Funding what counts – assessment of channels for increasing Norwegian climate finance

Study commissioned by Norwegian Church Aid, Rainforest Foundation Norway, Friends of the Earth Norway, Caritas Norway, the Development Fund and the Norwegian Forum for Development and Environment.

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FORORD

I 2019 ble klimakrisen internasjonal toppsak. Ungdom protesterte over hele verden for raskere handling og omstilling for å stoppe de farlige klimaendringene som truer folk over hele kloden. Særlig fikk brannene i Amazonas, California, Australia, og tørken i Europa mye oppmerksomhet. Men i tillegg var det også en rekke dødelige sykloner og tyfoner i blant annet sørlige Afrika, Japan, Midtvesten i USA, Kina og India der tusenvis av mennesker mistet livet, og som hver for seg forårsaket skader for milliarder av dollar[1]. Alle disse naturkatastrofene har en nær sammenheng med et varmere klima og viser hvilke alvorlige konsekvenser dette allerede har for mennesker, dyr og natur. Utviklingen er i tråd med stadig sterkere advarsler fra klimaforskere i FNs klimapanel. Likevel har rike land fortsatt en lang vei å gå for å nå sine forpliktelser om klimafinansiering til utviklingsland. Én av forpliktelsene er å samlet bidra med 100 milliarder dollar årlig. Dette målet skal øke fra 2025, men det er foreløpig ingen enighet om hvor høyt målet blir. Her kan Norge spille en aktiv rolle.

Med denne rapporten ønsker vi å vise hvordan Norge kan øke sitt bidrag til å løse klimakrisen gjennom internasjonale kanaler, og på den måten ta vår del av forpliktelsene.

Norge må fortsatt trappe opp for å ta vår rettferdige andel av den internasjonale innsatsen som trengs. Rapporten «Norway´s Fair Share of Meeting the Paris Agreement» fra 2018 viste at Norge, i tillegg til å kutte raskere i egne utslipp, har et stort ansvar for å finansiere utslippskutt i fattige land som bærer et mye mindre ansvar for klimakrisen. Rapporten beregnet at Norges rettferdige andel av Parisavtalens globale klimadugnad tilsvarer 430 prosent kutt i våre nasjonale utslipp innen 2030 sammenlignet med nivået i 1990. Mens 53 prosent av disse bør kuttes hjemme, må de resterende 377 prosent kuttes i andre land. I tillegg til å støtte utslippskutt sier rapporten at Norges andel av global støtte til klimatilpasning er 15 milliarder kroner årlig fram til 2030.

Denne rapporten viser at en opptrapping av norsk klimafinansiering ikke bare er nødvendig, men mulig. Den løfter fram og vurderer noen av de viktigste internasjonale kanalene som kan benyttes i en slik opptrapping.

Rapporten kommer med anbefalinger om å øke finansieringen av velfungerende multilaterale kanaler som for eksempel FNs Grønne Klimafond og FNs Tilpasningsfond. Videre anbefales det at betydelige midler kanaliseres til prosjekter som retter seg mot klimatilpasning og at det bygges kapasitet i de lokalsamfunnene som blir rammet. Norge bør også fortsette med klimafinansiering gjennom bilaterale kanaler, inkludert økninger til regnskogssatsningen. Rapporten foreslår noen strategiske valg som Norge kan gjøre for å øke klimafinansieringen frem mot 2030 på en effektiv og hensiktsmessig måte, balansert mellom finansiering av utslippskutt og tilpasning.

Dette viser at Norge har mange muligheter.

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1 *Counting the Cost 2019: a year of climate breakdown*, Christian Aid, 27 December 2019

CONTENT

Detailed descriptions and analysis of the various finance channels can be found in Annex E at this link: http://www.forumfor.no/assets/docs/Annexes-to-Norwegian-study-of-finance-channels-INKA-24-November-2019.pdf

ACRONYMS, ABBREVIATIONS AND TERMS

ACT	ACT Alliance
AsDB	Asian Development Bank
AF	Adaptation Fund
AfDB	African Development Bank
Annex 1 parties	Parties mentioned in Annex 1 of the UNFCCC. These include OECD countries (Annex 2 parties) and economies in transition.
Annex 2 parties	Parties mentioned in Annex 2 of the UNFCCC. These include OECD countries.
AREI	Africa Renewable Energy Initiative
ASAP	Adaptation for Smallholder Agriculture Programme
CAN	Climate Action Network
CDM	Clean Development Mechanism (KP)
CIF	Climate Investment Funds
CMA	Conference of the Parties Serving as the Meeting of the Parties to the Paris Agreement (UNFCCC)
CMP	Conference of the Parties Serving as the Meeting of the Parties to the Kyoto Protocol (UNFCCC)
COP	Conference of the Parties (to the UNFCCC) .
CSR	Creditor Reporting System
CSO	Civil Society Organisation
CTCN	Climate Technology Centre and Network
CTF	Clean Technology Fund (CIF sub-fund)
DAC	Development Assistance Committee (OECD)
DFID	The British government's Department for International Development
DIIS	Danish Institute for International Studies .
EBRD	European Bank for Reconstruction and Development
ESMAP	Energy Sector Management Assistance Program
EU	European Union
EUR	Euro
FAO	Food and Agriculture Organisation
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program (SCF)
GCF	Green Climate Fund
GEF	Global Environment Facility
GEO	Global Environment Outlook
GGGI	Global Green Growth Institute
GHG	Greenhouse Gas
GNI	Gross National Income
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association (WBG)
IDB	Inter-American Development Bank
IDU	Independent Delivery Unit
IEU	Independent Evaluation Unit
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation (WBG)
IFIs	International Financial Institutions
IMF	The International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
KP	Kyoto Protocol (to the UNFCCC)
LDC Fund	Least Developed Countries Fund
LDCs	Least Developed Countries
LIC	Low-Income Countries
MDB	Multilateral Development Bank
MDR	Multilateral Development Review
MFA	Ministry of Foreign Affairs
NAPA	National Adaptation Programme of Action
NAP	National Adaptation Plan
NDC	Nationally Determined Contribution
NDF	Nordic Development Fund
NGO	Non-governmental organisation
NICFI	Norway's International Climate and Forest Initiative
NOK	Norwegian kroner
Norfund	Norwegian Investment Fund for Developing Countries
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PPCR	Pilot Program for Climate Resilience (SCF sub-fund)
REDD+	Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund (CIF sub-fund)
SDG	Sustainable Development Goal
SEFA	Sustainable Energy Fund for Africa
SIDA	Swedish International Development Cooperation Agency
SIDS	Small Island Developing States
SREP	Scaling-Up Renewable Energy in Low Income Countries Program (SCF sub-fund)
TFC	Trust Fund Committees
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP/UN Environment	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNPFII	United Nations Permanent Forum on Indigenous Issues
USAID	United States Agency for International Development
USD	United States dollars
WB	World Bank
WBG	World Bank Group
WRI	World Resource Institute

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Below is a summary of the seven chapters in the report.

Chapter 1: Introduction

This study has been commissioned by Norwegian Church Aid, Rainforest Foundation Norway, Friends of the Earth Norway, Caritas Norway, the Development Fund and the Norwegian Forum for Development and Environment – an umbrella of 50 Norwegian NGOs. *The purpose* of the study is to assess the options available to the Norwegian government to channel a significant increase of financial aid for climate change mitigation and adaptation activities in developing countries.

Chapter 2: Trends in international climate finance

The most recent aggregate data on international public climate finance, published by the OECD in *"Climate Finance Provided and Mobilised by Developed Countries in 2013-17"*, shows that public climate finance from developed to developing countries (the combination of bilateral climate finance and multilateral climate finance attributable to developed country donors) increased from USD 37.9 billion in 2013 to USD 54.5 billion in 2017. Representing a 44% increase.

When including publicly mobilised private finance, the total reached USD 71.2 billion in 2017. Nonetheless, the flow of contributions from donor countries needs to increase by USD 28.8 billion, or 40%, in as little as three reporting years to reach the Paris Agreement USD 100 billion per year target by 2020 (see Table 2.1 and Figure 7.1).

- Only 26% (USD 12.9 billion) of public climate finance was spent on *adaptation* in 2017. This is far below the USD 50 billion implied by the '*balance*' between adaptation and mitigation finance, as stipulated in the Paris Agreement.

- The OECD estimates that 15% of average 2016-2017 public climate finance targeted least developed countries (LDCs), considerably lower than the target set out in SDG 17.2 for total ODA of 20%. Furthermore, the OECD/UNCDF state that too little international public finance is being invested in LDCs, and that only 6% of private finance mobilised by official development finance went to LDCs between 2012 and 2017.

- A significant increase in international public grants is needed for the purposes of adaptation and resilience activities. To assist those who are hit first and hardest by climate change, i.e. LDCs, Small Island Developing States (SIDS), and others with high vulnerability and limited capacity.

- Support provided as grants represented just over 33% of bilateral climate finance and less than 10% of multilateral climate finance globally. The use of loans for climate interventions in developing countries is increasing considerably faster than that of grants. Grant financing increased by 25% between 2013 and 2017, from USD 10.3 billion to USD 12.8 billion, while the use of loans increased by 100%, reaching USD 40.3 billion in 2017 compared to USD 20.0 billion in 2013. The International Monetary Fund (IMF) finds that 34 out of 73 low-income developing countries are now either in debt distress, or at high risk of entering into it.

Chapter 3: Overview and assessment of Norwegian climate finance

Some findings and conclusions can be drawn regarding the flows of Norwegian climate finance to developing countries from 2010-2018.

- On average, *Norway has disbursed NOK 3.9 billion annually* in climate finance between 2010 and 2018. Yet, disbursements of climate finance in the years 2016, 2017 and 2018 remained below this 8-year average. A 22% decrease in climate-specific disbursements can be observed from NOK 4.9 billion in 2014, to 3.8 billion in 2018. Simultaneously, international ambitions were to increase *significantly* in accordance to the Paris Agreement. Importantly, the 2019 and 2020 National Budgets provide increases toward the financing of renewable energy, the Norwegian International Climate and Forest Initiative (NICFI) and the capitalization of Norfund.

- On average, mitigation accounted for 79% of Norwegian disbursements between 2010 and 2018. The share of adaptation finance over the period averaged at *9% annually (10% in 2018)*. In 2016, Norway had a lower adaptation share than any of the 28 EU member states. A considerable increase in climate finance targeting adaptation will have to be implemented if Norway is to balance its funding between adaptation and mitigation objectives, as stipulated in the Paris Agreement, whilst also generally increasing its total climate-related funding.

- LDCs received 29% of climate finance provided by Norway between 2010 and 2017. Figures show an upward trend in more recent years, with 37% of 2017 climate-related development finance being channelled to LDCs. The proportion of climate finance provided to LDCs is still considerably lower than that of Norwegian Official Development Assistance (ODA) donated to LDCs (51%).

- Multilateral Development Banks (MDBs) and international organisations and funds received 57% of Norwegian climate finance disbursements in 2017-2018 (10% to MDBs and 47% to other international organisations and funds), whilst NGOs received 19%. The majority of remaining disbursements, 16%, were provided as direct finances to foreign governments and public sectors, handled by the Ministry of Foreign Affairs (MFA), Norad and the Ministry of Climate and Environment. Over 2010-2018, multilateral institutions, NGOs and bilateral programmes received 51%, 16% and 25% of disbursed climate finance. Indicating an upward trend in finance channelled through multilateral organisations, and a decrease in finance through bilateral programmes.

- Of the Norwegian climate finance routed through multilateral, bilateral and NGO channels: NGOs have the highest adaptation share at 33%, with 64% of their disbursed climate funding going to LDCs. Both figures are found to be far higher than the average LDC and adaptation shares for other bilateral and multilateral channels utilised by Norway.

- The Norwegian Investment Fund for Developing Countries (Norfund) had, by the end of 2018, a committed portfolio of NOK 22.3 billion, primarily funding renewable and clean energy projects. Norfund provides investment and equity capital and has received considerable amounts in capitalisation in recent National Budgets (NOK 1.7 billion in 2018, NOK 1.875 billion in 2019 and similar levels of support proposed for 2020), half of which is earmarked for renewable energy.

- Norway plays a leading role on the world stage in the field of forest protection through the Norwegian Climate and Forest Initiative (NICFI). Over the past decade Norway has disbursed more than NOK 20 billion towards REDD+ objectives. The challenge is now to get more countries involved.

The CO_2 emissions in Norway reached 52 million tons in 2018, strikingly similar to the 51.9 million emitted in the benchmark year of 1990, according to Statistics Norway. Norway is therefore far from achieving its pledge to have cut emissions in 2020 by at least 30% from 1990 levels, with two thirds of these reductions to be made in Norway. Furthermore, Norway is a major oil exporter, whose contributions to and profits from greenhouse gas emissions is a key argument for a significant increase in the country's international climate finance contributions to poor countries.

Chapter 4: International organisations and climate finance

Data on global climate finance commitments show that there has been a sharp rise in the use of multilateral organisations to deliver clim<ate finance from 2014 to 2017. However, only 6% of public climate finance in 2017 was committed by international organisations and funds, i.e. multilateral channels excluding MDBs. In comparison, 44% and 31% of public climate finance was delivered by MDBs and EU member states, respectively.

For example, the Green Climate Fund (GCF) only contributed 2% of total climate finance during 2017, or USD 1.16 billion. The GCF has a portfolio of over USD 5.23 billion, with 111 projects in 99 developing countries (as of July 2019). It is often overlooked that such international funds have only been able to channel a small portion of total multilateral finance. As expected, MDB contributions dominate in the field of mitigation finance. However, it is a surprise that MDBs also provide *five times* more adaptation finance than other international organisations and funds.

In 2017, international organisations and funds were found to provide 46% and 54% of their total climate finance outflows towards adaptation and mitigation objectives, respectively. An adaptation share substantially higher than those observed in MDB outflows of the same year, who contributed just 28% of their total climate finance towards adaptation activities. Although handling a significantly smaller portion of international public climate finance, as a share of their total climate related outflows international organisations and funds provide far more finance in the form of grants. Grant-based support from international organisations and funds accounted for 65% of their adaptation finance in 2017, as compared to just 4% for the MDBs. Consequently, MDB support for adaptation, and adaptation-relevant support provided as loans more generally, is contributing to increased levels of debt in low-income countries, many of whom are at serious risk of entering into debt distress, according to the IMF.

Considerable increases in public grant-based support is needed for climate change adaptation in LDCs, SIDS, and other vulnerable countries. Although promising that most bilateral donors and some international funds primarily provide grants for adaptation (e.g. the GCF, Adaptation Fund, and Least Developed Countries Fund (LDC Fund), the scale of this finance, as yet, remains too small.

Chapter 5: Performance evaluations of multilateral organisations - by MOPAN AND DFID

This chapter explains how two significant sources of information utilised in this report: the UK government's Department for International Development (DFID) and the Multilateral Organization Performance Assessment Network (MOPAN), are useful instruments for measuring the performances of multilateral development organizations. Furthermore, it explains the source of other key external evaluation reports as well as highlighting the output of the various organisations' own evaluation offices. These instruments feed into the team's assessments of climate finance channels in Chapter 6.

Chapter 6: Assessment of international financial channels

This chapter summarises the team's assessments of international development organisations involved in channelling climate finance, detailing their strategy and performance. It is informed by the assessments published by MOPAN, DFID and external evaluators and contains an analysis of the 18 selected finance channels. All the team's assessments rely on basic information about the finance channel and their adherence to OECD assessment criteria.

The assessments provide the evidence base for the strategic orientations and necessary measures for increases in Norwegian climate finance detailed in Chapter 7.

Chapter 7: Conclusions and recommendations for increasing Norway's climate finance

Although flows of international public climate finance increased by 44% from 2013-2017, there remains a vital and significant need for increased grant-based support towards adaptation objectives and LDCs. These needs are relevant within both the international and Norwegian context, as pathways towards the achievement of USD 50 billion per year in adaptation finance between 2020 and 2025 (from USD 12.8 billion in 2017).

The increases in climate finance set out in the 2019 Norwegian National Budget, will return the level of Norwegian climate finance to above those observed in 2014. To prevent the further proliferation of certain characteristics and blind-spots within Norwegian climate finance, such as low adaptation and LDC shares, funding towards these objectives and areas needs to be increased to meet the needs of the most vulnerable. The proposed strategic orientations outlined below are designed to help guide any future increases with regards to these considerations.

Strategic orientations and three necessary measures for increased climate finance

As highlighted in Chapter 4, the team was surprised to find that although international organisations and funds achieve near balance between mitigation and adaptation funding, and provide a large portion of that funding as grants, only 6% of global public climate finance was channelled through such organisations in 2017. Also notable was that climate finance provided through the MDBs so inadequately targeted adaptation through grant-based support. As a result, and for a relatively rapid increase in Norwegian climate finance to address these issues, there is a need for future provisions to utilise both a considered selection of international organisations and funds alongside increased finance provided through Norwegian bilateral programmes, including through the use of civil society partners. This is especially plausible in light of the OECD Peer Review of Norway (March, 2019), which highlights Norway as an effective manager of development cooperation.

Below is a presentation of the team's strategic orientations regarding Norwegian climate finance flowing to developing countries.

Strategic orientation A: The Norwegian government should continue to *substantially increase its future climate finance commitments* following the positive direction outlined in the most recent National Budgets for 2019 and 2020. This would enable Norway to become an international example, placing pressure on other donor countries to increase their provisions of climate finance.

Strategic orientation B: Increases in Norwegian climate finance should utilise *diverse channels,* including those through agreements with multilateral, bilateral and civil society organisations. Where the strengths of each channel can address the needs for increased adaptation finance, finance towards LDCs and the observation that international organisations (excluding MDBs) currently handle only 6% of total global public climate finance.

Strategic orientation C: In the coming years, Norway should seek to counterbalance the dominant trend in international climate finance, which shows that climate finance provided as loans is increasing considerably faster than that of grants. This trend is driven by the dominance of MDBs as finance channels, providing 44% of public climate finance in 2017, of which more than 90% was provided as loans. This would directly recognise that loans exacerbate debt distress in many low-income countries, whose contribution to greenhouse gas concentrations is very small. Any increases in Norwegian climate finance needs to lead, first and foremost, to *more public grants targeting adaptation and resilience in LDCs and vulnerable states.*

Strategic orientation D: Norway should continue its *leading role in the field of forest protection* through the Norwegian Climate and Forest Initiative (NICFI). At the same time, Norway should significantly increase its provisions of finance for adaptation and resilience activities within developing countries through both bilateral and multilateral channels. To respond to the severe lack of adaptation spending, which represented only 10% of Norwegian climate finance disbursements in 2018 (and 26% of global climate finance in 2017). A considerable increase in adaptation finance will have to be implemented if Norway is to achieve more balance between mitigation and adaptation spending whilst also achieving a general increase in climate finance.

Strategic orientation E: Norway should considerably increase the share of its *climate finance provided to LDCs* from the levels observed in 2017, which amounted to 37% of climate-related aid. Further aiming to come closer to the 51% of total Norwegian ODA that is provided to LDCs. Importantly, these contributions should place a particular focus on the provision of grants for adaptation and resilience objectives.

Strategic orientation F: At least half of an increase in Norwegian climate finance should be channelled *through bilateral channels,* countering current Norwegian and international climate finance trends which indicate increasing usage of multilateral channels to deliver financial aid. This is due to the limitations of multilateral channels regarding provisions of grant-based support for adaptation and finance targeting LDCs. Consequently, the Norwegian government should increase support to bilateral programmes (including NGOs) and a considered selection of international organisations and funds, again, with a particular focus on adaptation and resilience in low-income countries and LDCs. An increase in climate-related bilateral programmes could include the mainstreaming of climate interventions into activities in other sectors, including: water management, sustainable agriculture and the climate resilient livelihoods of small-scale farmers. This will hopefully be reflected in Norway's coming strategy for adaptation and resilience.

Strategic orientation G: Once the capacity of the Green Climate Fund (GCF) to approve and disburse its funds has been strengthened, Norway should consider *additional contributions to the GCF* in 2021/2022, beyond the NOK 800 million per year pledged in 2019. The GCF maintains high shares of adaptation finance and provisions of grant-based support within its outflows. Hopefully the GCF can further enhance its ability to utilise multiple implementing partners (such as accredited entities including national and regional partners).

Strategic orientation H: The Norwegian government should set up or expand *a climate fund mechanism open for applications from Norwegian and international NGOs,* prioritising adaptation and resilience objectives in LDCs. Norway's climate finance support channelled through NGOs provides a larger share of its outflows to LDCs and adaptation objectives than any other bilateral and multilateral channels. Therefore, the Norwegian government should heed OECD observations that a high share of total Norwegian ODA goes through NGOs to great effect. Some NGOs have considerable capacity and good track records, particularly in collaboration with poor communities, farmers, women, NGOs and indigenous peoples' organisations.

Strategic orientation I: Norway should consider increasing its support for international organisations who facilitate *technology development and transfer and capacity building.* More precisely, those in support of environmentally sound, low carbon technologies to aid the green transition, and climate resilient development at the request of developing countries. Particularly through increased support to international and regional organisations promoting renewable and clean energy, especially in LDCs. This could be achieved through increased levels of support for organisations such as Scaling-up Renewable Energy in Low-Income Countries (SREP) and the Sustainable Energy Fund for Africa (SEFA).

Strategic orientation J: For a substantial increase in climate finance to sustain efficacy and high quality, the Norwegian government could utilise aid effectiveness mechanisms, including *joint monitoring and 'delegated cooperation' among like-minded agencies.* Closer Nordic collaboration could be explored following the Nordic prime ministers' sustainability vision set out at the meeting in Reykjavík, 20 August 2019 (see Section 7.6).

The corollary of the team's suggestions is that, in the coming years, Norway should pursue a considerable increase in climate finance, which can be structured in the following three categories:

a) Measures necessary to strengthen adaptation support:
Norway should pursue a considerable increase in provisions of climate finance to those *international organisations and funds* providing public grants for adaptation and resilience, with an emphasis on support to LDCs. The most obvious choice would be to start with considerable donations to the Adaptation Fund and the LDC Fund, and possibly to IFAD's ASAP and FAO-Adapt, which are both underfunded and in high demand from developing countries.

Further support toward adaptation activities could be achieved through a significant increase in *bilateral programmes* targeting adaptation and poor communities' livelihoods and resilience. Provided through Norwegian embassies and a *climate finance envelope* open for applications from Norwegian and international NGOs with proven interests in developing country ownership and genuine partnerships.

b) Measures necessary to strengthen investment in Least Developed Countries:
According to OECD aggregates of international climate finance, too little international public finance is being invested in LDCs. On average, only 15% of public climate finance was channelled to LDCs between 2016-2017. As a result, Norway should considerably increase the share of its climate finance being provided to LDCs from current levels of 32% (in 2018). Importantly, this support should be provided as grants for adaptation and resilience through both the LDC Fund, Norwegian bilateral programmes and as a climate finance envelope to be channelled via Norwegian and international NGOs.

c) Measures necessary to provide a general increase in Norwegian climate finance:
The two necessary measures above focus on providing climate finance towards adaptation and LDCs, while this measure seeks to efficiently and generally increase Norwegian climate finance, to allow current trends in the 2019 and 2020 National Budgets to continue. Such a general increase in Norway's climate finance should include additional support to the GCF, alongside finance targeting renewable energy, technology transfer and forestry objectives

through other international organisations and funds recommended in this report.

These international organisations and funds are: the Sustainable Energy Fund for Africa (SEFA), Global Green Growth Institute (GGGI), United Nations Environment Programme (UNEP), United National Development Programme (UNDP), the Special Climate Change Fund (SCCF), the Climate Technology Centre and Network (CTCN), the Energy Sector Management Assistance Program (ESMAP) and the Climate Investment Funds (CIFs).

Furthermore, from 2021, it is suggested that additional finance is channelled via NICFI towards forest protection and REDD+ objectives. Allowing Norway to continue to play a leading international role in these areas.

1. INTRODUCTION

This study has been commissioned by Norwegian Church Aid, Rainforest Foundation Norway, Friends of the Earth Norway, Caritas Norway, the Development Fund and the Norwegian Forum for Development and Environment – an umbrella of 50 Norwegian NGOs.

In 2017, Norwegian CSOs launched the report *Counting What Counts - Analysis of Norwegian Climate Finance and International Climate Finance Reporting.* It concluded that Norwegian climate finance had decreased by one third over the previous three years, and that as little as 9% had gone to adaptation over the preceding seven years. In 2018, the Norwegian CSOs launched another report: *Norway's Fair Share of Meeting the Paris Agreement*. Produced by the Stockholm Environment Institute, it estimated that in order to honour the Paris Agreement, Norway would have to contribute international climate finance amounting to around NOK 65 billion per year by 2030. These two publications have led to the launch of this third report, which provides further information regarding existing climate finance channels.

The purpose of this study is to assess the various options for channelling potential increases in Norwegian public finance towards climate mitigation and adaptation activities in developing countries. This report aims to serve as an important tool for Norwegian NGOs in their dialogue with decision makers in Norway about how best to scale up Norwegian climate finance. It presents arguments regarding how to ensure that an increase in climate finance is used in a cost-efficient and equitable manner, especially in the field of adaptation, including a closer look at the track records of a range of financial channels.

Therefore, the overarching analytical framework of the report seeks to analyse four priority areas in four distinct Chapters, including:

1. A review of global climate finance flows and their characteristics to identify future areas of need (Chapter 2).

2. An analysis of Norwegian climate finance and its characteristics to determine future areas of need. Including a performance assessment of current bilateral and multilateral channels delivering Norway's climate finance (Chapter 3).

