to be new and additional money, according to the 2009 pledge, to ensure donors are not redistributing funds from other areas of development assistance. But even this definition, Dwyer said, has seen different interpretations to suit donor purposes.

“Australia, for example, reports their funding as ‘new and additional’ because it is part of new budget appropriations for a new year, which is a creative definition of ‘new,’” she added.

“The OECD numbers are overstating how much money is actually flowing into climate finance.”

SINEAD DWYER, SEEK DEVELOPMENT

Despite these challenges, OECD projections indicate donors are on track to meet the 2020 targets — a notion that Zühr and Dwyer cannot confirm.

“There is no conclusive evidence that we have got there, but as the agreement was made in a fuzzy enough way, it is also hard to say we haven’t,” Dwyer said.

Data is not timely

The most recent data available from OECD on climate finance — covering both [donor contributions](#) and [private financing](#) — ends with 2018. But as this data covers disbursed funds, what it may be showing are programs and decisions that were being made in 2016 or earlier. This means that data supporting transparent reporting on climate initiatives announced today may be four years away, making it hard to judge the actions of donors critically.

“To be fair to the donors, it is important to consider a balanced angle,” Zühr said. “The latest data is 2018, and we will see changes of new announcements going forward.” He cites the example of Germany as a country making large policy announcements recently that may not be seen for years. Because of this, Zühr suggested that it is important to assess data as well as policies.

But the question remains whether donor countries have left it too late to support climate targets.

“The reality is that climate finance numbers are not anywhere where they need to be in 2018, by which time we should be seeing a change in donor budgets,” Zühr said, with Dwyer adding that there is no evidence that climate action has been streamlined as expected.

“In the U.K., for example, they say they are trying to align all of their climate finance,” she said. “But still, the actual number going towards climate finance is tiny: Only 30% of their ODA is positively favoring climate. And this is from a country performing better than others.”

Climate finance can be countered by funding fossil fuel projects

What the climate finance data also misses is the negative impact of funding fossil fuel projects, which Zühr said is an important consideration for overall progress. In June, OECD reported that 2019 data showed a 38% increase in funding of fossil fuel projects across 44 advanced and emerging economies, following a decline since 2013 — countering much of the funding and action supporting climate change adaptation and mitigation.

“It is important to know not just the climate figure for a country, but what they are doing in other sectors that might be detrimental to climate objectives,” Zühr said. “That requires an in-depth analysis of the entire ODA portfolio that is not easy to answer quickly. But it is a necessary detail to consider when we are talking about how countries are responding to and supporting action on climate change.”

Through its climate profiles, Donor Tracker is assisting in bringing the data together. But Zühr said these can only be as transparent as the donors.

TECHNICAL ASSISTANCE

A development practitioners guide

As climate finance flows become ever greater and more complex, Devex looks at the role of technical assistance in helping countries to access it.

BY WILLIAM WORLEY



A solar plant in eastern Rwanda. Photo by: NDC Partnership

LONDON — With growing pressure on donors to tackle the looming climate crisis, climate finance flows are set to increase — and with them, the need for technical assistance to help lower-income countries access and use those resources effectively.

Climate finance — a broad, complex, and fast-changing ecosystem — involves paying for the internationally agreed changes needed to mitigate and adapt to climate change and is funded by a range of donors. As the sector grows, the breadth and intricacy of the multibillion-dollar financial flows mean that technical assistance is paramount.



OECD estimates climate finance from rich countries to LMICs went up some **\$13 billion** from 2016 to 2017.

But what exactly does this look like, and what do development professionals need to know about it? Devex spoke with experts to find out.

What is technical assistance for climate finance, and why is it important?

There is some disagreement over what counts as technical assistance but broadly speaking it involves external help in overcoming the barriers to accessing and implementing climate finance that lower-income countries often experience.

It is widely considered important because accessing finance and developing credible projects “requires a high level of technical capacity that many ... countries with developing economies don’t necessarily have,” explained Skylar Bee, a climate finance specialist at the [NDC Partnership](#), an organization that helps low-income countries meet their climate commitments.

“Countries struggle to make the economic case for climate projects, they often don’t have the data ready to be able to clearly articulate the climate rationale and then they lack the technical skills to demonstrate the technical and financial requirements — for example, [the skills] to do a feasibility study that would underpin a well-prepared project proposal,” Bee said.

How much is the sector worth?

Climate finance is not well defined, and as a result, estimates of its value vary too. The [Organisation for Economic Co-operation and Development](#) estimated that climate finance “provided and mobilised by developed countries for climate action in developing countries” was **\$71.2 billion in 2017**, up from \$58.6 billion in 2016.

The [Climate Policy Initiative](#), meanwhile, reported that 2017 climate finance flows were worth a massive \$612 billion, up from \$455 billion in 2016. The report describes itself as “the most comprehensive overview of global climate-related primary investment” and includes financial activity in the higher-income regions of North America, Europe, and East Asia.

When it comes to technical assistance, according to the CPI report about \$2 billion of that \$612 billion was spent on “Policy and national budget support & capacity building” in 2017. However, Angela Falconer, director of CPI’s climate finance division, cautioned that “the real figure will be much higher” since a lot of technical assistance is embedded within sector-specific spending figures.

It is typically funded by bilateral country donors or multilateral climate funds, such as the [Green Climate Fund](#), as well as some NGOs, according to Neha Rai, senior researcher in climate finance at the [International Institute for Environment and Development](#).

How in-demand is it?

“We see a huge number of requests coming in from partner countries for technical assistance for climate finance,” Bee said. The NDC Partnership has received 1,460 finance requests from 64 countries since it became operational in 2017 — “and I would comfortably say that almost every country has given us some kind of technical assistance finance request.”

Technical assistance is required “along a spectrum, depending on where a country is in its development process,” added Olivia Coldrey, who works as the energy finance and clean cooking lead at [Sustainable Energy for All](#), an organization working to support energy transition in lower-income countries.

The need for it is set to increase as the nationally determined contributions, or NDCs — each nation’s commitments on climate change under the Paris Agreement — are expected to become more ambitious at COP26, the [United Nations](#) climate conference, now postponed to 2021.

Coldrey continued: “[For] some countries that are at the beginning stages of revising their NDCs, [technical assistance is] about target setting. Countries that are further along down the path, for example Kenya,

Ethiopia ... that's much more about really fine tuning regulatory settings, for example, improving the [power] grid, getting more big renewable energy projects up."

What types of technical assistance are there, and what are the most in-demand areas?

Because of the lack of clarity around what constitutes technical assistance, some are reluctant to categorize the different types used for climate finance. But in its analysis of GIZ, one of the world's largest technical assistance agencies, CPI identified five basic types it has used to successfully mobilize climate finance. Those are policy advice, support for project development and funding applications, provision of data, program coordination, and institutional capacity building.

NDC Partnership has also broken down the technical assistance it provides into five buckets, some of which overlap.

In the partnership's experience, the most requested type of technical assistance is strategic support to governments developing climate finance road maps, according to Bee. Once climate change-related adaptation or mitigation projects have been identified by a country, a plan for financing them needs to be developed, looking at how much international finance is needed, what funding sources are most appropriate, and what the money will be spent on.

The next most in-demand area for NDC Partnership addresses a "perennial problem" of climate finance: Governments unable to find investors for projects, while international investors cannot find any that appear to be viable investments, according to Bee. Low-income countries often "don't really have the capacity or right technical skill sets to develop projects that are going to look bankable for an investor," Bee said. Technical assistance is used to develop mitigation or adaptation projects — and then get them financed. This is done by assisting

preparation of feasibility assessments, project proposals, and other required documents.

This category feeds closely into another: program financing and resource mobilization. This is less about the development of projects and more about chasing the finances for it and helping countries to understand which of the myriad climate finance mechanisms might be available.

Helping to integrate NDCs into national planning and budgets is another area of technical assistance.

Finally, engaging the private sector is a "huge need" for the countries NDC Partnership works with because public money is insufficient to meet the world's climate goals, Bee said. Countries want to know how to create an attractive environment for private sector climate investments — for instance, through improving regulations — and how to access private capital markets.

5 ways GIZ mobilizes climate finance

- Policy advice
- Support for project development and funding applications
- Provision of data
- Program coordination
- Institutional capacity building

What are the challenges of getting climate finance to where it is needed?

While technical assistance is generally provided to governments, it is also sometimes available to other actors, such as private sector bodies and NGOs. However, there have been concerns over the lack of climate finance reaching communities, and inadequate technical assistance for regional and local actors may play a role.

“The problem with climate finance is at the moment it gets stuck at ... the national level, it doesn't penetrate on the ground at the local level and it can be quite challenging to make sure climate finance [gets] to those on the front line of climate impacts,” Rai said.

“One of the primary reasons is the perception that systems are not developed at the local level, however if mechanisms are nurtured over time at the local level this can actually allow ... benefits on the ground,” she added.

