



COUNTING WHAT COUNTS

Analysis of Norwegian Climate Finance and International Climate Finance Reporting



Norwegian Forum
for Development
and Environment



Study for Norwegian Church Aid, Rainforest Foundation Norway,
WWF Norway and the Norwegian Forum for Development and Environment (ForUM)

By Jonas Appelt and Hans Peter Dejgaard. 2 November 2017

Front page photo: The Typhoon Ketsana in South East Asia flooded large areas.
Photo: Ingunn Gihle/Norwegian Church Aid

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ACRONYMS, ABBREVIATIONS AND TERMS

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.
APA	Ad Hoc Working Group on the Paris Agreement
BR1	First Biennial Report (UNFCCC)
BR2	Second Biennial Report (UNFCCC)
CAN	Climate Action Network
COP	Conference of the Parties
CPI	Climate Policy Initiative
CRS	Creditor Reporting System (OECD)
DAC	Development Assistance Committee (OECD)
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
GNI	Gross National Income
IATI	International Aid Transparency Initiative
LDCs	Least Developed Countries
MDB	Multilateral Development Bank
MFA	(Norwegian) Ministry of Foreign Affairs
NGO	Non-governmental organisation
NOK	Norwegian kroner
Non-Annex 1	Mostly developing countries not mentioned in Annex 1 of the UNFCCC
Norad	Norwegian Agency for Development Cooperation.
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OOF	Other official flows
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SBSTA	Subsidiary Body for Scientific and Technological Advice
SCF	Standing Committee on Finance (UNFCCC)
ToR	Terms of Reference
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Program
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States dollars

FOREWORD

Climate finance is one of the hottest topics on the UN climate change agenda. Financial commitments have been made by developed countries, but many developing countries still do not receive the support needed to reduce their own emissions and withstand the ongoing and devastating effects of climate change. Agreeing on common accounting rules for climate finance is among the biggest challenges in the UN climate change negotiations.

Norwegian Church Aid, WWF Norway, The Norwegian ForUM for Development and Environment, and Rainforest Foundation Norway commissioned this report, in order to continue a constructive dialogue with the Norwegian Ministry of Foreign Affairs and the Norwegian Ministry of Climate and Environment on these issues. However, we also wanted to look beyond Norway, more precisely at how climate finance is accounted for globally and how we can design better climate finance accounting modalities for the future. Consequently, the conclusions and findings in this report are relevant for a much broader audience than only Norwegian actors. In brief, the findings of the report have given rise to recommendations for how to move these negotiations forward, and how Norway can play a bigger role:

- Developed countries, including Norway, need to increase their contributions to climate finance. Norwegian climate finance has declined in recent years.
- Countries should report with greater accuracy how much of their climate finance actually contributes to climate change mitigation and adaptation. Some countries, including Norway, report all projects with a degree of climate relevance as 100% climate finance, while other countries differentiate the percentage they report depending on the climate relevance of the project.
- Only the grant-equivalent or net-value of climate finance should be counted. Some countries do not count for example export credits or market rate loans that bring more benefit to the donor than to the receiver, whereas some countries do.
- Climate finance should be balanced between mitigation and adaptation. This report concludes that too little money is allocated to adaptation and to the least developed countries. This includes allocations from Norway.
- Climate finance accounting needs to be transparent and include enough information at project level to allow for scrutiny and comparability.
- Climate finance should be new and additional. Today, much climate finance is raised by reducing development aid budgets, which in reality means that the world's poor are paying the bill for a climate problem mostly created by rich countries.

The report proposes in detail how these improvements could be made. This debate may be technical and full of numbers. However we would like to stress the importance of never losing sight of how the adverse effects of climate change affect real people's lives, and what we can do to remedy such effects. To bring enough resources to the table, we need to start counting what counts.



Anne-Marie Helland
General Secretary
Norwegian Church Aid



Lars Løvold
Director
Rainforest Foundation Norway



Borghild Tønnessen-Krokan
Director
The Norwegian Forum for
Development and Environment



Nina Jensen
Secretary General
WWF Norway

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Part 1 of this report deals with climate finance provided by the Government of Norway. Based on the analysis presented in Chapters 2, 3 and 4, a number of conclusions can be drawn regarding Norwegian climate finance flowing to developing countries (see points 1-12).

Part 2 of the report presents international perspectives related to the UNFCCC negotiations, the OECD and multilateral organisations. Chapter 5 lays out the current system for tracking global climate finance, and provides concrete suggestions for improvement in the reporting of various actors. Chapter 6 proposes key focus areas for civil society organisations in relation to climate finance.

Summary of Part 1: Norwegian climate finance

1) As regards climate finance, Norway reports to two international institutions, namely the United Nations Framework Convention on Climate Change (UNFCCC) and the Organisation for Economic Co-operation and Development (OECD). So far, Norway has submitted its First and Second Biennial Report, covering disbursements from 2011 to 2014, adhering to the 'Common Tabular Format' as decided by the Parties to the UNFCCC.

Furthermore, Norad provides annual statistics on official development assistance (ODA) to the Creditor Reporting System database in OECD. The Norwegian reporting of climate finance applies an overall methodology similar to what is used by many other donor countries, i.e. the methodology proposed by OECD, including the use of Rio markers. These are policy markers used by donor countries to indicate the degree of mainstreaming of the goals of the Rio conventions, including climate change concerns, across project portfolios¹. This study suggests how to introduce certain specific improvements in the calculation method, but it should be recognized that most of the challenges identified in the accounting of Norwegian climate finance spring from weaknesses in the UNFCCC methodology.

2) The Norwegian government has a *high degree of transparency* with public access to data at project and programme levels, including reimbursable cost. This data can be accessed through a user-friendly web portal (Norad's Norwegian Aid Statistics)², where comma/Excel files can easily be extracted by recipient countries, researchers and civil society organisations. This testifies to Norad's implementation of the International Aid Transparency Initiative (IATI). Unfortunately, it is *not* possible to find similar public data on commitments made.

3) The consultant team calculates that, in the period between 2010 and 2016, Norway disbursed, as an annual average, *NOK 5.11 billion in climate finance*, with slightly higher levels of commitments (NOK 5.73 billion). This has been calculated using the two methods that, according to analysis presented, produce a more accurate result: the imputed method for multilateral core-funding and the counting of 50% of the total budget as climate finance in the case of undertakings with the Rio marker "Significant" (instead of 100%).

4) Norway can be viewed as one of the few international donors that have provided a high level of '*new and additional*' resources, since it launched the International Climate and Forest Initiative at COP13 in 2007. On the other hand, as a major oil exporter, Norway is also

one of the countries that contribute the most to greenhouse gas emissions.

5) The table on the years from 2010 to 2016 shows a significant decrease in Norwegian climate finance disbursements in 2016, when the total was NOK 4.5 billion, i.e. NOK 1.1 billion or *19% below the annual average of NOK 5.6 billion between 2011 and 2015*. Climate finance as a share of ODA fell from 18% between 2011-2015 to just 12% in 2016. This reduction might be a result of the considerable increase in expenditure on refugee reception in Norway reported as ODA (from NOK 1.63 billion on average in 2010-2014 to NOK 6.72 billion in 2016). However, even if spending on refugee reception is disregarded in the figures, the share of climate finance (as a percentage of ODA without the "Refugees in donor countries" item) fell from 19.5% of ODA between 2011-2015 to 15% in 2016.

Part of the decrease in climate finance recorded in 2016 can be explained by climate funding from Norfund from 2014 onwards no longer being counted as ODA (but instead as Other Official Flows (OOF)). If climate finance channelled through Norfund is eliminated from the figures for 2011-2013, the climate finance level in 2016 is 14% below the annual average between 2011 and 2015 (compared to 19% with the Norfund figures included). Another reason for the fall in 2016 is that Norway's renewable energy funding has been reduced considerably since 2013. However, it also seems to reflect lower political priority to climate-related finance.

6) *A large decrease in Norwegian climate finance commitments is also observed in 2016* (by 35% compared to 2011-2015 average levels, from NOK 6.1 billion to NOK 4 billion). If funds to Norfund are not included, the level of climate finance in 2016 is 29% below the annual average between 2011 and 2015. Thus, the overall conclusion is that there has been a significant reduction in Norwegian climate finance in 2016. Despite being based on Norad data the total climate finance figures are considerably lower than what Norway has reported to the UNFCCC. This is because this report has taken a more accurate approach to calculating climate-specific finance and climate relevant parts of core funding to multilateral institutions.

7) It is problematic how Norway calculates climate-specific assistance in projects when reporting to the UNFCCC. The consultant team estimates that annual over-reporting of climate finance is NOK 620 million for disbursements and NOK 705 million for commitments (annual average when using the aforementioned

¹ Rio markers exist for biodiversity, desertification, climate change mitigation and climate change adaptation. Their use is described in more detail in Section 2.5.

² <https://www.norad.no/en/front/toolspublications/norwegian-aid-statistics/access-to-microdata/>

tioned 50% method for the period between 2010 and 2016). This is because Norway, as one of the only donor countries, counts the budgets of projects with a “Significant” climate-related objective, according to the Rio markers, as 100% climate finance, as opposed to most other countries, which consider them to be either 50% or 40% climate finance. Using the more common 50% method will, on average, provide an estimate closer to the true value than using the 100% method. The Norwegian over-reporting would be a bit lower, if some renewable energy projects could be marked as “principal” instead of as currently ‘significant’ in terms of mitigation.

When projects with a “Significant” Rio Marker are counted as less than 100% climate finance, large projects in the areas of agriculture, renewable energy and energy transmission account for the greatest reduction in what is counted as climate finance. Large projects against deforestation and in favour of forest management do not give rise to much adjustment in the figures, since climate already features as the “Principal” objective in the 30 largest of these types.

- 8) The Common Tabular Format used for biennial reporting to the UNFCCC does *not* request a calculation of the total climate finance provided by a donor country. The consultant team considers this to be a defect in the reporting format, resulting in a lack of transparency and little comparability between the climate financing efforts of individual countries.

Specifically, a method for calculating the climate-specific part of donor’s core funding to multilateral institutions is missing. Table 7 in the Common Tabular Format is only designed to indicate total core funding provided to the various multilateral institutions. It contains *no* indication of the climate-specific part of each multilateral institution’s work. Accordingly, total climate finance of each reporting donor country *cannot* be directly deduced from the UNFCCC reports.

UN organisations are particularly poor at providing information on the climate-relevant share of their project portfolio (UNDP, UNEP, FAO and World Food Programme)³, while the Multilateral Development Banks (MDBs) have calculated the average climate-relevant shares of their project portfolios for 2014–2015. Using the *Imputed Multilateral Contributions method*, the consultant team calculated the climate-specific part of Norwegian core funding to be NOK 973 million on average per year⁴.

- 9) Compared to Norway’s UNFCCC reporting, this report uses a more accurate method for calculating the distribution between Norwegian climate finance for adaptation, mitigation and cross-cutting goals. The lion’s share of Norwegian climate finance between 2010 and 2016 went to mitigation projects (78%), a small proportion was spent on adaptation projects (9%), while cross-cutting projects accounted for 14%. This trend stems from the fact that a large share of ODA is allocated to deforestation projects (especially Reducing Emissions from Deforestation and Forest Degradation (REDD+) projects) and to renewable energy projects, both of which are classified as mitigation.

- 10) Climate finance generally flows along the same channels as general ODA, with multilateral partners receiving about half (49%). The proportion going to NGOs is somewhat smaller than for general ODA (only 15% of climate finance compared to 21% for all ODA), while climate finance transferred bilaterally to public institutions in other countries is a much higher share than in the case of ODA (27% for climate finance and 10% for all ODA).

- 11) More than half of Norwegian climate finance is allocated to the region of the Americas (52%), with Brazil accounting for the largest share of any single country (80% of Norwegian climate finance to the Americas and 24% of all Norwegian climate finance). Africa is the region that receives the second-largest part of climate finance (30%), while Asia comes in third place (17%). A significantly higher proportion of Norwegian climate finance was spent on adaptation in Africa (20%) and Asia (17%), than in the Americas (only 1%).

- 12) 27% of Norwegian climate finance is transferred to least development countries (LDCs), while the largest share by far goes to lower and upper middle-income countries. This proportion of climate finance provided to LDCs is considerably lower than that of total Norwegian ODA donated to LDCs (52%).

³ Norwegian support for climate-related funds (Green Climate Fund, Least Developed Climate Fund, Adaptation Fund etc.) is automatically counted as 100% climate.

⁴ Core funding to the Strategic Climate Fund, IFAD and the Multilateral Fund for the Implementation of the Montreal Protocol is also included in this figure, even though funding to these has not been included in the reporting to the UNFCCC.

Summary of Part 2: International climate reporting and suggested focus areas for civil society advocacy

Below is a summary of Chapters 5 and 6, which presents international perspectives related to the UNFCCC negotiations, the OECD and multilateral organisations. Chapter 5 lays out the current system for tracking global climate finance and provides concrete suggestions for improvements in the reporting of various actors. Chapter 6 provides suggestions for key focus areas to be addressed by civil society organisations in relation to climate finance.

Chapter 5:

- a) Financial resources for climate-related purposes provided and mobilized through public interventions fall into the following categories: i) Bilateral public flows. ii) Multilateral public flows. iii) Private flows. The UNFCCC's Standing Committee on Finance produces biennial assessments of overall climate finance flows. However, collecting data aimed at tracking financial flows accurately and avoiding double counting poses major challenges. Different national reports are not always comparable, which hinders meaningful aggregation to take stock of global progress towards the goal of mobilizing USD 100 billion per year to be achieved by 2020.
- b) The Paris Agreement distributes overall responsibility for setting up systems to measure, report, and verify financial flows between two UNFCCC bodies: the Ad Hoc Working Group on the Paris Agreement (APA), and the Subsidiary Body for Scientific and Technological Advice (SBSTA). The Co-chairs' note at the 46th Session of the SBSTA under the UNFCCC, held in Bonn in May 2017, outlines a number of principles and key intentions regarding climate finance accounting. At present, there is no single international system that collects all the climate finance data that would be needed to ensure transparent assessments of compliance with existing commitments under the UNFCCC and under the Paris Agreement.
- c) The Standing Committee on Finance's (SCF) biennial assessment report⁵ provides an estimation of flows from developed to developing countries. For the year 2014, USD 26.6 billion was reported as climate-specific finance. Further calculation was done by OECD and CPI in their report from 2015, which stated that political realities had hindered timely introduction of data collection and methodologies needed to provide a clear picture of the volume of climate finance. The OECD-CPI report noted that there are no internationally-agreed definitions or methodology for basic financial reporting, or even for the term 'climate-specific' finance. These weaknesses were confirmed by the Standing Committee on Finance (in its Second Biennial Assessment), which also recognised the need for further improvement with regard to transparency and consistency of information on climate finance provided. At the same time, the report recognised these expressions of significant progress:
 - The Multilateral Development Banks (MDBs) have established common principles for tracking climate adaptation and mitigation finance. MDBs publish annual reports with data on public and private climate co-financing.
 - OECD DAC has been fine-tuning the Rio Marker definitions to reflect the MDB principles through improved guidance on how to apply Rio Markers for adaptation and mitigation, as well as by adjusting Rio Marker definitions regarding adaptation.
- d) Only slightly more than two years remain before 2020, by which time developed countries have pledged to mobilize USD 100 billion a year for climate change mitigation and adaptation in developing countries. However, an adequate system for defining, categorising, tracking and evaluating climate finance has yet to be devised. Although the Standing Committee on Finance and UNFCCC negotiators are increasingly aware of the problems, progress towards improving transparency, accounting, and reporting is slow. Serious concerns have been raised by a number of researchers and international NGOs in this respect.
- e) According to the second edition of the joint report on MDBs' climate finance⁶: "collectively, the MDBs committed US\$ 27,441 million in climate finance in 2016. The net total climate co-finance committed during 2016 alongside MDB resources was US\$ 37,879 million. When combined with the MDB climate finance, the year's total climate finance is US\$ 65,320 million." MDBs track and report climate finance in a granular manner, counting only spending on those components and/or sub-components or elements or proportions of projects that directly contribute to adaptation and/or mitigation.
- f) An Oxfam International's report from 2016⁷ found that reported levels of global climate finance are much higher than actual support provided to developing countries. This is mainly due to many countries including transfers provided as loans at face value rather than at their grant equivalent value. Oxfam uses a method for downgrading of concessional and non-concessional loans, arriving at a rough estimate that reported numbers may be up to three times higher than the true net assistance value. Oxfam estimates the grant equivalent of this reported finance to be between USD 13 and 21 billion out of the USD 41 billion reported as public cli-

5 UNFCCC SCF. 2016a. 2016 Biennial Assessment and Overview of Climate Finance Flows Report - Technical Report.

6 MDBs. 2017a. 2016 Joint Report on Multilateral Development Banks' Climate Finance.

7 Oxfam. 2016. Climate Finance Shadow Report 2016: lifting the lid on progress towards the \$100 billion commitment.

mate finance (average over 2013–14). Under the right circumstances, concessional loans, equity or guarantees can all have an important role to play in providing and mobilising climate finance, but reporting these instruments at their face value vastly overstates the level of assistance that developing countries truly receive.