3. An analysis of global multilateral climate finance outflows to developing countries, their characteristics and areas of need (Chapter 4); and

4. A performance assessment of relevant international organisations involved in the channelling of multilateral climate finance (Chapter 6).

These four areas of analysis allow Chapter 7 to propose a set of strategic orientations alongside the necessary measures needed to help guide potential future increases in Norwegian climate finance, through a diverse portfolio of suggested partners.

Detailed descriptions and analysis of the various finance channels can be found in Annex E at this link: http://www.forumfor.no/assets/docs/Annexes-to-Norwegian-study-of-finance-channels-INKA-24-November-2019.pdf

This study has been undertaken by the Danish firm INKA Consult and carried out by consultants Hans Peter Dejgaard (team leader) and Andrew Hattle. With annexes produced by Amalie Kongsted Cordes and Emil Hageman Christensen.

The consultant team would like to thank the Norwegian NGOs and resource persons for their valuable contributions to this report. The views and findings expressed are those of the team members who carried out the study and do not necessarily reflect those of the organisations which commissioned it.

2. TRENDS IN INTERNATIONAL CLIMATE FINANCE

2.1. Paris agreement and estimated public climate finance 2013 to 2017

According to the Paris Agreement (2015), "*developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention.*"[2] The COP21 decision confirmed the intention of developed countries to uphold the collective goal to mobilise USD 100 billion per year in climate finance between 2020 and 2025. Developed countries also agreed to "take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds".[3] Importantly, there have been many interpretations regarding the "wide variety of sources" stated in Article 9 of the Paris Agreement, which was further agreed upon at COP24 in the Katowice Rulebook. These interpretations primarily regard whether appropriate sources of climate finance include public finance alone, or the combined provisions from both public and private sources.

The Paris Agreement also calls for striking a balance between climate finance for mitigation and adaptation, addressing conditions and capacity constraints in the poorest and most vulnerable developing countries (Article 9.4). Furthermore, the Paris Agreement emphasizes that climate finance should progress beyond existing obligations, while the Cancun Agreements (2010) states that "scaled up, new and additional, predictable and adequate funding shall be provided to developing country Parties."[4]

The most recent aggregate data on public finance was published by the OECD in September 2019.[5] It indicates that the *total* climate finance provided and mobilised by developed countries reached USD 71.2 billion in 2017 (including 14.5 billion USD of mobilised private finance). An increase from USD 52.2 billion in 2013 of 36%.

Public climate finance to developing countries increased from USD 37.9 billion in 2013 to USD 54.5 billion in 2017 (a 44% increase).[6] With the remining increase resulting from *private* climate finance mobilised by developed countries' public climate finance and export credits, which grew from USD 12.8 billion in 2013 and USD 14.5 billion in 2017. Nonetheless, according to OECD figures, contributions from donor countries must increase by USD 28.8 billion, or approximately 40%, in the remaining three reporting years to reach the Paris Agreement's USD100 billion-a-year goal by 2020.

When inspecting the increase in public climate finance over the 4-year period more closely, finances through bilateral channels grew from USD 22.5 billion to USD 27.0 billion (a 20% increase), whereas multilateral climate finance attributable to developed countries increased from USD 15.5 billion to USD 27.5 billion (a 77% increase). This is highlighting a growing trend in international climate finance which tends towards the use of multilateral, over bilateral, channels. Table 2.1 below, shows how the fall in bilateral climate finance observed in 2017, after increases in both 2015 and 2016, was more than offset by a sharp rise in multilateral finance, primarily arising from the multilateral development banks (MDBs).

2 UNFCCC. 2015. Paris Agreement - Article 9
3 UNFCCC. 2015. Paris Agreement - Annex to Decision 1/CP.21.
4 Paragraph 2 in UNFCCC. 2010. *The Cancun Agreements - UNFCCC Decision 1/CP.16.*
5 OECD 2019. 'Climate Finance Provided and Mobilised by Developed Countries in 2013-17'.
6 Without considering export credits amounting to USD 2.1 billion in 2017.

	2013	2014	2015	2016	2017
Bilateral public climate finance (1)	22.5	23.1	25.9	28.0	27.0
Multilateral public climate finance attributable to developed countries (2)	15.5	20.4	16.2	18.9	27.5
Subtotal (1+2)	**37.9**	**43.5**	**42.1**	**46.9**	**54.5**
Climate-related officially-supported export credits (3)	1.6	1.6	2.5	1.5	2.1
Subtotal (1+2+3)	**39.5**	**45.1**	**44.6**	**48.5**	**56.7**
Private climate finance mobilised (4)	12.8	16.7	N/A	10.1	14.5
Of which by bilateral public climate finance	*6.5*	*8.1*	*N/A*	*5.0*	*3.7*
Of which by multilateral public climate finance attributable to developed countries	*6.2*	*8.6*	*N/A*	*5.1*	*10.8*
Grand total (1+2+3+4)	**52.2**	**61.8**	**N/A**	**58.6**	**71.2**

Table 2.1:
Finance provided and mobilised by developed countries for climate action in developing countries from 2013-2017 (USD billion). OECD, 2019.[14]

2.2. Low share of finance for adaptation

The Paris Agreement seeks to achieve a "balance" between adaptation and mitigation finance. Climate finance is divided into what is provided for mitigation, for adaptation and for cross-cutting projects, i.e. projects in pursuit of both mitigation and adaptation.

The OECD report itself distinguishes between adaptation and mitigation finance within public flows. In 2017, the respective shares of finance for mitigation, adaptation, and cross-cutting activities globally were 69%, 23%, and 8% of the total.

Independently, adaptation finance rose from USD 7.8 billion in 2013 to USD 12.9 billion in 2017 (a 65% increase) and mitigation finance from USD 28.2 billion in 2013 to USD 38.9 billion in 2017 (a 38% increase). The thematic breakdown of bilateral climate finance remained broadly stable: mitigation continues to represent two thirds, and adaptation slightly more than 20% (USD 5.6 billion in 2017). The share of adaptation finance in multilateral flows increased from 20% in 2013 to 27% (USD 7.4 billion) in 2017, while the share of mitigation decreased from 75% to 69%.

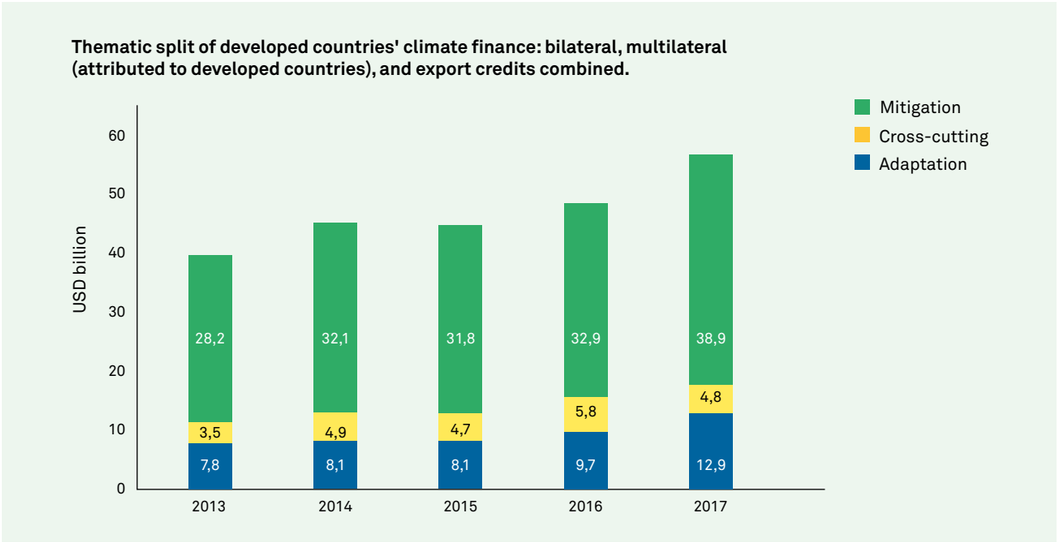


Figure 2.1.
Thematic split of developed countries' public climate finance: bilateral, multilateral 2013-17. OECD, 2019.[14]

From Figure 2.3, the 23% share for adaptation in 2017 can be calculated and is far below the desired international target of half of all public climate finance, as deemed necessary as a result of the word 'balanced' in the Paris Agreement. Furthermore, total adaptation finance in 2017 of USD 12.9 billion is significantly below the *needs* estimated by UNEP in their Adaptation Finance Gap Report (2016)", which states: "*... the available adaptation finance is significantly lower than the needs expressed in the NDCs, 7 which have been estimated at over USD 50 billion per year for fifty non-Annex I countries for the period 2020 to 2030".* An observation made more pressing in light of the same report's estimate of the costs of adaptation, which it states could reach between USD 140 billion to USD 300 billion by 2030.[8]

Multilateral climate finance to developing countries is also overwhelmingly provided towards mitigation objectives. Mitigation activities such as implementing low-carbon, energy-efficient technologies to reduce emissions, save costs and generate revenue are attractive to the MDBs, the primary providers of multilateral climate finance.

Due to the inherent uncertainties surrounding climate change impacts, their magnitude, and geographic scope, it is more difficult to identify a comparable business case for adaptation activities. And much more difficult to attract the levels of investment seen flowing towards mitigation objectives. The Centre for International Climate Research (CICERO) note that there has been some progress in the stimulation of private adaptation finance. Primarily in agricultural and water sectors through investments in crop resilience, financial services and climate risk services.[9] However, it remains overriding that the benefits of a climate-resilient investment typically manifest over long time frames, while businesses and governments often face pressure to make investment decisions based on short-term considerations[10].

Who will pay for vulnerable communities in poor countries who are being forced to adapt to unprecedented climate stress? Adaptation interventions in poor areas will indefinitely require significant public finance.

In September 2019 the Global Commission on Adaptation launched a report[11] calling for the global investment of USD 1.8 trillion from 2020-2030, in five areas: Early warning systems, climate-resilient infrastructure, improved dryland agriculture, mangrove protection, and investments in making water resources more resilient.

2.3. Least Developed Countries (LDCs)

Nearly half the population in the world's 47 LDCs[12] live in extreme poverty, compared to 12% in other developing countries. LDCs' contributions to global carbon emissions are negligible. However, they are among the hardest hit by climate shocks and stresses and are least able to respond due to limited institutional capacity and resources to adapt.

The Paris Agreement seeks to attend to the special needs of LDCs and Small Island Developing States (SIDS). The OECD and UNFCCC did not present data at COP24 regarding total amounts transferred to LDCs or SIDS. According to the OECD, public climate finance to LDCs (from both bilateral and multilateral sources) increased from USD 5.7 billion in 2013 by 72% to USD 9.8 billion in 2017. Comparatively, public climate finance to SIDS increased from USD 0.8 billion in 2013 by 63% to USD 1.3 billion in 2017.

On average, LDCs and SIDS accounted for 15% and 2% of public climate-related finance from 2016-2017, respectively.[13]. This is considerably lower than the target set out in Sustainable Development Goal (SDG) 17.2, which aims for 20% of ODA to be directed to LDCs. Furthermore, according to the 2018 Joint Report on Multilateral Development Banks' Climate Finance, 12% of MDB climate finance was

7 NDCs is an acronym for Nationally Determined Contribution (reductions in greenhouse gas emissions)
8 UNEP, 2018. The Adaptation Gap Report 2018.
9 Centre for International Climate Research (CICERO) 2017. '*Mobilizing Adaptation Finance in Developing Countries*'.
10 Crick et al., 2016. Quoted in the Climate Policy Initiative's '*Understanding and Increasing Finance for Climate Adaptation in Developing Countries*', 2018.
11 "*Adapt Now: A Global Call for Leadership on Climate Resilience*" launched in September 2019 by the Global Commission on Adaptation.
12 There are three criteria for being classified as a Least Developed Country (LDC): low per capita gross national income (GNI), low level of human capital and high structural vulnerability to exogenous economic and environmental shocks. As of December 2018, the UN General Assembly classifies 47 countries as LDCs.
13 OECD 2019: '*Climate Finance Provided and Mobilised by Developed Countries in 2013-17*'.

provided to LDCs and 3% to SIDS.[14] Oxfam are recommending that donors commit to a minimum floor of 25% of their public climate finance to LDCs.[15]

Recent figures from OECD/UNCDF on private finance show that LDCs are not receiving private finance as envisaged: *"Too little private finance gets invested in least developed countries (LDCs). As this report suggests, only 6% of private finance mobilised by official development finance benefits LDCs. With the recent downturn in official development assistance to LDCs, too little international public finance is being invested there as well"*.[16]

The Danish Institute for International Studies (DIIS) also state similar concern: *"Despite the ambition of the SDGs of leaving no one behind there are strong indications that the poorest developing countries are being left behind"*.[17] Over the last decade, a decreasing share of development finance has gone to LDCs and Low-Income Countries (LICs) in general, and there is an urgent need to rethink the implications of a severely underfunded Sustainable Development Goal (SDG) package. Another related concern is the increasing debt levels in several low-income countries, which is affected by the choice of financial instrument used to deliver development and climate finance.

2.4. Loans versus grants

Loans for climate interventions are increasing considerably faster than grants within developing countries. This trend is likely to continue, with the World Bank announcement at COP24 indicating an increase in loan provision to around USD 40 billion per year (for 2021-2025), including co-financing. This more than doubles current levels.

According to the OECD, grant financing increased by 25% between 2013 and 2017, from USD 10.3 billion to USD 12.8 billion, while loans increased by 100%, reaching USD 40.3 billion in 2017 compared to USD 20 billion in 2013. Importantly, most bilateral loans were concessional (soft loans at a subsidised rate and grace period), yet the majority of multilateral loans were non-concessional (though more favourable to the borrower than market terms).

The OECD report shows that grants represent slightly more than a third of bilateral and less than 10% of multilateral climate finance. Loans accounted for about 60% of bilateral and close to 90% of multilateral climate finance. According to their 2018 Joint Report, the MDBs committed USD 43.1 billion in climate finance in developing and emerging economies in 2018 (70% for mitigation and 30% for adaptation). Of this, only 5% was provided as grants, while 95% was committed in the forms of investment loans, policy-based financing, results-based financing, line of credit, equity and guarantees.[15] In particular circumstances, such as in support of large renewable energy projects, concessional loans can play an important role in international climate finance where the initial capital for investment is needed and where debt sustainability analyses have taken place. Yet, the benefits of adaptation support typically manifest over longer time frames, while the mandates of businesses and particularly governments often face short-term pressure to make investment decisions, essentially overriding considerations of longer-term climatic impacts. SLUG (Nettverk for Rettferdig Gjeldspolitikk) and Norwegian Church Aid state that loans to fund climate projects, due to the simple necessity that they must be paid back, can contribute to unsustainable debt levels and affect a country's capacity to finance social spending and to achieve progress on the SDGs.[18]

It is a concern that over 70% of multilateral loans in 2016-17 were non-concessional (OECD[19]). Though the terms may be favourable compared to market rates, this implies considerably higher interest rates than concessional loans, which are defined as having a minimal grant element of 45% for LDCs and other low-income countries (LICs).

International Monetary Fund (IMF) research shows that 34 of 73 low-income countries are now either in debt distress, or at high risk of entering into it[20]. As such, there is a huge need for increasing the share of public grants in international climate finance, in direct recognition that loans are ill-suited to meet the critical adaptation needs of poor countries.

14 2018 Joint Report on Multilateral Development Banks' Climate Finance
15 Oxfam 2018. *'Climate Finance Shadow Report 2018'*.
16 OECD/UNCDF 2019. *'Blended Finance in the Least Developed Countries 2019'.*
17 Danish Institute for International Studies (DIIS) 2019. *'Can the SDGs in Low-income countries be financed?'.*
18 SLUG and Norwegian Church Aid, 2018. *'Climate Debt: Securing adequate climate finance without contributing to debt crises'.*
19 See page 9 in 'Climate Finance Provided and Mobilised by Developed Countries in 2013-17'. OECD 2019.
20 As of November 2019, 9 countries are in debt distress, 25 countries are at high risk, 23 countries are at moderate risk, and 16 countries are at low risk of debt distress. Source: *https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf*

3. OVERVIEW AND ASSESSMENT OF NORWEGIAN CLIMATE FINANCE

This chapter presents an overview of Norwegian climate finance, the distribution between adaptation and mitigation and the share going to Least Developed Countries (LDCs). Furthermore, existing evaluations of Norwegian climate-related development finance by the OECD and others are discussed.

3.1. Norwegian climate finance 2010–2018

INKA Consult has calculated figures for both Norway's climate finance disbursements[21] and commitments.[22] The terms disbursements and commitments are used as defined by the OECD. Disbursements denote "the actual international transfer of financial resources, or of goods or services valued at the cost to the donor", where commitments are "a firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation".[23] Disbursements figures are presented in Figure 3.1 and Table 3.1, with commitments detailed in Figure 3.2 and Table 3.2.

It should initially be noted that part of the decrease in both climate disbursements and commitments post-2013 should be subject to two caveats. Firstly, that funding from Norfund from 2014 and onwards is no longer considered as ODA (but instead as Other Official Flows (OOF), and is therefore excluded from the final 5-years of the time-series. Secondly, NICFI's results-based payments for its bilateral flows are potentially causing significant year-to-year fluctuations.

Additionally, the national budget for climate-related contributions in 2019 increased by NOK 674 million compared to 2018 levels, with a near doubling of renewable energy related financing to NOK 1.1 billion[24] and a NOK 200 million increase of funding to NICFI.[25] Thus, with the climate-relevant contributions outlined in the National Budget, climate-related development finance levels are expected, in real terms, to exceed the levels observed in 2014. This increase cannot be included in the calculations below because the funding data and project-level details for climate-related development aid in 2019 have yet to be published by Norad.

3.1.1. Climate finance disbursements

Norway has disbursed an average of *NOK 3.9 billion annually* in climate-specific finance between 2010 and 2018, excluding core multilateral contributions. Total 2017 and 2018 climate-specific disbursements of NOK 3.6 and 3.8 billion are 8% and 4% below the 2014-2018 average of NOK 3.9 billion. A 22% decrease in climate-specific disbursements can be observed from NOK 4.9 billion in 2014, to 3.8 billion in 2018. At the same time, international ambitions were to increase significantly according to the Paris Agreement.

21 Norway submits regular reports on climate financing for developing countries to the United Nations Framework Convention on Climate Change (UNFCCC) and OECD. Furthermore, it is easy to extract financial disbursements data on Norwegian development projects from Norwegian Aid Statistics: *https://www.norad.no/en/front/toolspublications/norwegian-aid-statistics/access-to-microdata/*
22 Disbursements and commitments figures are based on the methods described in "Counting What Counts - Analysis of Norwegian Climate Finance" published in 2017, which explains the use of a 40%-method for climate-specific ODA and the Imputed Multilateral Contributions method. Norad data has been used to produce both 2010-2018 disbursements and commitments figures.
23 OECD Development Assistance Committee. https://www.oecd.org/dac/dac-glossary.htm#Commitment
24 https://www.regjeringen.no/no/aktuelt/pm5_budsjett/id2613723/
25 https://www.regjeringen.no/no/aktuelt/stort-loft-for-klima-og-miljo-internasjonalt/id2614431/

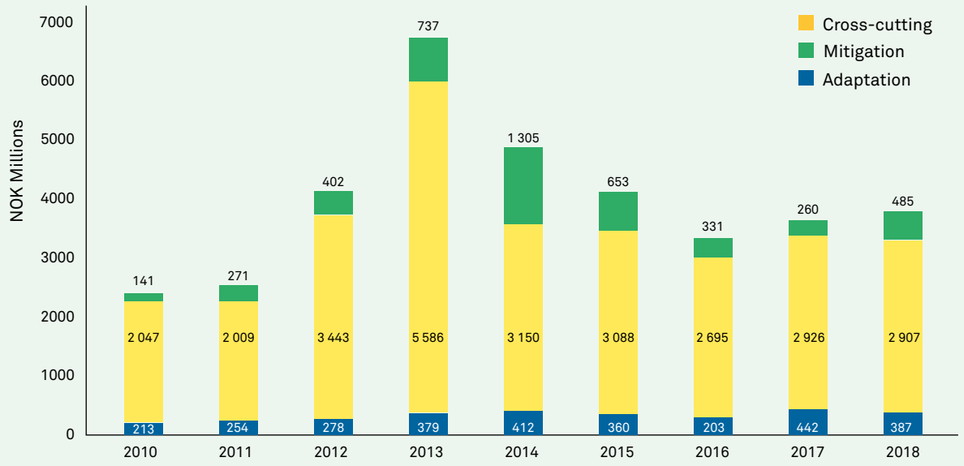


Figure 3.1:
Norwegian climate finance disbursements 2010-2018, using the 40%-method for bilateral and "multi-bi" ODA, excluding Imputed Multilateral Contributions for core funding to multilateral institutions (same numbers as in Table 3.2). Produced with Norad data. Detailed figures presented in the Table 3.2 above.

Climate finance			Disbursements – NOK million									2010–2018 Average
			2010	2011	2012	2013	2014	2015	2016	2017	2018	
Climate-specific	Bilateral	Adaptation	139	177	200	239	307	280	243	257	226	230
		Mitigation	877	1,176	2,019	4,765	1,510	1,907	1,718	1,523	1,789	1,921
		Cross-cutting	55	200	311	501	544	430	269	201	230	305
		Total	1,071	1,554	2,529	5,505	2,361	2,617	2,231	1,981	2,245	2,455
	Multi-lateral "Multi-bi"	Adaptation	74	77	79	140	104	80	60	185	161	107
		Mitigation	1,170	833	1,424	821	1,640	1,182	977	1,403	1,117	1,174
		Cross-cutting	86	70	91	236	761	222	61	59	255	205
		Total	1,330	980	1,594	1,197	2,505	1,484	1,098	1,647	1,534	1,486
	Total climate-specific		2,402	2,534	4,123	6,702	4,867	4,101	3,329	3,628	3,779	3,940
Core funding	Imputed multilateral contributions		649	768	721	722	761	903	785	1,117	1,138	840
Estimated total climate funding			3,051	3,302	4,844	7,424	5,628	5,004	4,114	4,745	4,917	4,781

Table 3.1:
Estimate of Norway's disbursements of climate finance 2010-18, using the 40%-method for bilateral and "multi-bi" ODA and imputed multilateral contributions.26 Estimates of the imputed multilateral shares for climate-relevant multilateral institutions are provided by the OECD: http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm. Those multilateral institutions included in Norwegian reporting to the UNFCCC are included in the calculations. Figures are in actual "current" disbursements, and not adjusted for inflation. Produced using Norad data by INKA Consult.

26 For the years 2011-2014 Norwegian reporting to the UNFCCC considered 100% of the budget of projects Rio marked "Significant" as climate-relevant. Thus, the climate-specific disbursements officially reported for the years 2011, 2012, 2013 and 2014 are higher than stated in Table 3.1, totalling 3,124, 4,948, 7,463 and 6,095 million NOK, respectively.

Disbursements show a significant peak in 2013 of NOK 6.7 billion, with the comparative decline in 2014 primarily being a consequence of remaining funds set aside for the Amazon Fund in the Fast Start reporting period (amounting to USD 130 million in 2010, USD 178 million in 2011, and USD 172 million in 2012), which were transferred to the Brazilian Social Development Bank (BNDES) in 2013. Thus, these figures were combined and reported in 2013 within both the Norad and OECD DAC reporting systems. Although figures for 2017 and 2018 show year-on-year increases of NOK 249 and 149 million, respectively, as compared to 2016 figures, they have yet to surpass the level achieved in 2012. With the exception of Norfund's 2010-2013 climate-related equity investments, provisions from Norway are provided exclusively as grants.

3.1.2. Climate finance commitments

In comparison, N*orway has committed NOK 4.7 billion annually* in climate-specific finance, on average, between 2010 and 2018, excluding multilateral core contributions. Figure and Table 3.2 below show an overall 25% decrease in Norwegian climate finance commitments from 2014 to 2018 of NOK 1.4 billion. Total 2016 and 2017 commitment figures of NOK 3.7 billion and the 2018 commitment figure of NOK 4.1 billion, remain below the 9-year average.[27]

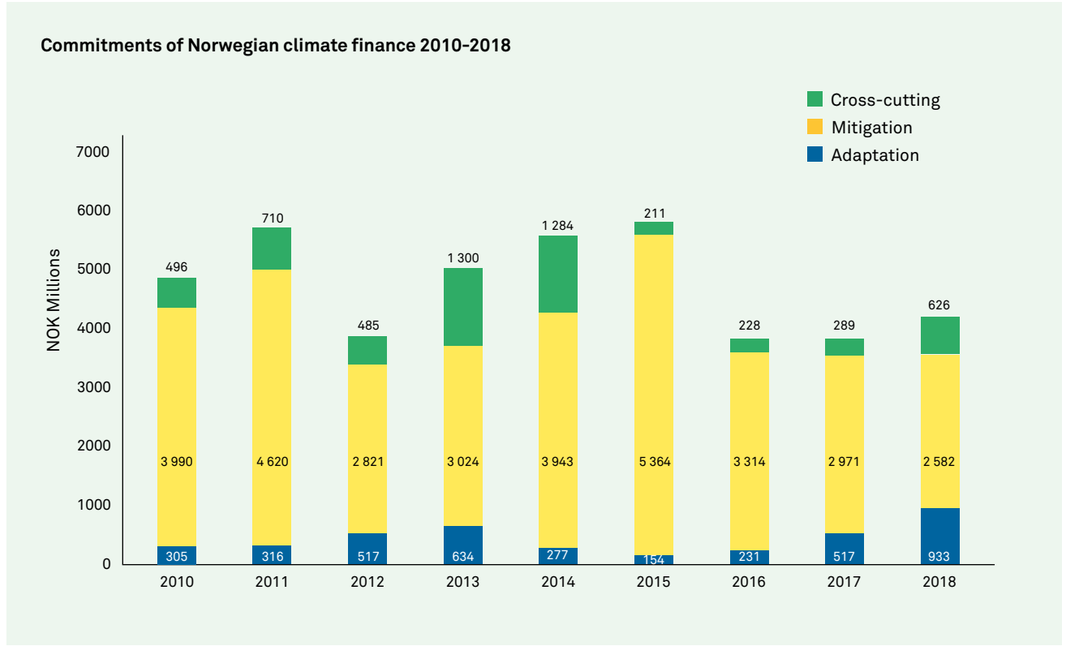


Figure 3.2:
Norwegian climate finance commitments 2010-2018, using the 40%-method for bilateral and "multi-bi" ODA, excluding Imputed Multilateral Contributions for core funding to multilateral institutions (same numbers as in Table 3.2). Produced using Norad data. Detailed figures presented in the Table 3.2 below.

