CLIMATE-RESILIENT DEVELOPMENT

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ABSTRACT

While building climate resilience is an essential component of sustainable development, many COVID-19 economic recovery packages do not have a green focus and include measures that could increase the vulnerability of communities and ecosystems to climate risks. Previewing the forthcoming OECD guidance for governments and development co-operation on strengthening climate resilience, this case study highlights approaches to enhancing data and information, governance, and financial mechanisms and instruments that can build environmental and social sustainability.

- **Integrating climate resilience in development and financing, including in public financial management, is a sound policy that promotes sustainability and thus can protect development gains.**
- **Some COVID-19 economic recovery packages have a green focus, but others propose measures that, instead, could increase climate risks and vulnerability.**
- **Development co-operation supports governments to further integrate climate-related risks and opportunities into policy and financial decision making.**
- **Strengthening inclusive governance approaches can contribute to sustainable development objectives, including by encouraging greater public participation, making governance adaptive to climate and socio-economic change, and promoting policy coherence.**

The COVID-19 crisis is a stark reminder of the importance of building resilience into development, not least because investing in resilience is investing in growth (OECD, 2020[1]; GCA, 2019[2]). The vast global fiscal support that has been deployed for pandemic recovery presents a fresh opportunity for countries and development co-operation providers to integrate climate change considerations into programmes to support sustainable growth.

The importance of integrating climate resilience throughout development planning and financing is widely recognised. The scale and characteristics of some changes (e.g. sea level rise for low-lying islands or large temperature or precipitation changes in already vulnerable locations) will require further efforts to strengthen the resilience of people, the environment and society. Moreover, governments and donors have a range of tools at their disposal to better integrate climate resilience into development strategies, financing, planning, decision making and budgeting and thereby promote sustainable development. These range from strengthening capacity of national meteorological services, conducting climate change risk assessments to developing climate resilient infrastructure. A forthcoming OECD publication, *Strengthening Climate Resilience: Guidance for Governments and Development Co-operation*, provides a set of practical tools and considerations to enhance climate resilience activities that are also supportive of broader sustainable development objectives, especially in the context of recovery from the COVID-19 crisis.

Emerging signs of recovery spending focusing on climate resilience

The need and opportunity for a greener, resilient and more inclusive recovery is now widely recognised by countries and development co-operation providers. For example, the recent OECD Ministerial Council Meeting statement notes that the path to the COVID-19 recovery is an opportunity not just to jumpstart growth and job creation, but also to undertake transformative action to "build back better in a stronger, resilient, greener and inclusive way" (OECD, 2020[3]). In addition, 54 African states have endorsed a plan to ensure that stimulus spending is used to reduce pandemic risks, strengthen the economic recovery and build climate resilience (Global Center on Adaptation and African Adaptation Initiative, 2020[4]). Institutions including the World Bank, the International Monetary Fund, regional development banks, United Nations agencies and civil society have all called for a similar approach. Several OECD-DAC members including the European Union, France, Japan and the United Kingdom are pushing for domestic green recovery packages that also support partner countries in building greater resilience.

Many countries have included a green focus in their announced economic recovery measures, explicitly integrating climate and well-being aims – for instance, by integrating sustainability criteria into decision-making processes and budgets and/or creating inter-ministerial decision-making frameworks (OECD, 2020[1]). This is not the case for all countries, however, and climate resilience and other green aspects are not as yet a universal feature at the core of COVID-19 recovery packages (Global Commission on Adaptation, 2020[5]). Moreover, some measures being taken to facilitate the economic recovery may increase the vulnerability to climate risks of ecosystems and of communities that rely on these ecosystems. Examples include relaxing land-use permits and enforcement, loosening permit restrictions on timber producers, and supporting fossil fuel technologies and systems (Vivid Economics and Finance for Biodiversity Initiative, 2020[6]).

Designing and implementing recovery packages to promote climate resilience

Governments in developing countries, as much as providers of development co-operation, are in a good position to design the recovery packages to promote climate resilience. In collaboration with governments and the private sector, providers of development co-operation are often the primary source of finance for activities that can strengthen climate resilience, including in infrastructure and other fixed assets, capacity development in data and information gathering, and policy development. This is the case of countries such as Senegal or Guatemala, where climate resilience has principally been sponsored by development co-operation providers across a range of sectors including agriculture, fisheries and tourism, as ongoing OECD research has found.

Key elements of the forthcoming OECD guidance, and some examples of country initiatives towards climate resilience, are discussed below.