- g) Donors provide information on climate finance to the UNFCCC and information on Official Development Assistance (ODA) and financial flows to the OECD. The countries' own reporting to the UNFCCC is summed up in Table 7 of the Biennial Reports, using the Common Tabular Format. In past years, considerable efforts have been made to develop and streamline reporting guidelines and formats. This work has so far culminated in the important Annex 18 to OECD's Statistical Reporting Directive⁸ and the adoption of the 'Joint Methodology for Tracking Climate Adaptation/Mitigation Finance' agreed among six MDBs. These methods have to some degree been aligned, so as to use a similar interpretation of what constitutes climate finance in different sectors and projects.
- h) Since early 2016 (after the Paris climate summit COP21), international efforts to align and improve reporting methods have slowed down, and most of the attention is now focused on measuring the mobilization of private capital. In the EU, several countries have expressed reluctance to increase their reporting burden, as the ministries involved are facing budget cuts and layoffs. Nevertheless, there is still a need for continued strengthening and streamlining of reporting and calculation methods for all types of climate finance.
- i) The OECD is a central institution in the development of comprehensive and transparent data and information on climate finance, both on a national and global scale. The OECD DAC's Creditor Reporting System (CRS) provides the most comprehensive and detailed set of data for analysing individual types of ODA and other types of financial flows from member countries. Most donors are using the 'Rio marker' system to report to the UNFCCC, which, despite some shortcomings, is a well-established part of many countries' reporting system.
- j) A problem with the calculation of financial contributions is that no standard reduction factor is applied for projects marked as having "significant" objectives in pursuit of climate change mitigation and adaptation. The various countries use a wide array of reduction factors (from 0 to 100%), whereas a common reduction percentage agreed upon by the OECD would allow for considerable harmonisation in reporting by different countries. Countries that apply the Rio marker "Significant" as counting 100% of the project budget as climate finance, including Norway, are recommended to lower this to 40-50%. A similar change should be considered in Greece, Slovakia, Poland, Slovenia, Iceland, Czech Republic, Luxembourg, and Japan.
- k) The MDBs publish the annual 'Joint Report on Multilateral Development Banks' Climate Finance', with information on total amounts of climate finance commitments for each bank, divided into mitigation and adaptation. The methodology for calculating climate finance has been developed by the MDBs over several years, resulting in the 'Common Principles for Climate Change Adaptation/Mitigation Finance Tracking'. Regarding adaptation projects, the so-called three step approach to guide the assessment involves looking at: 1) Vulnerability context. 2) Statement of purpose or intent. 3) Link between climate vulnerability and project activities.
- l) On the whole, the MDBs' reporting seems to be based on the most comprehensive and detailed methodology for estimating the climate finance of individual projects. Unfortunately, the joint report and the common principles are the only methodological information published so far. If the MDBs were to disclose more detailed public information about their assessments (including the percentage of climate finance in each project), this would enable recipient countries, researchers, civil society and the public to verify reported figures.
- m) EU member states are obliged to report on climate finance under the EU Monitoring Mechanism Regulation, which is done in an adapted version of Table 7 from the Common Tabular Format. The guidelines and reporting format used by the EU include a number of improvements on the UNFCCC format, resulting in greater transparency and easier access to information. These improvements would all be easy to implement in the UNFCCC reporting. In particular, counting multilateral climate change funds more consistently as climate-specific will improve reporting accuracy.
- n) Countries report on ODA and other flows to the OECD DAC, and report specifically on climate finance in their Biennial Reports to the UNFCCC. In their climate finance accounting, most countries take a self-made approach to calculating multilateral core funding and bilateral funding. Climate-specific multilateral core funding can be reported upon using the imputed multilateral contributions method, which is based on multilateral institutions' own reporting of the overall climate share of their project portfolios.
- o) A challenge at country level is that Rio markers can be misapplied by programme officers in ministries and embassies due to insufficient familiarity with guidance in the OECD's Annex 18. The best application of Rio markers would probably be obtained when the project design comes under expert scrutiny, which takes place

⁸ OECD DAC. 2016. Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire.

at the appraisal stage prior to final project approval by the donor agency. In their aid management guidelines (or programme guidelines), national donor agencies need to provide guidance on how Rio Markers should be applied. In addition, some donors are not conducting quality assurance of Rio marking, which is necessary to ensure consistent categorisation across project portfolios.

- p) The use of Rio markers to establish the climate share of individual project budgets means grouping a large number of projects into as little as three categories (0, 1, 2). Using 'a range of coefficients' or granularity (0-100%), based on an estimate of the climate finance share of each project budget, allows for a much more accurate assessment. This method is already applied in some countries: Finland, Switzerland, Belgium, the UK and the USA. However, it is a paradox that precisely these countries, while probably using the most accurate measurement tool, need to be more transparent about their methodology.
- q) During 2017, the OECD will be collecting 2016 data, for which Rio markers are also applied to private amounts mobilised. Norway is part of a group composed of 19 bilateral climate finance providers, which is supporting the OECD-hosted Research Collaborative on Tracking Private Climate Finance. One of the complicated issues is accounting of climate finance jointly mobilised by multiple actors collaborating on and/or co-funding an individual project. If each donor individually reports all the private finance mobilised for a given project, then this will result in significant double counting and double reporting.

Chapter 6:

- r) With the sluggish progress of UNFCCC negotiators and international institutions towards agreeing on improvements regarding transparency, accounting, and reporting, civil society should focus more on how individual countries are reporting the climate finance that they provide.
One possibility is for national NGO networks, the Climate Action Network (CAN) and others to carry out assessments of climate finance from different donor countries. This report has called this "*Rapid country assessment regarding climate finance*", which could prioritise close scrutiny of some key policy parameters, including progress towards transparency and access to all the data required to measure donor countries' levels of climate finance, the grant equivalent of loans, as well as support for adaptation and Least Developed Countries (LDCs).

This chapter will present a recommended table format for a *rapid country assessment regarding*

climate finance, which also seeks to overcome limitations in the UNFCCC's existing Common Tabular Format for Biennial Reports, including not enabling donor countries to report their total level of climate finance. Such country assessments could also be complemented by a more comprehensive country study (as done in Norway and Denmark).

- s) The most important and probably easiest first step towards improving international accounting of climate finance is to enhance transparency and access to project information (databases) in donor countries. Advocating for greater transparency and access to data through user-friendly web portals (in line with the International Aid Transparency Initiative IATI) is an important goal for civil society in the short term, as donor countries have already committed themselves to implementing this initiative. A high degree of transparency and access to information is of great value to recipient countries, researchers, think tanks and civil society organisations, which can use project databases to check information and produce analysis. It will be more difficult to achieve international agreements on harmonised methodologies and formats for accounting and reporting across countries and institutions.
- t) The Paris Agreement seeks to achieve a "balance" between adaptation and mitigation finance. The recent MDB report for 2016 shows that 77% of total climate finance has been spent on mitigation (USD 21,217 million), while only 23% has been allocated to adaptation (USD 6,224 million). According to the OECD CPI report from 2015, 29% of climate finance targeted 'adaptation only' while 'mitigation only' took up 49% and cross-cutting objectives, addressing both adaptation and mitigation, was 22%.²² Increasing mobilisation of private investment makes this distribution even more imbalanced, as investment through the Norwegian Norfund⁹, the Danish Investment Fund for Developing Countries etc. focus almost exclusively on mitigation. In the case of Denmark, this translates into a significant change in the distribution between mitigation and adaptation spending when including privately mobilised funds. In 2015, 44% of official climate finance is for adaptation, compared to only 20% of total Danish climate finance including privately mobilised funds.
- u) It is surprising how little attention in international reports on climate finance is paid to LDCs and small island developing states. A factsheet by OECD from 2016 estimates bilateral climate finance to LDCs to be 14% of total development aid. The 2016 Biennial Assessment did not include separate figures on flows of climate finance to LDCs or small island developing states, which the Standing Committee on Finance should consider for its next (Third) Biennial Assessment report.

⁹ Norfund is a state-owned Norwegian institution, with the aim of helping developing countries to fight poverty through investments as well as support for economic growth, employment and technology transfer.

- v) Grants from development agencies play an essential role in assisting those who are hit first and hardest by climate change, e.g. LDCs, small island developing states and others with high vulnerability and low capacity. In the absence of an internationally agreed definition of the term 'new and additional' resources, it becomes even more important to look at the level of total ODA provided. Norway's ODA was no less than 1.05% of Gross National Income (GNI) in 2016, which has made it possible to allocate significant resources to climate projects. This is also the case of Sweden, Luxembourg, Denmark, the Netherlands and the UK, which are the only other donor countries exceeding the UN target of providing more than 0.7 % of GNI in ODA.
- w) The proposed assessment of countries could include, as a parameter, the percentage of climate finance reported as grants (or grant equivalent). France, Japan and Spain have the lowest level of grants as a proportion of their total climate finance – accounting for just 2%, 5% and 12%, respectively. Norway provides 100% of climate finance as grants. It is an obvious idea for NGO networks to address this concern in their advocacy.
- x) There is a substantial difference among countries on how they are reporting concessional loans, equity or guarantees. According to Oxfam's report, France, Japan and Spain have the lowest level of grants in their climate finance – providing just two percent, five percent and twelve percent of their finance, respectively. While Australia, Canada, Denmark, Holland, Norway, Sweden and Switzerland records a 100% provision of grants as reported to the UNFCCC.



Farmer Beneberu Wolde Berhan from Ethiopia witnessing the drought dry out his agricultural land and making it difficult to grow.
Photo: Kristin Morseth/Norwegian Church Aid

Recommendations pertaining to Part 1 on Norwegian climate finance:

Below is a summary of the report's recommendations, which the Norwegian NGOs may consider with a view to following up this study and, first of all, use in their dialogue with the Norwegian government.

Recommendations for Chapter 2:

Recommendation 1: In accordance with international agreements on climate finance, within the UNFCCC negotiations the Norwegian government should work for an internationally-agreed definition of "new and additional". A shared understanding of how such principles should be operationalized, as well as transparency in their application, would help build trust and confidence between developing and developed country parties in the UNFCCC.

Recommendations for Chapter 3:

Recommendation 2: Norad/Norwegian Aid Statistics should not only publish disbursements but also information on project level commitments regarding climate finance on their website, either as selectable downloads or in annual data files, with the aim of enhancing transparency and facilitating analysis by recipient countries, NGOs and researchers.

Recommendations for Chapter 4:

Recommendation 3: The Norwegian government should immediately implement a new method for calculating climate finance, whereby projects whose Rio marker indicates that climate is a "significant" part of the objective are counted as 40% or 50% climate finance. This will provide an overall estimate closer to the true value than using the 100% method. Such a change would also bring Norway's practice more in line with most other OECD donor countries. At the same time, Norway should propose that the OECD determine a standard reduction percentage for the "significant" Rio marker (see recommendation C in Chapter 5).

Recommendation 4: The Norwegian government should consider making assessments of individual projects by using a 'range of coefficients' or granularity (0-100%) to indicate the degree of climate finance in each project/programme. It could also be considered to assign coefficients for both adaptation and mitigation individually. This would reduce the use of the 'cross-cutting' category, which tends to dilute the value of information about the distribution between spending on adaptation and on mitigation.

Recommendation 5: Norad should explore the possibility of publishing annual figures on total Norwegian climate finance, using the 'Imputed multilateral contributions' method for calculating the climate finance component in multilateral core funding, thus boosting accuracy. This would also improve transparency and dialogue with recipi-

ent countries and civil society on the development and priorities of Norwegian ODA.

Recommendation 6: Multilateral entities should be asked to provide relevant and transparent data in order to calculate the imputed contributions on a regular basis for use by donor countries in their reporting to UNFCCC. In addition, the Norwegian and Nordic governments should work towards the UNFCCC adjusting its Common Tabular Format, so that 'imputed contributions' to climate-specific finance implemented by multilateral organisations can be included in Table 7 in the current format.

Recommendation 7: Norwegian NGOs need to step up advocacy aimed at getting the Norwegian government to increase its future climate finance commitments, in particular for adaptation projects. This would enable Norway to return to its leading international position after its climate finance in 2016 decreased by 19% in disbursements terms and by 35% in commitments terms compared to the annual average between 2011 and 2015.

Recommendation 8: When reporting on climate finance, the Norwegian Ministry of Foreign Affairs should calculate adaptation, mitigation and cross-cutting finance based on individual Rio markers assigned to each project and *not* add all projects in each country together as a single category. It is also recommended that each individual project be counted separately when reporting in Table 7(b) to the UNFCCC.

Recommendations pertaining to Part 2 of the report on International climate reporting and suggested focus areas for civil society advocacy

Recommendations for Chapter 5:

Recommendation A: All parties should agree on rules and accounting guidelines under the UNFCCC that ensure that countries report the grant equivalent of non-grant instruments, so that what is counted as climate finance corresponds more closely to actual net value contributed towards climate change mitigation and adaptation, thereby minimizing developed countries' over-reporting of climate finance and attendant evasion of their UNFCCC obligations. Specifically, this means that:

- Contributing countries should (also) report, in a transparent manner, grants or the grant equivalent of instruments towards meeting their UNFCCC obligations.
- Non-concessional instruments that do not lead to net financial transfers should not be counted towards the meeting of UNFCCC obligations.
- Country reports should provide data on both concessional and non-concessional instruments, including guarantees and export credit insurance, informing the face values of credits, stating whether or not loans are provided at market rate, etc.

Recommendation B: During 2018, the parties to the UNFCCC should agree on a clear and detailed definition of climate finance, including how the various financial instruments should be valued and included. In addition, the Common Tabular Format should be updated to contain more comprehensive and transparent information on countries' climate finance, including:

- Information on the total level of climate finance (Table 7)
- Separate reporting of projects marked as having 'principal' climate-related objectives and projects marked as having 'significant' climate-related objectives.
- An additional column in Tables 7 and 7(a) assessing how much of the country's core funding of multilateral institutions should be counted as climate finance ("imputed multilateral contributions").
- An additional table (Table 7(c)), with information on mobilized private finance
- Additional information reported in Table 7(b), including name of each project, Creditor Reporting System ID number and/or donor ID.
- Reporting on the share of climate finance going to LDCs and small island developing states. Furthermore, countries should be required to report on changes in their methodology introduced between biennial reports, including recalculation of climate finance for previous reporting.

Recommendation C: The OECD should determine a standard percentage (probably between 30% and 50%) of the total budget categorised as climate finance in the case of projects whose Rio markers indicate that they pursue "significant" climate-related objectives. This would harmonise the wide range of approaches and hence enhance comparability between countries, as well as facilitate the calculation of total climate finance.

Recommendation D: The OECD should consider the following improvements in reporting on climate finance:

- Publishing a more detailed description of how climate shares are calculated for multilateral institutions (and include UNDP and UNEP, among others).
- Breaking down imputed multilateral contributions, calculated on the basis of climate shares, by mitigation and adaptation.
- Report the grant equivalent of climate finance in the category "Other official flows" (OOF).
- Continuing to improve the guidelines for applying Rio markers in view of purpose codes, especially in the case of project categories that cover a wide range of activities (e.g. 41010 - Environmental policy and administrative management).

Recommendation E: In order to enhance transparency, the Multilateral Development Banks (MDBs) should publicise additional project level information, including the percentage of climate finance calculated for each project. This would facilitate verification of reported figures by recipient countries, civil society, researchers, and the public.

Recommendation F: Donor countries should identify the scope for improvement in procedures to assess their project portfolio, including the possibility of applying Rio markers and determining the climate share of new projects as early as at the appraisal stage, as well as adding guidance to this effect in each agency's aid management guidelines. In addition, it is recommended that national donor agencies undertake quality assurance of Rio marking in order to ensure consistency in assessments prior to submission of data to the OECD DAC.

Recommendation G: Donor agencies in charge of reporting to the UNFCCC should voluntarily complement the use of Rio markers with individual assessments of projects by using a 'range of coefficients' or granularity (0-100% of budget) to indicate the level of climate finance in each project/programme. At the same time, there should be a granular assessment of the percentage of the budget spent on adaptation and on mitigation.

Recommendation H: Parties to the UNFCCC need to agree on a consistent approach to the accounting and reporting of private finance mobilised, based on project-by-project assessments of direct private co-financing, and taking measures to avoid double counting of private finance mobilised.

Recommendations for Chapter 6:

Recommendation I: Civil society networks should prioritise generation of information by assessing different donor countries' climate finance reporting. A format for "Rapid country assessment regarding climate finance" is suggested in the table below. Such country assessments could also be complemented by a more comprehensive study of each country's climate finance (as done in Norway and Denmark).

Recommendation J: Civil society networks in each donor country should engage in advocacy and constructive dialogue with official development agencies with a view to enhancing transparency through user-friendly web portals, making it easier to extract key information on projects, commitments, disbursements and Rio markers for all activities supported (at least since 2010).

Recommendation K: Civil society advocacy should target members of the Boards of Directors of the various multilateral banks (MDBs) with a view to making it more transparent how they calculate the climate finance share of each project or programme.

Recommendation L: International NGOs should persist in a dialogue aimed at getting their donor governments to increase future public climate finance commitments allocated to adaptation projects. This is even more important as most mobilised financial resources from private sector investors focus almost exclusively on mitigation.