27 If climate finance channelled through Norfund is eliminated from the figures for 2010-2013, the climate finance levels in 2016, 2017 and 2018 are 14%, 14% and 5% below the annual average between 2010 and 2018.

Climate finance			Commitments – NOK million									2010-2018 Average
			2010	2011	2012	2013	2014	2015	2016	2017	2018	
Climate-specific	Bilateral	Adaptation	157	189	437	437	244	138	162	290	456	279
		Mitigation	2,134	2,583	1,674	2,347	2,830	1,996	2,269	2,523	2,033	2,265
		Cross-cutting	305	534	454	817	476	138	227	200	219	374
		Total	2,597	3,306	2,565	3,601	3,550	2,272	2,658	3,013	2,708	2,919
	Multi-lateral "Mul-ti-bi"	Adaptation	147	127	80	197	33	16	69	227	477	153
		Mitigation	1,856	2,038	1,147	677	1,113	3,368	1,046	447	550	1,360
		Cross-cutting	191	176	30	484	808	73	1	89	407	251
		Total	2,194	2,341	1,258	1,357	1,954	3,457	1,116	764	1,433	1,764
	Total climate-specific		4,790	5,647	3,823	4,958	5,504	5,792	3,774	3,777	4,141	4,682

Table 3.2:
Estimate of Norway's commitments of climate finance 2010-18, using the 40%-method for bilateral and "multi-bi" ODA, excluding Imputed Multilateral Contributions for core funding to multilateral institutions. The figures are in actual "current" commitments, and not adjusted for inflation. Produced using Norad data, by INKA Consult.

3.1.3. Adaptation and mitigation shares in Norwegian climate finance

For clarity, all figures in Sections 3.1.3 and 3.1.4 refer to disbursed climate finance.

The figures within the tables above show the distribution of Norwegian climate finance between mitigation, adaptation, and cross-cutting objectives (i.e. contributions with both mitigation and adaptation activities). Mitigation objectives are seen to be overwhelmingly dominant in Norwegian climate finance.

Mitigation, adaptation and cross-cutting objectives accounted for 79%, 9% and 13% of climate finance disbursements in 2010-2018 (with a 10% of finance going to adaptation in 2018). It is noted that NICFI's projects are overwhelmingly reported with mitigation as their principal objective, whilst they can often include adaptation/ cross-cutting components that aren't entirely captured in climate finance statistics. Adequate representation of cross-cutting activities in NICFI project objectives, and their resulting Rio markers, could greatly improve the precision of mitigation, adaptation and cross-cutting figures related to Norwegian climate finance.

Evidently, Norway remains far from achieving a balance between adaptation and mitigation in its climate finance, as stipulated in the Paris Agreement. A considerable increase in adaptation finance will have to be implemented if Norway is to show parity between objectives, whilst also increasing overall levels of climate finance. According to the ACT Alliance study of 2016, Norway had a lower adaptation share than any of the other 28 EU member states.[28] Further information on the mitigation and adaptation objective breakdown for different Norwegian agreement partners are presented in Section 3.2.

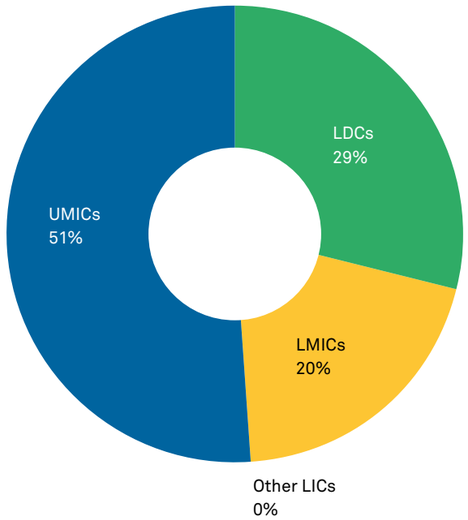
3.1.4. LDC share of Norwegian climate finance

Least Developed Countries (LDCs) received only 29% of climate finance disbursements provided by Norway between 2010 and 2017.29 The proportion of climate finance provided to LDCs is considerably lower than that of Norwegian Official Development Assistance (ODA) to LDCs (51%). There is, however, evidence of this figure increasing in more recent years with 37% of 2017 climate-related disbursements being channelled to LDCs.

28 Source: Table 4-4: Total adaptation finance and mitigation-adaptation shares for key EU Member States based on BR3 reports (2016) to UNFCCC. 'Cross-cutting' figures are split equally between adaptation and mitigation). From the report "An analysis of the Climate Finance Reporting of the European Union". Published by ACT in 2017.

29 The figures are for climate finance disbursements based on OECD Creditor Reporting System data with recipient income group allocations, since information on income groups is not presented in Norad data.

Climate Finance - Income Group of Recipient Country 2010-2017



The largest share by far goes to lower and upper middle-income countries. A primary reason for which, is that Brazil, an upper middle-income country, has been the largest recipient of Norwegian climate finance, with significant amounts channelled through Norway's International Climate and Forest Initiative (NICFI). In fact, as most of the major tropical forest countries are middle-income countries, a large initiative focused on the protection of tropical forests like NICFI will lead to a large share of Norwegian climate finance going to higher income group countries. This suggests that other elements of Norwegian climate finance should have a stronger focus on LDCs in order to counter this imbalance. For comparison, LDCs received 58% of bilateral country-specific climate finance from Denmark between 2013 and 2018.

3.2. Agreement partners and implementation channels

This section details the characteristics, in terms of mitigation, adaptation and LDC shares, of Norwegian climate finance to bilateral, multilateral and NGO agreement partners. As noted, all Norwegian climate-related development aid, apart from early contributions through Norfund, is provided as grants.

Figure 3.4 outlines the percentages of climate finance disbursed to various Norwegian agreement partners in the years 2017-2018. Most Norwegian climate finance can be seen to be channelled through multilateral organisations, receiving 57% of disbursed climate finance (10% to MDBs and 47% to other international organisations and funds). Comparatively, 43% of climate finance was provided through bilateral channels. Primarily through NGOs (19%) and to governments, ministries and the public sector in developing countries through bilateral programmes handled by the Ministry of Foreign Affairs (MFA), Norad and the Ministry of Climate and Environment (16%).

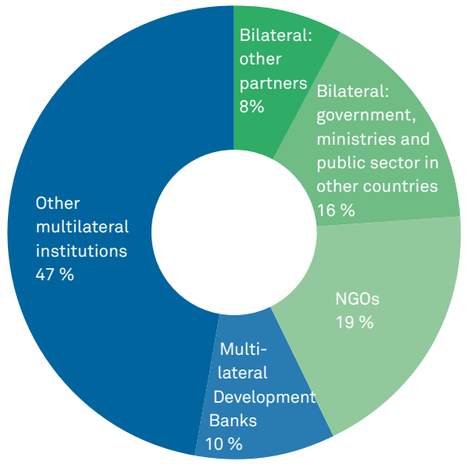


Figure 3.4:
Implementing channels of climate finance 2017-2018, broken down by agreement partner. Based on data for disbursements from Norad. INKA Consult 2019.

Over 2010-2018, multilateral organisations, NGOs and bilateral programmes received 51%, 16% and 24% of disbursed climate finance, as indicated in Table 3.3. Presenting an upward trend in finance channelled through multilateral organisations. Considering total support channelled through bilateral partners, including NGOs, governments, ministries and public sector partners in other countries, and other bilateral partners, the table below indicates a net decrease in bilaterally channelled climate finance of 7%.

Agreement Partner	Share of climate finance contributions 2010-2018	Share of climate finance contributions 2017-2018	Trend
Multilateral partners	51%	57%	6%
Bilateral partners	50%	43%	-7%
Governments, ministries and public sector partners in other countries	*25%*	*16%*	*-9%*
NGOs	*16%*	*19%*	*3%*
Other bilateral partners	*9%*	*8%*	*-1%*

Table 3.3:
Recipients of Norwegian climate finance by agreement partner. Bilateral partners have been disaggregated to include separate shares for: (1) Governments, ministries and public sector partners in other (developed and other donor) countries; (2) NGO partners (including Norwegian, International and local NGOs) and; Other bilateral partners (comprising all remaining bilateral partners used by Norad to define bilateral support, including: Norwegian, developing country, and donor country public and private partners alongside partners involved in public-private partnerships). Produced using Norad data, by INKA Consult.

This can partially be explained by the dominance of NICFI's contribution to Norwegian climate finance figures, the results-based payments of its bilateral programmes (further discussed in Section 3.3), and its prevalent use of multilateral partners. It also highlights the current Norwegian tendency to increase the multilateral share of its climate finance. Which is in agreement with the trends outlined in the 2019 OECD Peer Review of Norwegian development co-operation.[30]

Table 3.4 provides information on the adaptation, mitigation and LDC shares of Norwegian climate-specific finance through bilateral, multilateral and NGO channels. Adaptation objectives and finance to LDCs are largest in contributions channelled through NGOs. Whereas the remaining bilateral partners provide less of their total finance towards adaptation and to LDCs, than Norwegian finance channelled through multilateral partners. No specific partner achieves balance between mitigation and adaptation, though NGO-channelled finance has the highest adaptation share of 33%. And only finance channelled through NGOs surpasses, with 64%, the average 29% share of total Norwegian ODA going to LDCs.

Agreement partner	Characteristics of disbursed climate finance		
	Adaptation share	Mitigation share	LDC share
Bilateral	16%	84%	28%
Through NGOs	*33%*	*67%*	*64%*
Through other bilateral partners	*6%*	*94%*	*21%*
Multilateral	14%	86%	34%
All partners	***15%***	***85%***	***29%***

Table 3.4:
Characteristics of climate finance channelled through bilateral, multilateral and combined national, international and local NGO agreement partners. Shares are a percent of total received Norwegian climate-specific finance disbursements. Bilateral partners here comprise governments, ministries and public sector partners in other (developed and other donor) countries alongside other bilateral partners as described in Table 3.3. Cross-cutting finance has been split between mitigation and adaptation objectives. LDC shares exclude figures unallocated by income group and correspond to the years 2010-2017, whereas adaptation and mitigation shares to 2010-2018. Produced using OECD CRS and Norad data, by INKA Consult.

30 As indicated on page 52 of: OECD Development Co-operation Peer Review: Norway (2019). Available at: https://www.oecd.org/dac/oecd-development-co-operation-peer-reviews-norway-2019-75084277-en.htm.

Multilateral climate finance channel	Disbursement (NOK million)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	Totals
UN Development Programme (UNDP)	802	867	803	770	730	785	923	1 049	1 116	**7 846**
Forest Carbon Partnership Facility (FCPF)	56	0	900	0	232	510	20	352	341	**2 411**
Green Climate Fund (GCF)	0	0	0	0	0	400	400	480	400	**1 680**
UN-REDD Program Fund	200	120	255	267	241	182	125	126	83	**1 598**
UN Environment (UNEP)	101	103	112	242	151	139	88	104	135	**1 176**
Strategic Climate Fund (SCF) via CIF	55	95	210	160	190	10	30	57	15	**822**
Pilot Program for Climate Resilience (PPCR)	*0*	*0*	*20*	*0*	*0*	*0*	*0*	*0*	*0*	***20***
Scaling up Renewable Energy in Low-Income Countries (SREP)	*55*	*95*	*190*	*160*	*190*	*10*	*30*	*57*	*15*	***802***
Global Green Growth Institute (GGGI)	0	0	12	18	98	88	37	54	64	**372**
Food and Agriculture Organisation (FAO)	34	22	27	63	24	33	26	56	70	**354**
IFAD (Adaptation for Smallholder Agriculture ASAP)	0	0	0	21	21	21	0	80	0	**143**
GEF Least Developed Countries Trust Fund (LDCF)	25	53	20	22	22	0	0	0	0	**142**
Energy Sector Management Assistance Programme (ESMAP)	2	2	8	16	0	26	14	25	30	**123**
GEF Special Climate Change Trust Fund (SCCF)	15	15	17	15	15	0	0	0	0	**77**
The Climate Technology Centre and Network (CTCN)	0	0	0	17	10	33	0	0	0	**60**
Adaptation Fund (AF)	0	0	0	15	0	0	0	0	0	**15**
Sustainable Energy Fund for Africa (SEFA) via AfDB	0	0	0	0	0	0	0	0	14	**14**

Table 3.5:
Time series of Norwegian disbursements to selected international organisations and funds.
Based on data for disbursements from Norad, including multilateral core finance. INKA Consult 2019.

3.2.1 Norway's use of the multilateral system

Table 3.5 below presents a time-series from 2010 to 2018 indicating combined Norwegian climate-specific and core disbursements to multilateral organisations relevant to the analysis presented in Chapter 6.

As indicated in Table 3.1, 79% of Norway's climate-specific multilateral finance targets mitigation, on average. Earmarked Norwegian contributions to the UNDP, the largest recipient of Norwegian multilateral support, focus markedly on mitigation, and thus influence this figure heavily, with 84%, 15% and under 1% targeting mitigation, cross-cutting and adaptation activities, respectively. Thus, alongside the significant contributions to the Forest Carbon Partnership Facility and the UN-REDD Program outlined below, avoiding greenhouse gas emissions and strengthening carbon sinks are primary objectives of the strategic focus of Norwegian multilateralism.

The following two sections outline NICFI and Norfund as unique options within the Norwegian context to channel climate finance. In Section 3.5, the results of evaluations of Norwegian development cooperation, including the mentioned OECD Peer Review are summarised. These sections provide an overview of existing evaluations of Norwegian bilateral and multilateral assistance, while Chapters 4, 5 and 6 go deeper into an analysis of international organisations as recipients of Norwegian support.

3.3. The Norwegian International Climate and Forest Initiative (NICFI)

The Norwegian International Climate and Forest Initiative (NICFI), was launched at COP 13 of the UN Framework Convention on Climate Change in Bali in 2007. Norway's pledge was to contribute up to 3 billion NOK annually to reducing emissions from deforestation and forest degradation (REDD+) activities in developing countries. NICFI has been Norway's dominant climate finance channel over the last ten years, providing a significant part of Norway's environmental and sustainable development assistance expenditure since 2009.

NICFI works closely with developing countries, multilateral organizations and banks, and civil society. The yearly allocation is up to NOK 3 billion to REDD+ efforts in the following countries: Brazil, Colombia, Indonesia, Guyana, Ethiopia, Liberia, Peru, Tanzania, Mexico, Vietnam and the Congo Basin.

NICFI has been subject to evaluations since its conception, with reports spanning from 2011 to 2017.[31] The most comprehensive was the 2007-2013 synthesis report of real-time evaluations published in 2014,which indicated that NICFI's contribution to the establishment of a global REDD+ regime had been a success (Norad, 2014).[32] NICFI's flagship bilateral partnerships, such as those with Brazil and Indonesia, had leveraged political support REDD+ globally. Secondly, the report found that NICFI has made significant contributions to early action on REDD+. The initiative was applauded for making good progress on developing systems for monitoring, reporting and verification of emissions. However, the evaluation pointed out that the engagement with the private sector had been too low.

More recently, in 2017, Norad published its "Lessons learned and recommendations" report regarding NICFO, which was based on fifteen evaluations of the Initiative and focused on institutional learning.[33] Concurrently, a further 2017 real-time evaluation: "*An evaluation of empowerment of indigenous peoples and forest dependent local communities through support to civil society organisations*", was also published, and focused on NICFI's impact on livelihoods and forest conservation within project implementation areas, exemplifying the varying scope within different evaluation reports.[34] The Initiative is considered to be a successful Norwegian mechanism for channelling climate finance towards REDD+ and mitigation objectives.

By the end of 2018, NICFI had disbursed more than NOK 20 billion to countries with tropical forests, and to multilateral and civil society organisations working to promote REDD+ and tropical forest protection. NICFI provides results-based payments to countries for verified carbon emissions reductions from reduced deforestation and forest degradation, and supports new regulations in their forest and land use sectors, whilst engaging in broad partnerships with civil society and the private sector.

A report from the Norwegian Auditor-General in May 2018 made some critical remarks about progress and results being delayed and several measures being of uncertain effect. It also mentioned that the Norwegian contribution was fully 51% of the total, financed together with UK and Germany, and it has been identified as a challenge to get more donor countries involved. In the words of the Norwegian Minister of Climate and Environment, Ola Elvestuen: "*Norway alone can never stop deforestation. I mean, we are one actor*". It is difficult to evaluate an initiative whose results are highly dependent on the political will to protect forests in developing countries, illustrated by the political changes in Brazil that has brought current bilateral cooperation to a halt. With the Brazilian President Jair Bolsonaro recently stating that his country had "no need" for Norwegian and German money aimed at supporting conservation projects in Brazil.

Ola Elvestuen has expressed alarm over the accelerating destruction of the Amazon and concern for the future of a Brazilian rainforest protection fund. Norway has suspended donations after Brazil's government blocked operations of the Amazon Fund and its technical committee. Norway had earlier paid some USD 1.2 billion into the Amazon Fund.

A Joint Declaration was signed at COP25 in December 2019 in Madrid, which extends the climate and forest cooperation between Colombia, Norway, Germany and the United Kingdom until 2025. Colombia is committing to ambitious goals of reducing deforestation and launching large-scale programmes in support of forest conservation and forest-dwelling ethnic groups. Germany, Norway and the United Kingdom will contribute up to USD 360 million to help Colombia reach its targets.

Norway has played a leading role on the world stage in the field of forest protection. Over the past decade, Norway has provided 40% of global finance to fight tropical deforestation, according to the Rainforest Foundation Norway. There is widespread support in the Norwegian parliament recognising the global importance of sustainable forest use and management, and funding to NICFI has been increased in the 2019 budget.

This report has *refrained from* making any recommendations about the composition of the NICFI portfolio, limiting itself to describing, in Chapter 6, two of its major implementation channels: UN-REDD and the World Bank's Forest Carbon Partnership Facility (FCPF) /the Readiness Fund. Further information can be found in NICFI real-time evaluations and lessons learned reports.

3.4. Norfund

The Norwegian Investment Fund for Developing Countries (Norfund) provides equity capital and other risk capital in order to assist private sector development and job creation through the building of sustainable businesses and industries in developing countries. When investments are ended, returns are reinvested in other businesses. By the end of 2018, Norfund's committed portfolio was USD 2.6 billion/NOK 22.3 billion and included more than 900 companies (Norfund, 2019).[35] The average annual return on such investments since its inception is 5.8%.

Norfund has published its "*Strategy 2019 – 2022*", which continues to prioritise the fields of clean energy and financial institutions, in addition to green infrastructure as a newly introduced third core business area. According to Norfund, about 50% of the projects are in clean energy and 31% in financial institutions. The priority geographical areas are Sub-Saharan Africa and selected countries in South East Asia and Central America. In 2018, about 47% of investments went to LDCs.[34]

The government's disbursement to Norfund between 2010 and 2018 was NOK 2 billion (in capitalization). Furthermore, Norfund received an increase of 1.7 billion NOK in 2018, half of which is earmarked for renewable energy. Norfund also received 1,875 billion NOK in the 2019 National Budget, with similar support also

31 All NICFI Evaluations can be accessed at: https://norad.no/en/front/evaluation/planned-and-ongoing-evaluations/real-time-evaluation-of-norways-international-climate-and-forest-initiative/

32 Available at: https://norad.no/en/toolspublications/publications/2014/real-time-evaluation-of-norways-international-climate-and-forest-initiative.-synthesising-report-2007-2013/

33 Available at: https://norad.no/contentassets/0a94d37d6a614b44a5e91f15223a8b67/8.17-nicfi_lessons-learned-and-recommendations.-evaluation-synthesis-report..pdf

34 Available at: https://norad.no/en/toolspublications/publications/2017/real-time-evaluation-of-norways-climate-and-forest-initiative.-empowerment-of-communities-through-support-to-ngos/

35 Norfund, 2019. Annual Report 2018. Available at: https://www.norfund.no/annual-reports/category1080.html

suggested within the 2020 National Budget proposal.[36] Evidencing significant capitalisation in recent years, which is the primary reason for not considering a further increase within this report's suggestions in Chapter 7.

Norfund was evaluated in 2015 with the conclusion that: *"Norfund's current programme theory and interpretation of its mandate are coherent. Norfund has been successful in active ownership. In many equity and especially greenfield investments, Norfund has played a significant role in guiding and supporting the investees. However, Norfund should further develop the monitoring and reporting of its development effects (DE)"*.[37]

As stated earlier in this chapter, climate finance provided by Norfund from 2014 onwards is no longer considered ODA (but instead as Other Official Flows (OOF)) and was therefore excluded from the final 5 years of climate finance figures above and from further explicit analysis in Chapter 6. It does, however, remain an important tool to engage private sector actors, and mobilise private finance for climate objectives. According to the OECD, mobilised private finance accounted for 20% of finance provided and mobilised by developed countries for climate action in developing countries throughout 2013-2017 (OECD, 2019).

3.5. Evaluations of Norwegian development assistance

3.5.1 Norad's Evaluation Department

The Evaluation Department is governed under a separate mandate for evaluating the Norwegian Development Aid and reports directly to the Secretary Generals of the Norwegian Ministry of Foreign Affairs and the Ministry of Climate and Development. Adequate and consistent evaluation is deemed important with regards to ensuring the continued quality of Norwegian climate finance.

The OECD highlights that: *"Norway's approach to strategic evaluations is strong, and the country has become an important leader in development evaluation"* (OECD, 2019). This strong evaluation praxis is further enhanced by efforts to share and defend the results of its reports. A recent meeting on the evaluation of Norway's Multilateral Partnerships Portfolio (the World Bank and UN Inter-Agency Trust Funds), which confirmed Norway's extensive use of the multilateral system, was streamed to allow for transparency and widespread access.

3.5.2 OECD Peer Review of Norway's development co-operation

Every five years, the OECD's Development Assistance Committee (DAC) conducts a periodic review of each DAC member's development co-operation. In May 2019, the OECD presented its Development Cooperation Peer Review of Norway.[31] The main conclusion from the OECD is that Norway is a strong partner for sustainable development and the 2030 Agenda within its thematic priorities (such as health, education, climate and the environment). This rests on a solid foundation of broad-based political support in Norway for maintaining ODA at 1% of GNI.

According to the OECD's report, development partners alongside multilateral and civil society organisations consistently recognise Norway as a reliable and valued partner rather than just a donor. This appreciation springs from Norway's long-term engagement, constructive dialogue, and its generous and flexible donations. As a donor, Norway is noted as becoming more knowledge-oriented, consolidating its approach to technical co-operation and capacity building in partner-country institutions, focusing on areas of comparative advantage.

Importantly, the report observes that Norway's development co-operation model is increasingly utilising the multilateral system to address climate change. The OECD finds that Norway is consistently committed to multilateral instruments. Helping to avoid their fragmentation by limiting the creation of new instruments, whilst also contributing towards Norway's goal of strengthening the international multilateralism. Although using multilateral delivery channels has these benefits, it does create an additional layer between Norway and its partner countries, potentially limiting Norway's ability to ensure that funding responds to country level needs.

36 In the 2019 National Budget, Account 162, an amount of 1,875 billion NOK is divided between 468 million for losses (Account 75) and capital for investments (Account 95)

37 Norad, 2015. Evaluation of the Norwegian Investment Fund for Developing Countries (Norfund). Available at: https://norad.no/en/toolspublications/publications/2015/evaluation-of-the-norwegian-investment-fund-for-developing-countries-norfund/

In this way, the OECD highlights that bilateral Norwegian assistance can be used to more closely align climate finance objectives with Norway's strategic aims. It is stated in the Norwegian follow up to Agenda 2030 and the Sustainable Development Goals that both mitigation and adaptation are considered priority areas, and that: *"Building resilience and capacity for adaptation to climate change is considered key to the successful implementation of most of the SDGs"*.[38] In the context of the climate objective breakdowns presented in Chapter 3, greater effort is needed to achieve balance between mitigation and adaptation objectives through the use of both bilateral and multilateral finance channels.