These are all issues felt in Bangladesh, a low-income country particularly vulnerable to climate change. “Local NGOs ... they don't have the capacity to write a project proposal, they don't have enough capacity to be present at the different negotiation platforms,” said Marjan Nur, research coordinator at the Centre for Climate Change and Environmental Research at BRAC University in Dhaka.

Project management costs are another key challenge, according to Nur. His colleagues are developing two Green Climate Fund proposals for which there is a “huge cost involvement, we need a lot of [hired] consultants, we need a lot of documents ... which are not possible for a local NGO to prepare.”

Some elements of successful climate finance technical assistance:

- long-term engagement
- solid in-country presence
- working with existing institutions
- joint efforts with financial assistance initiatives

Developing the proposals — for a coastal forestry resilience project and cleaner machinery for the Bangladeshi garment industry — would not have been possible without a separate grant from GCF. “Our organization doesn't have that much resources [otherwise] to prepare this type of document,” Nur said.

The complexity of accessing GCF funds has led Nur to observe “reluctance” in governments trying to access the finance, particularly as officials tend to move around.

What makes a successful climate finance technical assistance program?

In CPI's analysis of GIZ programs, it identified several factors that appeared to be critical in ensuring that technical assistance successfully mobilized climate finance. Those included a long-term engagement and solid in-country presence, working with existing institutions, extensive outreach, and joint efforts with financial assistance initiatives.

Others said that empowering decision-makers close to communities is one way of bringing money closer to those who need it. Rai cited an approach to technical assistance known as the devolved climate finance mechanism, used by the U.K. government and other donors to connect county- and ward-level administrations, giving local communities increased influence on spending decisions.

“Counties and ward level committees [were able] to access finance and make decisions on whether they should be investing in [gender-safe] water points or livestock-based range management ... The community themselves was making these decisions ... which was not happening in the past,” Rai said.

This also highlights the importance of sustained, long-term technical assistance, cited by Coldrey as a key aspect of successful programs. “Where institutions have helped, they've been in the country for a while,” she said.

Being “close to the customer” is also key to productive capacity building.

“The best outcomes I've observed ... are when the technical advice is provided by people who are really close to the market and understand the customer's needs,” Coldrey said.

SPOTLIGHT ON



Global Environment Facility

International partnership of

184

member countries plus international institutions,
civil society organizations, and private sector



on the eve of the Rio
Earth Summit

GEF has provided over



\$14 billion

in grants

and mobilized in excess of \$70 billion in
additional financing for more than

4,000

projects

18

GEF agencies,
including:



THE WORLD BANK



ASIAN DEVELOPMENT BANK

CONSERVATION
INTERNATIONAL



CEO and chairperson:
**Carlos Manuel
Rodríguez**

Q&A

GEF chief wants world to invest 1% of GDP in nature

Carlos Manuel Rodríguez served three terms as Costa Rica's minister of environment and energy. Now he wants to use the Global Environment Facility's investments to drive transformational policy change.

BY MICHAEL IGOE



Carlos Manuel Rodríguez, GEF CEO and chairperson. Photo by: Benedikt von Loebell / World Economic Forum / CC BY-NC-SA

BURLINGTON, Vt. — The [Global Environment Facility](#) was born out of the 1992 Rio Earth Summit and tasked with mobilizing financial resources to help countries achieve their environmental conservation goals.

Almost 30 years later, faced with dire climate change projections and a combined health and economic crisis that will force a long and complex recovery, it is time to revisit that original partnership and find new ways to unlock transformational change, according to Carlos Manuel Rodríguez, who took over as the institution's CEO and chairperson in September.

"Nature provides us with roughly 40% of the global GDP [gross domestic product], and we are investing about .006% of global GDP in nature conservation," Rodríguez, who served three terms as Costa Rica's minister of environment and energy, told Devex.

"We need to set targets, financial targets on resource mobilization for sustainability for 2030, and I tend to believe that we should be mobilizing 1% of global GDP," he said.

This conversation has been edited for length and clarity.

"Nature provides us with roughly 40% of the global GDP [gross domestic product], and we are investing about .006% of global GDP in nature conservation."

CARLOS MANUEL RODRÍGUEZ, CEO AND CHAIRPERSON, GEF

Why did you decide to move from a national government, which was able to achieve some impressive environmental conservation milestones, to a multilateral institution, which must balance the interests of its constituents and make the investment case to donors at a time when multilateralism is under pressure?

The work that I did as minister in Costa Rica requires a high investment on the multilateral scene, not just because we wanted to have a bold, high ambition behind negotiations, but also pushing the envelope forward in terms of international mobilization of resources, as well as generating consensus on the broad environmental agreements that we are negotiating or implementing.

So the international scene is not new to me. I've been working on it for many years, and I think I've got a good balance in terms of the international agenda and how that can be implemented at the national level.

I see that we are at a crossroad, globally speaking. This is a moment to take all the serious decisions on how development — particularly investment for development — should be seen and how do we make the best of coming out of this pandemic into a global conversation that recognizes how fragile and vulnerable our societies are in lieu of what is coming behind COVID, which are very serious situations.

What's your assessment of the change that needs to happen in order to achieve that kind of scale of problem-solving that you're talking about?

I think that there will be a big conversation about how efficient multilateralism is, in terms of how we have organized the U.N. agencies and the U.N. system, how we mobilize resources, and how we set negotiations. This is the opportunity to bring other important political stakeholders or social stakeholders into these processes. As of today, basically all the big decisions are being taken by governments, and I think that should be reviewed in a way that we can fully incorporate many other stakeholders that are key in the success of what we should be aiming for.

[It is not that] we haven't been successful at all. The [1992 Rio Convention international environmental agreement] has worked well, and we need to review them. They were agreed 30 years ago, and the world has changed in the last 30 years. We haven't made progress at the scale that we need. ... So we need to have a global conversation on how we redefine the U.N. agencies and their roles and how we redefine the multilateral environmental agreements.

We've been working in silos, and we need to have a conversation about how we begin to break down those silos. What are the silos? Poverty alleviation, human development on one side and then human rights on the other side, and then many other sectors working in silos without a common baseline of understanding that we need to have a holistic approach.

What we are seeing today is the lack of a comprehensive approach in terms of our development model. And even though we've been talking a lot for many years, and particularly on what we agreed in terms of the Sustainable Development Goals, we still need the proper global institutional framework, and that should be reflected at the country level. So to continue working in silos is not an option. ... We need to have a very deep, very objective, apolitical discussion on that. It's very, very complex because of how polarized societies are today.

Are there particular stakeholders that you think have been left out of the agenda that need to be elevated?

There's a bunch of groups that are there, watching the politicians and the governments play in the field, and they're sitting in the bleachers waiting for a space for them to contribute. I think that the private sector, the NGOs, Indigenous communities, the youth, the women's organizations are just a few stakeholders that can really contribute to upscale the transformations.

One of the main issues for that to happen is having democracies in the world. If you assess good governance, half of the countries on this planet are doing very badly in terms of respecting the rule of law, in terms of democracy, in terms of respecting

human rights. And that issue, which is huge, cannot be set aside if we want to succeed in our multilateral environmental agreements.

So that is what can give us the scale that we need, and we need to be able to generate consensus on a way forward. And this is extremely, extremely complicated. This goes beyond any capacity of the GEF, or the environmental movement, or the environmental international agencies. But this is what is limiting us to really go from the scale that we are today to the scale that we need to be.

So your impression is that in order to move from a place of deep polarization and political conflict around environmental and climate change issues, those good governance building blocks need to be addressed?

Yes, definitely. That is what we need in order to succeed in our aspiration of human development, in our aspiration on a new economic model that recognizes planetary boundaries and recognizes the unsustainable system of production and consumption.

We have today this pandemic, which is generating so many human and social impacts, that the way forward needs to be based on an understanding that the political and economic system is not providing us with good solutions. My concern is that in many governments, governments are being tempted to come out of this human and economic crisis with very short-term solutions, some of them violating human rights, some of them going back to business as usual in terms of management and exploitation of natural resources, and that will be a dead-end road.

What does that mean for an institution like GEF, faced with having to take action now to implement projects while still recognizing that what might be required are deeper structural changes?

There's one big opportunity in front of us, which is based on the fact that we all recognize that as a civilization we're very fragile and vulnerable to global issues — in this case, the pandemic. But eventually,

“What we are seeing today is the lack of a comprehensive approach in terms of our development model.”

**CARLOS MANUEL RODRÍGUEZ, CEO
AND CHAIRPERSON, GEF**

social issues will have a similar impact: The economic recession will generate a lot of social unrest, and then if we see the incoming impacts of climate change and biodiversity collapse, those are huge things that are just around the corner.