Rapid country assessment regarding climate finance: (Example NORWAY)				
	Parameter	Norway 2014		Comments
A	Level of transparency and access to data (on a scale from 0 to 10)	9		Norad portal lacks data on commitments.
B	Total climate-specific funding reported to UNFCCC (fill in the elements below in USD million)			
	Mitigation	514		
	Adaptation	74		
	Cross-cutting	212		
	Multilateral core/general funding total (calculated as imputed multilateral finance)	154		
	Sum total of country's climate finance		955	
	Core/general total	427.7		
	Method for calculating climate finance (Rio Markers, granular etc. - Include information on reduction factor)	Rio Markers	"Significant" = 100%	
C	Percentage of total climate finance allocated to adaptation	22%		
D	Percentage of total climate finance in support of LDCs	34%		
E	Percentage reported as grants (or grant equivalent)	100%		
F	Other official flows (OOF) as percentage of reported ODA	0%		
G	ODA as percentage of GNI	0.99%		
H	Climate finance as percentage of ODA	19%		Norway includes only ODA in calculation of climate finance.

Recommendation M: The Standing Committee on Finance, planning for the third assessment of climate finance flows, should pay much more attention to determining how much international climate support is reaching the Least Developed Countries, small island developing states and particularly vulnerable countries. The Third Biennial Assessment in 2018 should produce figures to report specifically on this.

Recommendation N: Contributing countries should only report grants or the grant-equivalent of instruments towards their UNFCCC obligations. Non-concessional instruments that do not lead to net financial transfer should not be counted towards UNFCCC obligations.

Setting out information in country reports on concessional and non-concessional instruments at their face value, such as loans at market rates, guarantees or export credit insurance, is acceptable providing there is a clear distinction between what is reported and what is counted towards fulfilling a country's UNFCCC obligations. There must be clear information on both grant-equivalent and face value.

PART 1:

NORWEGIAN CLIMATE FINANCE

Part 1 of this report deals with climate finance provided by the Government of Norway. Based on the analysis presented in Chapters 2, 3 and 4, a number of conclusions can be drawn regarding Norwegian climate finance flowing to developing countries (see points a-l below).

1. INTRODUCTION

This study has been commissioned by Norwegian Church Aid, Rainforest Foundation Norway, WWF Norway and the Norwegian Forum for Development and Environment in order to establish an overview of Norwegian climate finance flowing to developing countries, as well as to produce concrete proposals to advocate for greater transparency and better accounting of climate finance at the international level in the context of ongoing negotiations under the Paris Agreement and the UN Framework Convention on Climate Change (UNFCCC).

The study has the following objective:

- 1) Analyse the **current system** used by Norway to calculate its amounts of climate finance, including in the Biennial Reports to the UNFCCC, official development assistance (ODA) flows reported to OECD's Creditor Reporting System (CRS) database on an annual basis (both disbursements and commitments) and the use of the so-called 'Rio markers'. If possible, the consultant team should produce specific recommendations for how to improve the Norwegian government's methods for accounting and reporting of climate finance.
- 2) Present and analyse **alternatives** aimed at improving and harmonizing methods for climate finance accounting and reporting across countries. This should be done by comparing current Norwegian practices in this field to those of other countries, as well as by drawing on ideas from the research community, among other sources of inspiration.

The commissioning Norwegian NGOs intend to use the study for a constructive dialogue with Norad, the Ministry of Foreign Affairs and the Ministry of Climate and Environment as well as for information work in Norway. Furthermore, the study will be shared with colleagues in Nordic civil society networks as well as with the Climate Finance Group affiliated to the Climate Action Network (CAN).

This study has been undertaken by the Danish firm INKA Consult and carried out by consultants Hans Peter Dejgaard (team leader) and Jonas Appelt.

The report is structured in two parts. In **Part 1** (Chapters 2, 3 and 4), climate finance provided by the Norwegian government is described and analysed. Chapter 2 of the main report briefly describes the international context for Norway's reporting to the UNFCCC and OECD Development Assistance Committee (DAC). Chapter 3 explains the method for data processing used by the team, while Chapter 4 delivers the resulting analysis and overview of Norwegian climate finance.

Part 2 of the report (Chapters 5 and 6) discusses international climate finance reporting from multilateral institutions and provides suggestions for improvement in current reporting formats. In addition, Part 2 provides suggestions for relevant focus areas within climate finance to be targeted by civil society advocacy. Chapter 5 summarises international research and opinions on global finance accounting and provides suggestions for the reporting of climate finance to the UNFCCC, OECD, EU and Multilateral Development Banks (MDBs). The final Chapter 6 presents recommendations for relevant focus areas for civil society advocacy and proposes the use of a "*Rapid country assessment regarding climate finance*" template.

A list of persons contacted can be found in Annex A and a list of the literature reviewed is in Annex B.

This is the final version of the report, which has taken into account comments from Norwegian Church Aid, Rainforest Foundation Norway, WWF Norway and the secretariat of the Norwegian Forum for Development and Environment. The draft version was also improved through feedback from the Norwegian Ministry of Climate and Environment and Norad at a meeting on 11 October 2017 in Oslo.

The consultant team would like to thank participant organisations 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. UNFCCC, OECD DAC AND NORWAY'S REPORTING

Norwegian climate finance should be seen in the context of the UN Framework Convention on Climate Change (UNFCCC) and the decisions made by its decision-making body, the Conference of the Parties (COP) as described below.

2.1. COP decisions

The UNFCCC established in 1992¹⁰ sets out developed countries' obligation to assist developing countries in covering the costs of dealing with climate change. In the Copenhagen Accord from COP15 in 2009¹¹, developed countries pledged to provide USD 30 billion from 2010 to 2012, known as Fast-Start Finance, to support developing countries in the areas of climate adaptation, mitigation, capacity building, technology development and transfer, and forest conservation.

In the Copenhagen Accord, the UNFCCC also formalised the collective climate finance goal to be met by developed countries as: "*mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries... from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources*" (UNFCCC, 2010).

The Paris Agreement¹² confirmed the intention of developed countries to maintain their collective mobilization goal of USD 100 billion per year in climate finance between 2020 and 2025. Paragraph 114 in the Paris Agreement explicitly calls on developed countries to submit a financial roadmap and enhance the provision of climate finance for developing countries towards meeting the 2020 Goal. The Paris Agreement also calls for striking a balance between climate finance for mitigation and for adaptation, addressing conditions and capacity constraints in the poorest and most vulnerable developing countries (Article 9.4).

However, it is not clear *how* developed countries must fulfil this obligation. This lack of precision in agreed mechanisms for accounting of climate financing makes it difficult to judge progress towards meeting existing goals, and sets a poor precedent for new and more ambitious goals to be agreed upon in 2025.

2.2. UNFCCC and Standing Committee on Finance (SCF)

A major challenge is posed by the weaknesses in the international system agreed by the Parties to the UNFCCC (its member states). In general, there is no international consensus as to what the best accounting practices are,

and accounting systems vary widely from one country to another. The weaknesses in the international system are described in more detail in Chapter 5.

The climate summit COP16 (Cancún, 2010) established a Standing Committee on Finance (SCF) to assist the COP in exercising its functions in relation to the financial mechanism of the Convention. This involves: i) improving coherence and coordination in the delivery of climate change finance, ii) rationalization of the Financial Mechanism, iii) mobilization of financial resources, and iv) measurement, reporting and verification of support provided to developing country Parties.

The Standing Committee on Finance has made a number of recommendations for improving the measurement, reporting and verification of climate finance flows.

Reports from the Parties are used by the UNFCCC's Standing Committee on Finance for the preparation of a Biennial Assessment Overview of Climate Finance Flows, of which the latest was presented at COP22 in Morocco in November 2016.¹³ It provided an interesting analysis which draws attention to a number of weaknesses in the current system for reporting to the UNFCCC.

The Climate Action Network (CAN) - which consists of over 1100 Non-Governmental Organizations (NGOs) in more than 120 countries - has highlighted some of the most serious weaknesses regarding accounting and reporting of climate finance¹⁴. This includes some countries reporting the face value of non-concessional loans, i.e. of market-rate loans, equity or guarantees, instead of the net support value or the grant equivalent of what is provided or mobilised. Market-rate loans and other market-rate instruments can contribute to mitigation efforts by meeting capital needs, but do not, per se, constitute any net support element to meet costs, as they are offset by repayment flows back to developed countries. Similarly, it is problematic to include export credits as climate finance.

Another important source of information is Adaptation Watch, whose 2015¹⁵ and 2016¹⁶ reports present well-founded analysis of the weaknesses in reporting on financial contributions to adaptation. This includes the use of Rio markers as a basis for identifying climate-specific ODA for adaptation.

2.3. OECD-CPI Estimate of 2013 and 2014 climate finance

A few months before COP21, OECD published an estimate of the current status of the world's climate finance in 2013 and 2014 in the report "*Climate Finance in 2013-14 and the*

10 UNFCCC. 1992. United Nations Framework Convention on Climate Change.

11 UNFCCC. 2009. Report of the Conference of the Parties on its fifteenth session, held in Copenhagen from 7 to 19 December 2009 - Decisions adopted by the Conference of the Parties - 2/CP.15.

12 UNFCCC. 2015. Paris Agreement - Annex to Decision 1/CP.21.

13 UNFCCC SCF. 2016b. Summary and Recommendations of the Standing Committee on Finance on the 2016 Biennial Assessment and Overview of Climate Finance Flows. Presentation by SCF co-chairs Seyni Nafoussi and Outi Honkatukia. COP 22 in Morocco 7 November 2016.

14 CAN 2016. CAN Submission: Elaborating Modalities of Accounting for Climate Finance.

15 Adaptation Watch. 2015. Toward Mutual Accountability - The 2015 Adaptation Finance Transparency Gap Report.

16 Adaptation Watch. 2016. Towards Transparency - The 2016 Adaptation Finance Transparency Gap Report.

USD 100 billion goal”¹⁷, which the OECD prepared in collaboration with the Climate Policy Initiative (CPI).

This important report managed to address a number of technically complex issues, including the risk of double counting and the difficulty of attributing multilateral flows to particular countries in a credible and reasonable fashion. Furthermore, it is commendable that the report is methodologically transparent, which enabled it to make a significant contribution to the information available to the international community prior to COP21.

The aggregate estimate in the report is based on the following elements of public and private finance:

- Estimates of official bilateral climate finance based on Parties’ reporting to the UNFCCC. The countries submitted their first Biennial Reports for the years 2011–12, adhering to a common reporting format for the first time.
- Multilateral official climate finance channelled through multilateral development banks (MDBs) and key climate funds that can be attributed to developed countries.
- Climate-related officially supported export credits, predominantly for renewable energy, together with supplementary Party reporting.
- A preliminary and partial estimate of private finance

mobilised by bilateral and multilateral channels attributed to developed countries.

In Table 2.1 below, the OECD-CPI report estimated the aggregate volume of public and private climate finance mobilised by developed countries for developing countries to be USD 61.8 billion in 2014, up from USD 52.2 billion in 2013. This translates into an annual average for the two years of USD 57 billion.

A large share of the rise from 2013 to 2014 was due to an increase in outflows from multilateral development banks. It should be noted that the report was criticised for including both concessional (soft loans at a subsidised rate and/or grace period) and non-concessional loans (market-rate loans). This is further analysed in Chapter 5.

2.4. Norwegian reporting to UNFCCC and OECD

As regards climate finance, Norway reports to two international institutions, namely the UNFCCC and OECD.

- a) Reports to the UNFCCC:** Developed countries’ reporting of climate finance to the UNFCCC adheres to the reporting guidelines for National Communications and Biennial Reports¹⁸. The guidelines are in the process

Preliminary estimated aggregates of climate finance mobilised from developed countries for developing countries (USD billions)

Climate Finance Source		2013	2014	Average 2013-14	Coverage of data	Consistency of data
Public	Bilateral finance	22.5	23.1	22.8	28 Parties, ODA and OOF	Party-own reporting to UNFCCC
	Multilateral climate change funds (outflows, attributed)	2.2	2.0	2.1	GEF and 5 main funds	Reporting to OECD DAC CRS
	Multilateral Development Banks (climate finance outflows, attributed)	13.0	18.0	15.5	6 main MDBs, concessional and non-concessional	Joint MDB approach reported to OECD DAC CRS
	Specialised United Nations Bodies and other multilateral organisations (climate-specific inflows)	0.3	0.4	0.4	Range of funds, limited climate-specific data	Party-own reporting to UNFCCC and OECD DAC Statistics
Export Credits	Officially supported export credits	1.3	1.5	1.4	Renewables only	OECD Export Credits Individual Transactions Database
	Supplementary Party reporting	0.3	0.1	0.2	Information from 3 parties	Party-own reporting
Private	Mobilised through bilateral channels	6.5	8.1	7.3	21 bilateral finance institutions and providers; varying instrument coverage	Initial joint-DFI and DAC methodologies
	Mobilised by MDBs, attributed to developed countries	6.2	8.6	7.4	6 main MDBs, MIGA, CIFs, GEF; limited instrument coverage	Initial MDB methodology for estimating co-financing
Aggregate of Climate Finance		52.2	61.8	57.0		

Table 2.1: Estimate of climate finance from bilateral, multilateral and private sources from figure 2 in OECD-CPI. 2015. Climate Finance in 2013–14 and the USD 100 Billion Goal.

¹⁷ OECD-CPI. 2015. Climate Finance in 2013–14 and the USD 100 Billion Goal

¹⁸ UNFCCC. 2011. UNFCCC biennial reporting guidelines for developed country Parties - Annex 1 to Decision 2/CP.17.

of being streamlined, so that both reports will be able to use the Common Tabular Format. The latest figures submitted by Norway on climate finance are found in Table 7 in Norway's Second Biennial Report¹⁹ and covers disbursements for 2013 and 2014.

Norway has thus far submitted six National Communications and its first and second Biennial Report (including annexes). These reports provide information on the historical and projected progress as regards the country's contribution to the achievement of the joint EU-quantified emission reduction targets. Furthermore, the reports present information on Norway's provision of financial, technological and capacity-building support given to developing countries.

The current reporting guidelines ('Common Tabular Format') were decided upon in 2012 by the Parties to the UNFCCC without an internationally-agreed methodology for such financial reporting, let alone a clear-cut definition of the term 'climate-specific finance'. In Paris, it was decided to develop modalities for the accounting of climate finance to be adopted at COP24 in 2018.²⁰

b) Reports to OECD DAC: This annual exercise gathers statistics on ODA and other resource flows to developing countries from bilateral and multilateral development co-operation providers. The data are publicly available in the Creditor Reporting System (CRS) database via OECD-Stat²¹. With regard to statistics, DAC plays a central role internationally. It is DAC that sets the international standard for defining and registering ODA, and it is the best source of comparable data on the development assistance of OECD countries.

Norway reports on official flows of ODA to OECD DAC's CRS database annually, including type of aid, disbursements and commitments. Here, the so-called 'Rio markers' for estimating climate finance are applied (see next section).

Finally, Norway's own data for disbursements can be found in Norwegian Aid Statistics, where comma/Excel files can easily be extracted. Unfortunately, it is not possible to find similar public data on commitments made.²²

2.5. Rio Markers used by OECD DAC

Current UNFCCC guidelines require Annex 2 Parties to report on climate finance both in their National Communications and in their Biennial Reports. As explained above, this has thus far taken place in the absence of an internationally agreed methodology and definitions, which are due to be agreed by 2018.

So far, most developed countries have used the OECD DAC's 'Rio markers' system to collect data and report to the UNFCCC Secretariat on their financial commitments.

The Rio markers were originally designed by policy makers to help members track the extent to which they integrated the Rio Conventions on sustainable development into their aid portfolios, by identifying activities that mainstream the Conventions' objectives into development cooperation. Accordingly, the Rio markers methodology was *not* originally designed to monitor financial pledges. This is problematic, since nowadays the demand for reliable quantitative data is great, taking into account the USD 100 billion per year commitment. In general, there is *no* international consensus on what the best accounting practices are, and accounting systems vary widely from one country to another. The weaknesses in the international system will be described in more detail in Chapter 5.

DAC members are requested to indicate, whether each development finance activity pursues environmental objectives²³. The Rio markers on: 1) biodiversity, 2) climate change mitigation, and 3) desertification were introduced in 1998, with a fourth marker on 4) climate change adaptation being applied to 2010 flows onwards. The markers will also apply to reporting on amounts raised from private sources once this is in place (in 2017 for reporting based on 2016 data).

The Rio markers use a scoring system for bilateral projects, in which projects are 'marked' as pursuing climate change mitigation or adaptation as either their *principal* objective or as a *significant* objective, or as *not* pursuing such an objective at all (as stated in the project/programme documents). Generally, projects marked as having mitigation or adaptation as their *principal* objective would not have been funded but for that objective. Projects marked as having this as a *significant* objective have other primary objectives, but have been formulated or adjusted to help meet mitigation or adaptation concerns, or may do so by chance.

Rio markers are applied to all bilateral ODA, except general budget support, imputed student costs, debt relief, administrative costs, development awareness-raising, and refugee reception in donor countries. Core funding for multilateral institutions is *not* marked by member states individually. Instead, organisations report on the actual allocation of their funds ('multilateral outflows').

The same activity can be marked for several objectives, e.g. climate change mitigation and biodiversity. These overlaps reflect that the three Rio Conventions are inter-linked and mutually reinforcing. However, care needs to be taken when compiling the total for aid in support of more than one convention. Biodiversity, climate change and desertification-related aid should *not* be added up, as

¹⁹ Ministry of Climate and Environment. 2015. Norway's second Biennial Report under the Framework Convention on Climate Change.