Additionally, the OECD finds that Norwegian ODA to LDCs stands at 0.27% of GNI, which is considerable above the UN target of 0.15-0.20%. However, it is observed that the share has yet to recover to 2008 levels, and is much lower with regards to climate-related ODA alone. The OECD suggests that Norway review the extent to which its use of global channels contributes to "*leaving no one behind*". This is particularly relevant as programmes (such as NICFI) will continue to channel significant funding towards upper middle-income countries and mitigation objectives. As observed in Table 3.4, bilateral climate finance, particularly to NGOs, more often targets adaptation and LDCs than that which is provided through other bilateral and multilateral channels.

The OECD review indicates that any increase in Norwegian climate finance should combine the use of multilateral organisations with Norway's bilateral programmes via embassies and NGOs in pursuit of its development agenda.

3.5.3 Norwegian support via NGOs

Civil society organisations play an important role in Norwegian development policy and as partners to receive climate finance and implement projects, operationalised through various mechanism:

- Norwegian NGO Frame Agreements and approvals of individual project applications
- Norad's Grant Schemes for International Organisations and Networks (open calls for proposals or invitations to apply for funding within areas of high political priority)
- A funding envelope under NICFI, for specific implementation via NGOs
- Direct support to CSOs in recipient countries.

According to the 2017 Evaluation Synthesis Report of NICFI: *"there is evidence to indicate partnership agreements and support to [international] NGOs and other CSOs are effective in delivering positive results such as raising awareness on REDD+, improving dialogue between civil society and government and empowering IP [Indigenous Peoples] and FDC [forest dependent communities] organizations to develop their political space"*.[39]

In 2017, 26% of total Norwegian bilateral ODA was channelled through CSOs, which is considerably more than the 19% share in the case of Norway's climate finance in 2017 and 2018. As shown in table 3.4, NGOs have the highest adaptation share, namely 33%, while 64% of their disbursed climate funding goes to LDCs, which is far higher than the average LDC share for other bilateral and multilateral channels.

Accordingly, an increase channelled through NGOs could be an effective tool to redress both the high mitigation focus of Norwegian climate finance, and the insufficient support for LDCs and the most vulnerable regions. These observations feed into the formation of Strategic Orientation G in Chapter 7, aimed at expanding support through Norwegian and international NGOs which prioritise adaptation and resilience objectives in LDCs.

3.5.4 Norwegian multilateralism

In 2016, the Overseas Development Institute (ODI) published its "*Why do donors delegate to multilateral organisations? A synthesis of six country case studies*" report.[40] Norway comprised one of the case studies and the following main conclusions were drawn:

- Norway delegates to multilateral organisations as a strategic choice determined by fundamental foreign,

38 See page 10 of: Norway's follow-up of Agenda 2030, 2016. Available at: https://www.regjeringen.no/globalassets/departementene/ud/vedlegg/utvikling/sdg_rapport_full_en.pdf

39 Norad, 2017. Evaluation Department. Norway's International Climate and Forest Initiative: Lessons learned and recommendations. Available at: https://norad.no/en/toolspublications/publications/2017/norways-international-climate-and-forest-initiative-lessons-learned-and-recommendations

40 ODI, 2016. Why do donors delegate to multilateral organisations? A synthesis of six country case studies. Available at: https://www.odi.org/sites/odi.org.uk/files/resource-documents/11088.pdf.

security and development policy objectives that have remained fairly constant over many decades.

- The specific multilateral channels given priority have changed as a reflection of the changes in global governance mechanisms, as traditional channels within the UN and the International Financial Institutions have been supplemented by new financing mechanisms and platforms. These have been attractive to Norway because they have allowed the country to take the lead and to gain access, status and influence commensurate to its financial muscle, despite its limited size.

- Since 2007, Norway has practised "multilateral activism" both in key thematic areas where this has been feasible and desirable and in relation to traditional partners among UN funds and programmes where Norway is a major contributor of both core and non-core funding.

Decision-making about delegation is thus strategic, while at the same time incremental, pragmatic, and somewhat flexible. Results and results-reporting are increasingly in focus, but this is far from the only concern driving Norwegian delegation decisions. The highly consensual nature of Norwegian foreign and development policy is noted as remarkable and has also, thus far, been facilitated by annually increasing core funding to multilaterals. As such, Norway is likely to continue to have a strong interest and belief in multilateral organisations.

Importantly, the ODI stress that a donor's finance to multilateral organisations is seen to target those who share that donor's priorities, rather than to those whose priorities complement their own. This is exemplified in the Norwegian context with significant contributions to the UNDP, REDD+ and the FCPF (see Table 3.5) – all recipients of support primarily earmarked for mitigation activities – alongside bilateral finance channelled through NICFI. In spite of such observations, and in the context of the current objective and LDC shares of Norwegian multilateral climate finance outlined in Section 3.2, the ODI implicitly highlight the need for a substantial increase in adaptation oriented multilateral finance from Norway.

3.6. Norway's fair share of climate finance

As a percentage of Gross National Income (GNI), Norway ranked in the top-3 bilateral climate finance contributors in Europe, providing 0.13% of its GNI towards climate change objectives in 2016. On the other hand, Norway is a major oil exporter, whose contributions to and profits from greenhouse gas emissions remain a key argument for a significant increase in the country's international climate finance contributions.

The CO_2 emissions in Norway reached 52 million tons in 2018, strikingly similar to the 51.9 million emitted in the benchmark year of 1990, according to Statistics Norway.[41] Norway is therefore far from achieving its pledge to have cut emissions in 2020 by at least 30% from 1990 levels, with two thirds of these reductions to be made in Norway.

In 2018, Norwegian NGOs launched a report: *Norway's Fair Share of Meeting the Paris Agreement*. The authors at the Stockholm Environment Institute estimated that Norway needs to reduce domestic emissions by at least 53% by 2030, relative to 1990 levels, assuming that Norway wants to reduce its domestic emissions below the current baseline trend at the same pace as the world as a whole. The same report has estimated Norway's '*fair share*' of the entire global mitigation effort to be 0.65% of the global total.[42] Expressing this in terms of investments in renewable energy would require an amount of around USD 6.4 billion a year until 2030 (NOK 50 billion per year).

This is on top of Norway's responsibility for helping developing countries adapt to climate changes that can no longer be prevented. Norway's fair share of global adaptation funding runs in the area of NOK 15 billion a year.[43] Summing up the figures from the Stockholm Environment Institute, Norway taking on its fair share would amount to international climate finance contributions of around NOK 65 billion per year by 2030.

41 Statistics Norway, available at: https://www.ssb.no/en/klimagassn
42 The Stockholm Environment Institute has based 0.65% on Norway's share of the world's Capacity and Responsibility using the equity approach adopted by the Civil Society Equity Review coalition.
43 The report derives this figure from estimates that global adaptation costs will be. Hence, taking 0.65% of US$140 billion to US$300 billion, Norway can fairly be expected to provide an annual contribution of US$910 million to US$1.95 billion toward the global adaptation finance need by 2030.

4. INTERNATIONAL ORGANISATIONS AND CLIMATE FINANCE

Recognising Norway's use of the multilateral finance system, this chapter presents and analyses the climate-relevant outflows from various international organisations, whilst also touching upon a given climate finance channel's ability to handle and direct large contributions towards developing countries. Data on multilateral climate-relevant outflows have been sourced from the OECD for the period 2014 to 2017, and have been broken down by mitigation and adaptation objectives in Table 4.3. "Outflows" refers to the climate-related finance provided by international organisations and received by developing countries, thus these figures can be said to describe the recipient perspective of climate finance.[44]

For clarity, this report uses the term "international organisations and funds" when referring to multilateral organisations excluding multilateral development banks (MDBs), whilst MDBs are referred to explicitly.

4.1. Overview of climate finance from international organisations

Acknowledging the importance of climate finance for timely mitigation and adaptation in developing countries, the international community has established several climate change funds. Furthermore, existing international organisations, such as UN programmes and agencies and the MDBs, have increased their involvement in managing climate finance.

As previously seen in Table 2.1, there has been a sharp rise in multilateral climate finance attributable to developed countries over the period 2013-2017, to USD 27.5 billion of a total USD 54.5 billion, or 50%. The trend of international organisations, predominantly the MDBs, providing a growing share of public climate finance is likely to continue. Especially considering that the World Bank (WB), consistently the largest provider of multilateral climate finance, announced that its provided and mobilised climate finance will be doubled over the coming five years.[45]

As discussed further in this chapter, the outflows of many international climate change funds are much smaller in comparison. The size of climate finance commitments made by the Adaptation Fund (AF) were USD 104 million in 2017, comparable with Norwegian Church Aid's total 2018 budget of about USD 110 million.[46] Table 4.1 presents total multilateral climate-finance outflows in the years 2014-2017, as reported to the OECD.

To compare the contributions from different providers of multilateral climate finance, Table 4.2 places the size of their respective outflows in the context of total public climate finance in 2017. Of total public climate finances of USD 54.5 billion, international organisations and funds can be seen to commit just USD 3.5 billion, or 6% of the funds attributable to developed countries. In comparison, about 44% of this figure was provided by MDBs (USD 23.8 billion) and 31% from EU member states (USD 16.9 billion). Of the 6% provided by international organisations and funds, the Green Climate Fund (GCF) was the largest, contributing 2% of total public climate finance during 2017. A lot of attention is directed towards the GCF and Adaptation Fund, due to their positions as financial mechanisms under the Paris Agreement and Kyoto Protocol, respectively. Somewhat neglected is the small proportion of finance that these international funds have been able both to attract and channel.

44 For concise descriptions of both recipient and provider perspectives in relation to climate finance, see the OECD's methodological note. Available at: https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/METHODOLOGICAL_NOTE.pdf
45 https://www.worldbank.org/en/news/feature/2019/10/02/the-world-bank-group-exceeds-2020-climate-targets-for-the-second-year-in-a-row-heres-how-it-was-done
46 https://www.kirkensnodhjelp.no/globalassets/strategiske-dokumenter-og-foringer/2018-norwegian-church-aid---consolidated-annual-financial-statements.pdf

Multilateral climate finance channel	Climate finance outflows (USD millions)				
	2014	2015	2016	2017	Total
Multilateral Development Banks (MDBs)	**21 450**	**18 044**	**20 759**	**31 593**	**91 846**
World Bank International Bank for Reconstruction and Development (IBRD)	4 347	4 308	4 899	5 182	18 736
World Bank International Development Agency (IDA)	4 544	2 588	2 949	5 362	15 443
European Bank for Reconstruction and Development (EBRD)	2 728	2 491	2 507	3 415	11 140
Asian Development Bank (AsDB)	2 122	1 894	2 144	4 561	10 721
Inter-American Development Bank (IADB)	2 010	1 841	2 428	3 793	10 072
International Finance Corporation (IFC)	1 893	1 763	2 425	3 493	9 574
European Investment Bank (EIB)	2 168	2 315	2 113	2 931	9 528
African Development Bank (AfDB)	1 536	844	931	1 273	4 584
Asian Infrastructure Investment Bank (AIIB)	0	0	363	1 583	1 945
Islamic Development Bank	102				102
International organisations and funds	**3 223**	**4 205**	**5 991**	**6 611**	**20 030**
European Commission and European Development Fund	768	1 708	3 021	3 157	8 654
International Fund for Agricultural Development (IFAD) (incl. Adaptation for Smallholder Agriculture Programme (ASAP))	467	1 067	416	523	2 473
Green Climate Fund (GCF)		146	1 087	1 156	2 388
CIF Clean Technology Fund	906	519	459	253	2 137
GEF General Trust Fund	408	299	544	871	2 122
CIF Strategic Climate Fund	316	289	141	330	1 076
GEF Least Developed Countries Trust Fund (LDCF)	167	56	70	145	438
Adaptation Fund	65	60	32	104	261
Nordic Development Fund (NDF)	52	42	60	50	204
United Nations Development Programme (UNDP)			96		96
GEF Special Climate Change Trust Fund (SCCF)	74	19	1	2	96
Global Green Growth Institute (GGGI)			24	21	45
United Nations Environment Programme (UNEP)			40		40
World Bank – Other (disbursements)					
Energy Sector Management Assistance Programme (ESMAP)	20	25	34	35	114
FCPF Readiness Fund	8	16	25	30	79
FCPF Carbon Fund	2	3	5	7	17
United Nations – Other (disbursements)					
UN-REDD Program Fund	34	49	33	19	135
Food and Agriculture Organisation (FAO)	11	12	9	7	39

Table 4.1:
Multilateral climate finance outflows from MDBs and international organisations and funds to DAC ODA eligible countries, as reported to the OECD DAC. UNDP and UNEP 2016 figures are estimates based on assumed imputed climate-relevant shares and reported concessional outflows in 2016. Figures for "Other" World Bank and United Nations organisations are not reported to the OECD, and were retrieved from annual reports for the specific organisations. INKA Consult 2019.

All climate-relevant international organisations and funds have commitments that are much lower than those of the MDBs, who exhibit a greater capacity to handle large contributions. At the same time, this study finds that some of the smaller funds, such as the Adaptation Fund and LDC Fund, are not able to ensure enough funding to meet the increasing needs in developing countries.[47] Furthermore, predominant characteristics of the climate finance provided by MDBs is detrimental to recipient countries, as further discussed in Section 4.2.

Cimate finance channel		Climate finance outflows to developing countries (USD million)		Share of total 2017 public climate finance
		2016	2017	
1.	Green Climate Fund (GCF)	1 087	1 156	2,1%
2.	GEF Trust Fund	544	871	1,6%
3.	Internation Fund for Agricultural Development (IFAD)	416	523	1,0%
4.	CIF Strategic Climate Fund	141	330	0,6%
5.	CIF Clean Technology Fund	459	253	0,5%
6.	GEF Least Developed Countries Trust Fund (LDCF)	70	145	0,3%
7.	Adaptation Fund	32	104	0,2%
8.	Nordic Development Fund (NDF)	60	50	0,1%
9.	GGGI	24	21	0,0%
10.	GEF Special Climate Change Trust Fund (SCCF)	1	2	0,0%
1-10.	**International organisations and funds total**	**2 834**	**3 455**	**6%**
EU Institutions (EC and EDF)		*3 021*	*3 157*	*6%*
International organisations and funds		*2 834*	*3 455*	*6%*
Bilateral proivders (excluding EU 28 member states)		*8 062*	*7 134*	*13%*
EU 28 member states		*17 210*	*16 911*	*31%*
Multilateral Development Banks (MDBs)		*15 773*	*23 843*	*44%*
Total public climate finance attributable to developed countries		***46 900***	***54 500***	***100%***

Table 4.2:
Contributions of channels towards total public climate finance of 54.5 billion USD in 2017, as reported by the OECD. Included are climate finance outflows to developing countries provided by international organisations and funds, MDBs (figures represent outflows attributable to developed countries), EU Institutions, EU member states and other bilateral providers. Figures for EU member states and institutions are available at: https://ec.europa.eu/clima/policies/international/finance_en#tab-0-1. Remaining figures produced using OECD data. INKA Consult 2019.

47 The Adaptation Fund (2019). For more information see: https://www.adaptation-fund.org/the-adaptation-fund-surpasses-100-million-fundraising-target-at-cop19/

4.2. The challenge of increasing adaptation finance and avoiding debt traps

As highlighted in Chapter 2, only USD 12.9 billion, 26% of total climate finance, was spent on adaptation globally in 2017. A figure far below the level implied by use of "*balance*" between adaptation and mitigation finance in the Paris Agreement, and one which pales in comparison to the needs outlined in the UN Adaptation Gap Report.[48] Achieving the parity stated in the Paris Agreement by 2020 would mean raising adaptation spending by USD 37 billion in 3 reporting years, without preventing further increases in mitigation finance. Thus, a major challenge for multilateral organisations is to build sufficient capacity to achieve a rapid increase in adaptation finance, whilst noting the need for the increases to be provided primarily as grant-based support.

Table 4.3 below presents multilateral commitments of adaptation and mitigation finance in 2017. The table highlights important and distinct characteristics between the finance provided by MDBs and other international organisations and funds. As a share of total outflows, MDBs are shown to commit far less towards adaptation than international organisations and funds, with 28% and 46% of outflows being directed towards adaptation, respectively.

Furthermore, although MDBs are providing five times more adaptation finance than international organisations and funds due to their size and capacity, the latter provide USD 828 million more towards adaptation as grants. Resultingly, MDBs are seen to provide only 4% of their adaptation finance in the form of grants, compared to 65% for the other international organisations and funds. Thus, in terms of sheer volumes of climate finance, MDBs dominate in both fields of mitigation and adaptation and show a significant capacity to channel large amounts of adaptation funds to developing countries.

These distinct characteristics between these multilateral outflows, and the fact that only 6% of total climate finance is handled by international organisations and funds, makes it extremely challenging to achieve a fast and significant increase in effective adaptation finance. While much of the finance for mitigation will come from the private sector, public finance will continue to play a crucial role in bridging adaptation finance gaps. For example, by boosting community resilience and pursuing other goals that will not always produce short-term financial returns, or by helping to compensate or protect vulnerable groups who might lose out from investment in clean technologies.

48 The Un Adaptation Gap Reports estimate that the annual costs of adaptation could range from USD 140 billion to USD 300 billion by 2030 and from USD 280 billion to USD 500 billion by 2050. https://www.unenvironment.org/resources/adaptation-gap-report

Outflows of climate finance committments by multi-lateral institution to developing countries in 2017 (USD million)	Adapta-tion-related development finance	Mitiga-tion-related development finance	Adaptation share (of which as grants)	Mitigation share (of which as grants)
International organisations and funds				
Adaptation Fund	104	0	**100%** *(100%)*	**0%**
Climate Investment Fund (CIF)	120	551	**18%** *(52%)*	**82%** *(40%)*
Clean Technology Fund (CTF)	0	253	0% *(0%)*	100% *(10%)*
Strategic Climate Fund (SCF)	120	298	29% *(52%)*	71% *(65%)*
Green Climate Fund (GCF)	600	764	**44%** *(72%)*	56% *(18%)*
Global Environment Facility (GEF)	427	801	**35%** *(100%)*	65% *(100%)*
GEF General Trust Fund	280	801	26% *(100%)*	74% *(100%)*
GEF Least Developed Countries Trust Fund (LDCF)	145	0	100% *(100%)*	0%
GEF Special Climate Change Trust Fund (SCCF)	2	0	100% *(100%)*	0%
Global Green Growth Institute (GGGI)	13	20	40% (100%)	60% *(100%)*
International Fund for Agricultural Development (IFAD)	523	0	100% (20%)	0%
Nordic Development Fund (NDF)	34	44	43% (100%)	57% *(67%)*
(1) International organisations and funds sub-totals:	***1 821***	***2 180***	**46%** *(65%)*	**54%** *(55%)*
Multilateral Development Banks (MDBs)				
African Development Bank (AfDB)	782	490	**61%** *(34%)*	**39% *(24%)***
Asian Development Bank (AsDB)	814	3 747	**18%** *(3%)*	**82% *(2%)***
Asian Infrastructure Investment Bank (AIIB)	558	1 025	**35%** *(0%)*	**65%** *(0%)*
European Bank for Reconstruction and Development (EBRD)	428	3 040	**12%** *(0%)*	**88%** *(0%)*
European Investment Bank (EIB)	146	2 757	**5%** *(0%)*	**95% *(0%)***
Inter-American Development Bank (IADB)	857	3 121	**26%** *(6%)*	**74%** *(1%)*
International Finance Corporation (IFC)	44	3 449	**1%** *(0%)*	**99%** *(0%)*
World Bank (WB)	5 256	5 288	**50%** *(0%)*	**50%** *(0%)*
International Bank for Reconstruction and Development	2 600	2 582	50%	50%
International Development Association	2 656	2 706	50%	50%
(2) Multilateral Development Banks (MDBs) sub-totals:	**8 886**	**22 916**	**28%** *(4%)*	**72%** *(1%)*
(1+2) Grand totals:	**10 708**	**25 096**	**30%** *(15%)*	**70%** (7%)
Adaptation finance provided by MDBs	*8886*	*5 times more adaptation finance provided by MDBs, yet USD 828 million more adaptation finance provided as grants by international organisations and funds*		
Of which as grants	*4%*			
Adaptation finance provided by other international organisations and funds	*1821*			
Of which as grants	*65%*			

Table 4.3:
Mitigation and adaptation breakdown of MDBs and international organisations and funds, alongside grant shares of outflows, for those institutions reporting to the OECD. Where additions of adaptation- and mitigation-related development finance for a given channel do not sum to the climate finance outflows totals in Tables 4.1 or 4.2, this is due to overlap figures. Overlap figures describe the portion of the budget which overlaps mitigation and adaptation in cross-cutting projects. Data source: OECD DAC External

Development Finance Statistics, Climate-related development finance at the activity level.[49] INKA Consult 2019.

Further regarding financial instruments, loans are seen to account for more than 90% of multilateral climate finance. With MDBs seen to provide finance through loans on conditions that are combinations of concessional and non-concessional loans, which are characterised by low interest rates, and rates that are only slightly more favourable than market terms, respectively. This becomes an issue regarding the repayment of finance for adaptation activities, which, for the most part, are less likely to generate income as it is often more difficult to make a good business case for adaptation investments. This is in stark contrast to mitigation projects which more naturally produce goods with a market value, such as renewable energy. Thus, loans for adaptation can increase the debt of poor countries, while the returns can often only be measured as avoided future losses in terms of damage to major infrastructure.

Perhaps surprisingly then, as it can be seen in the table above, five times more adaptation finance is provided by MDBs as compared to other international organisations and funds. With the resulting level of support as loans, it is crucial to recognise their impact on recipient country economies. As highlighted in Chapter 2, the IMF indicate that 34 of 73 low-income countries are now either in debt distress, or at high risk of entering into it.[50] It is a paradoxical that MDBs are increasing the use of loans for adaptation so quickly after writing off debts to those same poor countries under the HIPC Initiative.[51] The poor countries concerned have contributed almost no greenhouse gas emissions and are deserving of grant-based support from wealthy donors to finance their resilience and adaptation activities. A potential tool to help avoid debt distress in the short-term could be to undertake debt sustainability analyses as part of needs assessments, to help ensure that countries already struggling with debts are provided with grants, especially for adaptation objectives.

Thus, there is an urgent need for considerably more public grant-based support for adaptation in LDCs, SIDS, and other vulnerable countries. As most bilateral donors and the majority of international funds outlined in Table 4.3 predominantly provide grants for adaptation (e.g. the Adaptation Fund, LDC Fund, GCF, GGGI and SCF), their assistance is needed for financial and capacity building measures. Both bilateral and multilateral sources of grant-based adaptation support need to be scaled up.

Regarding the use of the multilateral system specifically, this points to the need for donor governments to select multilateral channels to deliver their public climate finance with the intention of maximising the portion provided as grants, particularly for adaptation projects. Combining such a decision with increased adaptation finance through bilateral provisions would greatly increase the likelihood of acquiring a balance between mitigation and adaptations objectives within national and international climate finance.

In summary, increasing the adaptation focus of bilateral project objectives should be undertaken in unison with increases in multilateral climate finance being channelled through partners prioritising the use of grants for adaptation in vulnerable countries and regions. At the same time, loans and private sector investments can be considered more suitable to cover significant parts of the costs of deploying renewable energy in upper middle-income countries. With renewable energy has entered a cycle of falling costs, increasing deployment and accelerated technological progress.[52]

The international organisations and funds assessed in this report relevant to the Norwegian context can be seen in Table 3.5. Norway is a key donor to UN Programmes, ASAP handled by International Fund for Agricultural Development (IFAD), and a consistent contributor to the GGGI and GCF. Norway has previously supported both the Adaptation Fund with 15 million NOK in 2013, and the LCDF with annual contributions from 2010-2014.[53]

49 Data available at: www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm
50 Source IMF: https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf
51 The Heavily Indebted Poor Country Initiative, led by the IMF and WB aimed at debt and poverty reduction. https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative
52 Solar PV module prices have fallen by around 80% since the end of 2009, while wind turbine prices according to IRENA have fallen by 30–40%. Source: https://www.irena.org/costs
53 Norway granted NOK 20 million in 2013 to the GEF's Least Developed Countries Trust Fund and NOK 15.0 million to the Adaptation Fund.

5. PERFORMANCE EVALUATIONS OF INTERNATIONAL ORGANISATIONS

This chapter explains and exemplifies the two significant sources of information used in this report to assess key international organisations and funds, namely: the Multilateral Organisation Performance Assessment Network (MOPAN) and the UK government's Department for International Development (DFID). Both are engaged in measuring the performances of multilateral development organisations. Additionally, the section also discusses other external key evaluation reports, as well as the outputs of the various organisations' own evaluation offices. In both Chapters 5 and 6, these various sources feed into the team's detailed assessment of the selected climate finance channels.

5.1. What is MOPAN and what does it do?

MOPAN was founded in 2002 by a group of like-minded donor countries with the aim of generating and sharing credible knowledge on the performances of multilateral development organisations, including UN agencies, multilateral development banks (MDBs) and other global funds receiving financial support from MOPAN members. As of 2018, MOPAN consist of 18 member states, including Norway, Denmark, France, Japan, Australia and the US, among others.[54]

MOPAN evaluates the same organisation periodically (for example, the FAO was assessed by MOPAN in 2011, 2014 and 2019), which serves to substantiate whether an organisation is improving over time. MOPAN focuses on organisational learning, and its evaluations lay the groundwork for strong relation-building between donors and recipients, and between development organisations and relevant stakeholders on the ground.