Enhancing data and information on climate risks and vulnerability

Efforts to strengthen climate resilience rely on useful and legitimate data and information on climate risks and vulnerability being available to policy makers and other state and non-state actors. More than 40 developing countries have recognised the need for better data and information in their nationally determined contributions, which set forth each country's efforts to reduce national emissions and adapt to the impacts of climate change (Allis et al., 2019[7]). To ensure that data and information are decision-relevant and compatible with users' capacities, development co-operation providers can support countries in strengthening the capacity of national meteorological and hydrological services; in improving weather and climate observations; in supporting the use of indigenous, local and traditional knowledge; and in supporting climate risk assessments to inform decision-making processes for climate resilience.

Building inclusive and adaptive governance to facilitate action on climate resilience

The COVID-19 crisis has highlighted the role of public governance in achieving climate resilience (OECD, 2020[8]). Development co-operation can support countries to enhance governance arrangements to promote efforts to strengthen climate resilience. Examples include: empowering locally led action through co-ordination across levels of government; encouraging inclusive governance through greater public participation; making governance adaptive to future changes in climate and socio-economic circumstances; and promoting coherence between different development agendas. In the Philippines, for instance, the MSME Resilience Core Group is an extensive public-private network that lays out national-level strategies for efforts to strengthen the resilience of micro, small and medium-sized enterprises (MSME) to climate and non-climate-related disasters. The Resilience Core Group has actively supported capacity development, including in business continuity plans for during and after the COVID-19 pandemic (PDRF, 2020[9]).

Integrating climate resilience into public financial management

Finance is an essential enabler for strengthening the resilience of human and natural systems to climate and a broader range of risks. The efficacy and effectiveness of finance for climate resilience are ever more important in these testing times. One approach to scaling up finance for resilience can be to integrate climate resilience considerations into multiannual planning and budgeting cycles. Cameroon and Thailand, for example, link their mid-term national development and climate change plans to the budgeting processes (GIZ, 2014[10]; Kohli, 2018[11]). Another way to integrate these considerations is to tag budgets and public expenditures so that governments understand where, how and how much domestic public finance is allocated. Several countries have conducted such an exercise, among them Bangladesh, Cambodia, Ghana, Indonesia, Nepal, Pakistan, Peru, the Philippines, Samoa, Thailand and Vanuatu (OECD, 2020[12]; UNDP, 2019[13]; UNDP, 2016[14]; Storey, 2016[15]). Other countries developed financial protection strategies to secure access to financing in advance of shocks and to protect the fiscal balance and budget when disasters strike, including Ethiopia, Indonesia, Peru and the Philippines (OECD/World Bank, 2019[16]; OECD, 2020[17]; World Bank Group, 2019[18]). Across these examples, there is growing recognition of the role of finance ministries in supporting national strategies to address climate risk, as exemplified by the number of countries that have joined the Coalition of Finance Ministers for Climate Action (Coalition of Finance Ministers for Climate Action[19]).

Using risk-sharing and transfer instruments as part of holistic climate risk management

Risk-sharing and transfer instruments such as insurance, catastrophe bonds and contingency funds have an important role to play in protecting individuals, businesses and countries against the negative impacts of climate change and other natural hazards. Rolling out insurance can be challenging for a variety of reasons, such as lack of data, poor infrastructure, limited affordability, low awareness of the benefits of insurance, remoteness of potential customers and high levels of informality that limit the penetration of banking (ADB, 2017[20]; Jarzabkowski et al., 2019[21]). But countries can collaborate with public and private insurance companies, as well as development co-operation providers, to maximise the benefits of risk-sharing and transfer instruments as part of a holistic approach to manage climate risks, including investment in risk reduction and social protection. Senegal offers a telling example. Close to 10% of Senegal's farmers are now covered by insurance, thanks to new parametric insurance products coupled with a policy change in the Agricultural Bank of Senegal that made insurance contracting mandatory to be eligible for a loan from the bank. The aim is to provide universal insurance in the future. Insurance is helping farmers take risks, invest in machinery and better seeds while ensuring that they do not fall back into poverty should a climate-related natural disaster hit.

An important role for development co-operation to achieve a climate-resilient recovery

The agenda of climate resilience concerns us all – and development co-operation providers continue to have an important role in supporting partner countries to enhance their resilience. Addressing climate change as part of development planning ought to be a key priority for providers and reflects sound development policy, as it can protect against future potential reversals. Previous crises have demonstrated that societies can take years to recover from shocks such as pandemics, and during that period, decisions taken on recovery efforts and investment decisions will determine the sustainability of the development pathways for decades to come. Development co-operation plays an important role in ensuring that recovery efforts from the COVID-19 crisis will also strengthen public governance, policies, financial solutions, data and information, and capacities in support of enhanced resilience of human and natural systems to climate risks and other future shocks.

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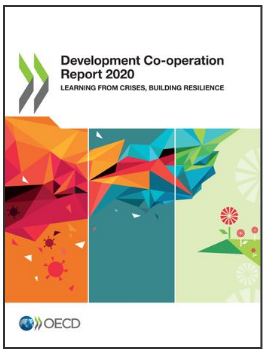

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