²⁰ Paragraph 37 in UNFCCC Decision 1/CP.21. Requests the Subsidiary Body for Scientific and Technological Advice to develop modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Agreement for consideration by the Conference of the Parties at its twenty-fourth session (December 2018).

²¹ QWIDS function in OECD-Stat (<https://stats.oecd.org/qwids>)

²² Norwegian Aid Statistics - Micro data: <https://www.norad.no/en/front/toolspublications/norwegian-aid-statistics/access-to-microdata/>

²³ OECD DAC. 2016. Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire.

this can result in double or triple counting. The OECD-CPI report from 2015 had a methodology for avoiding double counting.

2.6. Method for calculating climate finance

The volume of finance associated with the Rio markers is often scaled down by using 'coefficients' to mark the level of climate finance – reflecting that these activities have other principal objectives. These coefficients differ across DAC members and range from 0 to 100 per cent. As the OECD itself acknowledges, *"there is no common reporting standard and to date there has been limited transparency regarding these practices."*²⁴

More headway can be made if a harmonised 'reduction factor' is applied when transforming the Rio markers into quantified information for the Biennial Reports. A minimum requirement for improving transparency is to make countries come clear about the 'reduction factors' used by their agencies. When a reduction factor is 'harmonised', it means that there is a consensus approach to determining the proportion of each total project/programme budget that is counted as climate finance, e.g. by means of an agreed-upon percentage corresponding to each of the various Rio markers.

A number of donor countries report only a portion of their activities marked 'significant'. As an example, Denmark ranks projects in which climate concerns feature as a 'significant' objective as 50%, i.e. half the total budget counts as climate finance, increasing to 100% when climate concerns feature as a 'principal' objective. Other countries, such as Finland, Switzerland and Belgium, use a 'range of coefficients' (instead of choosing between only the three possibilities: 0%, 50%, 100%). As discussed further in Chapter 4 and 5, Norway is one of the few countries currently counting the budgets of projects marked as 'significant' as 100% climate finance.

In 2015, the multilateral development banks (MDBs) announced the so-called MDB methodology based on "Common Principles for Climate Mitigation Finance Tracking", in addition to setting out principles for tracking adaptation finance. It provides for finance data being tracked and reported through specific assessments for each project, counting only the financing of those components (and/or subcomponents) of projects that directly contribute to (or promote) mitigation and/or adaptation. It also includes a context and location-specific approach.

A major limitation is the lack of transparency, as there is no public access to the database on which MDBs have based their calculations.

2.7. How is Norwegian reporting carried out?

The Ministry of Climate and Environment is responsible for climate change policies, and the official development assistance (ODA) is managed by the Ministry of Foreign Affairs with Norad in its structure.

Norway's climate change finance is tracked by Norad using Norwegian Aid Statistics. Reporting covers the country's bilateral and multilateral support for climate change action in developing countries. The information is based on the OECD DAC reporting system, which uses Rio markers for climate change mitigation and adaptation. The markers only indicate the overall degree of climate relevance. Consequently, the figures leave much room for interpretation, as Norway's authorities also cautioned in the Second Biennial Report to the UNFCCC (p. 59).

Rio markers are, together with other standard information in Norad's project system, applied by the desk officer responsible for the individual project or agreement. Norad's *"Statistical Classification Manual"*²⁵ contains a good description of how to assess Rio markers for projects. This includes information about what constitutes mitigation and adaptation in the context of development projects, minimum requirements for projects to qualify and examples from different sectors.

The consultant team suggests that Norad refer specifically to the 'OECD DAC Rio markers for Climate - Handbook' and to Annex 18 in the Statistical Reporting Directive under OECD DAC in the Statistical Classification Manual.

Norad's Statistical Section checks information entered for new agreements on a weekly basis. In addition, internal quality assurance of applied Rio markers is carried out annually by the Section for Climate, Environment and Research in Norad.

When Norway reports to the UNFCCC, OECD's Rio markers is used as a basis. Both activities with climate markers 'significant' and 'principal' have 100% of their budget counted as climate finance. This is at odds with the practice in most other OECD countries, which count only 40% or 50% of the total activity budget in these cases. In Chapter 4, the consultant team has calculated the difference between counting 100% and 50% as climate finance when climate action is a "Significant" objective.

2.8. New and Additional Climate Finance

If existing ODA commitments are merely being reallocated or even just relabelled as climate finance, the funds can hardly be said to be *"new and additional"* as pledged by the developed countries.

The Cancun Agreements (2010) stated that *"scaled up, new and additional, predictable and adequate funding shall be provided to developing country Parties"*²⁶ and reiterated the developed countries' commitment in the Copenhagen

²⁴ Page 35 in OECD-CPI. 2015. Climate Finance in 2013–14 and the USD 100 Billion Goal.

²⁵ Norad. 2017. Statistical Classification Manual - January 2017.

²⁶ Paragraph 2 in UNFCCC. 2010. The Cancun Agreements - UNFCCC Decision 1/CP.16.

Accord to “[mobilise] jointly USD100 billion per year by 2020”.

As explained in the report from Adaptation Watch 2016²⁷, a key exclusion from the 2015 Paris Agreement is the phrase “*new and additional*” in reference to climate finance, breaking with two decades of environmental treaty-making (including Copenhagen and Cancun). However, in the view of the Climate Action Network (CAN)²⁸, the criteria of UNFCCC Articles 4.3 and 4.4 on new and additional financing still apply, since Article 9.1 of the Paris Agreement states that developed countries “*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.*”. This means that finance towards meeting Paris Article 9 obligations still needs to be ‘*new and additional.*’

The phrase *new and additional* has been conceptualized in various manners in the past. A review of the literature in the Standing Committee on Finance 2016 Biennial Assessment²⁹ suggests the following possible criteria for funds qualifying as ‘additional’:

- (a) Only funds mobilized from new sources, such as a levy on emissions trading;
- (b) Only funds delivered through new channels, such as the Green Climate Fund;
- (c) Only funds for ODA in excess of 0.7% of gross national income;
- (d) Only funds in excess of current ODA;
- (e) Only funds in excess of the ODA level at a specified baseline year;
- (f) Only funds in excess of projected ODA calculated using a specified formula;
- (g) Only a specified share of the increase in ODA;
- (h) Only funds in excess of current climate finance;
- (i) Only climate finance that is not reported as ODA.

Annex 2 Parties are required to provide a description in their reports for what ‘*new and additional*’ financial resources they have provided pursuant to Article 4.3 of the UNFCCC (1992) and, furthermore, to clarify how they have determined such resources to be new and additional.

The Norwegian government has explained its reasoning in the Second Biennial Report to the UNFCCC (page 59). “... *there is no internationally agreed definition of what constitutes “new and additional” resources under Article 4.3 of the Convention. One frequently used definition, supported by many countries, is that climate financing should be additional to the international development aid goal of 0.7% of gross national income (GNI). According to this definition, Norway’s climate finance could be viewed as new and additional, since Norway’s ODA for many years has exceeded the 0.7% target.*

The strong inter-linkage between climate change and

development has been emphasized, and the budget for climate change adaptation and mitigation has increased strongly over recent years. In 2006 the share of climate finance in the overall Official Development Assistance (ODA) budget was around 2.2 per cent, which by 2014 had increased to 19 per cent. During the same period, the total ODA budget also increased from an already high level. Norwegian total ODA has not only exceeded 0.7 % of Gross National Income (GNI) for many years, but oscillated around 1% in the last few years. All our climate finance can be counted beyond the 0.7 % threshold.”

This official Norwegian argument springs from Norway being among only five countries in the world that provide the minimum 0.7% GNP in development aid. Moreover, significant additional support has been delivered since Norway launched the International Climate and Forest Initiative at COP13 in 2007³⁰. This initiative is Norway’s contribution to the Reducing Emissions from Deforestation and Forest Degradation (REDD+) mechanism and has been used to finance almost half of all REDD+ initiatives globally. Part of that has been the Norwegian contribution to the Amazon Fund in Brazil, which has delivered one of the biggest climate change mitigation measures ever in terms of reduced deforestation. Between 2008 and 2015, Norway has contributed around one billion Norwegian kroner (approx. USD 160 million) annually to the Amazon Fund.

Norway is viewed by the consultant team as one of the few international donors that have provided a high level of ‘*new and additional*’ resources, since it launched the International Climate and Forest Initiative at COP13 in 2007. On the other hand, as a major oil exporter, Norway is also one of the countries contributing the most to greenhouse gas emissions.

The Paris Agreement stipulates that the Subsidiary Body for Scientific and Technological Advice (SBSTA) will develop modalities for the accounting of financial resources provided and mobilized through public interventions³¹. This has to be agreed in November 2018 (COP24), and is needed to substantiate an assessment, in 2020, of the extent to which the USD 100 billion per year pledge has been fulfilled. In spite of the UN Convention on Climate Change stating that assistance must be ‘additional’ to current development aid, unfortunately, the UNFCCC has made no effort to ensure this.

Recommendation 1: In accordance with international agreements on climate finance, within the UNFCCC negotiations the Norwegian government should work for an internationally-agreed definition of “*new and additional*”. A shared understanding of how such principles should be operationalized, as well as transparency in their application, would help build trust and confidence between developing and developed country parties in the UNFCCC.

27 Adaptation Watch. 2016. Towards Transparency - The 2016 Adaptation Finance Transparency Gap

28 CAN 2016. CAN Submission: Elaborating Modalities of Accounting for Climate Finance.

29 Annex Q in UNFCCC SCF, 2016a. 2016 Biennial Assessment and Overview of Climate Finance Flows Report - Technical Report.

30 <https://www.norad.no/en/front/thematic-areas/climate-change-and-environment/norways-international-climate-and-forest-initiative/>

31 Article 9, paragraph 7 and paragraph 58, of the Paris Agreement.

3. METHOD FOR DATA ANALYSIS

This chapter presents the methods used by the consultant team to find and calculate figures for Norwegian climate finance.

The team has made its calculations of various aspects of Norwegian climate finance based on three main sources: i) Norway's Biennial Reports to the UNFCCC, ii) project reports in Creditor Reporting System within OECD DAC, and iii) data from Norwegian Aid Statistics and provided directly by Norad. The detailed project information found in the Norad data was also used to learn about the distribution between mitigation and adaptation, the extending agencies, implementation channels, and recipient countries and regions.

The method used to calculate Norwegian climate finance is described in section 3.2 and is based on the calculations in Norway's First and Second Biennial Report, albeit with several suggestions for improvements. Because the method uses a crude classification of projects/programmes in terms of Rio markers, accuracy is limited.

3.1. Extraction of data from UNFCCC, OECD DAC, and Norwegian Aid Statistics

3.1.1. Climate finance data from the UNFCCC

An overview of Norwegian climate finance reported to the UNFCCC can be found in section 4.1 of this report. The information is entered into the Common Tabular Format in Table 7 of the Norwegian Biennial Reports. Norway reports exclusively on actual disbursements of climate-related ODA.

Table 7 in the Biennial Reports is a UNFCCC standard that includes figures in both the national currency and USD, with the funding divided into climate-specific finance and core/general funding of multilateral institutions. The climate-specific finance is further divided into mitigation, adaptation and cross-cutting. Table 7(a) includes a more detailed breakdown of multilateral climate finance to individual institutions, while Table 7(b) specifies climate-specific bilateral ODA disbursed to individual countries and regions.

Norway's reporting of climate-specific finance is based on reporting of Rio markers to the OECD DAC. Projects with a Rio marker indicating that mitigation or adaptation is either a 'significant' objective (identified by a score of 1) or a 'principal' objective (score of 2) have 100% of their budget counted as climate-specific (further description under 3.2.1).

The Biennial Reports to the UNFCCC use a format where core funding to multilateral institutions, including Multilateral Development Banks (MDBs), Global Environment Facility (GEF) and others, is accounted for separately rather than being included as climate-specific funding. Accordingly, the sum total of Norwegian climate finance is not presented (further details in section 3.2.2).

To date, Norway has presented two Biennial Reports to

the UNFCCC; the First Biennial Report covering 2011-2012, and the Second Biennial Report covering 2013-2014. The Third Biennial Report for 2015-2016 is due to be submitted by 1st January 2018.

3.1.2. Data from OECD DAC

Norway reports on ODA and other financial flows to the OECD by means of various reports, including the detailed project-level reporting found in the Creditor Reporting System (CRS) database. The total amount of climate-related finance is *not* reported separately, but can be calculated based on the Rio markers assigned to projects in CRS, with scores of 'significant' and 'principal' objective in pursuit of mitigation and adaptation.

Information is submitted annually to the OECD, so that the data for each calendar year is available in June the following year.

The CRS database includes information on both commitments and disbursements of bilateral finance and on finance transferred to multilateral organisations that is not core funding (earmarked multilateral finance, "multi-bi" finance). This includes ODA, Other Official Flows (OOF), Export Credits, and other types of financial flows. The amounts are in current nominal values, i.e. they are *not* adjusted for inflation to a reference year.

To access information on the projects reported to the CRS, the full raw data as csv-files were downloaded³² and separated to only include the Norwegian flows. Data is available for every year from 2010 to 2015. Data on 2016 flows will not be published until December 2017.

To align the CRS data with the calculation of climate finance used by Norway when reporting to the UNFCCC, only ODA, whether provided as grants or equity investments, has been included. Furthermore, aid classified as "Debt relief", "Administrative costs not included elsewhere", "Development awareness", and "Refugees in donor countries" has *not* been included.

Norad's Statistical Section has informed the consultant team that: '*Norfund's investments were until 2013 reported as ODA*', but that: '*After 2013 the capitalization of Norfund from the Ministry of Foreign Affairs is reported as ODA, and Norfund's investments are reported as OOF*'. For the data before 2013, Norfund features as an extending agency of ODA (both in CRS and in data from Norad), and some projects are included as climate finance (based on Rio markers). From 2014 onwards, Norfund's projects are not included as climate finance, since they are considered OOF. This also applies to the data from Norad.

Norad informs that reporting of climate finance in Norway's third Biennial Report (for 2015 and 2016) will include information on Other Official Flows (OOF) channelled through Norfund. This gives rise to a discrepancy between the figures calculated in this report (which include only ODA) and Norway's reporting. Between 2010 and 2013, climate finance channelled through Norfund represented

³² Available here: <http://stats.oecd.org/DownloadFiles.aspx?HideTopMenu=yes&DatasetCode=CRS1>

approximately 10% of overall Norwegian climate finance.

Since there is no CRS data on core finance to multilateral institutions, this has been extracted from the OECD-Stat report entitled “Members’ total use of the multilateral system”³³. This report presents information on both commitments and disbursements of core finance from the ODA budget, but is only available for the years 2011-2015.

Detailed information calculations and data is provided in the Excel files delivered by the consultant team together with this report.

3.1.3. Data on ODA from Norwegian Aid Statistics

In 2015, Norad began to adhere to the guidelines of the International Aid Transparency Initiative (IATI)³⁴, of which membership is voluntary, with the aim of enhancing transparency in the spending of development aid. Consequently, it has been easy for recipient countries, NGOs and researchers to extract data on Norwegian development projects from Norwegian Aid Statistics.³⁵

The data covers all Norwegian ODA disbursements for 2010-2016 broken down by project and with information on implementing partners, recipient countries, sector, type of finance (bilateral, multi-bi or multilateral), thematic scoring (including Rio markers), extending agency and national budget item. The database is simple to use with easy access to project-level data, which indicates a high level of transparency in Norwegian ODA.

However, since the data available online is limited to disbursements (with *no* data on commitments), the consultant team contacted Norad and received access to a data file with detailed information on both commitments and disbursements. This data is used as the basis for calculation of climate commitments in Chapter 4. The data from Norad *only* includes amounts in USD, so these have been changed to NOK based on the annual OECD exchange rates³⁶.

It should be noted that the Norad data seems to be updated retroactively, with new Rio markers applied to certain projects sometime after commitments or disbursements have taken place. The data therefore differs slightly from the CRS data, and can be considered to be more up-to-date.

The consultant team estimates Norad’s data to be the most up-to-date and accurate available, and this is used for most of the calculations presented in this report.

Detailed information calculations and data is provided in the Excel files delivered by the consultant team together with this report.

Recommendation 2: Norad/Norwegian Aid Statistics should not only publish disbursements but also information on project level commitments for climate finance on their website, either as selectable downloads or in annual data files, with the aim of enhancing transparency and facilitating analysis by recipient countries, NGOs and researchers.

3.2. Data processing and calculation of Norwegian climate finance

3.2.1. Total bilateral and multi-bi climate finance

Data on total Norwegian climate finance was taken from UNFCCC reporting and also calculated based on both OECD and Norad data. The UNFCCC data is directly quoted in Table 4.1, but *no* calculation has been made based on this.

Figures for total climate finance has also been calculated based on the OECD and Norad data. The first set of figures were calculated based on project level information, where the team used a method similar to the one used in Norwegian reporting to the UNFCCC. This means that 100% of the budget of projects with a Rio marker of 1 (‘significant’ climate-related objective) or 2 (‘principal’ climate-related objective) was counted as climate finance in pursuit of either mitigation or adaptation. The result of this calculation is presented in Table 4.2, and can be compared directly to the figures reported to the UNFCCC presented in Table 4.1.