As of 2019, The MOPAN analytical framework revolves around five key indicators or so-called *performance areas*. These include an organisation's strategic management, operational management, relationship management, performance management and development results. To generate context-specific knowledge on each performance area, MOPAN applies a multiple-methods approach, combining document reviews, surveys, interviews and consultations with organisations.

Many of MOPAN's reports pursue ambitions similar to those of this study's ToR, by also applying the aforementioned OECD criteria, looking at relevance, impact, effectiveness, efficiency and sustainability. However, MOPAN has *not* undertaken the task of evaluating the Adaptation Fund, nor the Green Climate Fund, which are highly relevant climate funds. MOPAN has conducted a single assessment of the GEF (2017-2018), which reported limited information on the LDC Fund and the SCCF (see MOPAN, 2019d).

For further details and a deeper understanding of each finance channel, see Chapter 6.

54 The Multilateral Organisation Performance Assessment Network (MOPAN). See http://www.mopanonline.org/about/ourmembers

5.2. What is DFID and what does it do?

Accompanying MOPAN as a dominant source of knowledge in this study is DFID, which has created a Multilateral Development Review (MDR) framework that functions as a platform for assessing multilateral development organisations' strengths and weaknesses. Importantly DFID reviews allow for comparisons between organisations.

The framework is utilized mainly for policy purposes within the United Kingdom to inform decisions regarding UK financial and development aid. As such, the MDR assessment design is geared towards delivering results of relevance to UK priorities.

The framework has produced a number of evaluations of development organisation performance, awarding each organisation a descriptive and detailed score on various performance parameters. The overall score of each organisation is based in its fulfilment of diverse MDR assessment questions and components. These components include, among many others, transparency and accountability, risk and assurance and performance in fragile states.

The team found the MDR assessment framework to be well-suited for comparisons between individual development organisations due to the translation of its results into a performance index score.

5.2.1. Relevant DFID findings for this study

The MDR assessment framework is useful when assessing and comparing climate finance channels on a broader scale. The assessments of finance channels, in particular within Annex E, incorporate DFID analysis, such as quotes, comments, and other results from the MDR assessments. Not all the finance channels assessed have undergone an MDR assessment. Below is a brief presentation of some of the organisations that have been assessed in order to give an idea of the characteristics and format of DFID findings.

For the sake of brevity and clarity, the presentation in Table 5.2 highlights only one UK Priority index component out of three, namely How It Delivers, with its associated assessment questions concerning Partnership, Leave No-One Behind, Gender, and Climate. Additionally, the presentation highlights only one of three Organisational Strength index components, namely Results and Value, with associated assessment questions regarding Results, Controlling Costs, Efficiency, and Human Resources. The level of organisational performance is illustrated by traffic light indicators.[55]

Descriptor	Traffic Light	Score
Very Good		3.01 to 4
Good		2.51 to 3.0
Adequate		2.01 to 2.5
Weak		0 to 2.0

Table 5.1:
Component and Index Scores and Descriptor. Retrieved from the MDR assessment framework, see DFID, 2016.

Table 5.2:
Illustration of the MDR performance scores of financial channels of relevance to this study. Data retrieved from MDR assessments, 2016.

	UK priority component: How it delivers				Organisational Strength component: Results and Value				
Organisation	Partner-ship	Leave No-one Behind	Gender	Climate	Results	Controlling Costs	Efficiency	Human Resources	Total
AfDB	3	2	2,5	3	3	3	3	2	21,5
ADB	3	2	2,5	3	3	3	3	3	22,5
CIF	3	2,5	2,5	4	2,5	2,5	2,5	2	21,5
IDB	3	2,5	2,5	3	3	3	3	3	23
IFC	2,5	2,5	2,5	3	3	2,5	3	3	22
IFAD	3	2,5	3,5	3	3	2,5	2,5	2,5	22,5
FAO	3	2,5	2,5	2,5	2,5	3	2,5	2,5	21
GEF	2,5	2	2,5	4	3	3	2,5	3	22,5
UNDP	2,5	3	3,5	3	2,5	2,5	2,5	2,5	22
WB	2,5	2,5	3	3,5	3	3	3	3	23,5

55 See DFID, 2016: Raising the standard: The Multilateral Development Review 2016, Methodology section, pages 14-15 for a full description. Available at: www.gov.uk/government/publications/raising-the-standard-the-multilateral-development-review-2016

5.2.2. Observable trends

As mentioned, the MDR framework allows for a certain degree of comparison between financial channels, which is otherwise inexact, difficult and rare. Institutions, evaluation offices and experts have little need to integrate broader perspectives, experiences and methodologies to facilitate such comparisons. From the MDR assessment results, the team is able to observe some notable trends:

- Most organisations have a low score on Agenda 2030's 'Leave No-one Behind'
- Most organisations have high scores on Climate, especially the GEF and UNDP.
- There seems to be relatively low scores on Gender and Human Resources
- The MDBs have higher scores on Efficiency than other organisations
- IFAD, UNDP and to some extent the World Bank have especially high scores on Gender as compared to other organisations
- Even though CIF scores a high 4 on Climate, it has low scores on all other parameters, except Partnership.
- GEF has both a joint lowest score on Leave No-one Behind and a joint highest score on Climate.

The total scores show:

- Total scores range from 21 to 23.5. (only 'How it Delivers' and 'Results and Value' components from the MDR assessment framework are counted)
- The MDBs, represented by the World Bank and Inter-American Development Bank (IADB), have the highest and second highest total score, respectively
- The FAO has the lowest total score at 21, and generally has many low scores at 2.5
- The GEF has a high total score, despite its lowest score of 2, on 'Leave No-one Behind'. The same goes for the Asian Development Bank (ADB)
- No UN agency has a total score of 23 or above

Both MOPAN and DFID have proven themselves as useful sources of information for assessing organisational performances.

5.3. Additional resources

This study also made use of an additional source of information, namely the funds' own evaluation offices and other types of independent evaluation reports, usually originating from professional consultancies.

5.3.1 Evaluation offices

Some climate funds have their own evaluation offices, which are normally part and parcel of their organisational structure. For the most part, these offices adhere to self-evaluation principles, though they also commission external and independent evaluation reports to assess programme performances.

The team found that such versatility of practices added to the overall credibility of a given climate fund, by offering a wide range of reviews, independent evaluation reports and other such documentation of fund activities. Below are a few examples of such valuable evaluation offices.

The assessments in Chapter 6 and Annex E refer to concrete evaluation reports. Furthermore, evaluation tasks are outsourced to professional consultancy firms by many international organisations and funds.

5.3.2 The Future of the Funds

In its 2017 report The Future of the Funds,[56] the World Resource Institute (WRI) investigated whether the current arrangement of multilateral climate funds was effective in delivering low-emissions and climate resilient development. It focused on the seven major multilateral funds, namely the Green Climate Fund

56 WRI, 2017. The Future of the Funds. Available at: https://www.wri.org/publication/future-of-the-funds

Organisation	Name of office	Link
AfDB	Independent Development Evaluation	*https://idev.afdb.org/*
FAO	Office of Evaluations	*www.fao.org/about/who-we-are/departments/office-of-evaluation*
GEF (including LDCF and SCCF)	Independent Evaluation Office	*www.gefieo.org/*
IDB	Office of Evaluation and Oversight	*www.iadb.org/en/ove/evaluations*
IFAD	Independent Office of Evaluation	*www.ifad.org/en/web/ioe/home*
UNDP	Independent Evaluation Office	*web.undp.org/evaluation/*
UNEP	Evaluation Office	*www.unenvironment.org/about-un-environment/evaluation*
GGGI	Impact and Evaluation Unit	*https://gggi.org/results-evaluation/evaluations/*
GCF	Independent Evaluation Unit	*www.greenclimate.fund/independent-evaluation-unit*

Table 5.3:
List of evaluation offices for relevant development organisations.

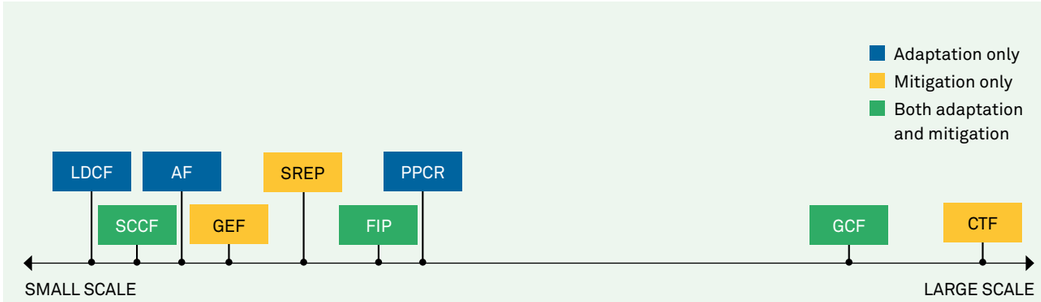


Figure 4.1:
Current spectrum of scale and thematic focus of multilateral climate change funds. Source: WRI, 2017.

(GCF), the Global Environment Facility (GEF), the Least Developed Countries Fund (LDC Fund), the Special Climate Change Fund (SCCF), and the Adaptation Fund (AF). Outside the UNFCCC framework, the report also assessed the two climate investment funds (CIFs), namely the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF).[57]

The WRI suggested solutions to enhance the impact of multilateral climate funds, which were based on five key strategies: scaling up impact, promoting greater country ownership, improving efficiency, supporting equitable allocation, and increasing accountability of operations. These seven funds are part of the 21 channels covered in this study.

The WRI's results recommended that these funds undertake a series of operational and architectural reforms, aiming to improve their effectiveness. Stating that funds should define their mandates and specializations to ensure an improved division of labour and, in the longer term, that some funds may need to merge or close. In particular, the CIFs were mentioned as funds that should begin the process of 'sunsetting' (closing down), assuming that the GCF scales up and is able to fill key roles played by these funds.

57 The Strategic Climate Fund (SCF) encompasses three further programmes: the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP) and the Scaling-Up Renewable Energy in Low Income Countries Program (SREP).

6. ASSESSMENT OF INTERNATIONAL FINANCIAL CHANNELS

As outlined in Chapter 5, this study utilises information sources and assessments that detail the strategies and performances of international development organisations involved in channelling climate finance, including those published by MOPAN, DFID and external evaluators. This chapter consists of assessment summaries of 18 relevant climate finance channels, based on the more detailed assessments in Annex E.

6.1. Format for channel descriptions and assessments

The assessment format used in Annex E and summarised below, consists of background information on each finance channel and information on the extent to which the finance channels comply with OECD criteria of relevance, impact, effectiveness, efficiency and sustainability.[58]

Background information regarding each finance channel:

- Full name
- When it was established
- Purpose/objective of organisation or fund
- Governance structure (owners/responsible), including transparency and representation of developing countries in decision making.
- Annual budget
- Size of portfolio (historically)
- Main donors (including Norway's contribution)
- Core funding versus voluntary contributions
- Management ability to handle large contributions
- Main recipients' countries
- Balance of contribution to mitigation, adaptation or mixed (if relevant)
- Climate Policies/strategies in place
- Team observation/comments

6.2. Channel descriptions and assessment summaries

In the following sections, the team's assessments of the different finance channels are summarised. UN organisations working with climate finance are discussed at first, followed by other international and regional organisations. The section ends with assessment summaries of funds connected to the World Bank.

6.2.1. UN Programmes, Agencies and channels under the UNFCCC Finance Mechanism

6.2.1.1. Green Climate Fund (GCF)

The Green Climate Fund (GCF) was set up at COP16 in 2010.With the signing of the Paris

58 As outlined in the OECD DAC Principles for Evaluation of Development Assistance. Summary available at: https://www.oecd.org/dac/evaluation/49756382.pdf

Agreement in 2015 it was given an important role as the main financial mechanism within the agreement to assist poor and vulnerable countries, which are bearing the brunt of the impacts of climate change.

Purpose: The GCF is a global fund created to help developing countries limit or reduce their greenhouse gas emissions and adapt to climate change. The GCF is the largest, most visible, and politically most significant of the international climate funds.

The GCF has 24 members of its board, including 12 from developing countries and 12 from developed countries (seats for each UN regional group, SIDS and LDCs). This composition is perceived as important by developing countries. Norway holds one seat.

In the initial resource mobilization in 2014, the fund received pledges of just above 10 billion USD, yet a few countries, including the US, have not followed up on their pledge, putting the capital funds available at 7.1 billion USD. The fund's replenishment clause was trigged in 2018, and when concluded in October 2019 it had raised 9.8 billion USD for the coming four years, combining pledges from 27 countries. This fell slightly below expectations, which were to raise finance in the range of 10-14 billion USD. Norway and some other developed country donors doubled their pledges compared with first round in 2015.[59] The US and Australia remain as two major developed countries who are not contributing. The mobilization figure is also seen to be low in the context of received project applications totalling 15 billion USD already in the pipeline (including concept notes).[60]

As of 2019, of the USD 7.2 billion in pledged and available capital, the GCF has committed and disbursed USD 4.6 billion (64%) and USD 392 million (5%), respectively.[61] In the course of 2017, 1.16 billion was committed, which amounts to just above 2% of total public climate finance during that year. Thus, the team finds that publications such as the 2017 WRI report "*The Future of the Funds*" arguably pay little attention to the Fund's absorption capacity. However, the fund does claim to be able to attract almost three dollars in co-finance, for every dollar it contributes, putting the total value of their portfolio at 18.7 billion USD according to GCF.

The GCF aims to deliver equal amounts of funding for mitigation and adaptation. Yet, according to the GCF website, as of August 2019, spending on Mitigation is 42%, Cross-cutting 34% and Adaptation 24%. Less than 40% of the support goes to LDCs, SIDS and African countries, according to data from 2017 (WRI, 2017). As of March 2019, the vast majority of GCF funding (84%) is disbursed through international access entities (mainly the MDBs). Of the Fund's adaptation finance reported to the OECD in 2017, 72% was provided as grants.

According to Saleemul Huq[62] from Bangladesh, the GCF has so far disappointed in *"its failure to channel funding to the most vulnerable communities in the most vulnerable countries, despite the GCF board having made the laudable early decision to allocate half their funds for adaptation and prioritizing the LDCs and Small Island Developing States (SIDS)"*. Clearly, this is an argument that should be supported by Norway on the GCF Board.

The operationalization of the fund has taken longer than expected, with significant levels of funding only beginning to be approved since 2018. However, as the fund is still in an early phase it will be important for major contributors like Norway to continue to back the Fund financially and politically in the coming years. One key strategic challenge will be to identify the Fund's role as a key instrument in the climate finance landscape surrounding the Paris Agreement, as observed in the Strategic Programming for the Green Climate Fund First Replenishment (from March 2019, page 11):

"The GCF is committed to delivering greater complementarity and coherence with other climate funds, including the Global Environment Facility (GEF), Adaptation Fund (AF) and Climate Investment Funds (CIFs), as well as relevant climate change finance initiatives. GCF project funding is being deployed to scale up innovative projects from these climate funds, in parallel with cooperative work to support direct access and coherence in national programming. Through its ability to scale-up impact, the GCF brings to this landscape a focus on transformation and paradigm shift, while working in tandem with other climate funds to improve navigability for countries and strengthen national coordination mechanisms."

59 13 countries announced a doubling their contributions: Germany, Norway, France, UK, Sweden, South Korea, Denmark, Iceland, Poland, New Zealand, Luxembourg, Ireland and Monaco.
60 Source: Strategic Programming for the Green Climate Fund First Replenishment (February 2019. GCF/B.22/Inf.12
61 As of February 2019. Climate Funds Update: https://climatefundsupdate.org/data-dashboard/#1541245664232-8e27b692-05c
62 Dr. Saleemul Huq is the Director of the International Centre for Climate Change & Development (ICCCAD)

In the context of Norwegian climate finance this suggests that the GCF can complement the focus of the Adaptation Fund, LDC Fund and SCCF on innovation, technology and piloting of smaller projects, by replicating and scaling up successful interventions, including by using the simplified approval process to expedite learning and scaled-up impact.

If the GCF were to receive a significant increase in available funds, it could focus on scaling up impact by providing larger-scale programme interventions. The Fund could explore programme approaches to adaptation but leave smaller adaptation projects (e.g. less than USD 10 million) to the Adaptation Fund and coordinate with the LDC Fund to enhance efficiency in NAP funding and related implementation, as suggested by the WRI.

In the most recent replenishment process during October 2019, Norway doubled its pledge from 2014 to provide the Fund with NOK 800 million for four years. The cumulative result of all pledges replenished the fund with USD 9.8 billion for the coming four years. It is therefore likely that the GCF's annual contribution to international flows will still only account for around 2-3% of the total public climate finance in the coming years. Once the capacity of the GCF to approve and disburse its funds has been strengthened, Norway and other developed countries should consider increasing their contribution to the GCF beyond the levels of this year's pledges.

Recommendation: From 2021, is it recommended that Norway explore increasing its support to the GCF with additional climate finance above the level pledged in October 2019, of NOK 800 million a year. This is with the assumptions that the capacity of the GCF has improved with regards to the approval and disbursement of its funds, and that the GCF can further enhance its ability to utilise multiple implementing partners (such as accredited entities including national and regional partners).

6.2.1.2. The Adaptation Fund (AF)

The Adaptation Fund (AF) was officially launched in 2007, although it was established as early as 2001 at the 7th Conference of the Parties (COP7) to the UNFCCC held in Marrakech. The Fund was established under the Kyoto Protocol, but at COP23 in Bonn in 2017 it was decided that the Adaptation Fund "shall serve the Paris Agreement" starting in January 2019.

Purpose: The AF is designed to finance climate change adaptation projects and programmes based on the priorities of eligible developing countries.

The Fund is supervised and managed by the AF Board with 16 members, 2 from each of the 5 UN regional groups, 1 SIDS, 1 LDC, 2 Annex I Parties and 2 non–Annex I Parties. In this way, developing countries have 69% of seats on the board.

AF is strong on transparency. Stakeholders can read and comment on project proposals before they are presented to the Board for consideration. As an example, for the 34th AF Board meeting, the Secretariat published 33 project proposals and concepts for comment and review. The NGO Germanwatch is very active in promoting participation of the international NGO community and writes an assessment of each Board meeting.

The Fund's climate finance commitments were 32 million and 104 million USD in 2016 and 2017, respectively. By definition, the adaptation share of supported projects is 100%. Furthermore, all finances are provided as grants, whilst the mobilisation of private finance is not a primary objective of the Fund. In terms of utilising its funds and its ability to channel large donations, of the USD 755 million deposited in the AF, 70% and 41% has been committed and disbursed, respectively.[63]

Thus, the AF is small in size. This can partially be explained by an unforeseen inefficiency in its resource mobilization strategy. At its inception the AF's primary income source was to be 2% of proceeds resulting from Certified Emissions Reductions as per the Kyoto Protocol, thus its strategy was greatly impacted by the collapse of carbon market prices. Resultingly, the AF is increasingly funded by voluntary contributions. The COP has decided that once the share of proceeds becomes available under Article 6, paragraph 4, of the Paris Agreement, the Adaptation Fund will get a new income channel.

Generally, external evaluations give a positive impression of the AF. In an independent evaluation commissioned by the World Bank and carried out by TANGO

63 As of February 2019. Climate Funds Update: https://climatefundsupdate.org/data-dashboard/#1541245664232-8e27b692-05c8

International, primary strengths of the fund include: direct access of national implementing agencies to finances; increasing country ownership of projects; a portfolio which complements other climate change funds and has scope for collaboration; and a focus on vulnerable communities within developing countries, primarily LDCs and SIDS and African countries.[64]
The LDC share of the Fund's outflows of adaptation commitments from 2013-2017 was 29%.

On complementarity and informal relationships with other funds, there is some suggestion that the AF's mandate is very similar to that of the SCCF and GCF. However, the focus on direct-access to funds for small-scale adaptation activities is noted by the WRI's Future of the Funds report to describe a sufficient niche, allowing for capacity building which effectively increases a country's potential to access larger scale GCF funding.[55]

Although the AF has provided a channel to access adaptation finance in such countries, significantly addressing the costs of adaptation is limited by the Fund's available finances. Thus, a key issue for the AF is that it has an expanding portfolio and scarce funding. However, due to its lean Secretariat structure and small size, evaluations state the efficiency of accreditation and project cycle processes are an asset to the Fund. Suggesting that even as the volume of accreditation applications and project proposals increases, the Adaptation Fund Board Secretariat can maintain its efficiency.[55] Thus, with increased funding and capacity development there is potential for the AF to scale up its operations.

In the longer term, decisions on the extent future funding of the AF should be made within the context of coming COP26 negotiations on Article 6 on whether the Fund partly will be financed through a share of proceeds resulting from market mechanisms under the Paris Agreement. In summary, the AF provides support to LDCs and vulnerable countries and is underfunded in view of the number of applications to the fund and has potential to scale up and complement other funds such as the GCF.

Norway has previously supported the Adaptation Fund with NOK 15 million in 2013, and is resuming its contributions by allocating NOK 50 million in the National Budget for 2020.

Recommendation: It is recommended that Norway increase its contributions to the Adaptation Fund along with like-minded donors, such as Sweden and Germany, to mention the biggest donors. The AF has good experience of supporting adaptation projects through the use of grants, on which Norway does not focus enough.

6.2.1.3. The Least Developed Countries Fund (LDC Fund) managed by the GEF

The Least Developed Countries Fund (LDC Fund) is one of three funds under the Global Environment Facility (GEF) that materialised after the Rio Summit, 1992. The LDC Fund was established in 2001 and functions as a financial mechanism of the UN Framework Convention on Climate Change (UNFCCC). The *purpose* of the LDC Fund is to address the special needs of the LDCs under the UNFCCC (currently 47 countries).

As part of its mandate, the LDC Fund helps countries prepare and implement National Adaptation Programmes of Action (NAPA). NAPAs are country-driven strategies that identify the most immediate needs of LDCs regarding adaptation to climate change. By 2017, the Fund had financed the formulation of NAPAs in 51 LDCs.

The LDC Fund has strong legitimacy among developing countries, whose representatives form the majority of members on the LDC Fund Council, composed of 32 members who represent GEF member countries, 14 from donor constituencies and 18 from recipient constituencies.

The LDC Fund holds one of the largest portfolios of adaptation projects in LDCs. By 2018, the Fund had approved around USD 1.37 billion for the funding of projects and programmes, leveraging almost USD 6.7 billion in co-financing from primarily non-private sector partners.[65] The LDC Fund's outflows of climate finance commitments were USD 145 million in 2017, 100% of which was provided towards adaptation as grants. Highlighting a response to the decreasing outflows seen from USD 243 million in 2012 to USD 70 million in 2016. In terms of utilising its funds and its ability to channel large donations, of the USD 1.37 billion received by the LDC Fund, 93% and 40% has been committed and disbursed, respectively.[66]

The activities of LDC Fund have strengthened the institutional capacity and integrated adaptation into policies and plans at several levels. Despite the Fund being highly regarded, it is constrained by having an unpredictable budget, as it relies on voluntary contributions. Additionally, there is, according to external evaluations, room for improvement regarding the institution learning from its own practices. An important feature is that the Fund has provided access to support to projects for 47 of the world's poorest countries. Today, the demand for support of LDCs has increased due to a number of factors, including urgent threats posed by the growing impacts of climate change. Since the LDC Fund is a mature fund and has previously handled larger climate-relevant outflows than at present, it has the ability to handle a significant increase in total budget. Furthermore, the LDC Fund has a large backlog of projects that cannot be funded due to lack of funds.

During GEF meetings in 2019, the governments of Denmark, Germany, the Netherlands, Sweden, Canada and Belgium pledged a combined total of $182 million in new funding for the LDC Fund.

The Annex E assessment of the LDC Fund is primarily based on the 2019 MOPAN's report: Assessment of Global Environment Facility (GEF)[67]; as well as the Program Evaluation of the Least Developed Countries Fund report, by the Independent Evaluation Office of the Global Environment Facility.[68]

Recommendation: It is recommended that Norway consider resuming its core contributions to the Least Developed Countries Fund (LDC Fund) - which ended in 2013 - in order to meet the growing global needs for grant-based adaptation finance in LDCs. Like-minded countries such as Germany, Sweden, and Denmark are already doing so, and Norwegian support could take place through delegated cooperation with Danida. The LDC Fund is underfunded and has a backlog of projects that cannot be implemented.

6.2.1.4. The Special Climate Change Fund (SCCF) managed by the GEF

The Special Climate Change Fund (SCCF) was established in 2001 to finance activities, programmes and measures related to climate change that are complementary to those funded by the resources allocated to the GEF climate change focal area.

The objective of the SCCF is to support adaptation and technology transfer in vulnerable developing countries. It funds adaptation related to water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems and integrated coastal zone management. It also supports early warning systems and builds capacity for disaster prevention related to climate change.

SCCF supports the transfer of climate-resilient technology for both mitigation and adaptation. This goes hand-in-hand with support to help countries put the technology to use and apply research, as well as to implement demonstration projects. It has also funded regional Climate Technology Centres and Networks.

The overall responsibility for the Fund lies with the GEF Council, though there is an additional LDC Fund/SCCF Council. It has 16 members, 8 from developed countries and 8 from developing countries, representing a relatively high representation of developing countries.

The SCCF is recognised for its thematic focuses of adaptation and technology transfer, areas in which developing countries clearly need international support. The SCCF often supports innovative approaches in new and emerging adaptation areas, aiming to provide a basis for upscaling by utilising means of other financing mechanisms (e.g. the Green Climate Fund). Additionally, the SCCF has a relatively flexible and workable procedure for preparing, approving and implementing projects. GEF is the world's largest public funder of projects and programmes that aim to benefit the global environment. Furthermore, since it is a mature fund, it is likely that the GEF has a high capacity to handle large contributions.