We need to review our own partnership in terms of mobilizing resources like never before ... resources from all sources. Most of the resources that are being invested in nature conservation globally are public expenditures. That is probably 80% of what is being invested annually in nature conservation — climate change, biodiversity, the chemical conventions, and others.

If you see how many institutions there are globally with a responsibility to implement the international environmental agreements and be able to work in a cost-effective manner, the GEF is very well situated. Nevertheless, the GEF mobilizes a small fraction of the resources that are being mobilized annually in nature conservation or sustainability.

I believe that the GEF is in a very interesting position to be able to create consensus on how we can be more efficient, more focused on those mechanisms that have proven to be effective in implementing the multilateral environmental agreements, and this is a wonderful opportunity for the partnership to really assess what we have done and see for the future what we need to do.

If we continue funding the GEF the way we have done it in these 25-plus years, we will never become a global agent of change. And we are positioned potentially as a global agent of change.

The 1992 Rio Convention refers to three conventions:



CBD: The Convention on Biological Diversity



UNFCCC: The United Nations Framework Convention on Climate Change



UNCCD: The United Nations Convention to Combat Desertification

When you talk about reviewing the GEF partnership, is there something specific that you have in mind?

I've been talking with ministers of environment from the [global] north and the [global] south to have an impression of what they see and they expect, and ... they want to see a big change. They are concerned that ministers of environment, even though they are the principal responsible for implementing the environmental agreements, are still politically very weak.

I think that GEF can really create a strong narrative around being the organization that can, on a cost-benefit relationship, really mobilize resources to generate a transformational change in many of these countries.

What will be your pitch to the GEF's donors, but also to implementing countries to prioritize these issues on their agendas? Do you think it will be possible to maintain a financial commitment to climate and environmental issues at a time when national budgets are already stretched to their limit because of COVID?

The level of finance that the GEF is receiving is not enough to be able to become an active investor in the transformation that we need. But we don't need huge amounts of money or to double and triple the

replenishment process. At the same time that we can make the case for increased funding, we need to really explain how that new funding can be able to be invested in a transformational way.

I've been working closely with the GEF for many, many years, and one of the issues that I believe the GEF can do better is in making their investment more policy-relevant. The big challenge is not narrowing the financial gap at the country level; the big challenge is phasing out those negative investments and perverse incentives that are already at the country level.

It can be subsidies to sectors. It can be direct investment in activities that contributes to climate change or generates deforestation. So working strategically on those two areas [is], I believe, key to make an impact that eventually will amplify, consolidate, and upscale what the GEF is doing with the different countries.

Do you anticipate that you'll seek to make any major structural or capability changes at the GEF in order to pursue those goals more directly?

You don't need to do major transformation in terms of the programs at the GEF to do this, because the framework is already there. It's just being more focused on some of these issues that I've just been mentioning, because this is what we did in Costa Rica.

GEF invested in Costa Rica for many years, and we here in Costa Rica brought out the lessons out of those investments, and with that we were able to transform our legal framework, develop more laws, change our institutions, phase out perverse incentives, create positive incentives — and then after 10 or 15 years, we were able to achieve our main conservation goals.

Exploring GEF's climate funding footprint

As the Global Environment Facility plans to mobilize more climate funding, Devex looks at data spanning nearly 30 years to garner insight into investment levels, focus areas, and locations — helping to put new funding allocation into context.

BY RAQUEL ALCEGA

Government and civil society members being trained in data collection and management for the future monitoring of mangrove forests, as part of a UNDP-GEF supported project. Photo: Alex Ray / UNDP / CC BY-NC



In June, just a few months into the pandemic, the [Global Environment Facility](#) agreed to allocate [\\$700 million](#) for projects and programs to help low- and middle-income countries continue advancing urgent environmental priorities through, and beyond, the COVID-19 crisis.

Meeting online in June, GEF's governing body agreed that the new and expanded programming under the replenishment cycle would include oceans, land use, wildlife trafficking, climate change adaptation, and helping vulnerable countries and communities to build climate resilience. The facility — an international partnership of 184 member countries plus international institutions, civil society organizations, and the private sector — also outlined plans to [mobilize \\$3 billion](#) in co-financing from other sources that would directly benefit 12 million local people.

“If we continue funding the GEF the way we have done it in these 25 plus years, we will never become a global agent of change.”

CARLOS MANUEL RODRÍGUEZ, CEO AND CHAIRPERSON, GEF

Since 1992, GEF has been addressing global environmental issues, providing [funding to assist](#) LMICs in meeting international environmental objectives, and serving as a financial mechanism for environment conventions and partners with 18 institutions that act as GEF agencies — including [United Nations](#) agencies, multilateral banks such as the [World Bank](#) or the [Asian Development Bank](#), and other organizations including the [World Wide Fund for Nature](#) or [Conservation International](#), among others.

Now, in the midst of the coronavirus pandemic and economic crisis, potential changes are on the horizon. New CEO and chairperson, Carlos Manuel Rodríguez — who took over from former CEO Naoko Ishii at the beginning of August — told Devex that with the impacts of climate change and biodiversity collapse just around the corner, GEF needs to review its partnership in terms of mobilizing resources, from all sources, like never before.

“If we continue funding the GEF the way we have done it in these 25 plus years, we will never become a global agent of change,” Rodríguez said. He added that GEF is potentially positioned to “create consensus on how to be more efficient and focused on the mechanisms that have proven to be effective in implementing multilateral environmental agreements.”

Devex Analytics explored GEF [project data](#) from 1991 to 2020 in order to provide insight into its investment levels, focus areas, and locations — with the aim of putting this new funding allocation into context.



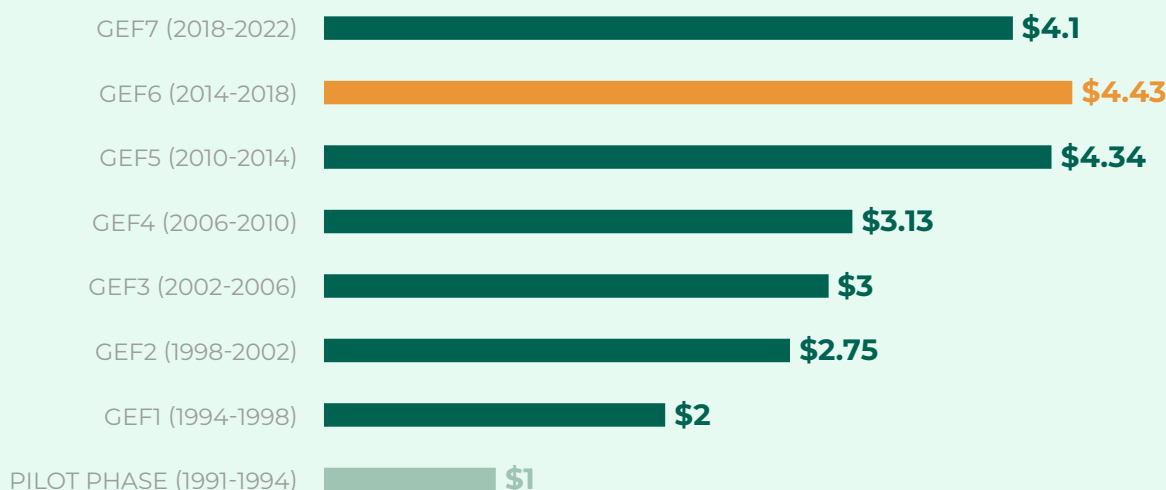
How much is GEF mobilizing?

According to Rodríguez, GEF mobilizes just a small fraction of the global resources allocated to nature conservation or sustainability each year.

Since it began operations, including its pilot phase, GEF has invested more than \$20.5 billion in grants and other support and mobilized an additional \$112 billion in co-financing through more than [4,800 projects](#) to protect the environment in LMICs. “Mobilized funds” refers to the funding provided by co-financiers — usually other international finance institutions like development banks or the recipient government — to GEF projects.

Structured by four-year investment cycles, also called replenishments, GEF has gone through seven since its inception. The last one, GEF-7, was in 2018 and donor countries pledged [\\$4.1 billion](#) in contributions. So far, in this current investment cycle that lasts till 2022, it has allocated [61%](#) of its seventh replenishment resources, including the June 2020 work program.

GEF REPLENISHMENT CYCLES (IN BILLIONS OF USD)





Climate change is the top focal area

GEF programming is organized by focal areas or sectors as it provides active support across multiple dimensions of environmental action. These have changed over time in alignment with the international agreements for which GEF acts as a financial mechanism.

For example, while ozone layer depletion was a focal area until 2012, it is now included as a topic in the chemicals and waste focal area. According to the available project data on the GEF website, the three focal areas that have existed since the beginning are: biodiversity, climate change, and international waters. Out of all projects, approximately 21% had more than one focal area, therefore we cannot allocate the full amount of the project to a given focal area, as it might only make up a fraction of it.