This method is here referred to as the “100% method”, since both Rio markers “Principal” and “Significant” lead to project budgets being counted as 100% climate finance. As an alternative, the impact of using two other methods has been examined, where projects scoring “Significant” have a reduction factor of 50% as in Denmark (counted as 50% climate finance) or a reduction factor of 40% as in Sweden (counted as 40% climate finance). The methods are referred to as “the 50% method” and “the 40% method”. The impact of using each of the various methods with Norad data on disbursements is presented in Table 4.3. The consultant team suggests that the 50% method is the least inaccurate, so this has been used as a basis for the other results presented in Chapter 4, including in Table 4.5 and 4.6.

The calculations have been made by creating databases that combine the OECD data and the Norad data in Excel and PowerPivot. Calculated fields have been used to identify all projects with a Rio marker of 1 and 2 for mitigation, adaptation or both. Fields have also been calculated with climate finance for each project using the 100%, 50% and 40% methods. Based on the databases, pivot tables have been created, extracting the results for each method, including the distribution between adaptation, mitigation and cross-cutting finance.

³³ Available here: <http://stats.oecd.org/Index.aspx?DataSetCode=MULTISYSTEM>

³⁴ Website <http://www.aidtransparency.net>

³⁵ Using the detailed data found here: <https://www.norad.no/en/front/toolspublications/norwegian-aid-statistics/access-to-microdata/>

³⁶ Available here: <https://data.oecd.org/conversion/exchange-rates.htm>

3.2.2. Core funding to multilateral institutions

As described in section 3.1.1, Norway's Biennial Reports to the UNFCCC inform on core funding to multilateral institutions, whose activities include a number of climate projects. This is done separately in the 'Core/general' column in Table 7. The figures in this column have *not* been adjusted according to the share of climate activities in each institution's portfolio. Accordingly, this reporting does not identify Norwegian contributions that result in actual spending on climate-related activities, and hence cannot be used to complete the picture of total Norwegian climate finance. It should be noted that this is not a failure of Norwegian reporting, but of the Common Tabular Format provided by the UNFCCC.

Table 4.1 includes core funding reported by Norway to the UNFCCC, while Table 4.2 compares this to core funding in OECD-Stat and Norad data. The core funding for OECD-Stat and Norad has been calculated by including the full amounts disbursed to the same institutions that are included in reporting to the UNFCCC. The amounts for OECD-Stat and Norad data are presented under "Multilateral Core Funding" in Tables 4.2. and 4.3.

As an alternative to using the full core funding provided to multilateral institutions with climate activities, OECD use the simple *Imputed Multilateral Contributions method*³⁷, in which core funding provided by donors to individual institutions is multiplied by the share of the institutions' activities that are climate-relevant (as reported by the institutions themselves to the OECD), to calculate the climate-specific part of donated funds. The multilateral institutions derive such climate-related shares from the Rio marker system or by using their own methods.

The consultant team has used the Imputed Multilateral Contributions method to calculate climate finance provided as core funding to multilateral institutions, based on the data from Norad. The disbursement results are provided in Table 4.4, where it is compared to total core funding provided to institutions with climate activities (as in Norway's Biennial Reports³⁸).

Multilateral institutions' proportion of climate-relevant activities has been inferred from OECD figures³⁹. Though these only cover 2014-2015 (using a weighted average), this report uses the climate-relevant shares for all years in the period 2010-2016. OECD have collected data on multilateral institutions' share⁴⁰ of climate-relevant activities ("climate share" for short) since 2013.⁴¹

The OECD data on climate shares is limited to 15 multilateral institutions, primarily MDBs, as well as Global

Environment Facility and three development funds (the Nordic Development Fund and the Climate Investments Funds). The only UN institution for which data is provided is the International Fund for Agricultural Development (IFAD). Data for a number of climate-specific funds and institutions is missing⁴², but in accordance with the Imputed Multilateral Contributions method, the climate share for these has been set at 100%.

Compared to the core funding included in Norway's UNFCCC reporting, data on climate shares is missing for United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP) and the Advanced Market Mechanisms under the World Bank. For these institutions, the consultant team has set the climate shares to 50% for UNEP, 25% for UNDP and 0% for Advanced Market Mechanisms, based on general knowledge of the project portfolios and priorities of these institutions.⁴³

3.2.3. Distribution between adaptation, mitigation and cross-cutting

To determine the share of climate finance spent on adaptation, mitigation and projects targeting both adaptation and mitigation ("cross-cutting" projects), bilateral and Multi-bi data has been separated based on Rio marker scores. This was done so that projects with a Rio marker of "Significant" or "Principal" in adaptation and a marker of "Not relevant" (0) in mitigation are counted as adaptation, and vice versa for mitigation. Projects scoring either "Significant" or "Principal" in both adaptation and mitigation are counted as cross-cutting.

Since no specific information is provided on the adaptation or mitigation share of core funding to multilateral institutions, it is not possible to separate this part of climate finance into such categories.

The breakdown of Norad data on adaptation, mitigation and cross-cutting is provided in Table 4.5 and 4.6 and in Figure 4.1 and 4.2.

3.2.4. Determining national budget items, extending agencies, implementing channels, geographical distribution, and income category of recipient countries

Different aspects of Norway's climate finance have been explored based on the results of the 50% method for bilateral and multi-bi funding and the Imputed Multilateral Contributions method for core funding. Based on the constructed database based on Norad data, pivot tables have been created with a breakdown of climate finance disburse-

37 The method is described in detail in technical note: : ENVIRONET and WP-STAT Task Team. 2015. Treatment of Climate-Related Multilateral Flows in DAC Statistics & Status of Reporting.

38 Table 4.4 also includes finance provided to the Strategic Climate Fund, even though this does not form part of Norway's Biennial Reports. The consultant team considers this core funding to be climate-related as well, and believes it should be included in reporting of climate finance.

39 From the Excel file titled Imputed multilateral shares, 2015 flows, available here: <http://www.oecd.org/dac/stats/climate-change.htm>

40 E.g. used in the reporting in the OECD-CPI report: Climate Finance in 2013-14 and the USD 100 billion goal.

41 It is noted that the shares for several institutions changes between 2013, 2014 and 2015, but it is unclear whether these changes reflect actual changes in the level of climate finance in the institutions' project portfolios. The changes might also be a result of improvements in the methodology or implementation of climate finance assessments. It is assumed that the 2014-2015 numbers are the most correct/complete.

42 These include: Adaptation Fund, Green Climate Fund, GEF Least Developed Countries Fund, GEF Special Climate Fund, the UNFCCC, and the Multilateral Fund for the Implementation of the Montreal Protocol.

43 While the level of climate in the project portfolios of UNEP, UNDP and for Advanced Market Mechanisms is based on qualified guesses by the consultant team, it is assessed that the results will be less correct if the support is not included (counted as 0% climate share). UNEP works with environmental issues and has climate change a one of its focus areas. UNDP also works with climate change to some degree. The Advanced Market Mechanisms are primarily focused on economic development and has not been assessed to include climate activities to any considerable degree.



Najiba 15 years old from Afghanistan. The solar panel is her family's source of energy. Photo: Jim Holmes/Norwegian Church Aid

ments by national budget posts (using the 'Budget item: Chapter' category), extending agency (using the 'Extending Agency' category), implementing channel (using the 'Group of Agreement Partner' category), and geographical distribution (using the 'Main Region' category). The results are presented in Table 4.8 and Figure 4.3, 4.4 and 4.5.

For implementing channels, the "Group of Agreement Partner" category has been reduced to five groups, lumping several categories together⁴⁴.

The income group of recipient countries have been determined based on CRS data, using the 50% method for climate finance disbursements. Information on income groups has been found in the category '*IncomegroupName*'. The results are presented in Figure 4.6.

3.2.7. Database of Norwegian climate projects in 2014

To enable further investigation of projects that form part of Norwegian climate finance, a list of projects is attached to this report in an Excel file, including Norwegian climate projects that were funded by means of ODA in 2015 and 2016. The list is based on extraction of climate finance commitments from a database encompassing all ODA commitments and disbursements, based on data provided by Norad.

The list is found in an Excel file delivered together with this report.

⁴⁴ "Governments and public sector in other countries" include Public sector other donor countries; Governments/Ministries in developing countries; and Public sector in developing countries. "NGOs" include NGO International; NGO Local; and NGO Norwegian. "Other" include Norwegian private sector; Other countries private sector; Public-private partnerships; Consultants; and Unknown.

4. OVERVIEW OF NORWEGIAN CLIMATE FINANCE

This chapter presents an overview of Norwegian climate finance between 2010 and 2016 categorised as “official development assistance” (ODA). The figures have been determined using the methods and data described in the previous chapter.

Initially in Section 4.1, climate finance reported to the UNFCCC is compared with climate finance disbursement figures calculated on the basis of two sources: OECD data and detailed data made available to the consultant team by Norad. Section 4.2 describes the impact of counting projects rated as having “significant” climate-related objectives with lower climate share, while Section 4.3 looks at the implications of using the Imputed Multilateral Contribution method. Section 4.4 presents the team’s estimate of Norwegian climate finance disbursements and commitments, as well as the distribution between adaptation and mitigation. Section 4.5 explores various aspects of the climate finance provided. Finally, Section 4.6 draws overall conclusions from the analysis.

Complementing the findings presented in this chapter, Annex C provides tables with the data used to substantiate these findings. A list of all climate finance projects receiving funds in 2015 and 2016 has also been prepared, and is presented in an Excel file delivered together with this report.

4.1. Reporting of climate finance to the UNFCCC, OECD DAC and Norad data

4.1.1. Norwegian Climate Finance Reported to the UNFCCC (2011 to 2014)

Reporting of climate-specific finance to the UNFCCC takes place through Norway’s Biennial Reports as described in Chapter 2. Table 4.1 below presents an overview of the amounts Norway has reported as climate finance in the First Biennial Report (BR1) for 2011-2012 and the Second Biennial Report (BR2) for 2013-2014. The coming Third Biennial Report for 2015-2016 is expected to be submitted to UNFCCC in the beginning of next year.

Norway base the reporting to the UNFCCC on *disbursed*

ODA, and there is a general consistency between the method for calculating climate finance in the Biennial Report 1 and 2 reports. The only difference noted is the inclusion of core funding to the Nordic Development Fund in the Second Biennial Report, which was omitted in the First Biennial Report. If this had been included in Biennial Report 1, the figures for Multilateral Core Funding for 2011 and 2012 would have been, respectively, NOK 58 million and NOK 44 million higher.

The Common Tabular Format used for biennial reporting to the UNFCCC does *not* specify a method for calculating the climate-specific part of donors’ core funding to multilateral institutions, which is only included in the “Core/general” column in Table 7 and 7(a) in the Biennial Reports.

The 23% of Norwegian ODA that is provided as core funding to multilateral institutions is *not* considered as climate finance, when reported to the OECD. Core funding for multilateral institutions is *not* assessed with Rio markers by member states individually. Instead, organisations report on the actual allocation of their funds (‘multilateral outflows’). Consequently, the climate-specific percentage of Norwegian ODA to multilateral organisations cannot be determined based on Rio markers, and is not included in the Biennial Reporting.

4.1.2. Norwegian climate finance reported to the OECD DAC (2010-2015) and calculated based on Norad data (2010-2016)

To compare the UNFCCC reporting to the reporting of ODA to OECD and to Norad data, the consultant team has calculated climate finance from these data sets, using a method corresponding to the one used by Norway in its UNFCCC reporting (further described in Chapter 3)⁴⁵.

Table 4.2 below presents the results of this calculation. It should be noted that the figures in this table are *not* the best estimate of Norway’s actual climate finance by the consultant team, but are provided to illustrate differences between the types of data available.

As shown in Table 4.2, there are some differences between the results of the calculations from OECD and Norad data and the figures presented in the Biennial

Reporting of climate finance			Disbursements - NOK million			
			BR1		BR2	
			2011	2012	2013	2014
UNFCCC biennial reporting	Climate- specific	Bilateral	1,963	2,984	6,032	3,317
		Multilateral	1,161	1,964	1,431	2,778
		Total climate-specific	3,124	4,948	7,463	6,095
	Multilateral Core Funding	2,730	2,667	2,755	2,696	

Table 4.1: Climate finance reported by Norway to the UNFCCC in Biennial Reports. Norway report disbursements of climate finance.

⁴⁵ The Biennial Reports do not provide a detailed description of all choices made when calculating climate finance, but this calculation provides the best estimate by the consultant team. The methodological choices are elaborated in Chapter 3.

Reporting of climate finance			Disbursements - NOK million						
			2010	2011	2012	2013	2014	2015	2016
OECD (100%- method)	Climate- specific	Bilateral	1,238	1,932	3,011	6,073	3,006	3,308	
		Multilateral	1,580	1,161	1,754	1,432	2,784	1,721	
		Total climate-specific	2,818	3,093	4,765	7,505	5,791	5,029	
	Multilateral Core Funding	-	2,788	2,711	2,754	2,696	3,007		
Norad data (100%- method)	Climate- specific	Bilateral	1,394	2,013	3,049	6,148	3,118	3,304	2,712
		Multilateral	1,441	1,066	1,761	1,442	2,814	1,719	1,288
		Total climate-specific	2,834	3,079	4,810	7,590	5,932	5,023	4,001
	Multilateral Core Funding	2,485	2,788	2,711	2,755	2,696	3,007	2,776	

Table 4.2: Norwegian climate finance, calculated on the basis of OECD-stat and Norad data on disbursements. The 100%-method refers to the different methodological choices related to projects marked as "significant" (see also Section 4.3.). OECD-stat does not provide detailed data on multilateral core funding for 2010.

Reports. This seems to stem mainly from differences in the underlying data used, specifically the updated Rio markers in the Norad data (described in further detail in Chapter 3). Apart from these minor differences, Table 4.2 shows what Norway's reporting would have looked like in 2010 and what it will be for 2015 and 2016 in Norway's Third Biennial Report, if a calculation method similar to the one in the First and Second Biennial Reports have been used.

4.2. "Significant" climate objective counted as 40%, 50% or 100% of budget

As described in Chapter 2, Norway assesses the climate-related content of specific projects/programmes in the UNFCCC reporting as either 0% or 100% of the total budget. This crude categorisation does *not* provide accurate primary data⁴⁶. Therefore, the consultant team decided to compare Norway's calculation method is in Table 4.3 below to the approach used by all like-minded European donor countries, in which projects scoring the Rio marker

of "Significant" have reduction factors of either 40 or 50% (percentage of their total budget counted as climate finance). The countries counting 100% are Greece, Slovakia, Poland, Slovenia, Iceland, Czech Republic, Luxembourg and Japan. A list of different countries' reduction factors is found in Section 5.7 of this report.

Table 4.3 presents the figures on climate finance disbursements between 2010 to 2016, using the method whereby projects with the Rio marker of "Significant" are weighted as either 100%, 50% or 40% climate finance⁴⁷.

More detailed breakdown using the various methods is presented in Table C.1 in Annex C.

Based on the calculation in Table 4.1, the team estimates that annual over-reporting of climate finance for the period between 2010 and 2016 is **NOK 620 million for disbursements**⁴⁸, when comparing to the 50% method used by a number of other countries. In terms of commitments, there is a difference of NOK 705 million between using the 50% and the 100% method. These figures will be a bit low-

Reporting method		NOK million							2010- 2016 aver.	Annual diff.
		2010	2011	2012	2013	2014	2015	2016		
Disburse- ments	100%-method	2,834	3,079	4,810	7,590	5,932	5,023	4,001	4,753	
	50%-method	2,474	2,624	4,238	6,850	5,044	4,255	3,442	4,133	620
	40%-method	2,402	2,534	4,123	6,702	4,867	4,101	3,330	4,008	744
Commit- ments	100%-method	5,338	6,155	5,152	6,289	6,181	5,633	4,140	5,555	
	50%-method	4,881	5,498	4,028	5,105	5,520	5,349	3,574	4,851	705
	40%-method	4,790	5,367	3,803	4,868	5,388	5,292	3,461	4,710	846

Table 4.3: Different methods for calculating climate-specific finance based on Norad data for disbursements. The figures only refer to climate-specific finance (bilateral and "multi-bi" ODA). The "Annual diff." is the difference in terms of average finance between the 100%-method and the 50%- and 40%-methods.

⁴⁶ Norway's second Biennial Report acknowledges the weakness of using Rio markers for calculating climate-relevant budget shares, but does not provide a clear explanation for the use of 100% for projects marked "Significant".

⁴⁷ The table only includes figures for bilateral and "multi-bi" ODA, since it is only for these types of aid that Rio markers are applied. Figures for multilateral core funding are not impacted by the different calculation methods mentioned in this section.

⁴⁸ It is noted that this is compared to the Biennial Reports to the UNFCCC, and that the First and Second Biennial Reports only cover the period 2011-2014. Consequently, it is not accurate to conclude that Norway has over-reported for 2010, while 2015-2016 will only be over-reported if the third Biennial Report also uses the 100%-method.

er, if some renewable energy projects could be marked as “principal” instead of as currently ‘significant’ in terms of mitigation (see next page).

Norway’s Second Biennial Report has a recognition of this problem in this quote: *“As there is no room for distinction between the two values main objective and significant objective, this reporting treats them as equal. This can lead to an overestimate of climate change funding. Hence, the figures should be interpreted as “total value of projects that fully, or to a certain degree, target climate change mitigation and adaptation”. Despite this inherent weakness, the methodology is applied because the policy markers are well established parts of the international reporting system which ensures comparable information among countries, and because it is well incorporated into the Norwegian reporting system.”*⁴⁹. Norad Statistical Section has informed that, since the Common Tabular Format in the Biennial Reports (Table 7(b)) does not reveal whether working against climate change is the “principal” or a “significant” objective of a project, the reported figures should be considered as the *‘total value of projects that fully, or to a certain degree, target climate change mitigation and adaptation.’*

Although there is no simple way to determine the exact climate share of projects marked as “Significant”, the team consider a score of 50% will on average provide an estimate closer to the true value than using the 100%-method.