As of 2017, the SCCF has a portfolio of nearly USD 350 million in voluntary contributions supporting 77 projects in 79 countries. The mobilisation of private

64 ODI, 2015. Independent Evaluation of the Adaptation Fund. Available at: https://www.adaptation-fund.org/wp-content/uploads/2015/11/TANGO-ODI-Evaluation-of-the-AF_final-report.pdf
65 WRI, 2017. The Future of the Funds. Available at: https://www.wri.org/publication/future-of-the-funds
66 As of February 2019. Climate Funds Update: https://climatefundsupdate.org/data-dashboard/#1541245664232-8e27b692-05c8
67 MOPAN. (2019). MOPAN 2017-18 Assessment of Global Environment Facility (GEF).
68 IEO. (2016). Program Evaluation of the Least Developed Countries Fund. Independent Evaluation Office of the Global Environment Facility.

finance is not a key emphasis within the Fund. Outflows of climate finance commitments for 2017 total just USD 2 million, down from USD 74 million in 2014. Of the USD 109 million of climate-related SCCF outflows recorded by the OECD from 2014-2017, 88% targeted adaptation, and were supplied through grants.

The SCCF assessment indicates it is highly capable of delivering tangible adaptation-related results. However, the SCCF's effectiveness and efficiency have been undermined by limited and unpredictable funding, and resultingly, the SCCF's resources are inadequate to meet their demand.[69] A major constraint for the SCCF is its dependency on voluntary contributions, rather than the periodical replenishment of the GEF, through which funds are secured at the beginning of 4-year investment cycles. This raises the question of whether there is a viable future for the SCCF. In terms of utilising its funds and its ability to channel large donations, of the USD 366 million deposited in the SCCF, 78% and 51% has been committed and disbursed, respectively.[70]

Recommendation: Norway should consider supporting the Special Climate Change Fund (SCCF) due to its grant-based adaptation focus, which it uses in new and emerging adaptation areas, and in view of the considerable demand for support to technology transfer and adaptation.

6.2.1.5. The Climate Technology Centre and Network (CTCN)

The Climate Technology Centre and Network (CTCN) is accountable to and under the guidance of, the UNFCCC's Conference of the Parties through an Advisory Board. The Constitution of the Advisory Board was agreed upon at COP18.

Purpose: CTCN promotes the accelerated transfer of environmentally sound technologies for low carbon and climate resilient development at the request of developing countries. It provides technology solutions, capacity building support and advice on policy, legal and regulatory frameworks tailored to the needs of individual countries.[71] The CTCN consists of two parts. A central coordinating entity located in UN City Copenhagen, and a worldwide network of organisations that deliver CTCN services, both online and offline. The UNEP hosts the CTCN in collaboration with UNIDO with the support of a consortium of partners (The Asian Institute of Technology, ENDA Senegal, the National Renewable Energy Laboratory in Colorado, the Energy and Resources Institute in India, CATIE in Costa Rica and, located in Denmark, the UNEP-DTU Partnership and the Centre on Water and Environment UNEP-DHI).

CTCN is supported by voluntary contributions, which totalled a budget of USD 9.9 million in 2018. The biggest historical contributors have been the European Union (USD 14.4 million), Japan (USD 8.5 million), Norway (USD 8.5 million) and Denmark (USD 7.2 million). The support from Norway goes back to 2013-2015, with total donations of NOK 60 million. Denmark prolonged its support with DKK 11 million for a second phase covering 2017-2019.

In the Danida review of the CTCN in 2018, it states that its mandate is extremely relevant to climate objectives due to its position as the UNFCCC Technology Mechanism and its responsiveness to developing country requests.[72] However, the CTCN's Independent Review[73] and both Danida and UNEP[74] assessments used in the Annex E assessment of the CTCN, remark that it is extremely underfunded and overly reliant on voluntary contributions.

Recommendation: Norway should consider resuming support for the Climate Technology Centre and Network (CTCN), which promotes transfers and capacity building relating to environmentally sound technologies for low carbon and climate resilient development at the request of developing countries.

6.2.1.6. Adaptation for Smallholder Agriculture Programme (ASAP) within IFAD

The International Fund for Agricultural Development (IFAD) was established in 1977 as a specialized agency of the United Nations. In 2013, IFAD initiated the Adaptation for Smallholder Agriculture Programme (ASAP).

The purpose of ASAP is to invest in rural communities, enabling them to overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods. ASAP channels climate and environmental finance to smallholder farmers, scales up climate change adaptation in rural development programmes and mainstreams climate adaptation into IFAD's work.

IFAD's highest decision-making body is its Governing Council, which meets annually and is open to all of the Fund's 176 member states.

ASAP focuses on the interests of smallholder farmers and provides a good mix of support to enable policy engagement of agricultural institutions and farmer organisations. The programme also supports climate risk assessments, women's empowerment, private-sector engagement, and better use of climate information when planning investments to increase resilience, natural resource management and knowledge management. Furthermore, IFAD seeks to enhance documentation and dissemination of knowledge on approaches to climate-resilient agriculture. A concrete example is the evaluation of the ASAP Kenya Cereal Enhancement Programme, which was seen as a success.

Norway is a significant donor to ASAP's second phase with the provision of NOK 80 million to the ASAP Trust Fund in 2017, equivalent to about USD 9.5 million. And has provided NOK 143 million as earmarked support to the Programme between 2013-2017, all of which had a principal focus on adaptation. Another key donor to ASAP is SIDA, providing USD 5.9 million. Norway's contributions are in addition to its support for the IFAD replenishment, which amounted to NOK 105 million from 2016 - 2018. In general, IFAD can be seen to represent an international organisation with a clear adaptation focus within its climate finance portfolio of USD 3 billion of 2013-2017 climate-related outflows reported to the OECD, 23% of which were provided as grants. Of the 52% of these outflows targeting LDCs, 39% was provided as grants.

Evaluations of ASAP activities report it to be a responsive and well-performing organisation. According to "2017-2018 Assessment of International Fund for Agricultural Development (IFAD)" by MOPAN: *"IFAD delivers strong results for its core target group – the rural poor – and contributes to rural poverty reduction more broadly, as well as to cross-cutting results, most notably gender".*[75] It is also noted that governments, farmers, indigenous peoples' and private sector organisations in developing countries appreciate IFAD's consultations and involvement. ASAP is seen as an agile organisation in response to changing demands. IFAD has a high capacity to manage large contributions in view of the volume of its climate-relevant disbursements, however, a consistently identified area of improvement for the organisation is the speed with which it disburses its finance.

Recommendation: Norway should consider increasing its contribution to the Adaptation for Smallholder Agriculture Programme (ASAP), which has a good reputation for supporting smallholder farmers in adaptation and resilience activities. Support to ASAP is seen to efficiently utilise IFAD's in-country presence and strong collaboration with line ministries and civil society, including small-scale farmer organisations close to implementation areas.

6.2.1.7. Food and Agriculture Organisation (FAO)

The Food and Agriculture Organization (FAO) is a specialized agency of the United Nations that leads international efforts to defeat hunger. Established in 1945, the FAO intends to end hunger and poverty by creating resilient livelihoods, by helping countries and communities to face threats to agriculture, nutrition and food security.

Purpose: the FAO has two programmes of relevance to climate change: FAO-Adapt is a framework programme that provides general guidance in the implementation of FAO's activities for climate change adaptation; and the FAO's Mitigation of Climate Change in Agriculture (MICCA) programme.

The FAO has 194 member states and works in over 130 countries. Developing countries have considerable influence in its governance, which is headed by a Council of Representatives of 49 member states elected by the Conference. Both MOPAN and DFID note that transparency within FAO is poor, and it needs to

69 IEO. (2017). Program Evaluation of the Special Climate Change Fund. Independent Evaluation Office of the GEF.
70 As of February 2019. Climate Funds Update: https://climatefundsupdate.org/data-dashboard/#1541245664232-8e27b692-05c8
71 See the CTCN website for more information: https://www.ctc-n.org
72 Danida, 2018. Review of the Climate Technology Centre and Network (CTCN) Review Report.
73 CTCN, 2017. Report of the Independent CTCN Review 2017.
74 UNEP, 2016. Evaluation Case Study of the CTCN 2016.

75 MOPAN, 2019. 2017-18 Assessments International Fund for Agricultural Development (IFAD).

act on plans to meet International Aid Transparency Initiative standards.[76] The total budget planned for 2018-19 is USD 2.57 billion, which suggests no significant growth compared to the previous 2016-17 biennium. Norwegian core contributions to the FAO have been relatively consistent from 2010-2018, averaging at NOK 14.6 million annually (NOK 16.8 million in 2018). Climate-relevant earmarked funding from Norway to the FAO totalled NOK 177 million from 2013-2018, with a 32% and 29% mitigation and adaptation share, respectively.

The FAO has a proven record within agriculture and in supporting countries and communities to act on threats to agriculture, nutrition and food security. According to the 2019 MOPAN report: Assessment of Food and Agriculture Organization (FAO),[77] the FAO's strength is its ability to work with field offices in many countries. The FAO also has a strong record on agriculture and forest development, but there is also a noted room for improvement, with the Organisation needing to develop and prove a more strategic approach to its work on climate change. Furthermore, the Organisation is yet to find sustainable forms of funding for some of its core activities. The FAO is a mature international organisation, yet struggles with its efficiency and ability to meet disbursement timelines, which calls into question its capacity to handle large contributions.

Recommendation: Norway should explore the potential to contribute earmarked funding to FAO-Adapt as part of FAO's activities for climate change adaptation. This could draw on FAOs in-country presence and collaboration with agriculture ministries and farmer organisations. This climate finance support is complementary to Norway already providing consistently core support to the FAO, which is noted as vital for the continuation of the FAO's normative work.

6.2.1.8. The United Nations Development Programme (UNDP)

The United Nations Development Programme (UNDP) was established in 1965. It has offices and staff on the ground in 170 countries and territories, working with governments and local communities in developing policies, skills, partnerships and institutions.

Purpose: The UNDP has the dual mandate of supporting individual country-led efforts to achieve the 2030 Agenda whilst playing a leading role in ensuring a coherent and coordinated UN development system engagement at the country level.

The Programme has three focus areas: eradicating poverty in all its forms and dimensions, accelerating structural transformations for sustainable development, and building resilience to crises and shocks.

The UNDP Executive Board is made up of representatives from 36 countries around the world who serve on a rotating basis, any state member that has no representative on the Executive Board may attend Board meetings and participate in its deliberations without the right to vote. The UNDP is highly transparent in its decision-making processes.

The UNDP annual budget was USD 5.5 billion in 2018. Unfortunately, the UNDP does *not* report its climate finance share to the OECD-DAC. Norway has always been among the main donors, providing core funding of NOK 535 million (USD 65 million) in 2017. Of the NOK 1.6 billion of earmarked climate-relevant Norwegian support to the UNDP from 2015-2018, a very high share goes to mitigation objectives. With 84%, 15% and under 1% targeted mitigation, cross-cutting and adaptation activities, respectively.

The UNDP Global Environmental Finance (UNDP-GEF) Unit partners are catalysing environmental finance to developing countries. Furthermore, the UNDP is an accredited entity for the AF and the GCF, including monitoring and providing specialised technical assistance to the countries' implementation.

A key source for the assessment of the UNDP was the 2017 MOPAN report: Assessment of United Nations Development Programme (UNDP).[78] Here the UNDP is recognized for its strategic planning and organisational architecture, which are well aligned with its overarching long-term vision. Furthermore, the UNDP has an organisational structure that supports decentralised

76 See MOPAN: http://www.mopanonline.org/assessments/fao2017-18/FAO Report.pdf; and DFID: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/573403/Food-Agriculture-Organisation-Review.pdf.
77 MOPAN, 2019. *Assessment of Food and Agriculture Organization (FAO).* Available at: http://www.mopanonline.org/assessments/fao2017-18/FAO%20Report.pdf
78 MOPAN, 2017. *Assessment of United Nations Development Programme (UNDP).* Available at: http://www.mopanonline.org/assessments/undp2015-16/Mopan%20UNDP%20report%20final%20interactive.pdf

decision-making. The UNDP has a strong strategic plan and organisational architecture, though its procedures are criticised for being overly bureaucratic, which causes delays and lowers efficiency.

As a consequence, MOPAN score the UNDP poorly for effectiveness and efficiency. Although some interventions are delivered efficiently, there is evidence to suggest that its overall cost-efficiency is rather low. The Programme's interventions are often delayed due to the organisation's burdensome red tape. The UNDP's high share of earmarked contributions also limits the strategic and flexible use of funding and contributes to competition and mandate drift.

Yet, the UNDP remains of vital important in the coordination of various international organisations as well as for strengthening the capacities in countries where activities are implemented, which is the primary reason for recommending earmarked support in selected LDC countries.

Recommendation: Norway is recommended to provide the UNDP with additional funding and resources for capacity building activities for both mitigation and adaptation objectives, in a small number of LDC countries, which would not be possible to cover in Norwegian bilateral programmes. Complementary to the suggested increased earmarked funds, Norway is already providing considerable core funding to the UNDP's overheads and work in 170 countries.

6.2.1.9. The United Nations Environment Programme (UNEP)

The United Nations Environment Programme (UNEP) was established in 1972 and has overall responsibility for environmental topics within the UN system. The Programme has a normative mandate and operates in the field through pilot projects linked to capacity building.

The purpose of UNEP is to promote coherent coordination of the environmental dimension of sustainable development among United Nations agencies, such as UNDP and FAO. Furthermore, UNEP serves as an authoritative advocate for the global environment. UNEP works within the area of climate change, disasters and conflict, ecosystem management, environmental governance, chemicals and waste, resource efficiency, and environment under review. UNEP empowers governments and other stakeholders in evidence-based decision-making.

The governing body of UNEP is the Environment Assembly, currently composed of 193 Member States, which meets every year in Nairobi. It has approved the Medium-Term Strategy 2018-2021. UNEP is recognised by developing countries for being headquartered in Nairobi. UNEP funding is comprised of 3 main types: the Environment Fund (for non earmarked funding); earmarked funds; and allocated from the UN Regular Budget.

In 2017-2018, the following main donors contributed to UNEP's total development budget: Germany (USD 17.2 million), the Netherlands (USD 15.5 million), and Sweden (USD 9.9 million). The proposed overall budget for UNEP, from the 2018-2019 programme of work and budget, is USD 784.3 million. Since 2014-15, GEF projects have been included in UNEPs programme of work and accounted for USD 140 million of the Programme's total budget.[79] Finances allocated for climate change objectives amounted to USD 181 million, or 23% of total funds.

Norway contributed NOK 160 million in core finance to UNEP in 2017-2018 and an additional NOK 79 million in earmarked climate-related funding, of which 32% targeted mitigation and 68% targeted cross-cutting activities. Unfortunately, UNEP does *not* report the climate-relevant share of its outflows to the OECD-DAC.

UNEP is doing excellent analytic and policy work, for example in the production of the Adaptation Gap Reports and the Global Environment Outlook (GEO) series. The Adaptation Finance Gap Report from 2016 has become a key reference for estimating the needs and costs of adaptation finance. UNEP does not have field offices but has it strengths in producing environmental assessments and analyses, norms, guidelines, and methods for use by stakeholders looking for guidance on how to effectively manage the environment for sustainable development and green economic growth (Danida 2015).

A key source for this assessment was the 2017 MOPAN's assessment: *United Nations Environment Programme (UNEP) Institutional Assessment Report.*[80] It is found that UNEP meets the requirements of an effective multilateral organisation. And continues to be a global authority on environmental issues, providing a robust evidence base for advocacy and policy dialogue.

UNEP has the same problem as the UNDP, in that its procedures can be burdensome and bureaucratic and that its donors are increasingly earmarking their contributions, which tends to defund certain strategic interventions and areas. As stated by Danida, in 2015: *"Insufficient funds and imbalance between core funding and ear-marked funding: The ratio between core funding and ear-marked funding has become increasingly imbalanced during the last years. Such an imbalance could risk undermining the strategic priorities and fragmenting the work of UNEP".*[81]

Recommendation: Norway should continue its current funding level of UNEP's activities within climate change. Norway is already providing considerable core funding of UNEP, which contributes to the organisation's core capacity and excellent analytic and policy work.

6.2.1.10. The UN-REDD Programme

The UN-REDD Programme was launched in 2008 and builds on the convening role and technical expertise of FAO, UNDP and UNEP.

Purpose: The UN-REDD Programme supports nationally led REDD+ processes and promotes the informed and meaningful involvement of all stakeholders, including indigenous peoples and other forest-dependent communities, in national and international REDD+ implementation. The UN-REDD Programme strengthens the institutional and technical capacities of developing countries to reduce forest-related emissions by: i) reducing greenhouse gas emissions (GHG) by slowing, halting and reversing forest loss and degradation; and ii) increasing removal of GHGs from the earth's atmosphere through the conservation, management and expansion of forests. Countries interested in REDD+ are required to progress through three phases: Readiness phase, implementation of national strategies and results-based demonstration activities.

Of the 19 seats of the Policy Board of the UN-REDD Programme, Indigenous Peoples (IPs) are represented by the Chair of the United Nations Permanent Forum on Indigenous Issues (UNPFII) – on a non-rotational basis – and civil society organisations (CSOs) also hold one seat. The UNDP has been appointed as the Administrative Agent for the UN-REDD Programme Multi-Donor Trust Fund.

The main recipients of UN REDD funds are developing countries for mitigation purposes. The programme intends to strengthen the institutional and technical capacities of developing countries to reduce forest-related emissions.

Contributions from donors was USD 14.4 million in 2018. Norway is providing a significant portion of the funds (NOK 240 million equivalent to USD 29 million to the UN REDD work plan 2018-2020). Other donors include the European Commission, Denmark, Japan, Luxembourg, Spain and Switzerland (UN REDD, 2019).

The UN-REDD Programme depends entirely on voluntary contributions, and uncertainty over the future of REDD+ financing is a challenge.

The UN-REDD Programme relies on monitoring and evaluation tools of its implementing agencies. The report "External Evaluation of the UN REDD Programme" from 2014 concluded that the programme is playing a significant role in global forest governance. The programme enjoys strong buy-in from host ministries (e.g. environment or forestry departments), indigenous peoples' and civil society organisations.

This report has *refrained* from making any recommendations about the composition of the NICFI portfolio, but has limited itself to describing UN-REDD as an implementation channel. UN-REDD has been one of the major recipients of Norwegian climate finance (NOK 1,598 million between 2010 and 2018, which can be seen in table 3.5 in Chapter 3). NICFI has itself carried out real-time evaluations and published lessons learned reports.

79 UNEP, 2016. Programme of work and budget for the biennium 2018–2019. Available at: http://wedocs.unep.org/handle/20.500.11822/7707

80 MOPAN, 2017. *United Nations Environment Programme (UNEP)*.

81 Danida, 2015. *Organisation Strategy for Denmark's Co-operation with United Nations Environmental Programme (UNEP). Available at: https://um.dk/da/danida/samarb/int-org//~/media/UM/Danish-site/Documents/Danida/Samarbejde/Int-org/Organisationsstrategier/Organisationsstrategi%20for%20UNEP.pdf.*

6.2.2. Other international and regional organisations

The following sections summarise the assessments of other international organisations and regional initiatives working with climate finance.

6.2.2.1. Global Green Growth Institute (GGGI)

The Global Green Growth Institute (GGGI) was launched in 2010 as a South Korean foundation and was expanded into an international organisation in 2012.

Purpose: The Global Green Growth Institute (GGGI) is a treaty-based international, inter-governmental organisation dedicated to supporting and promoting strong, inclusive and sustainable economic growth in developing countries and emerging economies.

Concerning sustainable development, the GGGI is oriented towards a model of green growth, thus contributing to its vision of a resilient world of strong, inclusive and sustainable growth. GGGI's strength is that its country offices are embedded in the ministries (finance, planning, energy, etc.) of its member countries.[82] From there it can help countries identify their green growth potential, which translates into concrete strategies, planning and budgeting for green growth.

GGGI has a governance structure consisting of an Assembly, Council and Secretariat with headquarters in Seoul. Membership is open to any member state of the United Nations that subscribes to the organisation's goals and objectives. Regional integration organisations are also eligible for GGGI membership.

GGGI's budget in 2018 totalled USD 35.4 million, consisting of USD 24 million in core funding and USD 11 million in earmarked funds. Representing an increase compared to the annual budget of USD 30 million in 2017. Major donors include South Korea, Norway, the UK, Australia, UAE, Indonesia and Denmark. According to GGGI's audited annual account for 2018, Norway is by far the biggest contributor to core funding, amounting to USD 10 million in 2018, or 41% of total core fund revenue. A contribution mirrored in the 2017 budget.

Furthermore, Norway earmarks contributions to climate-specific programmes, providing NOK 27.1 million to a project combatting deforestation in Colombia (as part of the Colombia Country Programme, 2017-2019), and there has been interest from the World Bank to engage in collaborative work with them in the country. Norway also financed the Indonesia Country Programme through the GGGI from 2017 to 2019 with NOK 178 million. As also observed with the Adaptation Fund, the GGGI has developed a significant partnership with GCF, to support countries readiness to receive GCF funding.[55] This is noted by DFID to be a strategically significant institutional relationship, developing synergies within the climate finance landscape.[83]

As notes in DFID's Annual Review, the GGGI was rated 'A+' for the first time in 2018, highlighting strong performance in areas of knowledge generation, finance and institutional learning with regards to reporting and risk management systems. This is impressive in light of the institute's highlighted weaknesses in similar evaluations from 2010 to 2015. Criticism primarily concerns the Institute's ability to affect transformative change due to a lack of reported evidence, outside of output level results, of the facilitation of high-level green investment.[55]

GGGI also assists in policy design and in the preparation of revenue generating projects, which is of considerable interest among the MDBs. GGGI's focus is mostly on mitigation. Of its outflows reported to the OECD in 2016 and 2017, 57% and 43% targeted mitigation and adaptation, respectively. Importantly all of its outflows are provided as grants.

A further noted weakness of the Institute is that it needs to improve its documentation of results in order to demonstrate its value. The GGGI has been criticised for not meeting LDCs' needs and priorities, with 20% of its climate-related outflows reported to the OECD channelled to such countries (31% of adaptation finance). In response to these observations, Danida notes that the GGGI, from 2017 and onwards, began to increase its focus on pro-poor growth and social inclusion.

The GGGI's own Independent Evaluation Unit (IEU) note a trade-off regarding the Institute's position within government ministries, stating that although this positioning is generally positive, it notes "there is a potential risk of political capture, and/or lack of influence over other external ministries".84 The Institute has shown an impressive capacity to overcome numerous problems in its initial years (as exemplified by the upgraded DFID rating in 2018).

Recommendation: It makes sense for Norway to continue its substantial support for GGGI which exclusively provides capacity development support to developing countries, with a predominant adaptation focus. Norway could also explore the possibility to develop the GGGI's role in the field of adaptation. GGGI fills an important knowledge-generation and capacity building function by having its country offices embedded in ministries (finance, planning, energy, etc.). Other notable functions assist in policy design and preparation of revenue-generating projects that are potentially attractive to multilateral development banks.

6.2.2.2. The Africa Renewable Energy Initiative (AREI)

The Africa Renewable Energy Initiative (AREI) was launched at COP21 and began to operate in 2017, endorsed by 54 African Heads of State under the aegis of the African Union.

Purpose: AREI's thematic focus is primarily on mitigation and the transformation to green energy with two priorities: (1) ensuring universal access to sufficient amounts of clean, appropriate and affordable energy; and (2) helping African countries leapfrog to renewable energy systems that support their low-carbon development strategies while enhancing economic and energy security.

Different African countries, multilateral institutions and donors are represented on the Board. AREI aims to facilitate at least 300 GW of renewable energy by 2030, more than doubling current energy generation on the continent). AREI is currently the only Africa-owned and Africa-led energy initiative, which makes it a promising opportunity for regional energy cooperation and developing country ownership on the continent. The UN notes that 33 of 47 LDCs are in Africa. Thus, a major strength seems to be the participation and inputs from African governments and the African Union.

There are currently three recipients of finance within the AREI structure. The Independent Delivery Unit (IDU), Attributed Activities, and the AREI Trust Fund. The IDU is a coordinating and facilitating entity to enable supportive activities in line with the AREI Action Plan. Funds for Attributed Activities are directly accessed via African countries and international public funding (through for example bi- and multilateral means and the GCF). Whilst funds provided to the AREI Trust Fund are for subsequent disbursement as project/programme support and incentives for renewable energy investments at country levels.[85]

As of 2017, the IDU has received EUR 7 million of a required EUR 66 million for the Initiative's establishment period, from 2016-2020. In a joint declaration in December 2015, 10 donors, including Germany, Canada, the United States, France, Italy, Japan, Netherlands, the UK, Sweden and the European Union, committed to mobilizing at least USD 10 billion cumulatively from 2015-2020 to support the objectives of the AREI's Trust Fund and Attributed Activities.[86] However, as of January 2018, international partners indicated they had committed EURO 1.8 billion in grants and EUR 6 billion as concessional loans to renewable energy related projects in Africa. Importantly, these funds had not passed through the AREI Trust Fund or yet been determined to be in full compliance with AREI Criteria.[87]

To date 24 projects have been accepted by the AREI Board, yet Germanwatch report that of these projects, with a cumulative contribution of approximately USD 330 million, the majority were existing projects supported by donor ODA commitments, rather than newly funded projects by the AREI.[88]

82 Danida, 2017. Organisation Strategy for Denmark's engagement with the Global Green Growth Institute (GGGI) 2017-2019. Available at: https://um.dk/en/danida-en/about-danida/danida-transparency/danida-documents/council-for-development-policy/upcoming-council-meetings/upr050917/.