According to GEF, climate change accounts for 31.6% of the cumulative funding approvals since the GEF inception phase to end of April 2020, including the June 2020 work program. If we zoom in on the current investment cycle, GEF-7, climate change resources under approved projects stands at 28%.

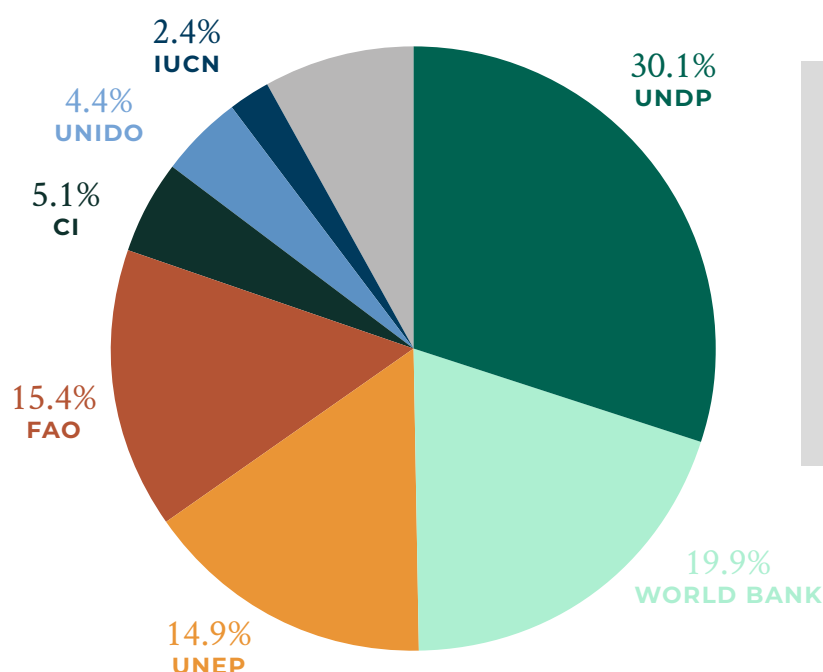


Who manages GEF projects?

While only countries are eligible to apply for GEF funding, one of the established 18 GEF agencies will be the one leading the development of the project supporting the government and the organizations executing it.

The top agency by number and value managed projects and program financing is the [U.N. Development Programme](#) with 30.1% in GEF-7. The World Bank follows with 19.9% and the [Food and Agriculture Organization](#) with 15.4%. The [U.N. Environment Programme](#) is also a traditional top GEF agency, managing 14.9% of the GEF-7 investment portfolio. It usually handles projects of less value than the World Bank in comparative terms.

In the top-10 ranking, we can also find U.N. agencies such as the [U.N. Industrial Development Organization](#), NGOs like Conservation International, and major regional development banks such as the [African Development Bank](#), ADB, [Inter-American Development Bank](#), and the [European Bank for Reconstruction and Development](#).



Agencies managing the most GEF funding

UNDP with 30.1% in GEF-7. The World Bank follows with 19.9% and the Food and Agriculture Organization with 15.4%



Where did GEF-mobilized resources go?

According to the GEF project data, 20% of GEF's total projects to date have a regional or global scope. The geographical distribution of GEF-supported projects depends on country demand and reflects GEF's [resource allocation framework](#) which has evolved over time.

GEF's resource allocation framework currently takes into account several factors including the global benefits index, GEF portfolio performance and institutional assessment, and gross domestic product. From GEF's inception through GEF-6, China accounted for 153 national projects — as opposed to multicountry projects — followed by India with 75 projects, then Mexico, Brazil, and Vietnam. Altogether, China represents 3% of the number of projects approved since GEF's inception. Over time, the share of projects in China in terms of financing volume has decreased, from 13% in GEF-1 to 5% of the portfolio in GEF-6.

In GEF-7 as of August 2020, China has seven projects approved; Mexico has six projects, Ecuador, India, Indonesia, the Philippines, and Thailand each have five projects; and Rwanda and Sudan have four projects.



Who owns funding for climate change?

When thinking of climate change funds, the [Green Climate Fund](#) is likely to come to mind. It was set up by the U.N. Framework Convention on Climate Change in 2010 and it defines itself as the world's largest dedicated fund helping LMICs countries reduce their greenhouse gas emissions and enhance their ability to respond to climate change.

In 10 years, the GCF board has approved \$5.3 billion mobilized for climate change adaptation and mitigation — and when adding co-financing the total goes up to \$18.9 billion. As explored above, about a third, approximately \$6.5 billion, of GEF's investments since inception in the early '90s have been in the climate change focus area and the percentage is similar in the current GEF-7 investment cycle. So who owns funding for climate change?

"If you see how many institutions there are globally with a responsibility to implement the international environmental agreements and be able to work in a cost-effective manner, the GEF is very well situated," Rodríguez said.

According to a GEF spokesperson, the facility is collaborating with other climate funds and programs, including GCF, to address gaps and minimize overlap in and between countries. It has already conducted the first [joint planning and programming of GEF and GCF resources at country level](#). They are also discussing partnership opportunities around major initiatives related to land restoration, electric mobility, the Amazon, and the [Great Green Wall](#), among others.

More coherence, collaboration, and complementarity could be expected, considering the new GEF CEO wants to focus on "efficient multilateralism," review "how to mobilize resources and negotiations are set," and have a "global conversation on how we redefine the U.N. agencies and their roles and how we redefine the multilateral environmental agreements." Both GEF and GCF are [playing roles](#) in the new arena of blended finance by de-risking scalable projects.

Should oil companies receive climate finance?

A World Bank-led initiative to reduce the harmful and polluting practice of gas flaring could also be used to divert public resources toward the fossil fuel industry's long term interests, a civil society group warns.

BY MICHAEL IGOE

BURLINGTON, Vt. — A civil society group is warning that a World Bank-led effort to reduce gas flaring — the highly polluting practice of burning excess gas during oil production — could be used as a lifeline for the struggling fossil fuel industry at a time when transitioning to clean energy should be the highest priority.

While the [World Bank](#) is leading a voluntary partnership to eliminate gas flaring, which could have benefits for both human health and climate mitigation, the civil society group charges that the decision by the bank's private sector arm to partially finance some of these efforts amounts to a subsidy for oil companies. This conflicts with the World Bank Group's broader emphasis on shifting energy prices to better reflect the real costs associated with burning fossil fuels, according to Heike Mainhardt, senior adviser at Urgewald, a German environmental and human rights organization.

"If countries would just properly price the climate change externalities of these industries, that could really make the biggest difference, and yet they turn around and they tell you that you should be using public money to help stop the gas flaring of oil fields," Mainhardt told Devex.

"Not only are they helping the oil industry, they're calling it climate finance for the Paris Agreement," she added.

In 2015, the World Bank and the [United Nations](#) launched the [Zero Routine Flaring by 2030 initiative](#), a voluntary partnership between oil companies, governments, and development institutions, which



A gas flare at Lan Tay gas platform in the South China Sea off the coast of Vung Tau, Vietnam. Photo by: Maxim Shemetov / Reuters

aims to build regulatory, technical, and financial cooperation that can help eliminate this practice.

The bank also leads the [Global Gas Flaring Reduction Partnership](#), which is “a public-private initiative comprising governments, oil companies, and international organizations working to end routine gas flaring at oil production sites around the world as a way to increase energy access, improve efficiency, and mitigate climate change,” according to Anita Rozowska, a World Bank communications officer, who described the partnership in an email to Devex.

Mainhardt does not dispute that gas flaring is a harmful practice that should be ended. She objects to the use of public finances to subsidize investments in facilities that can process gas instead of burning it, because these costs should be absorbed by fossil fuel companies instead, she argues.

While not directly related to the voluntary gas flaring reduction efforts, the [International Finance Corporation](#), the private sector arm of the World Bank Group, is planning to mobilize up to \$400 million to finance an oil company’s plan to reduce gas flaring. IFC plans to invest in the Basrah Gas Company’s construction of a new gas processing plant in the oil-rich region of southern Iraq, which will significantly increase the company’s ability to process raw gas.

The Basrah Gas Company is a joint venture between the state run South Gas Company, which holds a 51% stake, the oil giant Shell, which owns 44%, and Mitsubishi, which owns 5%.

As part of a project estimated to cost \$1 billion over the next five years, IFC has approved a \$400 million “green loan” — which means it adheres to principles

intended to “facilitate and support environmentally sustainable economic activity.”

The loan includes up to \$200 million from the institution’s own account, according to [project documents](#). That will be combined with a loan under IFC’s Managed Co-Lending Portfolio Program and up to \$200 million from commercial banks, with the remainder of the project funded by the company’s operating cash flows.

In addition to qualifying as a green loan, “it has also been classified as Climate-related by IFC in accordance with the IFC Definitions and Metrics for Climate Related Activities and the Joint Multilateral Development Banks’ Methodology for Climate Finance Tracking,” according to IFC’s project documents.