Projects and programmes categorised as having “Significant” climate objectives can have a climate-related share of their budget lying anywhere between 0% and 100%. Realistically, it is assessed that many projects in the category of “Significant” will have a climate share in the range of 20% - 80%, as projects with higher proportions of climate relevance will be seen as pursuing climate improvement as their “principal” objective, while projects with lower climate relevance are given the Rio marker 0.

It is noted that projects often have multiple overlapping objectives. For some climate projects, climate concerns might *not* feature prominently in the descriptions of objectives, but can still be an underlying thematic area. As an example, the objective of a REDD+ project can include indigenous peoples’ rights (a human rights-based approach) and should still be seen as the principal objective (100%).

To assess the impact of changing the calculation method for the large forest projects supported by Norway through the International Climate and Forest Initiative, the 31 largest commitments for REDD+ and/or forest projects between 2010 and 2016 have been looked into.⁵⁰ Of these projects, 30 had Rio markers of ‘Principal’ in mitigation, while one project (with a commitment of NOK 148 million), had a ‘Significant’ Rio marker. Changing from a 100% calculation method to a 50% method will therefore result in a reduction of climate finance from these projects of only

NOK 74 million, so that instead of NOK 16,265 million, the sum would be 16,191 million (in total for 2010-2016 related to REDD/forests). In short, changing to the 50% method will only have a minimum effect on the level of Norwegian climate finance calculated from REDD+ and forest projects.

Based on a brief examination of the largest projects with ‘Significant’ Rio markers on climate, it is noted that a large part of the projects marked Significant are within renewable energy, energy transmission and agriculture. While the project documents have not been available, it is nevertheless somewhat surprising to see that many renewable energy projects have only been marked as ‘significant’ in terms of mitigation, since such projects are almost by definition climate projects (as described in Annex 18 in OECD’s Statistical Reporting Directive). Two examples of renewable energy projects that have only received a Rio marker of “Significant” in terms of mitigation are: Rehabilitation of the Hydro Mt. Coffe - 2013 - NOK 492 million; and Green Africa Power - 2014 - NOK 300 million. It is suggested that Norad reconsider its guidelines for how to apply mitigation markers to renewable energy projects.

By using the 50% reduction method, Norway would respond better to the existing methodology for assessing the climate relevance of projects as defined by the OECD in the Guidance Table for Climate Change Rio Markers (‘Annex 18’),⁵¹ where considerable efforts have been invested in explaining the difference between Rio markers Principal and Significant. Why invest time and resources in making this distinction, if they count the same in terms of climate finance? Using the 50% method will both bring Norway’s calculations in line with the practices of like-minded donors and provide a better estimate of actual climate finance provided. This change is easy to implement and can be done immediately by Norad.

Ideally, Norway could follow countries like Finland, Switzerland and the UK in applying a specific climate share for each project to calculate climate finance for bilateral and “multi-bi” ODA (see further details in Chapter 2).

Recommendation 3: The Norwegian government should immediately implement a new method for calculating climate finance, whereby projects whose Rio marker indicates that climate is a “significant” part of the objective are counted as 40% or 50% climate finance. This will, on average, provide an estimate closer to the true value than using the 100% method. Such a change would also bring Norway’s practice more in line with most other OECD donor countries.

At the same time, Norway should propose that the OECD determine a standard reduction percentage for the Rio marker “significant” (see recommendation C in Chapter 5). As one of the prominent donor countries funding cli-

49 It should be noted that the use of Rio markers only results in comparability between countries in the assessment of climate relevance in project objectives (used as policy markers). The level of climate finance is not necessarily comparable between countries, since different calculation methods (and reduction factors) are used.

50 The projects were identified using Norad data, by searching for the terms ‘REDD’ and ‘Forest’ in in the project titles, descriptions and in the names of implementing partners.

51 Provided in Annex 18 to OECD DAC. 2016a. Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire. Can also be found in OECD DAC. 2016b. OECD DAC Rio Markers for Climate - Handbook.

mate programmes in developing countries, Norway should move towards more accurate reporting by means of a 'project-by-project' assessment, providing data on a full scale 0-100% (granularity or reduction factor), as Finland and Switzerland are doing. This method is more accurate than "only" marking 0, 1 and 2 (the three Rio markers expressed in numbers).

Recommendation 4: The Norwegian government should consider making assessments of individual projects by using a full scale 0-100% (granularity or reduction factor) to indicate the degree of climate finance in each project/programme. It could also be considered to assign coefficients for both adaptation and mitigation individually. This would reduce the use of the 'cross-cutting' category, which tends to dilute the value of information about the distribution between spending on adaptation and on mitigation.

4.3. Calculation of multilateral core funding - total and Imputed Multilateral Contributions

As described in this chapter above and in Chapter 2 and 3, the Common Tabular Format used for countries reporting climate finance to the UNFCCC (as presented in Table 7) simply includes total core funding to multilateral institutions, without any assessment of the climate-specific part of each multilateral institution's work. This means that total climate finance of each donor country *cannot* be directly deduced from the UNFCCC reports. To calculate the climate specific part of core funding, OECD uses the Imputed Multilateral Contributions method. On its website, the OECD provides an Excel spreadsheet with "Share for imputed multilateral contribution 2014-2015 weighted average"⁵².

This relies on multilateral institutions' own reporting of the climate shares of their project portfolios. These shares are reported by the MDBs in the annual *Joint Report on Multilateral Development Banks' climate finance*, but for most other multilateral institutions, there is *no*

assessment of what share of their projects are climate-related. Unfortunately, this lack of data makes it impossible to determine accurate amounts of climate finance in multilateral core funding using the Imputed Multilateral Contributions method⁵³. UN organisations are particularly poor at informing on the climate-related share of their project portfolios, including highly relevant institutions, such as the UNDP, UNEP, FAO and World Food Programme. Support given to the UNFCCC and climate-related funds (Green Climate Fund, Least Developed Climate Fund, Adaptation Fund etc.) is automatically counted as 100% climate finance according to the Imputed Multilateral Contributions method.

Table 4.4 below shows the difference between total core funding for multilateral institutions included in Norwegian biennial reporting⁵⁴ based on Norad data, and funding calculated using the Imputed Multilateral Contributions method. Total multilateral core funding to these institutions was, on average, NOK 2,949 million per year (2010-2016), while the amount calculated with the Imputed Multilateral Contributions method is NOK 973 million.

A conservative approach has been used, so that institutions included in the Norwegian reporting to the UNFCCC that lacked information on climate-relevant shares have been counted as 50% in the case of UNEP, 25% in the case of UNDP and 0% in the case on Advanced Market Commitments (under the World Bank)⁵⁵. However, in the absence of any specific guidance on this, the share of climate relevance in support given to these institutions could be estimated differently. Consequently, the team finds it important to recommend a clarification of the imputed contribution percentage from relevant multilateral organisations, whose portfolios encompass measures to address climate change.

The figures for total core Norwegian funding for the included multilateral institutions remained the same over the period, and using the Imputed Multilateral Contributions method consistently produces a result of approximately 1/3 of total core funding being categorised as climate relevant.

The significant difference between the Imputed Multi-

Norwegian support to multilateral institutions		Disbursements - NOK million							2010-2016 average
		2010	2011	2012	2013	2014	2015	2016	
Core funding	Total core funding to institutions	2,627	2,970	3,009	3,014	2,984	3,118	2,922	2,949
	Imputed multilateral climate contributions	761	921	991	952	974	1,141	1,075	973

Table 4.4: Disbursements of total core funding and Imputed Multilateral Contribution 2010-2016, based on Norad data. The total core funding differs from Table 4.2 because funding to the Strategic Climate Fund has been included.

⁵² The Imputed Multilateral Contributions (Imputed Multilateral Contributions) method is described in Chapter 3

⁵³ It should be noted that the Imputed Multilateral Contributions calculation provided here for the whole 2010-2016 period is also flawed, since only imputed shares for 2014-2015 have been used for all years. OECD has not collected data on imputed shares before 2013, and only the 2014-2015 shares are available online.

⁵⁴ Funding has been included for the Strategic Climate Fund (multi-donor trust fund with the Climate Investment Funds), IFAD and the Multilateral Fund for the Implementation of the Montreal Protocol, even though funding for these institutions has not been included in Norway's reporting to the UNFCCC.

⁵⁵ These levels have been assessed by the consultant team based on a general understanding of the project portfolios and priorities of these institutions.

lateral Contributions results and total multilateral core finance support (as reported to the UNFCCC) stems primarily from a reduction in the finance going to MDBs. Specifically, this refers to Norwegian disbursements to IDA under the World Bank and to the African Development Fund, where only 18% and 21% of disbursements are counted as climate-specific in the Imputed calculation. Including the team's decision to only count 25% of the funding to UNDP also lowers the Imputed figure notably.

Since the imputed multilateral contributions method takes account of the actual level of climate activities in the multilateral institutions, it is assessed that using this method provides a considerably fairer and more accurate picture of the level of Norwegian climate finance than what can be found in the figures reported to the UNFCCC.

Norad is positive towards the idea of reporting on imputed figures for provision of multilateral climate finance, but affirms that the lateness in the OECD's reporting of the climate shares of multilateral organisation (normally by December the following year) makes it difficult to include this method in reporting to the UNFCCC (normally due by 1 January).

The current UNFCCC format for reporting core contributions to multilateral organisations with climate actions is poorly designed, which makes it difficult to calculate a donor country's total climate finance to developing countries. Fortunately, the multilateral development banks have in recent years made an important effort to calculate the amounts of their portfolios that have been used for climate actions (this is further discussed in Chapter 3).

Recommendation 5: Norad should explore the possibility of publishing annual figures on total Norwegian climate finance, using the 'Imputed multilateral contributions' method for calculating the climate finance component in multilateral core funding, thus boosting accuracy. This would also improve transparency and dialogue with recipient countries and civil society on the development and priorities of Norwegian ODA.

Recommendation 6: Multilateral entities should be asked to provide relevant and transparent data in order to calculate the imputed contributions on a regular basis for use by donor countries in their reporting to UNFCCC. In addition, the Norwegian and Nordic governments should work towards the UNFCCC adjusting its Common Tabular Format, so that 'imputed contributions' to climate-specific finance implemented by multilateral organisations can be included in Table 7 in the current format.

4.4. Norway's total climate finance between 2010-2016

4.4.1. Estimate of Norway's climate finance disbursements 2010-2016

Based on the results in the previous sections and the methodological considerations described in Chapter 3, the consultant team has calculated Norway's climate finance disbursements between 2010 and 2016, presented in Table 4.5 below. This represents the team's best estimate of actual climate finance for the period, based on the available data and information provided by Norad.

The figures are based on the methods recommended in the sections above, i.e. using the 50%-method for

Climate finance			Disbursements - NOK million							2010-2016 aver.
			2010	2011	2012	2013	2014	2015	2016	
Climate-specific	Bilateral	Adaptation	164	204	226	271	353	313	247	254
		Mitigation	905	1,218	2,066	4,822	1,574	1,973	1,769	2,047
		Cross-cutting	50	200	318	511	550	436	284	336
		Total	1,118	1,623	2,609	5,604	2,478	2,722	2,299	2,636
	Multi-lateral "Multi-bi"	Adaptation	80	80	86	149	113	89	86	98
		Mitigation	1,177	838	1,433	832	1,667	1,197	990	1,162
		Cross-cutting	98	85	109	265	787	246	67	237
		Total	1,355	1,002	1,628	1,246	2,567	1,533	1,143	1,496
Total climate-specific		2,474	2,624	4,238	6,850	5,044	4,255	3,442	4,132	
Core funding	Imputed multilateral contributions	761	921	991	952	974	1,141	1,075	973	
Total climate funding		3,235	3,545	5,228	7,802	6,018	5,396	4,517	5,106	
% of total ODA		12.2%	13.3%	18.9%	23.8%	18.8%	15.6%	12.4%	16.5%	

Table 4.5: Estimate of Norway's actual disbursements of climate finance 2010-2016, using the 50%-method for bilateral and "multi-bi" ODA and the Imputed Multilateral Contributions for core funding to multilateral institutions. The figures are in actual "current" disbursements, and not adjusted for inflation.

climate-specific ODA (as described in Section 4.2 and Chapter 3) and the Imputed Multilateral Contributions method (as described in Section 4.3)⁵⁶,

On average, **Norway has disbursed NOK 5.11 billion annually** in climate finance between 2010 and 2016, amounting to 16.5% of total Norwegian ODA disbursements. Of this, an average of 19% has been channelled as core funding to multilateral institutions, 29% has been provided as earmarked/project-specific support given to multilateral institutions (Multi-bi ODA), and 52% has been distributed as bilateral support to governments and NGOs.

The figures in this report are based on Norad data and are considerably lower than what Norway has reported to the UNFCCC. This is because the consultant team has applied a more accurate approach to calculating climate-specific finance and climate-relevant parts of core funding provided to multilateral institutions.

Since 2013, disbursements of climate finance have decreased steadily, with 2016 being the lowest level since 2011. The particularly high level of disbursements in 2013 was a result of extraordinary payments of NOK 2.9 billion for deforestation projects in Brazil, where funds had been set aside from previous years. Disbursements of **climate finance in 2016 were 19% below the annual average between 2011 and 2015** (NOK 1.08 billion below)⁵⁷. As a share of ODA, climate finance fell from 18.2% between 2011-2015 to 12.4% in 2016 (a fall of 5.9 percentage points).

A relative fall in climate finance was to be expected given the increase in ODA spent on receiving refugees in Norway. Between 2010 and 2014, an annual average of NOK 1.63 billion of ODA disbursements was spent on the item called "Refugees in donor countries", equal to 5.6% of total ODA. This increased dramatically to NOK 3.73 billion (10.8% of ODA) in 2015 and NOK 6.72 billion (18.4% of ODA) in 2016. However, even if spending on refugee reception⁵⁸ is disregarded in the figures, the share of climate finance (as a percentage of ODA without the "Refugees in donor countries" item) fell from 19.5% of ODA between 2011-2015 to 15% in 2016.

In conclusion, there has been a significant reduction in Norwegian climate finance with disbursements being 19% lower in 2016 than in previous years.

The results in Table 4.5 can be compared to the estimate of Norway's climate finance for 2014 made by CICERO of USD 1,019 million⁵⁹. The method used by CICERO are in many ways the same as the one used on this report, and the results are also close to each other for the year 2014.

Figure 4.1 below shows a graphical representation of the results presented in Table 4.5.

4.4.2. Estimate of Norway's climate commitments 2010-2016, based on Norad data

Table 4.6 below shows Norwegian climate finance commitments between 2010 and 2016. On average, Norway

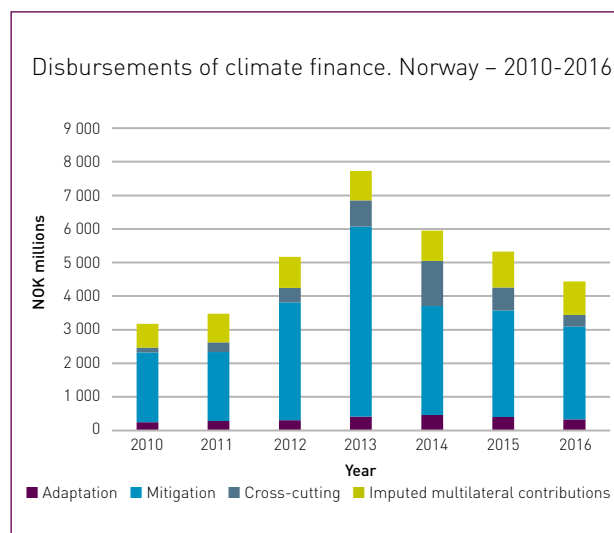


Figure 4.1: Disbursements of climate finance 2010-2016, using the 50%-method for bilateral and "Multi-bi" ODA and the Imputed Multilateral Contributions for core funding to multilateral institutions (same numbers as in Table 4.5).

committed NOK 5.73 billion annually, amounting to 17% of total Norwegian ODA commitments. While climate commitments were higher than disbursements (NOK 620 million on average per year), overall ODA commitments in the period were also somewhat higher than disbursements.

Comparing between figures on commitments and on disbursements of climate finance, the commitments fluctuate more. This may largely spring from individual approvals of large programmes and transfers that differ from year to year. Nevertheless, the steep decline in climate finance commitments in 2016 is noticeable (with NOK 3.95 billion in 2016, being NOK 2.16 billion below 2011-2015 average levels of NOK 6.12 billion, amounting to a decrease of 35%). Leaving out spending on refugee reception (the item of "Refugees in donor countries"), climate finance commitments fell from 21% of ODA between 2011-2015 to 13% in 2016.

Overall, the conclusion is that there has been a significant *reduction* in Norwegian climate finance in 2016. The relatively low level of climate-related commitments in 2016 suggests that this trend is set to continue, unless there is a marked change in political priorities.