83 DFID, 2018. Annual Review – Global Green Growth Institute. Available at: https://devtracker.dfid.gov.uk/projects/GB-1-204248/documents

84 IEU, 2017. Independent Evaluation of the Global Green Growth Institute's Progress against the Strategic Plan 2015-2020. Impact and Evaluation Unit (IEU) of the GGGI. Available at: https://gggi.org/results-evaluation/evaluations/.

85 AREI, 2017. Progress Report. Available at: http://www.arei.org/wp-content/uploads/2017/01/AREI-Progress-report-Jan-2017_ENG.pdf

86 UNFCCC, 2015. Joint statement on behalf of the French Government. Available at: https://unfccc.int/news/advancing-of-africa-renewable-energy-initiative

87 AREI, 2018. Fifth meeting of the Board of Directors. Available at: http://www.arei.org/wp-content/uploads/2018/09/2-Minutes-and-decisions_AREI-fifth-board-meeting_EN.pdf

88 Germanwatch, 2019. About the Africa Renewable Energy Initiative. Available at: https://germanwatch.org/en/16630

As with all fledgling funds, one weakness of AREI is its lack of a proven track record as a finance channel, making it hard for potential donors to gauge its performance and thus attract and mobilise significant investment.

The team received a relatively sceptical assessments of the operationalisation progress of the initiative, from an expert specialised in renewable energy in Africa, as well as from Germanwatch. Issues in achieving sufficient levels of multiple stakeholder engagement, particularly regarding African CSO networks, have been raised. Ultimately, slow and non-transparent project implementation may encourage donors, in the immediate future, to look for other more proven cooperation possibilities on the African continent. Thus, as AREI is a newly established fund it does not have a proven capacity to manage large contributions.

Recommendation: Norway is *not* currently recommended to support the Africa Renewable Energy Initiative (AREI). Although it has the advantage of being the only Africa-owned and Africa-led energy initiative today, any support should be conditional on a longer track record, and a fully operational AREI Trust Fund. Accordingly, its performance should be followed closely by Norfund officials specialised in renewable energy investments.

6.2.2.3. The Sustainable Energy Fund for Africa (SEFA)

The Sustainable Energy Fund for Africa (SEFA) is a transitioning USD 95 million multi-donor trust fund under the AfDB which supports small and medium-sized renewable energy and energy efficiency projects in Africa. As of November 2019, the multi-donor trust fund is converting into an AfDB Special Fund, to expand its use of financial instruments to include concessional loans.[89]

In 2011, Denmark granted DKK 300 million to the AfDB to establish SEFA. This developed into a multi-donor trust fund in 2014, with contributions from USAID, the UK and Italy. In 2018, Danida made a second commitment of DKK 300 million for the period 2019-2021, with Norway also providing NOK 14 million in earmarked funds.

Purpose: The primary goal of SEFA is to contribute to the increased production of renewable energy in Africa. At its inception the Fund provided grant-based support to both finance the design and preparation of revenue generating projects and for technical assistance to create enabling environments for green energy through capacity building activities, whilst also providing further equity investments for small and medium-sized sustainable energy projects.

According to Danida, key results for SEFA so far include:[90]

- SEFA has shown preparedness to take risks in terms of supporting the energy transition in fragile and conflict affected contexts.
- SEFA has been crucial in addressing a major market gap for financing of early-stage project preparation.
- SEFA has retained its relevance in a changing market by remaining focused on less well-established renewable energy technologies and riskier and fragile country contexts as well as the off-grid and green mini grid space.
- SEFA has been a key vehicle in encouraging the Bank to become a transformative actor for achieving inclusive and green growth championed by the private sector.

Risks and challenges: Due to the current transition of the Fund, in July Denmark and Norad have commissioned a report seeking to appraise the key design parameters of the new Special Fund. This will allow an evaluation of any changes within its operations, including in relation to the risk management of its investments. Risk management is important in the SEFA context, as investments in large infrastructure projects bring with them considerable integrity and corruption risks at each stage of the investment cycle.

The recommendation below is conditional and dependent upon satisfactory results from Norad's commissioned appraisal of the SEFA Special Fund. As a more mature climate finance channel than the AREI, SEFA could represent an efficient pathway to channel Norwegian climate finance towards renewable energy activities in Africa. Especially in light of the Joint

89 https://www.afdb.org/fr/news-and-events/press-releases/african-development-banks-sustainable-energy-fund-africa-sefa-converts-concessional-finance-facility-32694

90 Danida, 2019. Replenishment of Sustainable Energy Fund for Africa (SEFA). Available at: https://um.dk/en/danida-en/about-danida/danida-transparency/danida-documents/council-for-development-policy/upcoming-council-meetings/upr291019/

Statement on Advancing the AREI, which explicitly states that AfDB flagship programmes are potential vehicles to support the AREI's objectives. Thus, such finance could combine the experience of SEFA with the focus on developing country ownership within AREI.

Recommendation: Norway should consider a continuation of its support for the Sustainable Energy Fund for Africa (SEFA), operated by the African Development Bank (AfDB), which is already being supported by Denmark, USAID, UK and Italy. This could take place through delegated cooperation with Danida. Evaluations indicate that it is more efficiently managed than the Africa Renewable Energy Initiative (AREI). Norfund should be involved in these considerations.

6.2.3. Funds associated with the World Bank

The next section concerns climate-related funds handled by the World Bank. Detailed information can be found in Annex E.

6.2.3.1. The Climate Investment Funds (CIF)

The Climate Investment Funds (CIF) were founded in 2008 to deliver concessional loans through the MDBs in support of climate objectives. CIF provides climate finance in both grants, concessional loans and, to a lesser degree, non-concessional loans. CIF focuses on both mitigation and adaptation in areas of resilience, renewable energy, clean technology and sustainable forest management.

CIF encompasses the CTF (Clean Technology Fund) and SCF (Strategic Climate Fund), which share a governing body, the 16-member Trust Fund Committee, of whom 8 are from developed countries and 8 from developing countries. The SCF is further divided into 3 sub-programmes led by a 12 member sub-committee, again with equal membership from developing and develop countries, these include: the Pilot Program for Climate Resilience (PPCR), the Scaling-Up Renewable Energy Program (SREP), and the Forest Investment Program (FIP).

CIF is administered by the World Bank Group and under its programmes 300 projects across 72 countries have been supported. CIF utilises a programmatic, rather than project-by-project, approach in its development assistance in an attempt to affect transformative change. A core component of this approach is the use of national investment planning with high levels of country ownership and implementation support to produce country-level interventions, whilst utilising concessional contributions from MDBs to leverage further private investment.[91]

Climate-relevant commitments made by the SCF from 2014-2017 were: USD 316 million, USD 289 million, USD 141 million and USD 330 million, respectively. Comparatively those figures for the CTF from 2014-2017 were: USD 906 million, USD 519 million, USD 459 million and USD 253 million, respectively. Primary donors include: the UK, France, Denmark and Norway. Norway has disbursed NOK 822 million to the SCF from 2010-2018.

Whereas the CTF is a mature fund investing in large-scale concessional finance for mitigation purposes in middle income countries, the SCF (particularly SREP, see section below) is a smaller fund focusing on energy access in lower income countries through pilot projects. Of SCFs climate-relevant outflows recorded by the OECD between 2013-2017: 46% went to LDCs; 72% was provided as grants; and 63% targeted adaptation (71% through grants).

Noted strengths of CIF are its presence and capacity building activities within developing countries and its ability to mobilise private finance across all stages of a given activity, allowing for projects to be scaled-up and replicated.[92] The PPCR has been evaluated to play a major role in national resilience planning, affecting systemic change through mainstreaming adaptation and building endogenous capacities within developing countries through nationally-led multi-stakeholder processes.[93] However, as CIF functions outside the UNFCCC, utilises private finance and some non-concessional finance tools, there is concern that they are less accountable to well-defined UNFCCC processes whilst receiving large amounts of development finance from developed countries.[94]

Yet, it remains unclear whether a further replenishment will take place, as the CIFs' sunset clause makes its overall lifespan uncertain. The WRI note that CIF should begin the process of sunsetting, assuming that the GCF scales up and is able to fill key roles currently played by these funds, especially regarding the use of its programmatic approach. However, even in the context of the recent replenishment of the GCF, it is likely that its annual contribution to global public finance will remain at around 2%.

CIF has succeeded in disbursing large volumes of climate finance and the Fund has a proven capacity to manage relatively large contributions.

In terms of utilising its funds and its ability to channel large donations, of the USD 5.5 billion received by the CTF, 91% and 28% have been committed and disbursed, respectively. Regarding the PPCR, of the USD 1.15 billion received, 83% and 34% have been committed and disbursed, respectively.[95]

Recommendation: Norway should consider continuing its support for the Climate Investment Fund's Strategic Climate Fund (SCF), handled by the World Bank, for one more period. The SCF has a proven track record of providing both mitigation and adaptation finance to LDCs in the form of grants, where appropriate, through uniquely large country-level programmes.

6.2.3.2. The Scaling Up Renewable Energy Program (SREP)

The Scaling up Renewable Energy Program (SREP) was established in 2009. SREP is a funding window of CIF, channelled through five MDBs: the AfDB, AsDB, EBRD, IADB and World Bank Group. There is equal representation of developed and developing countries on the governing sub-committee.

Purpose: To finance scaled-up deployment of renewable energy solutions in low income countries in order to increase energy access and economic opportunities.

SREP has received USD 745 million from donors since its inception, which is then channelled through the five MDBs. Main donors are the UK (USD 357 million), Norway (USD 122 million), the Netherlands (USD 76 million) and the US (USD 50 million). SREP's climate finance outflows, as part of the SCF, are characterised by a large share of grant-based support (accounting for 65% of total mitigation finance in 2017). Norway has contributed NOK 802 million in core support to SREP from 2010-2018.

One of SREP's strengths is its relevance with regards to Norwegian development priorities. The process of developing investment plans provides opportunities for national leadership, and engagement with relevant institutions and stakeholders.[96] Furthermore, SREP's off-grid projects have focused on addressing energy needs in rural and remote areas with no power infrastructure, where small-scale, distributed renewable energy technology is appropriate. Areas and demographics often overlooked in mitigation support.

SREP aims to maintain a developing country led approach, which builds from national policies, yet its resources are modest compared to the scale of energy issues in its target countries.[97] A further strength is that SREP is expanding to make new commitments, whilst adding pilot countries to its portfolio. SREP's investment plans present potentials for substantial gains for renewable energy supply to be mainstreamed into national development and energy policy.

One weakness is that SREP's resources are modest in view of the scale of the energy issues in many of the pilot countries. At the same time, evaluations have raised some concerns over the extent to which resulting investment plans reflect the priorities of MDBs over those of governments. This is discussed in the IFC international report "Independent Evaluation of the Climate Investment Funds" from 2014.

In terms of utilising its funds and its ability to channel large donations, of the USD 745 million received

91 ICF, 2018. Evaluation of the Climate Investment Funds' Programmatic Approach. Available at: https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/evaluation_of_the_cif_progammatic_appproach_final_report_and_management_response.pdf
92 ODI, 2018. Transformational change in the Climate Investment Funds: A Synthesis of the Evidence. Available at: https://www.odi.org/sites/odi.org.uk/files/resource-documents/12587.pdf
93 ITAD, 2019. Evaluation of Transformational Change in the Climate Investment Funds. Available at: https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/evaluation_of_transformational_change_in_the_cif_final2.pdf
94 WRI, 2017. The Future of the Funds. Available at: https://www.wri.org/publication/future-of-the-funds
95 As of February 2019. Climate Funds Update: https://climatefundsupdate.org/data-dashboard/#1541245664232-8e27b692-05c8
96 ODI, 2014. The effectiveness of climate finance: a review of the Scaling-up Renewable Energy Program. Available at: https://www.odi.org/publications/8178-effectiveness-climate-finance-review-scaling-renewable-energy-program
97 ICF International. (2014). *Independent Evaluation of the Climate Investment Funds*.

by SREP, 79% and 7% have been committed and disbursed, respectively.[98]

Recommendation: Norway should continue its support for the Scaling up Renewable Energy Program (SREP), since it primarily supports mitigation projects in low-income countries with a focus on off-grid, rural areas.

6.2.3.3. The Energy Sector Management Assistance Program (ESMAP)

The World Bank's Energy Sector Management Assistance Program (ESMAP) was established in 1983 in response to the global energy crisis of the late 1970s and its impact on the economies of oil-importing developing countries.

Purpose: ESMAP is a partnership between the World Bank Group and 18 partners to help low and middle-income countries reduce poverty and boost growth through environmentally sustainable energy solutions. ESMAP's analytical and advisory services are fully integrated into the World Bank Group's country financing and policy dialogue in the energy sector. The ESMAP work plan 2017-2020 is organized around three thematic areas, corresponding to the three (SDG7) targets on *energy access*, *renewable energy*, and *energy efficiency*. Three cross-cutting areas of *energy markets, governance and planning*, *energy subsidy reform* and *energy knowledge tools* have been identified to tackle broader sectoral issues.

ESMAP is governed by a Consultative Group comprising representatives from contributing donors and chaired by the Senior Director of the World Bank's Energy and Extractives Global Practice, and has supported over 800 energy sector projects in more than 100 countries.

Climate finance commitments totalled USD 34 million in 2016 and USD 35 million in 2017 (see Chapter 4). The main donors to ESMAP in 2016 were: Netherlands (USD 12.7 million), Sweden (USD 4.0 million), United Kingdom (USD 3.7 million). Denmark contributed DKK 45 million for 2017-2018. Norway contributed a total of USD 15.8 million from 2010-2016, whilst also contributing NOK 30 million in 2018.[99]

A key justification for Denmark's support is ESMAP's capacity for providing qualified advice to developing countries (e.g. direct capacity building in ministries of finance), aimed at strengthening policy frameworks and enabling politically sensitive reforms of energy pricing and subsidies.

As a mature fund, evaluations state that ESMAP is able to achieve the development objectives of its projects efficiently, with high relevance to SDG 7 and a lean administrative structure. Yet, it seems that ESMAP needs more resources to continue its program growth and meet future demands. Furthermore, it supports interesting subsidy programmes and exerts a positive influence on countries' financial policies.[100] Finally, ESMAP has a high capacity to manage large contributions as a fund under the World Bank.

Like-minded countries, such as the Netherlands, Sweden, Denmark and the United Kingdom, are also supporting ESMAP. A possible Norwegian support could take place through delegated cooperation with one of these like-minded donors.

Recommendation: Norway could consider increasing its support for ESMAP, which is providing qualified advice and suggestions for policy reforms in the fields of energy access, renewable energy, and energy efficiency in pursuit of SDG7 targets and attracting more private investments. Backing from the World Bank enables access to ministries of finance in developing countries.

6.2.3.4. The World Bank's Forest Carbon Partnership Facility (FCPF) /the Readiness Fund

The Forest Carbon Partnership Facility (FCPF) was established in 2008 as a fund under the World Bank.

Purpose: The Forest Carbon Partnership Facility (FCPF) is a global alliance of governments, businesses, civil society, and indigenous peoples focused on reducing emissions from deforestation and forest degradation, while promoting forest carbon stock conservation, sustainable forest management and enhancement of forest carbon stocks in developing countries, activities commonly referred to as REDD+.

The FCPF supports REDD+ efforts through two separate but complementary funds: The FCPF Readiness Fund and The FCPF Carbon Fund:

- The FCPF Readiness Fund helps countries set up the building blocks to implement REDD+. Current funding: USD 400 million.

- The FCPF Carbon Fund pilots *results-based* payments to countries that have advanced in terms of REDD+ readiness and implementation and have achieved verifiable emission reductions in their forest and broader land-use sectors. Current funding: USD 900 million.

The FCPF's Participants Committee and Participants Assembly are at the core of its governance structure, comprising representatives from 47 developing countries (18 in Africa, 18 in Latin America and the Caribbean, and 11 in Asia-Pacific), 17 donor participants and active observers from indigenous peoples and civil society.

The FCPF has provided extensive and relevant support in preparing countries to undertake REDD Readiness planning and initial implementation. However, FCPF demonstrated limited effectiveness in assisting countries in the more advanced stages of REDD Readiness according to Indufur's "*Second Evaluation of the Forest Carbon Partnership Facility Final Report*" from 2016. FCPF has a high capacity to handle large contributions, since it is a fund under the World Bank.

The accumulated contributions and commitments under FCPF total USD 1.3 billion. The main donors to the FCPF Readiness Fund are Germany (USD 324 million), Norway (USD 301 million to the Readiness Fund) and United Kingdom (USD 188 million). All figures are cumulative since 2003 (CFU, 2019)

Norway disbursed a significant amount of NOK 341 million to FCPF in 2018, which has been one of the major recipients of Norwegian climate finance (NOK 2,411 million between 2010 and 2018, which can be seen in table 3.5 in Chapter 3).

This report has refrained from making any recommendations about the composition of the NICFI portfolio, limiting itself to describing the FCPF as an implementation channel.

6.2.3.5. International Finance Corporation (IFC)

The International Finance Corporation (IFC) was established in 1956 and is a member of the World Bank Group. With a broad remit of engagements, its climate mandate revolves around providing advisory services in social sustainability, including climate change.

Purpose: the IFC works with the private sector in developing countries to create climate-relevant markets that open up opportunities through addressing constrains to growth whilst investing to facilitate the transfer of appropriate technologies and approaches to the private sector in developing countries.

IFC has 184 member countries, each holding a share of capital. The main shareholders are USA 22%, UK 5%, France 5% and Germany 5%. Norway has 0.69% of the shares (IFC, 2019c). Member countries govern the World Bank Group through the Boards of Governors and the Boards of Executive Directors.

As the largest development finance institution supporting the private sector in emerging markets, IFC is uniquely positioned to create and grow new markets for climate business. Backed by a World Bank Group commitment to mobilize USD 13 billion in private sector capital by 2020, the IFC is mainstreaming climate business in high-growth sectors, thus opening new markets in key areas such as clean energy, green finance, green buildings, climate-smart cities, and climate-smart agribusiness.

Annual outflows of climate-relevant commitments totalled USD 3.5 billion in 2017, none of which was considered concessional or primarily developmental by the OECD. The share of non-concessional outflows is, therefore, substantially higher for the IFC as compared to the International Development Agency (IDA, World Bank). The IFC has a high capacity to handle large contributions, yet channels less that 1% of its outflows towards adaptation objectives. Various evaluations suggest that there are transparency issues within the IFC that need to be addressed.[101]

98 As of February 2019. Climate Funds Update: https://climatefundsupdate.org/data-dashboard/#1541245664232-8e27b692-05c8

99 Funding for ESMAP has moved through three different channels, directly through the WB, through the WB to ESMAP's Fossil Fuel Subsidy Reform Project, and the IBRD. The figures shown here total all of these flows together. Data for 2018 found in https://norad.no/en/front/toolspublications/norwegian-aid-statistics/access-to-microdata/

100 ICF Consulting Ltd, 2016. External Evaluation of ESMAP and ASTAE.

101 More information can be found in the DFID report "MDR Assessment of International Finance Corporation" from 2016 and the IEG report "Results and Performance of the World Bank Group 2017" from 2018.

A problem with IFC, raised by the European NGO network, Eurodad, is that its financial additionality remains questionable, since the companies involved would arguably have carried out the same investments without support from IFC.

Recommendation: Norway should *not* increase its support for IFC as it provides mainly non-concessional loans to private-sector development, as per its mandate. Norfund is often co-investing with IFC, where it would be more suitable for Norwegian public climate finance to focus on providing concessional and grant-based support.

7. CONCLUSIONS AND RECOMMENTATIONS FOR INCREASING NORWAY'S CLIMATE FINANCE

This chapter begins in Sections 7.1, 7.2 and 7.3 by drawing conclusions from the analysis of both global and Norwegian climate finance in Chapters 2, 3 and 4. These conclusions, and the results of the analyses of climate finance channels in Chapter 6, allow sections 7.5 to present the report's strategic orientations and necessary measures to effectively and equitably increase Norwegian climate finance, with a distinct focus on the finance's objective, and the most adequate channels available to deliver it.

7.1. Conclusions on international climate finance

The most recent data on international public climate finance, published by the OECD in "*Climate Finance Provided and Mobilised by Developed Countries in 2013-17*", shows that international public climate finance from developed to developing countries increased by 44% from USD 37.9 billion in 2013 to USD 54.5 billion in 2017.

Nonetheless, the flow of contributions from donor countries, including those from publicly mobilised private finance, needs to increase by USD 28.8 billion, or 40%, in as little as three reporting years to reach the Paris Agreement's USD 100 billion-a-year goal (see Table 2.1 and Figure 7.1). Key results drawn from Chapter 2 and the OECD report include:

- Only 26% (USD 12.9 billion) of public climate finance was provided for adaptation purposes in 2017. This is far below the 50% implied by the word 'balance' between adaptation and mitigation finance, as stipulated in the Paris Agreement.

- The OECD estimates that 15% of average 2016-2017 public climate finance targeted least developed countries (LDCs), considerably lower than the target set out in SDG 17.2 for total ODA of 20%. Furthermore, the OECD/UNCDF state that too little international public finance is being invested in LDCs, and that only 6% of private finance mobilised by official development assistance went to LDCs between 2012 and 2017.

- Support provided as grants represent slightly more than 33% of bilateral and less than 10% of multilateral climate finance. Loans are increasing considerably faster than grants for climate interventions in developing countries. Grant financing increased by 25% between 2013 and 2017, from USD 10.3 billion to USD 12.8 billion, while the use of loans increased by 100%, reaching USD 40.3 billion in 2017 compared to USD 20.0 billion in 2013.

- Loans accounted for around 60% of bilateral and close to 90% of multilateral climate finance. Yet, loans are ill-suited to meet the critical adaptation needs of poor countries. The International Monetary Fund find that 34 out of 73 low-income developing countries are now either in debt distress, or in high risk of getting into it. As such, there is a large requirement for adaptation interventions in poor areas to receive significant amounts of public, grant-based finance.

- *Only 6%* of a total USD 54.5 billion of public climate finance in 2017 was provided by international organisations and funds. In comparison, about 44% of this figure was provided by Multilateral Development Banks (MDBs).

- In 2017, international organisations and funds were found to provide 46% and 54% of their total climate finance outflows towards adaptation and mitigation objectives, respectively. An adaptation share substantially higher than those observed in MDB outflows of the same year, who contributed just 28% of their total climate finance towards adaptation activities.

- Although handling a significantly smaller portion of international public climate finance, as a share of their total climate related outflows international organisations and funds provide far more finance in the form of grants. Grant-based support from international organisations and funds accounted for 65% of their adaptation finance in 2017, as compared to just 4% for the MDBs.

In conclusion, a significant increase in international public grants from developed countries is needed for the purposes of resilience and adaptation, to assist those who are hit first and hardest by climate change, i.e. LDCs, SIDS and others with high vulnerability and limited capacity. This should be achieved through both bilateral and considered multilateral channels, chosen to maximise the achievement of these goals.

7.2. Conclusions on Norwegian climate finance

Chapter 3 presents calculations of Norway's climate finance disbursements and commitments, where the key figures are the following:

- On average, *Norway has disbursed NOK 3.9 billion annually* in climate finance between 2010 and 2018. Yet, disbursements of climate finance in the years 2016, 2017 and 2018 remained below this 8-year average. A 22% decrease in climate-specific disbursements can be observed from NOK 4.9 billion in 2014, to 3.8 billion in 2018.

- The 2019 National Budget has doubled the financing of renewable energy from NOK 495 million in 2017 to NOK 1.1 billion. There was also an increase of NOK 200 million for Norway's International Climate and Forest Initiative (NICFI). The combined effect of these increases is likely to return disbursements of Norwegian climate finance above those levels observed in 2014.

- Norway overwhelmingly targets *mitigation* with its climate finance provisions. On average, mitigation accounted for 79% of disbursements between 2010 and 2018. The share of adaptation finance over the period averaged at 9% annually (10% in 2018). In 2016, Norway had a lower adaptation share than any of the 28 EU member states. A considerable increase in climate finance targeting adaptation will have to be implemented if Norway is to balance its funding between adaptation and mitigation objectives, as stipulated in the Paris Agreement, whilst also generally increasing its total climate-related funding.

- Least Developed Countries (LDCs) received 29% of climate finance provided by Norway between 2010 and 2017. The portion of climate finance provided to LDCs is considerably lower than that of Norwegian Official Development Assistance (ODA) that is donated to LDCs (51%). There is, however, evidence of this figure increasing in more recent years with 37% of 2017 climate-related development finance being channelled towards LDCs.

- Norway is channelling its climate finance primarily through multilateral channels (with 57% of climate finance channelled through MDBs and other multilateral institutions from 2017-2018). Most of the remaining finance is being provided through NGOs (19%) and other bilateral programmes (16%) handled by Norad, the Ministry of Foreign Affairs (MFA) and the Ministry of Climate and Environment. There is an observed trend showing an increase in finance being channelled through multilateral organisations and a decrease in finance through bilateral programmes.