IFC did not respond to questions from Devex in time for publication.

Mainhardt described public finance for gas flaring reduction as “the exact opposite of a carbon tax,” which is a policy the World Bank has advocated to help keep global warming below 2 degrees Celsius, the less ambitious target set by the Paris Agreement on climate change.

“Not only are they helping the oil industry, they’re calling it climate finance for the Paris Agreement.”

HEIKE MAINHARDT, SENIOR ADVISER,
URGEWALD

“Their sales pitch is — the amount of public money you would spend on it saves more greenhouse gas emissions than you could save doing a lot of other things. I get that sales pitch, but that takes away from the fact that you are subsidizing an oil field,” Mainhardt said.

She added that instead of phasing out fossil fuels, this kind of public support is likely to help oil producers that are currently under financial strain, since reducing flaring and processing the recovered gas is actually a profitable venture for companies that are able to make the investment.

“It’s a beautiful bailout, because they can say, ‘look, we’re saving the climate by providing this bailout.’ It’s a clever sales pitch,” she added.

Public financial support could also help oil producers move forward with an industry-wide plan to diversify into petrochemicals, with the recovered gas that otherwise would have been flared serving as a “cheap input” for those plastics, Mainhardt said.

In August, the New York Times [reported](#) on the oil industry’s extensive efforts to lobby African countries to do away with policies that restrict the use of plastics, such as bans on plastic bags.

An estimated 145 billion cubic meters of gas were flared from oil production facilities in 2018, according to the bank. That equates to roughly 750 billion kilowatt hours of power, which is more than is consumed on the entire continent of Africa, according to a 2019 [presentation](#) by Zubin Bamji, the World Bank’s program manager for the Global Gas Flaring Reduction Partnership.

The methane that oil producers are unable to capture and utilize, which is instead burned in smoking orange plumes, is a particularly harmful greenhouse gas, trapping 34 times more heat than carbon dioxide over the course of a century, according to Bamji’s presentation. The pollution from gas flaring has also been shown to worsen asthma and hypertension, and has been linked to elevated incidents of some forms of cancer.

In July, the New York Times [detailed](#) the multifaceted human and environmental toll of routine gas flaring in Basra, Iraq. For years, the country’s profitable oil reserves meant that recovering excess natural gas was not a priority. Now, with energy economics shifting and Iraq’s economy suffering, the flares represent a wasted resource that could stave off power shortages and eliminate the need to import gas from Iran.

The Zero Routine Flaring by 2030 initiative has won the endorsement of most multilateral development banks, as well as some of the world’s largest fossil fuel companies, and some of the world’s largest oil-producing countries.

“Our work is on policy and we are not financing gas infrastructure,” Rozowska wrote, referring to the Global Gas Flaring Reduction Partnership.

“GGFR’s strategy is to provide support to governments as they provide a legal, regulatory, investment, and operating environment that is conducive to upstream investments to stop flaring and to the development of viable markets for utilization of the associated gas and the infrastructure necessary to deliver the gas to these markets,” she added.



Can we build resilience to both pandemics and climate change?

Rather than framing the climate and health crises as separate or competing for scarce resources, experts say there is an opportunity to leverage funding to simultaneously make communities more resilient to both.

BY ANDREW GREEN



BERLIN — It is easy to understand why climate change activists might be looking at the aggressive global response to [COVID-19 with some envy](#).

With some notable exceptions, the pandemic has spurred a rapid, globally coordinated reaction. It has also [unlocked significant money](#) — including grants and support worth \$160 billion from the [World Bank](#) and \$1 billion from [The Global Fund](#) — some of it targeted at shoring up health systems in low- and middle-income countries that have been overwhelmed by the virus and ensuring they are better prepared for the next pandemic.

The World Bank is making its funding, which includes a specific focus on addressing health implications, available over 15 months. And The Global Fund has released an initial allocation of \$500 million aimed at mitigating the impact of the pandemic on countries' HIV, tuberculosis, and malaria programs.

Yet rather than framing the climate and health crises as separate or competing for scarce resources, Leonardo Martinez-Diaz, the global director of [World Resources Institute's](#) Sustainable Finance Center, said there is an opportunity to leverage the money coming from donors and development banks toward investments that simultaneously make communities more resilient to both pandemics and climate change.

“We need to get the health community to think more about climate change and to incorporate climate change and the challenges that come from it into their programs in both rich and poor countries, alike,”

A failed crop in Mabalane district, Mozambique. Photo by: Aurélie Marrier d'Unienville / IFRC / CC BY-NC-ND

Martinez-Diaz said. “On the other side of the equation, we need to get those providing funding for climate change to think more about the health sector.”

While there is more demand and “fewer dollars,” Martinez-Diaz highlighted the “overlapping middle.” “There are investments that help us deal with both of these threats.”



Where to start?

The most obvious investment opportunities in this overlapping middle are ensuring health systems are adapting to the effects of climate change, said Dr. Aaron Bernstein, director of the [Center for Climate, Health, and the Global Environment](#) at [Harvard’s T.H. Chan School of Public Health](#). Without functioning health systems, communities have no hope of stopping the spread of a future pandemic.

“We need to be thinking of innovative ways of buffering the risk [of] climate change,” he said, particularly in poor countries that lack resources to easily rebuild.

Heavy rainfall, heat waves, and droughts caused by climate change are already more prevalent, and the [United Nations](#) Intergovernmental Panel on Climate Change predicts they are [likely to increase](#).

To withstand some of the effects of these events, Bernstein said, hospitals and health centers need to be built or retrofitted with alternative sources of power, in case extreme weather events shut down the grid, and health outposts need to be decentralized so that if one location is damaged or incapacitated, it does not leave an entire community cut off from health care.

According to Bernstein, improving disease surveillance systems will also be key so that the emergence of unusual disease patterns can be identified faster and prevented from growing into pandemics. At the same time, there must be a simultaneous improvement in distributing information that emerges from this surveillance so that people are better aware of how to protect themselves when these incidents occur.

Because warming temperatures are already affecting how diseases are spread, there are some smart information gathering and distribution systems emerging from experts interested in climate change’s impact on disease patterns. These systems might expand to accommodate the interests of experts trying to prevent the next pandemic.

Christopher Perine, environmental management specialist at [Chemonics](#), pointed to Mozambique, where [health officials recognized](#) that rising temperatures could translate into increasing cases of malaria in areas that were previously free of the mosquitoes that transmit the disease.

They proactively pushed for the [creation of a climate and health observatory](#) in 2016, which synthesizes data from weather forecasts to warn communities when to prepare for a possible malaria outbreak. That gives health officials time to take preventive measures

If the health care sector were a country, it would be the **fifth-largest greenhouse gas emitter** on the planet.



Source: Health Care Without Harm

and also raise awareness within communities, so if people develop symptoms, they know to quickly seek treatment.

“This happened because someone in the ministry of health did see the connection between health and climate change,” Perine said.

New investments meant to shore up countries’ ability to withstand future pandemics can also contribute to actually mitigating some of the causes of climate change.

If the health care sector were a country, it would be the fifth-largest greenhouse gas emitter on the planet, according to the international NGO [Health Care Without Harm](#). To help reduce the carbon footprint of the sector, Bernstein said any new investments in health infrastructure as a result of the pandemic could be both climate-friendly — for example the solar-powered clinics the social-justice non-profit [Partners in Health constructed in Rwanda](#) — and also resilient to the effects of climate change.

The United Nations Development Programme is also [spearheading an effort](#) to promote sustainable procurement of health-related items across seven U.N. agencies. Together those agencies account for more than \$5 billion in annual purchases, but there is an opportunity for other global institutions and donors to also invest in more eco-friendly and resilient procurement efforts.



Rethinking the disaster risk architecture

There are also lessons for COVID-19 and other pandemic responses in existing investments to make communities more resilient to climate change, Martinez-Diaz said, like disaster risk architecture — and an opportunity to reconceptualize it to accommodate health-related crises.

“How can we look at resilience as not just climate-specific, but as a broader set of activities that make communities better able to withstand some of these losses resulting from different shocks?” he asked.

Among the specific tools are general national disaster funds and climate-centered [parametric insurance products](#) — risk transfer instruments that deliver fast recovery payouts when disasters strike or offer protection to agencies looking to increase their programs in contexts where climate-related disasters are more likely.

Beginning in 2018, the German and British governments have both put money — €25 million (\$29 million) by the German government and £25 million (\$33 million) by the British — into funds that development actors or financial institutions can tap into to pay for these kinds of products.

The project is still in its early stages, although the British funding was used to purchase an option to buy up to \$5 million of a catastrophe bond to offset the risk of volcanic activity. The bond would issue a quick payout to relief agencies if the height of possible ash plumes exceeds certain parametric measures laid out in the bond. It makes sense to broaden the expectations to cover both climate- and health-related disasters, because “these tools are going to be relevant in both contexts,” said Lauren Sidner, a WRI research associate.