The decrease in both commitments and disbursements of climate finance in 2016 could be the result of different factors:

- Climate funding from Norfund from 2014 onwards has not been counted as ODA (but as OOF), which is the reason for some of the reduction recorded in Norwegian climate finance (as explained in Section 3.1.2). If climate finance channelled through Norfund is eliminated from the figures for 2011-2013, the climate finance level in 2016 is 14% below the annual average between 2011

⁵⁶ In addition to the core funding included in Norway's Biennial Reports, support to Nordic Development Fund and Strategic Climate Fund has been included for all years.

⁵⁷ The period 2011-2015 has been used for the purposes of comparison with 2016, because 2011 was the first year with Biennial Reports. On the other hand, 2010 was possibly too shortly after COP15 in 2009, to implement the financial pledges made, including the Fast-Start Finance.

⁵⁸ This only refers to the expenses identified as 'Refugees in donor country'.

⁵⁹ Torvanger, A., Narbel, P. & Lund, H.F. 2015. Estimating mobilized private climate finance for developing countries - A Norwegian pilot study.

Climate finance			Commitments - NOK million							2010-2016 aver.
			2010	2011	2012	2013	2014	2015	2016	
Climate-specific	Bilateral	Adaptation	172	214	498	474	213	144	173	270
		Mitigation	2,171	2,620	1,749	2,445	2,850	2,003	2,172	2,287
		Cross-cutting	302	545	467	824	482	132	244	428
		Total	2,645	3,378	2,714	3,743	3,545	2,279	2,589	2,985
	Multi-lateral "Multi-bi"	Adaptation	152	128	91	224	38	19	50	100
		Mitigation	1,866	1,803	1,153	627	1,128	2,963	934	1,496
		Cross-cutting	218	190	70	510	809	87	1	269
		Total	2,236	2,120	1,314	1,361	1,975	3,070	985	1,866
	Total climate-specific		4,881	5,498	4,028	5,105	5,520	5,349	3,574	4,851
Core funding	Imputed multilateral contributions	669	912	527	275	1,201	2,163	379	875	
Total climate funding		5,550	6,411	4,555	5,380	6,722	7,512	3,954	5,726	
% of total ODA		13.5%	19.8%	17.9%	16.5%	22.0%	22.2%	10.8%	17.2%	

Table 4.6: Estimate of Norway's actual commitments of climate finance 2010-2016, using the 50%-method for bilateral and "multi-bi" ODA and the Imputed Multilateral Contributions for core funding to multilateral institutions. The figures are in actual "current" commitments, and not adjusted for inflation.

and 2015 (compared to 19% with the Norfund figures). For commitments, the level of climate finance in 2016 is 29% below the annual average between 2011 and 2015 if funds channelled through Norfund are not counted (compared to 35% if the Norfund figures they are).

- According to information from the Norwegian national annual budget⁶⁰, Norwegian renewable energy development aid has been reduced significantly since 2013 (from NOK 806 million in 2015 to NOK 470 million in 2016 and 2017). The Norwegian National Audit Office ("Riksrevisjonen") has criticised renewable energy projects for not

being sufficiently focused on poverty reduction and the poorest countries. Some of this funding has been redirected to Norfund (Norway's development finance institution), but not all.

These factors only explain part of the climate finance reduction since 2013. Another reason seems to be less political priority attributed to climate finance.

4.5. Adaptation, mitigation and cross-cutting finance

4.5.1. Distribution between adaptation, mitigation and cross-cutting

Figure 4.1 above shows how Norwegian climate finance disbursements have been distributed between mitigation, adaptation and cross-cutting (i.e. both mitigation and adaptation), based on reported Rio markers for each project (core funding is *not* divided). On average, mitigation accounted for 78% between 2010 and 2016, but with some variation (84% in 2010 and only 64% in 2014). The share of adaptation stayed about the same over the period (9% on average), while cross-cutting climate spending increased slightly, from 6% in 2010 to an average of 14% of climate finance for the whole period.

These figures for Norway can be compared to global figures in the OECD-CPI 2015 report stating that mitigation activities remain a dominant share of worldwide bilateral climate-related ODA. On average, worldwide development finance targeting 'mitigation only' was 49% in 2014-15 and 'adaptation only' was 29%. The share of activities

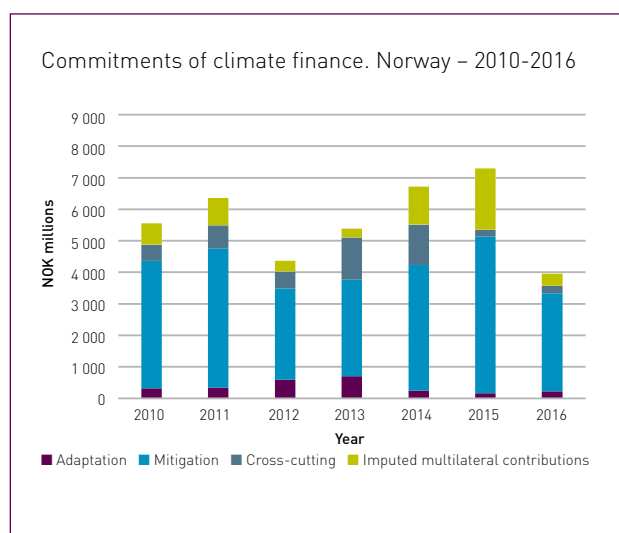


Figure 4.2: Commitments of climate finance 2010-2016, using the 50%-method for bilateral and "Multi-bi" ODA and the Imputed Multilateral Contributions for core funding to multilateral institutions (same numbers as in Table 4.6).

⁶⁰ Source: Page 250 in the Norwegian national budget (statsbudsjettet) 2016-2017 accounts for the significant reduction in spending on renewable energy for 2015, 2016 and 2017. Ministry of Foreign Affairs. 2016. Prop. 1 S - Proposal for Stortinget for the budget year 2017.

addressing *both* adaptation and mitigation (cross-cutting) was 22%.

For Norwegian climate commitments, Figure 4.2 also show mitigation as being the dominant category. Adaptation commitments have been decreasing, with 2014-2016 commitments being less than half of what was committed in 2010-2013. In relative terms, adaptation decreased from 14% of climate finance in 2012-2013 to only 5% in 2014-2016.

A significant amount of climate finance is provided to projects aimed at protecting rainforest and supporting REDD+ (described further in Section 4.6.) Almost all of them have been classified as mitigation projects with Rio marker “2” (climate features as principal objective).

The overall picture is that Norway is lagging behind relative to worldwide figures in addressing the gap between mitigation and adaptation finance. A considerable shift in the climate portfolio has to be implemented, if Norway is to balance climate finance between adaptation and mitigation, as stipulated in the Paris Agreement.

Recommendation 7: Norwegian NGOs need to step up advocacy aimed at getting the Norwegian government to increase its future climate finance commitments, in particular for adaptation projects. This would enable Norway to return to its leading international position after climate

finance in 2016 decreased by 19% in disbursement terms and 35% in commitment terms 2016 compared to the annual average between 2011 and 2015.

4.5.2. Classification of adaptation, mitigation and cross-cutting

Climate-specific finance is also broken down by adaptation, mitigation and cross-cutting in Norway’s reporting to the UNFCCC. The distribution has been based on the Rio marker scores for adaptation and mitigation. Table 4.7 below shows figures for adaptation, mitigation and cross-cutting as reported by Norway in its Biennial Reports.

The distribution of climate finance between adaptation, mitigation and cross-cutting goals calculated in Table 4.5 differs drastically from what is reported in the Biennial Reports, as the figures reported to the UNFCCC have much higher amounts in the cross-cutting category. This seems to stem from the classification method used by Norway in its Biennial Reports, where all climate-specific disbursements to each recipient country are added together. All disbursements to countries where both mitigation and adaptation projects exist are then classified as cross-cutting, even when individual projects might be *only* adaptation- or mitigation-related. This is problematic.

By contrast, the method used in this report for calculating Norad data classifies each disbursement and

Reporting of climate finance		Disbursements - NOK million			
		2011	2012	2013	2014
UNFCCC Biennial reporting - Climate specific	Adaptation	9	25	40	21
	Mitigation	66	272	475	254
	Cross-cutting	2,329	4,651	6,948	5,821
	Not specified	720	0	0	0
	Total	3,124	4,948	7,463	6,095

Table 4.7: Classification of climate-specific finance as reported in Biennial Reports to the UNFCCC.

Budget chapter in Norway’s national budget	2010 - 2016 Disbursements		
	Total climate finance - NOK millions	% of all climate finance	Climate finance % of budget chapter
Internasjonale klima- og utviklingstiltak (1482)	8,465	23.7%	94.2%
Bistand til regioner (150, 151, 152, 153)	3,135	8.8%	11.5%
Sivilt samfunn og demokratiutvikling (160)	1,006	2.8%	7.4%
Næringsutvikling (161)	2,224	6.2%	20.4%
Miljø, og bærekraftig utvikling mv. (166)	13,541	37.9%	82.6%
FN-organisasjoner mv. (170)	2,351	6.6%	8.2%
Multilaterale finansinstitusjoner (171)	3,171	8.9%	22.0%
Other	1,848	5.2%	2.8%

Table 4.8: Norway’s total climate finance divided on Chapters in the National Budget. “Other” including climate funding from “162 - Overgangsbestand (GAP)”; “163 - Nødhjelp, humanitær bistand og menneskerettigheter”; “164 - Fred, forsoning og demokrati”; “165 - Forskning, kompetanseheving og evaluering”; “166 - Miljø, og bærekraftig utvikling mv.”; “168 - Kvinners rettigheter og likestilling”; “169 - Global helse og utdanning”; “170 - FN-organisasjoner mv.”; “171 - Multilaterale finansinstitusjoner”; “172 - Gjeldslette og gjeldsrelaterte tiltak”; and “5309 - Tilbakeføringer”.

project individually, based on the Rio markers applied. Only disbursements to individual projects with a Rio marker of “Significant” or “Principal” in *both* adaptation and mitigation are counted as cross-cutting (see the description of methods in Chapter 3).

The method presented in this report is more precise in distinguishing between adaptation, mitigation and cross-cutting projects, and gives a better indication of the relative shares of adaptation and mitigation in Norwegian climate finance.

Recommendation 8: When reporting on climate finance, the Norwegian Ministry of Foreign Affairs should calculate adaptation, mitigation and cross-cutting finance based on individual Rio markers assigned to each project and *not* add all projects in each country together as a single category. It is also recommended that each individual project be counted separately when reporting in Table 7(b) to the UNFCCC.

4.6. Breakdown of Norway’s climate finance

In this section, various aspects of Norway’s climate finance are presented, including the extending agencies, implementation channels and geographical distribution of recipient countries.

All figures represent the sum total of climate finance disbursements for the period 2010–2016 based on Norad data using the 50%-method and Imputed Multilateral Contributions.

4.6.1. Climate finance divided on National Budget Posts

Table 4.8 below presents Norwegian climate finance between 2010 and 2016, divided on Budget Post Chapters in the national budget. Some of the budget post with smaller amounts of climate finance have been combined under “Other”.

Most of the climate finance is funded under the chapters “International climate and development actions [1482]”, “Environment and sustainable development [166]” and through the international support (“UN organization [170]” and “Multilateral financial institutions [171]”).

4.6.2. Source of climate finance

Figure 4.3 shows how climate finance disbursements between 2010 and 2016 was divided between the various extending Norwegian government agencies. The Ministry of Foreign Affairs, including Norwegian embassies, is by far the largest extender of climate finance, with 75% of the total, not least because multilateral core finance is channelled through this ministry in Oslo.

Not included in the figure is 5% of the total climate finance channelled through Norfund. Norad has informed the consultant team that until 2013 Norfund’s investments were counted as ODA, but from 2014 onwards the capitalization from the Ministry of Foreign Affairs is counted as ODA and Norfund’s investments are counted as Other Official Flows.

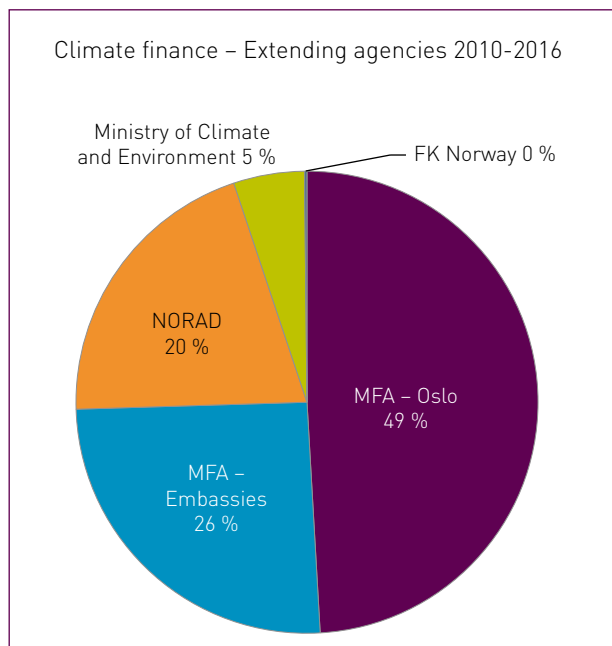


Figure 4.3: Sources of climate finance 2010–2016, divided on extending agencies. Based on data for disbursements from Norad. Precise figures for the geographical distribution of climate finance can be found in Table C.3 in Annex C.

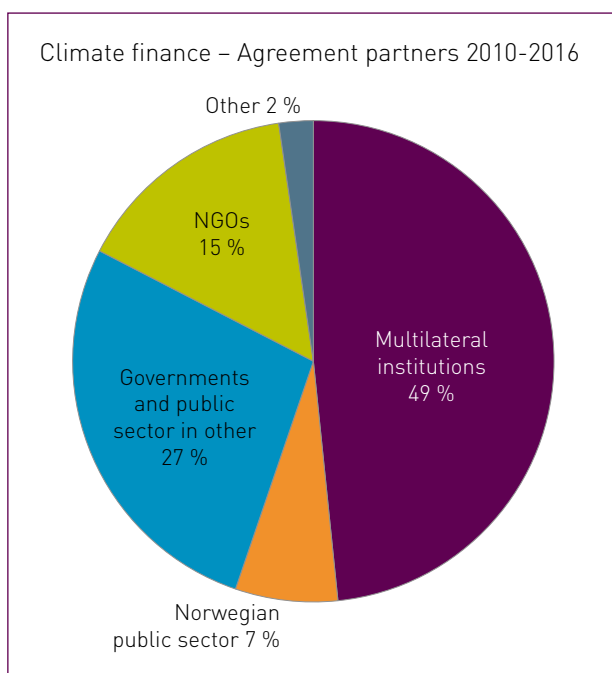


Figure 4.4: Implementing channels of climate finance 2010–2016, broken down by agreement partner. Based on data for disbursements from Norad. Precise figures for the geographical distribution of climate finance can be found in Table C.4 in Annex C.

A table with the results substantiating Figure 4.3 is provided in Annex C.

4.6.3. Climate finance implementation channels

Figure 4.4 illustrates the breakdown of Norwegian climate disbursements by different implementation channels. The categories are based on information on agreement partners available in Norad data, and include multilateral in-

stitutions (both earmarked project allocations and core funding), the Norwegian public sector, governments and public sector in other countries and NGOs. The category “Other” covers minor amounts going to the private sector, public-private partnerships and consultancies.

As shown in the figure, multilateral partners (49%) is the primary implementation channel for Norwegian climate finance, accounting for twice as much of the climate finance as bilateral public partners (27%) and more than three times the amount going to NGOs (15%).

This distribution of implementation channels more or less follows the distribution of channels for *total* Norwegian ODA, although the share going through NGOs is smaller (15% compared 21% for all ODA), while the share going through bilateral public partners is substantially higher (27% compared with 10% for all ODA).

A table with the results for Figure 4.4 is provided in Annex C.

4.6.4. Geographical distribution of climate finance

The overall geographical distribution of Norwegian disbursements of climate finance between 2010 and 2016 is shown in Figure 4.5 below. The figure is based on information on recipient regions in Norad data and excludes the 29% of climate finance marked as “Not geographically allocated”. Thus, the percentage figures only refer to those amounts of finance for which the recipient region can be identified.

As shown in Figure 4.5, the Americas is the region receiving the most climate finance from Norway (52%), with Brazil being the dominant recipient, both in the region and worldwide. Africa receives about a third of Norwegian climate finance (30%), and Asia about a sixth (17%).

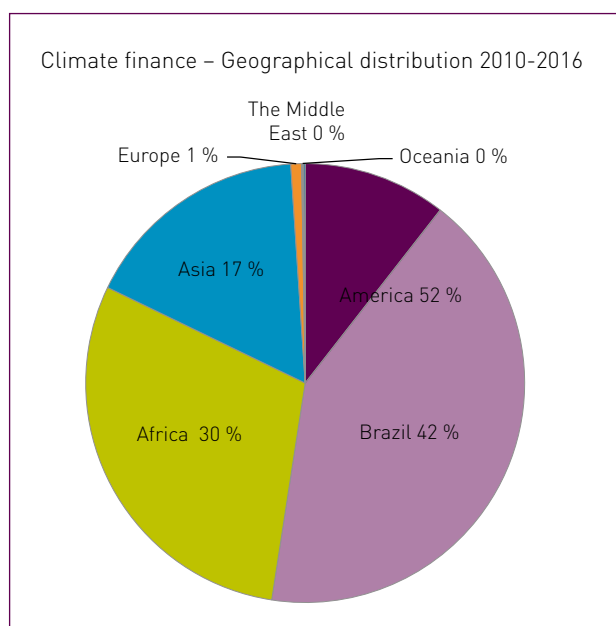


Figure 4.5: Geographical distribution of climate finance disbursements 2010-2016. Based on data from Norad. “Not geographically allocated” finance has been omitted. Precise figures for the geographical distribution of climate finance can be found in Table C.5 in Annex C.

climate finance provided to Africa and Asia, adaptation accounts for 20% and 17%, compared to only 1% of Norwegian climate finance being spent on adaptation in the Americas. Overall, Africa receives almost half (48%) the adaptation finance provided by Norway.

