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An integrated approach to tracking climate, humanitarian and development finance

Concept note
The issue

The climate crisis poses the biggest single threat to the global promise to end extreme poverty and leave no one behind. Right now, we do not have the information we need about the volume, quality and impact of international climate finance that has a critical role to play alongside development and humanitarian efforts. And current monitoring initiatives that look at climate separately from other international development and humanitarian flows undermine accountability and impact.

Research by Development Initiatives (DI) shows reporting of climate finance flows is neither timely, accurate or consistent. It is difficult to get a comprehensive and coherent picture of what constitutes climate finance, how it sits with other flows such as development and humanitarian aid, and whether it is truly additional. Consequently, there are challenges in understanding whether commitments are being fully met, how much is being invested in the poorest and most at-risk communities, and whether these investments are working. These challenges will only be exacerbated as new finance mechanisms and flows, such as the Loss and Damage Fund, come to fruition. Without this understanding we cannot achieve much needed accountability or coherence, and ultimately maximise the effectiveness and impact of climate finance.

The establishment of climate finance and its associated monitoring mechanisms, which are separate to that of other international finance, has been driven by both political and operational concerns. These separate infrastructures of commitments, targets and tracking mechanisms have been poorly harmonised, undermining the global community’s ability to assess and maximise total combined effort. It has allowed, for example, donors to count projects against both climate and development commitments, so what should be additional climate funding can in fact be existing development spending simply marked up as also delivering on climate objectives.

Just as people do not experience climate, humanitarian, and development challenges in silos, meeting these challenges effectively and sustainably can only be achieved through a complimentary, coherent and mutually reinforcing effort. A critical first step is a comprehensive and integrated understanding of climate funding alongside development and humanitarian finance.
The opportunity

Kristina Georgieva, Managing Director of the IMF stated at COP 27, “We need a common definition – or at least a shared understanding – of what we consider climate finance, together with an agreed methodology for calculating climate finance provided, mobilized and received.”

DI has many years of experience in tracking financing and improving data for decision making. Our team of developers, analysts and policy and influencing experts position us well to create, host and manage an integrated approach to tracking climate finance alongside other relevant flows. We can scrutinise how climate finance is currently being reported, and track flows in disaggregated detail by drawing both on public datasets and supplementing these by building datasets from scraping institutional documentation. These will include real-time and forward-looking assessments.

Our relevant knowledge and expertise is well demonstrated in our recent role co-delivering the world’s first accountability framework and associated reporting methodology for nutrition action as host of the Global Nutrition Report. We achieved buy-in and adoption from high-level stakeholders including USAID, the World Health Organisation, the government of Japan and many others. Our approach of co-creation and making a strong case for how accountability delivers greater action drove widespread uptake in its first year covering 198 stakeholders across government, CSOs, donors, international institutions and the private sector. Furthermore, as the technical lead on the International Aid Transparency Initiative (IATI), we helped develop and establish the standard and in more recent years have built robust tools and services that make publishing, accessing and using IATI data as easy as possible. We have already applied our experience in this area to set out evidence and thought leadership on the importance of greater accountability for climate finance, and propose workable solutions to the challenges we face.

This is supplemented with a wealth of experience in understanding and tracking international public financing in the humanitarian and development sectors. Our globally renowned Global Humanitarian Assistance Report is the go-to resource globally on the international financing response to crisis, setting out the data on progress, gaps and challenges, risks and opportunities, and where action is needed. We have also spent the last two decades tracking and analysing development finance flows, drawing on novel datasets to provide the best possible picture of aid and publishing regular briefings and factsheets shedding light on trends and emerging issues.
Our offer

DI can develop solutions to strengthen accountability, increase coherence, inform decision-making and support efforts to increase appropriate climate investments and their impact particularly for the most at-risk and vulnerable communities. We want to do this by focusing on two critical areas.

1. **Improve the climate finance data ecosystem and visibility of financing flows through a framework, online portal and analysis, including:**

   - Create a reporting methodology with key partners for tracking international climate, development and humanitarian financing as part of efforts to develop a comprehensive accountability mechanism. This would anticipate new types of finance such as loss and damage and potentially at a later phase including funding from the private sector.
   - Build a regularly updated online open access data portal, presenting all the data we are able to access on commitments and targets, as well as disbursements.
   - Produce an annual tracking report using that data to ensure critical insights are highlighted, understood and can be easily acted upon. This will include trends and forensic analysis of the international public and private-public blended financing landscape for climate alongside development and humanitarian financing flows (including beyond OECD DAC membership). It will draw both on public datasets and intensive data scraping to provide the best possible picture on what is actually being spent against what objectives, including modalities, channels, recipients and, where possible, forward-looking projections.
   - Develop a framework and index that give an independent and transparent assessment of the quality of reporting by funding providers, and work with partners to develop appropriate, consistent approaches to support funders to improve their reporting.

2. **Increase understanding of climate finance and related flows to the most climate-vulnerable countries and communities for more effective and impactful decision-making, including:**

   - Leverage our national and regional presence and partnerships in Africa to scrutinise finance flows and provide a comprehensive overview of climate, development and humanitarian financing to the continent, alongside African perspectives on the improvements needed in data and reporting practices.
• Work with African governments, civil society partners and high-level champions in the region to co-create an analytical agenda that ensures data and evidence on climate, development and humanitarian flows meet national and regional needs including:

a) supporting settlements for climate and SDG action and other initiatives such as country, sectoral and regional matchmaking platforms aligning finance to project pipelines

b) supporting advocacy and the demand for improved financial visibility and global financial reform. Co-creation will also ensure that analysis and evidence are presented in formats that are actionable and decision ready.

• In subsequent phases, build on our experience in Africa to track and analyse climate and development finance in other climate-vulnerable countries and regions to bring clarity on local, regional, and national financing flows through the development of a consistent and robust methodology to accurately track financing at a local, regional, and national levels.

• Incorporate analysis on the debt burden caused by the impacts of the climate crisis on countries and the provision of financing available for adaptation and loss and damage. This will include grants and blended finance where possible, and examine the opportunities and challenges related to restructuring financing such as MDB reform and the Bridgetown Agenda. Through DI's delivery of these objectives, our partners will have increased expertise in data and understanding of the evidence to influence policy and link national priorities to regional and global levels, supporting more inclusive and sustainable approaches.

Partners are central to this effort. We will mobilise strategic partnerships at the global, regional, and national level, building on our track record of working as a trusted partner to international institutions, national governments and local CSOs alike. This effort will mean collaborating upstream with governments and financing institutions and downstream with civil society actors and think tanks. We will utilise our unique offer as a data expert and a multi-stakeholder broker to co-create and develop knowledge products that achieve buy in, create coherence, and encourage better quality data and reporting of climate finance.

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Development Initiatives (DI) applies the power of data and evidence to build sustainable solutions.

Our mission is to work closely with partners to ensure data-driven evidence and analysis are used effectively in policy and practice to end poverty, reduce inequality, and increase resilience.

While data alone cannot bring about a better world, it is a vital part of achieving it. Data has the power to unlock insight, shine a light on progress and empower people to increase accountability.

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