She also highlighted the potential of social safety net programs, particularly cash transfer programs, which can rapidly expand in response to a crisis. The problem, Sidner said, is that these are not rapidly built — relying on significant amounts of data and pre-defined rules about how to scale up and who should be targeted. But there is a growing acknowledgment they might be worth the investment.

“They are seen as a tool that builds resilience to a lot of shocks,” she said. The World Bank, for instance, has called attention to the potential of scalable social protection programs to help people caught in a disaster or pandemic — or both.

“There is so little money being spent to try to connect the dots in a broader way.”

DR. AARON BERNSTEIN, DIRECTOR, CENTER FOR CLIMATE, HEALTH, AND THE GLOBAL ENVIRONMENT AT HARVARD'S T.H. CHAN SCHOOL OF PUBLIC HEALTH.



Connecting the dots

Given the opportunities to make communities simultaneously more resilient to climate change and health, it is particularly galling to experts that it has received so little focus — whether from major organizations and donors or smaller members of the development community.

Even interventions designed to help countries adapt to and mitigate climate change have offered little support to the health sector. The [Green Climate Fund](#) and other dedicated climate funds have consistently underfunded activities in the health sector compared to the support countries have requested, [according to WRI research](#). Martinez-Diaz did caution that it's possible these funding requests are being met by other sources.

“There is so little money being spent to try to connect the dots in a broader way,” Bernstein said, pointing to a legacy of siloed thinking that separates climate scientists from health experts.

But with the global community grappling with demands to respond to both a climate and health crisis, now is an obvious opportunity to start looking for some overlapping opportunities, he said.

THE VIEW FROM THE GROUND

Smallholder farmers need better access to climate finance

With so many smallholder farmers all over the world, how much climate financing is reaching them to promote adaptation and mitigation?

BY TERESA WELSH

WASHINGTON — The agriculture sector is [one of the world's largest](#) contributors to global climate change. But reaching farmers with financing to promote climate-smart and adaptive practices can be difficult as [such a high percentage](#) of those growing the planet's food are smallholders.

A soybean farmer in Malawi. Photo by: Mitchell Maher / International Food Policy Institute / CC BY-NC-ND



While many aspects of climate finance remain difficult to track, financing to smallholder farmers is particularly tricky because there are so many around the world, with such vastly varied access to formal banking, insurance products, government programs, technical assistance, and digital connectivity. They often do not have enough savings to invest in a new product or practice touted as climate-smart, if there is no guarantee it will ensure a sufficient yield.

“We don’t know how much climate finance is actually reaching smallholder farmers. We know it’s not a lot, but we don’t have the numbers,” said Ricci Symons of the [International Fund for Agricultural Development’s](#) environment, climate, gender, and social inclusion division.

“We think more climate finance specifically should be earmarked for smallholders, not just [the] general agriculture sector.”



Macro-level financing

IFAD is currently researching how much global climate financing is making its way directly to farmers to get a better picture of what else is needed. The agency began its own climate finance direct to smallholders in 2012 — upon the realization that mitigation efforts were not going to be enough to stop climate change and adaptation was also necessary — and created a [\\$360 million fund](#) to assist smallholders, financing 42 projects in 41 countries. The grants were added on to existing loans to

governments, which develop country strategies in conjunction with IFAD.

Symons says that each government must support adding climate-related projects to the country strategies that IFAD then helps design and supervise. Projects are ultimately owned — and must be wanted — by the government.

“They didn’t want to pay for adaptation, as they shouldn’t have to,” Symons said.

“You do a lot of research, you check that it’s wanted, etc., but you never know whether this will be as impactful as you want it to be and so you can’t expect a government to borrow money to trial something like this,” Symons said, noting that IFAD was able to have a large influence in making projects climate adaptive by adding grant financing onto existing country projects.

According to Berber Kramer, a research fellow at the [International Food Policy Research Institute](#), if a government is borrowing from a large institution to finance climate projects, they often use government extension services that get funds and new agricultural knowledge to the ground.

Index insurance is a relatively new, innovative approach to insurance provision. It pays out benefits on the basis of a predetermined index, like rainfall level, for loss of assets and investments, primarily working capital, resulting from weather and catastrophic events.

“If, let’s say, a World Bank program is providing a loan to a government to promote investments in climate-smart practices, that doesn’t make it down automatically to the farmer,” Kramer said.

But not all farmers have equal access to extension agents, who are often male, which can leave female farmers excluded, she added.



Reducing risk through insurance

Farmers themselves are often uncomfortable making an investment in a new climate-smart product or practice without additional help, according to Bruce Campbell, director of the [CGIAR Research Program on Climate Change, Agriculture and Food Security](#). One way to mitigate this is through index insurance, products that can provide financial security for individual farmers who are wary of taking on the risk of a new seed variety or planting technique over their traditional practices.

The indexes can be based upon a variety of factors, such as the amount of rainfall or temperature. If these metrics fall above or below a certain threshold, a farmer would automatically receive a payout from the insurance company. This model ensures money stays in the farmer’s pocket when it is needed most — during a volatile growing season. Traditional insurance can take much longer to distribute payouts, meaning that by the time a farmer receives money to compensate for losses, they have already sold off assets to meet their daily needs.

Campbell expects index insurance to be a large area of growth in climate-related financing in the coming years as access to devices like smartphones increases.

“Getting finance to the local level is essential. You’re dealing with millions of small farmers as opposed to thousands of big farmers,” Campbell said, adding that if you can reduce the risk to farmers then they will invest more in technologies.

“Insurance is not only to solve the loss of assets, but it’s actually to make the best opportunity of the good years. Because what tends to happen is farmers are too conservative because of the climate risks or other risks, and therefore they don’t invest,” Campbell said.

He noted that although index insurance over conventional insurance products is growing in popularity, it still has a long way to go to reach more smallholders globally. In Africa, he said, only a fraction of farmers have any insurance at all. The success of index insurance

also depends on the accuracy of local weather data, so payouts can be triggered at the right time.

Success could also depend on whether technological infrastructure is available. Index insurance products, which potentially involve taking photos with a smartphone, may require connectivity to access a digital platform, and depending on the country's network and smartphone proliferation, this could make adoption difficult.



Scaling climate finance to smallholders

Private sector involvement can also help financially link insurance products to climate-resilient outputs. IFPRI is working with seed companies in Kenya and India to see if providing guarantees to farmers who use a new type of climate-adaptive seed will increase uptake and behavior change. It can also help insurance products reach scale because seed companies have tens of thousands of customers.

"Seed companies could be one natural entry point to provide ... the better technology, the better seeds that help farmers adapt to climate change, but also an entry point to be providing these insurance policies," Kramer said. "It could be possible for the seed company to say 'hey, buy my seeds and it comes with an insurance policy. If this seed fails, you'll receive a new bag of seeds.'"

Smallholders also have difficulty accessing traditional credit, often lacking bank accounts or links to the formal financial system. Kramer said that banks can be hesitant to lend to many farmers in one area because if a climate shock hits, the financial institutions are left with a portfolio of loans that have a high risk of default when crops are destroyed and farmers cannot pay back what they borrowed.

Convincing any smallholder to take up — and pay for — climate-smart agriculture practices can be challenging when most of their energy is

"When it comes to funding for climate adaptation, farmers [are] not really thinking of 'what are the impacts for the next five or 10 or 15 years on my farm?' They're thinking more to next year's harvest."

STEFANIE TYE, RESEARCH ANALYST, WORLD RESOURCES INSTITUTE

concentrated on ensuring their next seasonal harvest will earn them enough to feed their family. Stefanie Tye, a climate resilience practice research analyst at the [World Resources Institute](#), works with coffee farmers in Costa Rica to understand how they are addressing climate change and what motivates them.

"When it comes to funding for climate adaptation, farmers [are] not really thinking of 'what are the impacts for the next five or 10 or 15 years on my farm?' They're thinking more to next year's harvest ... but not necessarily considering how they'll have to change farming in these fundamental ways to keep up with climate change over the long term," Tye said. "That's another awareness gap."

Tye has studied how peer-to-peer programs in Costa Rica, which has a culture of conservation and awareness of the importance of the environment, can encourage the adoption of climate adaptive practices by farmers learning from their neighbors. This allows smallholders to be able to see how a particular practice may have protected crops in neighboring fields from adverse climate shocks.

But even if a farmer sees the benefit of replacing crops with climate-resilient varieties, it does not necessarily mean they have access to financing to do so.

"Smallholder farmers are really the backbone to the food system," Tye said. "They're the ones feeling some of the most severe impacts of climate change. Since they're already struggling in the foreseeable future, they'll be struggling even more if they don't get the support that they need now."