- Of the Norwegian climate finance routed through multilateral, bilateral and NGO channels: NGOs have the highest adaptation share at 33%, with 64% of disbursed climate funding channelled through NGOs going to LDCs. Both figures are found to be far higher than the average LDC and adaptation shares for other bilateral and multilateral channels utilised by Norway.

- The recent OECD Peer Review of Norway (March 2019) concluded that Norway is a strong partner for sustainable development. Norway is recognised as a reliable, generous, flexible and valued partner. Norway is successful in combining the use of multilateral organisations with Norway's bilateral programmes via embassies and NGOs. The same report also appreciates the management of Norwegian aid through bilateral programmes via embassies and NGOs.

- The Norwegian Investment Fund for Developing Countries (Norfund) is the most important tool for Norwegian support to mobilise private sector finance. By the end of 2018, Norfund's committed portfolio was NOK 22.3 billion primarily towards renewable and clean energy projects. Norfund provides investment and equity capital that is reported to the UNFCCC and OECD as Other Official Flows (OOF). Furthermore, Norfund has received considerable amounts in capitalisation in recent National Budgets (with NOK 1.7 billion in 2018, NOK 1.875 billion in 2018 and similar levels of support proposed for 2020). Half of which is earmarked for renewable energy. Therefore, further capitalisation before an evaluation of the results of more recent capitalisations is not recommended in this report.

- Norway plays a leading role on the world stage in the field of forest protection through the Norwegian Climate and Forest Initiative. Over the past decade Norway has disbursed more than NOK 20 billion towards REDD+ objectives. The challenge is now to get more countries involved.

- The CO_2 emissions in Norway reached 52 million tons in 2018, strikingly similar to the 51.9 million emitted in the benchmark year of 1990, according to Statistics Norway. Norway is therefore far from achieving its pledge to have cut emissions in 2020 by at least 30% from 1990 levels, with two thirds of these reductions to be made in Norway.

In 2016, Norway was ranked among the top-3 bilateral climate finance contributors in Europe, providing 0.13% of Gross National Income (GNI).[102] Norway is, however, far from contributing its fair share to the agreement as calculated by the Stockholm Environment Institute in the report '*Norway's Fair Share of Meeting the Paris Agreement*' (2018). This estimates that Norway would have to contribute international climate finance to the tune of around NOK 65 billion per year by 2030 (of which NOK 50 billion should be for renewable energy and NOK 15 billion for adaptation). Furthermore, as a major oil exporter, Norway remains a country guilty of contributing to and profiting from greenhouse gas emissions.[103]

7.3. Trends and needs in global and Norwegian climate finance

This report reiterates that there is still a long way to go to meet the Paris Agreement's USD 100 billion-a-year goal by 2020. Inclusive of mobilised private finance, Figure 7.1 below highlights the need for a substantial 40% increase in global climate finance from USD 71.2 billion in 2017 to 100 billion by 2020.

The figure presents total climate finance provided and mobilised by developed countries for climate action in developing countries, and international public climate finance (the combination of both bilateral climate finance and multilateral climate finance attributable to developed country donors), alongside Norway's climate-specific financial commitments and disbursements between 2013 and 2018.[104]

Considering only flows of international public climate finance results in an observed 44% increase of USD 16.6 billion over the period. Correspondingly, the graph also shows the stagnation in Norway's climate-relevant disbursements and commitments prior to recent funding announcements.

Although flows of international public climate finance increased from 2013-2017, there remains a vital and significant need for increased support towards adaptation objectives and LDCs. These needs are relevant within both the international and Norwegian context.

102 See Chapter 4 in "An analysis of the Climate Finance Reporting of the European Union." ACT Alliance and INKA Consult. 2016. https://actalliance.eu/news-post/new-study-finds-that-the-eu-must-revise-its-climate-finance-policies/
103 The Stockholm Environment Institute is not including this in their estimations, only historic emissions from Norwegian soil.
104 Disbursements data can be found at: https://norad.no/en/front/toolspublications/norwegian-aid-statistics/access-to-microdata/. Data on 2010-2018 commitments were provided directly by Norad. Norwegian disbursements in 2013 are excluded due to being uniquely high – as outlined in Chapter 3, page 7.

It is here argued that public grants have an especially important role to play in adaptation finance, given the large proportion of adaptation projects which cannot, and should not, be financed through loans. The looming debt crisis threatening a large share of the worlds LDCs is a very real concern, and financing the necessary adaptation action within countries who did little to create the climate crisis should not add to their debt. Leadership and higher ambitions are sorely needed, as underlined by the UN General-Secretary António Guterres during the "Climate Action Summit" in September 2019.

As such, the increases in climate finance set out in the 2019 National Budget, and proposed in the 2020 National Budget, will require that future characteristics of Norwegian climate finance address its current blind-spots, reversing the low shares of finance targeting adaptation and LDCs, which insufficiently meet the needs of the most vulnerable to climatic impacts. The proposed strategic orientations outlined below are designed to help guide any future increases with regard to these considerations.

Global and Norwegian climate finance

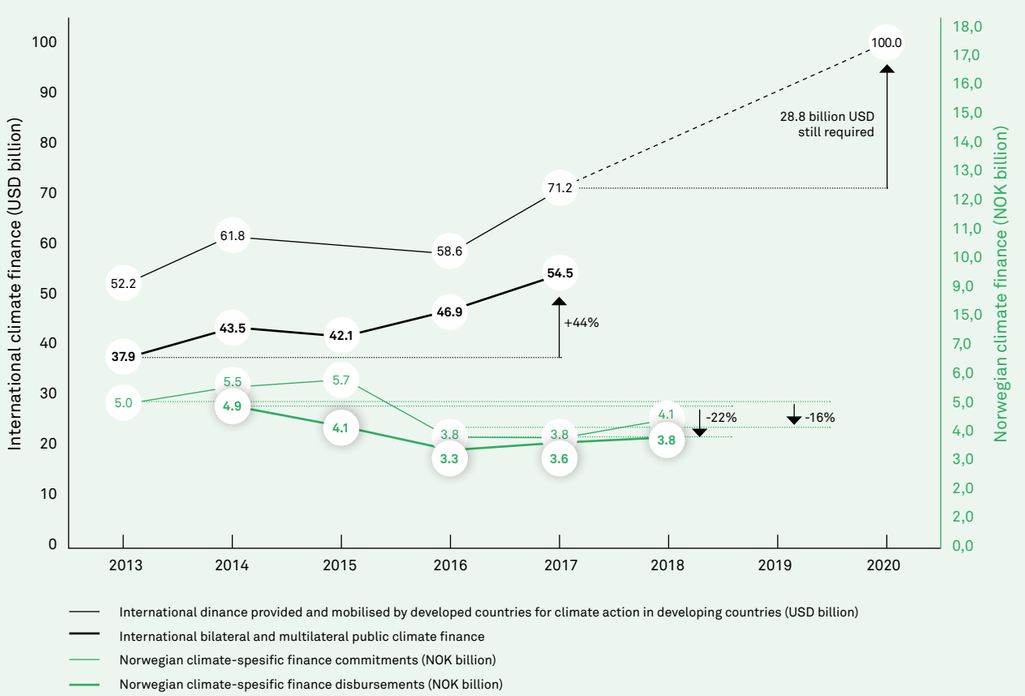


Figure 7.1:
Norwegian (NOK billion) and international (USD billion) climate finance 2013-2018. Norwegian figures include earmarked, climate-specific multilateral contributions alongside bilateral contributions. Norwegian core contributions to multilateral institutions are not included. Data sourced from Norad. Norwegian figures are indicated in current nominal values, not adjusted for inflation.

7.4. A Norwegian funding strategy for increased climate finance

A key motivation for commissioning this report is to find out how Norwegian climate finance can be increased significantly over a short period of time, without the increase being detrimental to the quality of the support. In light of the conclusions on global and Norwegian climate finance above and their respective needs, in the team's view, it is necessary to reorient the Norwegian funding strategy that will specifically deal with potential climate finance increases in the future.

The team was surprised to find that although international organisations and funds achieve near balance between mitigation and adaptation funding and provide a large portion of that funding as grants, only 6% of global public climate finance was channelled to such organisations in 2017. Also important was that adaptation finance provided through MDBs was five times larger than that provided by other international organisations and funds, but inadequately provided it as grant-based support in its outflows. For a relatively rapid potential increase in Norwegian climate finance to address these issues there is a need for future provisions to utilise both a considered selection of international organisations and funds alongside increased finance provided through bilateral programmes, including through the use of civil society partners. This is especially plausible in light of the OECD Peer Review of Norway (March, 2019), which highlights Norway as an effective manager of development cooperation.

The remaining sections seek to provide indicative information to aid decision-making. Primarily through the development of strategic orientations and three measures necessary to guide potential increases in Norway's climate finance. To do this, the report synthesises the results from its analytical framework to highlight the areas of importance and need resulting from current trends. The overarching analytical framework of the report sought to analyse four priority areas: (a) the characteristics of global climate finance (Chapter 2); (b) the characteristics of Norwegian climate finance and its various channels (Chapter 3); (c) the climate-relevant outflows of international organisations and funds (Chapter 4); and (d) the characteristics and performance history of relevant international organisations and funds (Chapter 6).

The key areas of need resulting from the four analyses can be summarised as follows:

1. There is great need for global climate finance to substantially increase and provide more support towards adaptation and LDCs, particularly as grants (Chapter 2).

2. There is a significant need for Norwegian climate finance to continue to increase from the levels in 2018. With a particular focus on increasing adaptation finance above the 10% share observed in 2018, and increasing its support to LDCs through both bilateral and multilateral climate finance (Chapter 3).

3. Regarding Norwegian climate finance provided specifically through the multilateral system, there is a need to enhance both the support provided as grants and the support towards adaptation objectives (Chapter 4).

4. Lastly, there is a need for increases in Norwegian climate finance to be achieved through the use of a diverse set of effective finance channels, including multilateral, bilateral and civil society partners, allowing overall finances to benefit from the respective strengths of each (Chapters 3 and 6).

In Section 7.5, the report proposes that these identified priorities should be considered in the allocation of future increases in Norwegian climate finance, whilst also suggesting the possible finance channels to do so effectively.

7.5. Strategic orientations and three 'necessary measures' for increased climate finance

Strategic orientation A: The Norwegian government should continue to *substantially increase its future climate finance commitments* following the positive direction outlined in the most recent National Budgets for 2019 and 2020. This would enable Norway to become an international example, placing pressure on other donor countries to increase their provisions of climate finance.

Strategic orientation B: Increases in Norwegian climate finance should utilise *diverse channels,* including those through agreements with multilateral, bilateral and civil society organisations. Where the strengths of each channel can address the needs for increased adaptation finance, finance towards LDCs and the observation that international organisations (excluding MDBs) currently handle only 6% of total global public climate finance.

Strategic orientation C: In the coming years, Norway should seek to counterbalance the dominant trend in international climate finance, which shows that climate finance provided as loans is increasing considerably faster than that of grants. This trend is driven by the dominance of MDBs as finance channels, providing 44% of public climate finance in 2017, of which more than 90% was provided as loans. This would directly recognise that loans exacerbate debt distress in many low-income countries, whose contribution to greenhouse gas concentrations is very small. Any increases in Norwegian climate finance needs to lead, first and foremost, to *more public grants targeting adaptation and resilience in LDCs and vulnerable states.*

Strategic orientation D: Norway should continue its *leading role in the field of forest protection* through the Norwegian Climate and Forest Initiative (NICFI). At the same time, Norway should significantly increase its provisions of finance for adaptation and resilience activities within developing countries through both bilateral and multilateral channels. To respond to the severe lack of adaptation spending, which represented only *10% of Norwegian climate finance disbursements in 2018 (and 26% of global climate finance in 2017).* A considerable increase in adaptation finance will have to be implemented if Norway is to achieve more balance between mitigation and adaptation spending whilst also achieving a general increase in climate finance.

Strategic orientation E: Norway should considerably increase the share of its *climate finance provided to LDCs* from the levels observed in 2017, which amounted to 37% of climate-related aid. Further aiming to come closer to the 51% of total Norwegian ODA that is provided to LDCs. Importantly, these contributions should place a particular focus on the provision of grants for adaptation and resilience objectives.

Strategic orientation F: At least half of an increase in Norwegian climate finance should be channelled *through bilateral channels,* countering current Norwegian and international climate finance trends which indicate increasing usage of multilateral channels to deliver financial aid. This is due to the limitations of multilateral channels regarding provisions of grant-based support for adaptation and finance targeting LDCs. Consequently, the Norwegian government should increase support to bilateral programmes (including NGOs) and a considered selection of international organisations and funds, again, with a particular focus on adaptation and resilience in low-income countries and LDCs. An increase in climate-related bilateral programmes could include the mainstreaming of climate interventions into activities in other sectors, including: water management, sustainable agriculture and the climate resilient livelihoods of small-scale farmers. This will hopefully be reflected in Norway's coming strategy for adaptation and resilience.

Strategic orientation G: Once the capacity of the Green Climate Fund (GCF) to approve and disburse its funds has been strengthened, Norway should consider *additional contributions to the GCF* in 2021/2022, beyond the NOK 800 million per year pledged in 2019. The GCF maintains high shares of adaptation finance and provisions of grant-based support within its outflows. Hopefully the GCF can further enhance its ability to utilise multiple implementing partners (such as accredited entities including national and regional partners).

Strategic orientation H: The Norwegian government should set up or expand *a climate fund mechanism open for applications from Norwegian and international NGOs,* prioritising adaptation and resilience objectives in LDCs. Norway's climate finance support channelled through NGOs provides a larger share of its outflows to LDCs and adaptation objectives than any other bilateral and multilateral channels. Therefore, the Norwegian government should heed OECD observations that a high share of total Norwegian ODA goes through NGOs to great effect. Some NGOs have considerable capacity and good track records, particularly in collaboration with poor communities, farmers, women, NGOs and indigenous peoples' organisations.

Strategic orientation I: Norway should consider increasing its support for international organisations who facilitate *technology development and transfer and capacity building*. More precisely, those in support of environmentally sound, low carbon technologies to aid the green transition, and climate resilient development at the request of developing countries. Particularly through increased support to international and regional organisations promoting renewable and clean energy, especially in LDCs. This could be achieved through increased levels of support for organisations such as Scaling-up Renewable Energy in Low-Income Countries (SREP) and the Sustainable Energy Fund for Africa (SEFA).

Strategic orientation J: For a substantial increase in climate finance to sustain efficacy and high quality, the Norwegian government could utilise aid effectiveness mechanisms, including *joint monitoring and 'delegated cooperation' among like-minded agencies*. Closer Nordic collaboration could be explored following the Nordic prime ministers' sustainability vision set out at the meeting in Reykjavík, 20 August 2019 (see Section 7.6).

7.5.1. Measures necessary to strengthen adaptation support

The corollary of the team's suggestions is that, in the coming years, Norway should pursue a considerable increase in climate finance towards adaptation and resilience, with an emphasis on LDCs. A potential pathway to do so, would be to start with considerable donations to the Adaptation Fund and the LDC Fund, and possibly also to the IFAD's ASAP and FAO-Adapt, which, as explained in Chapter 6, are mostly grant based, and are underfunded in light of the high demand for their finance from developing countries.

Furthermore, a significant increase in bilateral programmes targeting adaptation, poor communities' livelihoods and resilience via Norwegian embassies, and a climate finance envelope open for applications from Norwegian and international NGOs, could help to maintain developing country ownership over project implementation. This would also be responsive to the findings in the recent Global Commission on Adaptation report that calls for significantly increased investments in adaptation finance from 2020 to 2030.[105]

The recommendations below respond to Strategic orientation D, and the need for Norway to increase its provisions of finance for adaptation and resilience activities within developing countries through both bilateral and multilateral channels.

105 Global Commission on Adaptation, 2019: A global call for leadership on climate resilience. Available at: https://cdn.gca.org/assets/2019-09/GlobalCommission_Report_FINAL.pdf

Channel	Recommendations related to each finance channel	Norwegian support in 2018 (million NOK)
Adaptation Fund (AF)	It is recommended that Norway consider resuming its contributions to the Adaptation Fund along with like-minded donors, such as Sweden and Germany. The AF has experience of supporting adaptation focused projects, on which Norway does not focus enough. Furthermore, the AF supports LDCs and vulnerable countries, and is underfunded in view of the number of applications to the fund and has potential to scale up.	0
Norwegian bilateral programmes	Norway should contribute significantly to alleviating the lack of adaptation finance to poor developing countries in its bilateral portfolio. This can take place by means of an increase in funding to bilateral programmes in priority countries, including increases to programmes improving sustainable water management and agricultural production for the livelihoods, and increased resilience, of small-scale landholders.	226 *(Of adaptation-specific bilateral finance)*
Climate finance envelope channelled via Norwegian and international NGOs'	The Norwegian government is suggested to increase the share of Norwegian climate finance going through NGOs, by establishing a (or expanding an existing) climate fund open for applications from Norwegian and international NGOs.	*(19% of 2017-2018 bilateral finance was channelled through NGOs)*
IFAD's Adaptation for Smallholder Agriculture Programme (ASAP)	Norway should consider increasing its contribution to the Adaptation for Smallholder Agriculture Programme (ASAP), which has a good track record of supporting smallholder farmers with adaptation and resilience. It is a good way to approach IFAD's in-country presence and also its good collaboration with line ministries and civil society, including small-scale farmer organisations.	0 *(80 in 2017)*
Food and Agriculture Organisation (FAO)	Norway should explore the scope for contributing earmarked funding to FAO-Adapt as part of FAO's activities for climate change adaptation. This could draw on FAOs in-country presence and good collaboration with agriculture ministries and farmer organisations.	70

7.5.2. Measures necessary to strengthen investment in Least Developed Countries

According to OECD aggregates of international climate finance, too little international public finance is being invested in LDCs. On average, only 15% of public climate finance in 2016-2017, and 6% of private finance mobilised by official development assistance from 2012-2017, was channelled to LDCs. As a result, Norway should considerably increase the share of its climate finance being provided to LDCs from current levels of 32% (in 2018). In response to Strategic Orientation E, this support should be provided as grants for adaptation and resilience through both the LDC Fund, Norwegian bilateral programmes and as a climate finance envelope to be channelled via Norwegian and international NGOs.

Channel	Recommendations related to each finance channel	Norwegian support in 2018 (million NOK)
Least Developed Countries Fund (LDCF)	It is recommended that Norway consider resuming its contributions to the LDC Fund (which ended in 2013) in order to meet the growing global needs for adaptation finance. Like-minded countries such as Germany, Sweden, and Denmark are already doing so, and Norwegian support could take place through delegated cooperation with Danida. The LDC Fund has a backlog of projects that cannot be funded due to a lack of funds, and has potential to be scaled up.	0
Norwegian bilateral programmes	*(see entry above in Section 7.5.1)*	720
Climate finance envelope to be spent via Norwegian and international NGOs	(see entry above in Section 7.5.1)	(19% of 2017-2018 bilateral finance was channelled through NGOs)

7.5.3. Measures necessary to provide a general increase in Norwegian climate finance

The two necessary measures above focus on providing climate finance towards adaptation and LDCs, while this measure seeks to efficiently and generally increase Norwegian climate finance. To allow current trends in the 2019 and 2020 National Budgets to continue. It includes an additional NOK 400 million from 2021 in support of the GCF, alongside finance targeting renewable energy, technology transfer and forestry objectives through other international organisations and funds recommended in this report. These international organisations and funds are: the Sustainable Energy Fund for Africa (SEFA), Global Green Growth Institute (GGGI), United Nations Environment Programme (UNEP), United National Development Programme (UNDP), the Special Climate Change Fund (SCCF), the Climate Technology Centre and Network (CTCN), the Energy Sector Management Assistance Program (ESMAP) and the Climate Investment Funds (CIFs).

Furthermore, from 2021, it is suggested that an additional finance is channelled via NICFI towards forest protection and REDD+ objectives. Allowing Norway to continue to play a leading international role in these areas. The below recommendations are in response to Strategic orientation A, that Norway should continue to substantially increase its future climate change commitments.

Channel	Recommendations related to each finance channel	Norwegian support in 2018 (million NOK)
NICFI	Norway should continue to increase the climate finance channelled via NICFI towards REDD+ objectives from 2021, as already observed in recent State budgets.	-
Green Climate Fund (GCF)	From 2021, is it recommended that Norway explore increasing its support to the GCF with additional climate finance above the level pledged in October 2019, of NOK 800 million a year. This is with the assumptions that the capacity of the GCF has improved with regards to the approval and disbursement of its funds, and that the GCF can further enhance its ability to utilise multiple implementing partners (such as accredited entities including national and regional partners).	400 *(800 from 2020)*
Increase in funds for renewable energy and energy access, e.g. the Sustainable Energy Fund for Africa (SEFA)	Norway should consider a continuation of the support for the Sustainable Energy Fund for Africa (SEFA) operated by the African Development Bank (AfDB), which is already being supported by Denmark, USAID, UK and Italy. This could take place through delegated cooperation with Danida. Evaluations indicate that it is more efficiently managed than the Africa Renewable Energy Initiative (AREI). Norfund should be involved in these considerations.	14
Global Green Growth Institute (GGGI)	It makes sense for Norway to continue its substantial support for GGGI, which has shown capacity to overcome the numerous problems in its initial years (having recently been awarded A+ rating by DFID). GGGI fills an important gap by having its country offices embedded in ministries (finance, planning, energy, etc.) and by assisting in policy design and preparation of bankable projects to be presented to multilateral development banks, mostly on adaptation. Norway could also explore the scope for strengthening GGGI's role in the field of adaptation.	64
United Nations Environment Programme (UNEP)	Norway should consider increasing its funding of UNEP's activities within climate change. Norway is already providing considerable core funding of UNEP, which contributes to the organisation's core capacity and excellent analytic and policy work.	135
United Nations Development Programme (UNDP)	Norway is recommended to provide UNDP with additional funding and resources for capacity building in a small number of LDC countries that is not possible to cover with Norwegian bilateral programmes. Complementing to earmarking, Norway is already providing considerable core funding of the UNDP's overheads and work in 170 countries	1,116
The Special Climate Change Fund (SCCF) managed by the GEF	Norway should consider supporting the SCCF due to its innovating approach, which it uses in new and emerging adaptation areas, and in view of the considerable demand for support of technology transfer and adaptation. This should be seen in connection with possible support for the Climate Technology Centre and Network CTCN.	15
The Climate Technology Centre and Network (CTCN) hosted by UNEP and UNIDO	Norway should consider resuming support for the Climate Technology Centre and Network CTCN, which promotes transfers and capacity building within environmentally sound technologies for low carbon and climate resilient development at the request of developing countries. This should be seen in connection with possible support for the Special Climate Change Fund (SCCF).	0
The World Bank's Energy Sector Management Assistance Program (ESMAP)	Norway could consider increasing its support for ESMAP, which is providing qualified advice and suggestions for policy reforms in the fields of energy access, renewable energy, and energy efficiency in pursuit of SDG7 targets and attracting more private investments. Backing from the World Bank enables access to ministries of finance in developing countries.	30
The Climate Investment Funds (CIF)	Norway should consider continuing the support for the Climate Investment Funds (CIF) to be handled by the World Bank for one more period. The reason is that this would ensure an efficient channel until the Green Climate Fund gradually increases its capacity for handling contributions greater than the present level.	15 *(57 in 2017)*

7.6. Administering the increase through collaboration

Norwegian development cooperation was highly commended in its recent OECD review, which stated that recipients *"consistently recognise Norway as a reliable and valued partner rather than just a donor"*. A good point of departure when considering any potential increases in Norwegian climate finance in the coming years. Nevertheless, any increase would inevitably add to the workload of staff in the Ministry of Foreign Affairs, Norad and the Ministry of Climate and Environment.

Both bilateral and multilateral channels require enough human resources to effectively analyse contexts and key drivers, and to regularly follow up on programming, monitoring, results measurement and technical assistance. This is also the case within international organisations with Norwegian involvement in decision making processes, steering committees, MOPAN assessments and in the preparation of external evaluations, etc. Furthermore, setting up new bilateral programmes, and partnering with international organisations that have not been partnered with previously, also requires considerable work for both Norwegian embassies and headquarters in Oslo alike.

As an option to help mitigate an increased demand for the institutional capacities of those involved in Norwegian development aid, the Norwegian government can utilise well-established methods to align and harmonise its efforts with other like-minded donors. This is formulated in Strategic Orientation J: "*For a substantial increase in climate finance to sustain efficacy and high quality, the Norwegian government could utilise aid effectiveness mechanisms, including joint monitoring and 'delegated cooperation' among like-minded agencies".*

This can be achieved both through joint programmes, delegated cooperation and through the appointment of lead donors for monitoring programmes.[106] Among the possibilities are the LDC Fund, Adaptation Fund, CTCN and SEFA.

It makes sense to explore close collaborations at operational levels with other Nordic agencies. This could work as an apt follow-up to the Nordic prime ministers' meeting in Reykjavík on 20 August 2019,[107] where a vision for the Nordic region to become the most sustainable and integrated region in the world by 2030 was agreed. Another option is to pursue this vision by means of joint actions to increase climate finance in agreements between the Nordic ministries of development cooperation.

106 The OECD/DAC definition of 'delegated cooperation' covers a broad range of working arrangements: *"...when one donor (a "lead donor") acts with authority on behalf of one or more other donors (the "delegating" donors or "silent partners").*

107 The Nordic region will become the most sustainable and integrated region in the world. *https://www.norden.org/en/nyhed/prime-ministers-call-integration-and-focus-climate*

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