COUNTRY-LEVEL

Australia's climate investments: What does the data say?

According to OECD, Australia provided \$313 million in climate-related bilateral finance in 2018. DFAT's aid transparency data reveals what it considers to be climate investments — and raises major questions around accuracy and transparency.

BY LISA CORNISH



CANBERRA — According to the [latest climate statistics](#) published by the [Organisation for Economic Co-operation and Development](#), Australia provided \$313 million in climate-related bilateral finance for 2018 — but just \$42 million was considered a “principal” investment.

OECD data, which is provided in 2018 dollars, shows that Australia's peak investment occurred in 2011. The following year saw Australia's principal investment account for 38% of climate-related finance, steadily decreasing to 13% in 2018.

Australian action on climate change has drawn a range of criticism. Calls from the Pacific for more action on climate change, including for Australia to reduce its carbon emissions at home, have been met simply with a [redirection of aid](#) to projects considered more climate-friendly. And inaction led to Indigenous Australians [making a complaint](#) to the [United Nations](#) in 2019.

Diving deeper into [International Aid Transparency Initiative](#) data, [published](#) by Australia's [Department of Foreign Affairs and Trade](#), provides further insight into the sectors that the country's aid program is targeting climate action through. But this also raises questions about the classification of programs under the climate banner and how transparent DFAT is in this changing space.

An AusAID officer inspects a vast area of cleared land destroyed by fire and farming in Central Kalimantan, Indonesia. Photo by: Josh Estey / Department of Foreign Affairs and Trade / CC BY



Changing climate support

Using policy markers that identify Australian aid disbursements as targeting objectives of climate change adaptation and mitigation, the IATI data produces headline results similar to what is published by OECD.

This data shows that disbursements supporting climate change adaptation and mitigation did not make a large impact until 2010, when \$86.5 million Australian dollars was disbursed. Only 16.8% of this was a principal investment. An AU\$4.2 million disbursement to the [Clean Technology Fund](#) was the largest principal investment in climate change for the year.

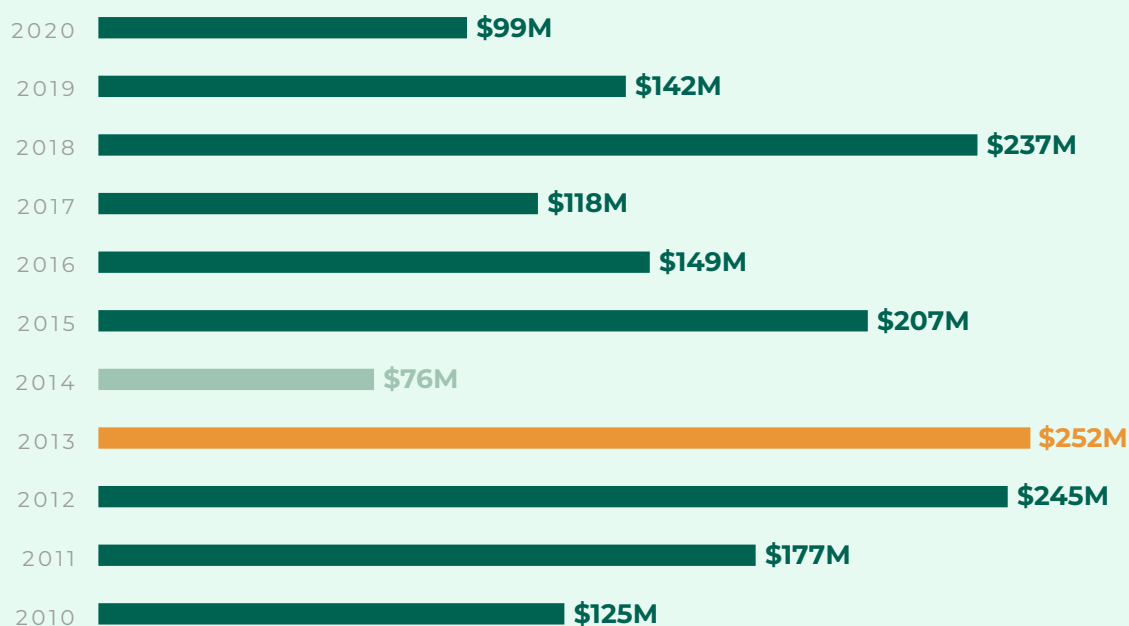
Effective governance, disaster relief and preparedness, water and sanitation, agriculture, and education were leading sectors of investment. Geographically, global or regional programs were the focus, followed by the Solomon Islands, Papua New Guinea, Samoa, and Haiti.

2017 saw a shift in climate funding to focus on transport, in addition to effective governance. Papua New Guinea led in disbursements by far, accounting for 29% of the AU\$176.9 million for climate-related initiatives. Global and regional projects followed, with Indonesia, the Solomon Islands, Vanuatu, and Fiji also priority regions.

The largest principal investment supporting climate change adaptation and mitigation in this year was phase two of the [PNG-Australia Transport Sector Support Program](#), receiving AU\$23 million. But ANCP remained the largest overall area of investment through its continued significant support of climate-related programming, according to DFAT's data.

The data for 2020, as of July, shows that the sectoral focus remains on effective governance — now accounting for 15.5% of disbursements — and transport. Education, public policy, and management follow with contributions to a range of funds and multilateral bodies supporting work in this space. This has led to an increase in support for global

AUSTRALIAN AID DISBURSEMENTS, IN AUSTRALIAN DOLLARS, FROM 2010-2020 WITH “CLIMATE CHANGE” LISTED IN THE DISBURSEMENT TITLE OR DESCRIPTION



and regional programs rather than country-specific initiatives. Where countries are specified, Papua New Guinea remains the main focus.

Searching the data for “climate change” within program titles and descriptions produces different results — with many years seeing an increase in disbursements that could be classified as climate-related. Disbursements noting climate change totaled AU\$124.6 million in 2010, AU\$117.6 million in 2017, and AU\$237 million in 2018. In 2020, disbursement drops to AU\$99.3 million using this method.



Questioning investment classifications

IATI defines a principal investment in climate adaptation and mitigation as a program where the primary policy objectives “are those which can be identified as being fundamental in the design and impact of the activity and which are an explicit objective of the activity.” In determining a principal investment, IATI recommends donors ask the question “Would the activity have been undertaken without this objective?”

But there are principal investments in climate change identified by DFAT that do not meet these criteria.

Since 2014, disbursements as part of phase two of the PNG-Australia Transport Sector Support Program have been identified as a principal investment in adaptation and mitigation. The program makes no link between the project and a climate objective in its description, which lists the sector

split as “Transport and Storage 100%.” According to the sector information, just 1% of the budget is for “environmental policy and administrative management.”

Documentation on phase two of this project links to climate change but not as a principal objective. The climate links are to crosscutting policies that also incorporate HIV/AIDS, gender equality, and disability. Across the 170 pages detailing the design and implementation framework for this program, just nine references are made to climate. As an extension of phase one, which also had [no clear links to climate objectives](#), it is likely that this program would have proceeded regardless of a climate objective.

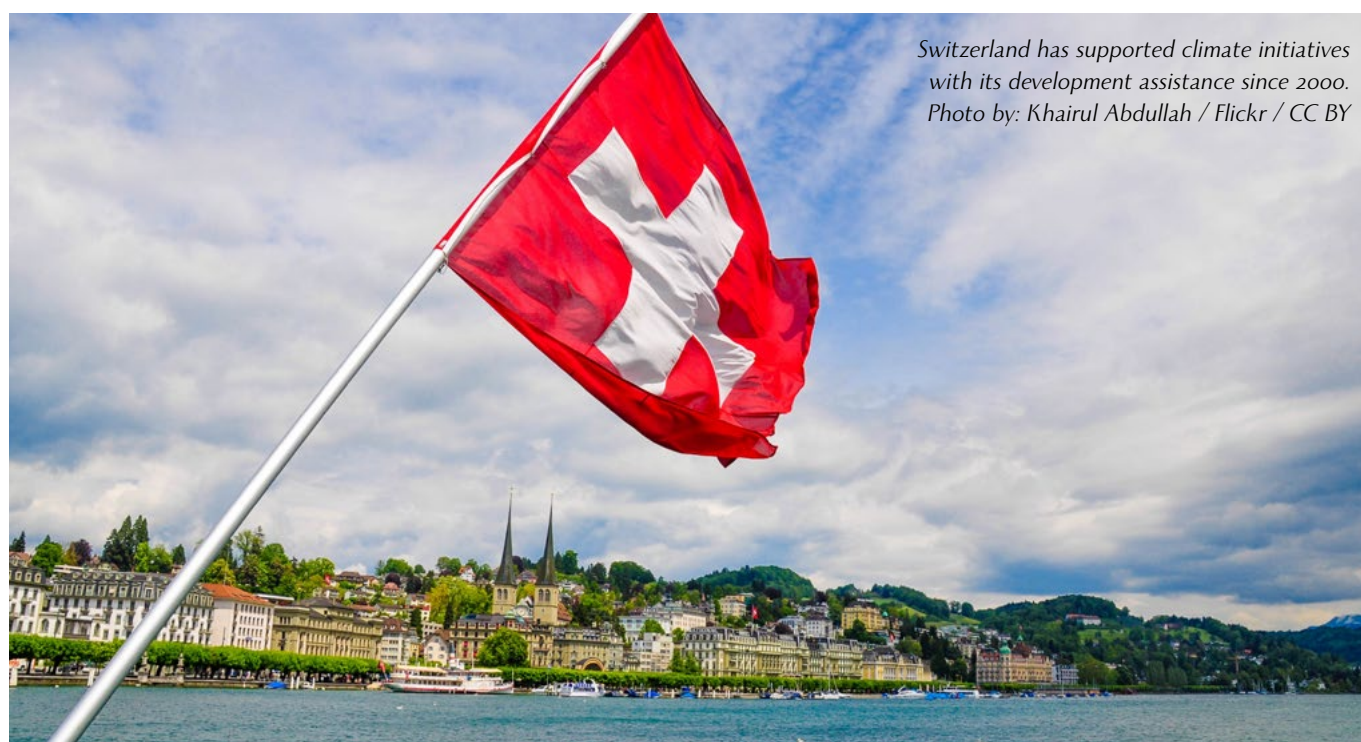
The exclusion of this program as a principal investment greatly impacts DFAT’s reported numbers. The program accounted for 75% of principal climate disbursements in 2018, increasing to 86% in 2019. Of combined principal and significant disbursements, this program accounts for 9.4% of total investment in 2019, with \$AU24.8 million invested in 2020 to date. Excluding this program, DFAT’s climate funding for 2020 would drop to AU\$155.1 million.

While the IATI data provides a similar result to totals published by OECD on climate finance, the PNG-Australia Transport Sector Support Program cannot be clearly identified in OECD data. Program names are different, and OECD has additional categories including identifying climate as “not significant.” This shows that if IATI is the basis of DFAT’s reporting, further modifications to the data is required before it is provided to OECD. But as this data is part of DFAT’s transparency initiative, the classification of programs should not be significantly different.

For climate financing, Switzerland bets on the Green Climate Fund to deliver

Switzerland aims to promote climate compatibility and relevancy throughout its international cooperation portfolio — with for example a \$150-million contribution to the Green Climate Fund.

BY LISA CORNISH



Switzerland has supported climate initiatives with its development assistance since 2000.
Photo by: Khairul Abdullah / Flickr / CC BY

CANBERRA — In August, the government of Switzerland announced a commitment of **\$150 million** as part of the **Green Climate Fund** replenishment — a substantial increase on the country's initial \$100-million contribution covering 2015-2019.

"The 50% increase in Switzerland's contribution to the first GCF replenishment is based on both the result of the replenishment negotiations and on Switzerland's commitment to contribute to the international climate finance," a spokesperson from the **Swiss Federal Department of Foreign Affairs** explained to Devex. "Addressing climate change and its effects is one of the four objectives of the new

Switzerland's International Cooperation Strategy 2021-24 — currently in the process of parliamentary scrutiny and approval."

New Swiss climate funding initiatives are likely to emerge in the coming years.

The new development strategy lists "mitigating and adapting to climate change" as one of its four thematic priorities for development assistance as part of the next strategy, along with job creation, reducing the causes of forced displacement and irregular migration, and law and governance.

Switzerland aims to achieve these by harnessing the private sector and “a strong multilateral system,” including GCF. Starting from 2020, the Swiss government is aiming for an annual climate finance target of between 450 million and 600 million Swiss francs (\$492 million to \$656 million) — a total that includes funds secured from private sector mobilization.



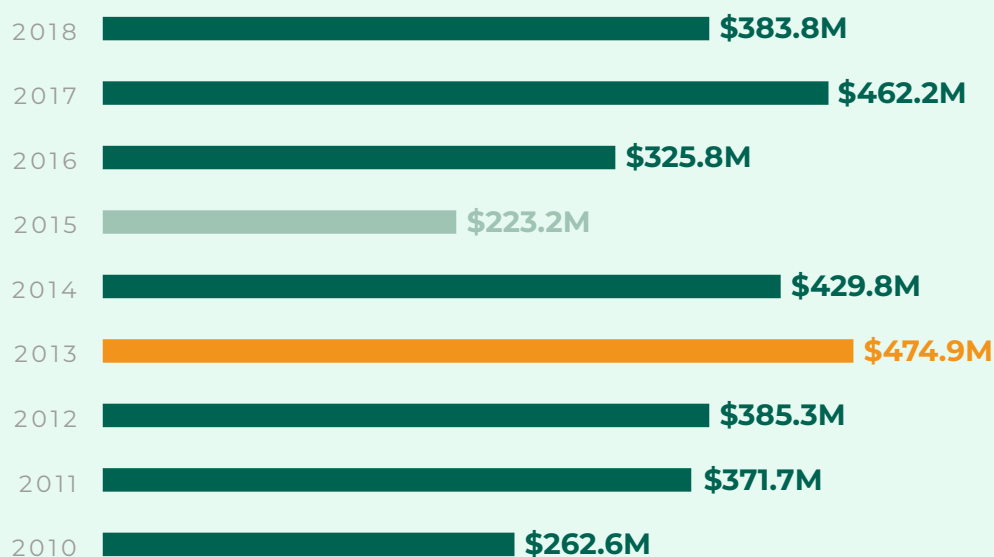
Climate funding to date

Switzerland has supported climate initiatives with its development assistance since 2000, according to [climate finance data](#) from the [Organisation for Economic Co-operation and Development](#) — which traces climate financing from bilateral donors using official development assistance. Chile, China, Costa Rica, India, and Uzbekistan were all initial recipients of grants targeting climate change mitigations through transport, energy, and environmental protection projects.

2013 was Switzerland's biggest year for climate-related development assistance. That year, \$475 million was directed to 50 countries and regions supporting a range of sectors including agricultural research and development, conflict prevention, energy supply, forestry development, and development of small and medium enterprises.

Only 31% of programs, however, were listed as having climate adaptation or mitigation as their principal objective with more programs mainstreaming climate into wider program objectives.

SWISS DEVELOPMENT FINANCE CONTRIBUTIONS TO CLIMATE OBJECTIVES 2010-18



The latest year of OECD data, 2018, shows Switzerland spending \$384 million on climate-related programs, with just 20% of programs targeting climate as a principal objective. While 76 countries and regions were listed as recipients of Swiss climate financing, 20% of programs and 25% of funds were directed through multilateral institutions or funds targeting global action — including contributions to the Global Alliance on Health and Pollution, [Global Water Partnership](#), International Secretariat for Water, and [United Nations Convention to Combat Desertification](#).

In 2019, Swiss FDFA informed Devex that 11.6% of its total ODA expenses had been directed toward climate-related initiatives and projects.

“This includes all multilateral and bilateral climate-related activities,” the FDFA spokesperson said. “Switzerland’s International Cooperation Strategy 2021–24 stipulates to gradually increase the climate related funds to CHF400 million per year by 2024, which corresponds to about 15% of the overall international cooperation budget.”



How the Green Climate Fund helps Swiss climate objectives

Multilateral partnerships are playing an increasing role in Switzerland’s climate funding strategy, so how the country selects its partners is important in achieving objectives.

According to Switzerland’s International Development Cooperation Strategy, the country chooses

multilateral organizations to partner with based on four criteria: national economic and foreign policy interests; relevance of the organization to the priorities of the international cooperation strategy; outcomes generated by the organization; and opportunities to shape policy and strategies. This has become particularly critical for GCF in recent years.

In 2018, a board meeting [failed to approve almost a billion dollars](#) in proposed projects. Since then, [Australia and the U.S. both announced](#) they would not contribute further funds to the replenishment.

The deciding factor for Switzerland, FDFA explained to Devex, was a [forward-looking performance review](#) of GCF. Published by the GCF Independent Evaluation Unit in June 2019, this provided a differentiated analysis of the fund’s performance, potential, and challenges — convincing Switzerland that GCF was important to invest in.

“This review served as a key reference document for the first GCF replenishment negotiations in 2019, in which Switzerland was actively involved,” the FDFA spokesperson said. “Its recommendations concurred with the Swiss priorities with regard to GCF, and these recommendations were substantially integrated into the result of the first replenishment negotiation process.”

Moving forward, Switzerland aims to promote climate compatibility and relevancy throughout its international cooperation portfolio. Playing an important role in the direction of multilateral institutions, like GCF, will help shape the future for the countries their development assistance aims to support at a time when nations like the U.S. are pulling away.