To illustrate the level of climate finance going to Brazil, Table 4.9 below shows what has been disbursed to the top five recipient countries between 2010 and 2016, and their shares of total climate finance from Norway.

Country	Disbursements 2010 - 2016	
	Total climate finance - NOK millions	% of all climate finance
Brazil	8,613	24.1%
Indonesia	1,150	3.2%
Guyana	1,046	2.9%
Ethiopia	686	1.9%
Malawi	606	1.7%

Table 4.9: Top 5 recipients of Norwegian climate finance 2010-2016. Based on data for disbursements from Norad.

Brazil has been the largest recipient by far, accounting for more than seven times the amount of the second largest recipient country, Indonesia. Looking at Norwegian climate finance provided to Brazil, the lion’s share (85%) is spent on “Environmental policy and administrative management”, which seems to cover a number of large forestry, deforestation and REDD+ projects. Another significant proportion is allocated to hydro-electric power plants (14%), primarily as investment from Norfund.

In 2016, Brazil continues to be the biggest recipient with 20% of all climate disbursements.

Country	Disbursements 2016	
	Climate finance - NOK millions	% of all climate finance
Brazil	891	19.7%
Indonesia	410	9.1%
Liberia	123	2.7%
Colombia	117	2.6%
Ethiopia	115	2.5%

Table 4.10: Top 5 recipients of Norwegian climate finance 2016. Based on data for disbursements from Norad.

4.6.5. LDCs share of Norwegian climate finance

Figure 4.6 below shows the distribution of Norwegian climate finance between 2010 and 2015, broken down by income group of recipient countries. The figures are based on OECD Creditor Reporting System data for climate finance disbursements, since information on income groups is *not* presented in Norad’s data (only recipient countries)⁶¹.

61 Only the funds with clearly identifiable recipient countries are included, which means that the 38% marked as ‘Part I unallocated by income’ and the

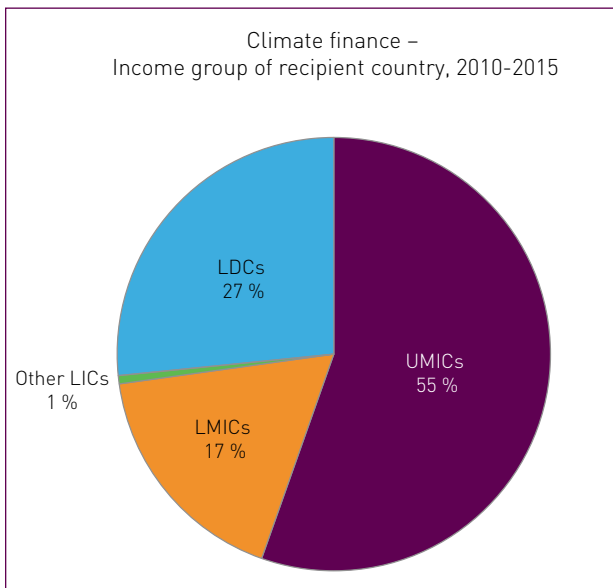


Figure 4.6: Distribution of climate finance disbursements 2010-2016, based on recipient country income group. Based on data from Creditor Reporting System. "Part I unallocated by income" and multilateral core finance has been omitted. Precise figures for the geographical distribution of climate finance can be found in Table C.6 in Annex C.

Least Developed Countries (LDCs) received 27% of climate finance provided by Norway between 2010 and 2015. This is considerably less than the 52% that LDCs received of total Norwegian ODA in the same period. Norad informs that Norfund intends to increase its portfolio of projects in LDCs. Climate finance to LDCs is discussed in further detail in Section 6.4.

4.7. General conclusions on Norwegian climate finance

Based on the analysis presented in Chapters 2, 3 and 4, a number of conclusions can be drawn regarding Norwegian climate finance flowing to developing countries.

- 1) The Norwegian government has a *high degree of transparency* with public access to data at project and programme levels, including reimbursable cost. This data can be accessed through a user-friendly web portal (Norad's Norwegian Aid Statistics). This testifies to Norad's implementation of the International Aid Transparency Initiative (IATI). Unfortunately, it is *not* possible to find similar public data regarding commitments made.
- 2) The consultant team calculates that, in the period between 2010 and 2016, Norway disbursed, as an annual average, *NOK 5.11 billion in climate finance*, with slightly higher levels of commitments (NOK 5.73 billion). This has been calculated using two methods that, according to analysis presented in this report, lead to a more ac-

curate result: the imputed method for multilateral core funding and the counting of 50% of the total budget as climate finance in the case of undertakings with the Rio marker "Significant" (instead of 100%).

- 3) Norway can be viewed as one of the few international donors that have provided a high level of '*new and additional*' resources, since it launched the International Climate and Forest Initiative at COP13 in 2007. On the other hand, as a major oil exporter, Norway is also one of the countries that contribute the most to greenhouse gas emissions.
- 4) The table on the years from 2010 to 2016 shows a *significant decrease in Norwegian climate finance disbursements in 2016*, when the total was NOK 4.5 billion, i.e. NOK 1.1 billion or 19% below the annual average of NOK 5.6 billion between 2011 and 2015. Climate finance as a share of ODA fell from 18% between 2011-2015 to just 12% in 2016. Even if spending on refugee reception is disregarded in the figures, the share of climate finance (as a percentage of ODA without the "Refugees in donor countries" item) fell from 19.5% of ODA between 2011-2015 to 15% in 2016. One of the reasons is that Norway's renewable energy funding has been reduced considerably since 2013.
- 5) A large decrease in Norwegian climate finance commitments is observed in 2016 (by 35% compared to 2011-2015 average levels, from NOK 6.1 billion to NOK 4 billion). The conclusion is that there has been a significant reduction in Norwegian climate finance in 2016.
- 6) The consultant team estimates that annual over-reporting of climate finance is NOK 620 million for disbursements and NOK 705 million for commitments (annual average when using the aforementioned 50% method for the period between 2010 and 2016). This is because Norway, as one of the only donor countries, counts the budgets of projects with a "Significant" climate-related objective, according to the Rio markers, as 100% climate finance, as opposed to most other countries, which consider them to be either 50% or 40% climate finance. The over-reporting would be a bit lower, if some renewable energy projects could be marked as "principal" instead of as currently 'significant' in terms of mitigation.
- 7) 27% of Norwegian climate finance is transferred to least developed countries (LDCs), while the largest share by far goes to lower and upper middle-income countries. This proportion of climate finance provided to LDCs is considerably lower than that of total Norwegian ODA donated to LDCs (52%).

18% provided as core funding to multilateral institutions is not included in the figure.

PART 2:

INTERNATIONAL CLIMATE REPORTING AND SUGGESTED FOCUS AREAS FOR CIVIL SOCIETY ADVOCACY

Part 2 of the report presents international perspectives related to the UNFCCC negotiations, the OECD and multilateral organisations.

Chapter 5 lays out the current system for tracking global climate finance, and provides concrete suggestions for improvement in the reporting of various actors. Chapter 6 proposes key focus areas for civil society organisations advocacy in relation to climate finance.

5. ANALYSIS AND PROPOSALS FOR IMPROVING CLIMATE ACCOUNTING AT THE INTERNATIONAL LEVEL

This chapter describes and analyses the modalities, methods, strengths and weaknesses of international accounting and reporting of financial resources provided and mobilized through public interventions. The analysis points to a need for the UNFCCC to adopt clear and well-defined mechanisms for transparent climate finance accounting.

In order to carry out this task, the consultant team has identified and examined a significant number of documents (see Annex B), while other information has been obtained directly from interviews with civil servants in Norway, Denmark, Finland and Switzerland, as well as with senior staff in international NGOs, think tanks and researchers (Climate Policy Initiative, World Resource Institute, E3G, among others).

5.1. Overview of channels, modalities and accounting

International climate finance can be channelled in a variety of ways by actors both inside and outside national governments, using a wide range of instruments. Existing modalities for accounting of financial resources for climate-related purposes provided and mobilized through public interventions fall into the following categories:

- a) Bilateral public flows
 - Counted using the Rio marker methodology
 - As reported to the UNFCCC in each country's Report on Bilateral Flows by Annex 2 Parties
- b) Multilateral public flows
- c) Private flows

There is already considerable experience of collecting and reviewing countries' climate finance reports, and the UNFCCC's Standing Committee on Finance produces biennial assessments of overall climate finance flows. However, as explained in an OECD publication⁶², collecting data aimed at tracking financial inflows and outflows accurately and avoiding double counting poses major challenges. The different national reports on climate finance are not always comparable, complete or consistent in their accounting methods, which hinders meaningful aggregation to take stock of global progress towards the USD 100 billion per year goal to be achieved by 2020.

At present, there is no single international system that collects all the climate finance data that would be needed to ensure transparent assessments of compliance with existing commitments under the UNFCCC and under the Paris Agreement. Instead, there are several systems or processes that collect some of the information required. Thus, the Common Tabular Format, agreed at COP 18 for developed countries, includes tables for the provision

of bilateral and multilateral public financial support. It should be noted that the Common Tabular Format does *not* offer the option of reporting the *total* amount of climate finance provided by each donor country. In addition to the UNFCCC reporting, the OECD's Creditor Reporting System for Official Development Assistance (ODA) allocates 'Rio markers' to project-specific flows that are categorised as having climate change mitigation and/or adaptation purposes.

The Multilateral Development Banks (MDBs) also collect information on the climate finance that they provide to developing countries. This encompasses climate finance provided to "developing and emerging economies" from MDBs' own resources as well as from external resources channelled through MDBs. Information on climate finance mobilised is available in the MDBs' latest report⁶³. Reporting from MDBs is described in more detail in Section 5.6.

Reporting on mobilised private finance will become mandatory under the Paris Agreement and is a key challenge for developed countries. There has been some limited experience of collective reporting of climate finance mobilised, as the OECD DAC is beginning to collect information on finance mobilised from the private sector by means of ODA. From 2017, reporting on amounts mobilised in the form of guarantees, syndicated loans and shares in common investment vehicles will be included in the regular DAC data collection.

The most comprehensive assessment of global climate finance provided to developing countries was published by the OECD and the Climate Policy Initiative (CPI) and entitled '*Climate Finance in 2013-14 and the USD 100 billion goal*', published in 2015.

5.2. UNFCCC negotiations regarding transparency, accountability and reporting

Modalities for the accounting of financial resources provided and mobilised through public interventions was discussed at the UNFCCC intersessional meeting in Bonn in May 2017. Negotiations centred on how to fulfil obligations under Article 9.1 (paragraph 7) and how to implement the transparency mechanism laid out in Article 13 of the Paris Agreement. The parties are expected to take decisions on this at COP24 (December 2018), leading to a transparent and mutually-agreed system for accounting and tracking financial flows in pursuit of low-carbon and climate-resilient development in developing countries.

The Paris Agreement distributes overall responsibility for setting up systems to measure, report, and verify financial flows between three bodies: The Ad Hoc Working Group on the Paris Agreement (APA), the Subsidiary Body

⁶² Ellis, J. & Moarif, S. 2016. Enhancing transparency of climate finance under the Paris Agreement: lessons from experience.

⁶³ MDBs. 2017a. 2016 Joint Report on Multilateral Development Banks' Climate Finance.

for Scientific and Technological Advice (SBSTA), and the Subsidiary Body for Implementation (SBI). These entities are tasked with drawing up a transparency framework, creating 'modalities' for climate finance accounting, and assessing what developed nations must include in their Biennial Reports to the UNFCCC in terms of their future financing projections.

The negotiations at SBSTA 46⁶⁴ in May 2017 in Bonn set out to comply with the following objectives and principles:

- To ensure clarity as to what counts as climate finance in line with Article 13⁶⁵ and within the scope of the SBSTA mandate.
- To ensure transparency, accuracy, consistency, comparability and completeness as well as avoidance of double counting.
- To facilitate improvements in reporting and transparency over time.
- To avoid duplication of tasks as well as other undue burdens on Parties and the secretariat.

The negotiations at SBSTA 46 in May 2017 made some progress on aspects related to financial reporting under the Paris Agreement, e.g. year, currency, financial instrument, type of support, sector, and recipient country/programme for bilateral funding and recipient institutions for multilateral funding. The table below illustrates some key areas in the Co-chairs' note, which should be negotiated at COP23:

- a) Climate finance provided through bilateral, regional and other channels
 - How to facilitate more granularity through the provision of project- and activity-level information to enhance the transparency of operational definitions of climate finance used and to foster engagement between donor and recipient countries;
 - More clarity on what each Party counts as climate finance (e.g. through the indication of coefficients where Rio markers were used, through operational definitions of climate finance, criteria used to determine climate relevance).
- b) Core/general: (multilateral)
 - Reporting of only the climate-specific amount of core contributions (e.g. through imputed multilateral contributions);
 - Avoidance of double counting;
- c) Climate-specific:
 - More clarity on the criteria used by Parties and international financial institutions to identify contributions and outflows, respectively, as being climate-specific.
- d) Climate finance mobilized through public interventions:
 - Harmonization of methodologies (e.g. reporting on

co-financing, causality and attribution); provision of definitions and approaches used;

- Development of simple standardized/common reporting format to facilitate consistency of quantitative reporting across Parties;
- e) Additional potential considerations:
 - Facilitation of understanding on the outflow of finance from multilateral channels to developing country Parties (e.g. (1) through an invitation to multilateral financial institutions to provide project-level information by financial instrument and by recipient, as well as information on how climate-specific inflows relate to outflows going to climate change projects; (2) through the utilization of the Standing Committee on Finance's biennial assessment and overview of climate finance flows as a vehicle; (3) through recipient country reporting).

Some of these areas will be further analysed in the remaining sections of this chapter with the aim of identifying progress, constraints and weaknesses, which will translate into specific recommendations for improvements of the current climate finance accounting system. This can hopefully be used by the Climate Action Network (CAN) and other actors to influence the negotiations scheduled to result in a formal decision at COP 24, in December 2018, regarding mechanisms for adequate measuring, reporting, and verification of financial flows to developing countries.

5.3. Standing Committee on Finance's Biennial Assessment and Overview of Climate Finance Flows 2016

In January 2014, developed country parties to the UNFCCC submitted their first Biennial Reports for the years 2011-12, for the first time adhering to a common reporting format. In its feedback, the UNFCCC's Standing Committee on Finance made a series of recommendations to improve the measuring, reporting and verification of climate finance. Two years later, the second Biennial Assessment prepared by the Standing Committee on Finance was submitted to COP22 held in 2016 in Morocco⁶⁶. It examines the quality of the countries' second biennial reports and of information from international institutions.

The Standing Committee on Finance's report also provides an estimation of flows from developed to developing countries for the years 2013 and 2014, based on analysing the Biennial Reports from individual countries. For 2014, it reported USD 26.6 billion of climate-specific finance, of which USD 23.9 billion was channelled through bilateral, regional and other channels. This represented an increase of about 50% in the total amount of public finance compared to what was reported as flowing through the

⁶⁴ The source is SBSTA. 2017. Informal note by the co-chairs on SBSTA item 11.

⁶⁵ The Transparency Mechanism is laid out in Article 13 of the Paris Agreement. Paragraph 9 obliges developed countries to provide information on financial and technology transfers and on capacity-building support provided to developing countries.

⁶⁶ UNFCCC SCF. 2016a. 2016 Biennial Assessment and Overview of Climate Finance Flows Report - Technical Report.

same channels in 2011–2012.

USD 2.5 billion was channelled through the UNFCCC funds and multilateral climate funds according to the countries' financial reports. Although this is a small proportion of total climate finance, information on these activities is mostly complete. Furthermore, multilateral development banks' (MDBs) transfer of their own resources to developing countries was reported as USD 25.7 billion in 2014.⁶⁷

According to the second Biennial Assessment conducted in 2016, a number of *improvements* have been made in the tracking and reporting of climate finance since the preceding 2014 Biennial Assessment, including:

- Developed countries have provided additional information on their underlying definitions, methodologies and assumptions used, including how they have identified finance as being "climate-specific", as well as making these data more accessible to the public and recipient Parties, thereby enhancing transparency.
- The MDBs and International Development Finance Club (IDFC) have established common principles for tracking climate adaptation and mitigation finance. MDBs are publishing annual reports with data on public and private climate co-financing.
- OECD DAC has been fine-tuning the Rio Marker definitions to reflect the MDB principles through improved guidance on how to apply Rio markers for adaptation and mitigation, as well as by adjusting Rio Marker definitions regarding adaptation.

An important contribution was made when the OECD in collaboration with the Climate Policy Initiative (CPI) published a report a few months before COP21 with an estimate of worldwide climate finance in 2013 and 2014 ("*Climate Finance in 2013-14 and the USD 100 billion goal*"⁶⁸). The report stated that political realities had hindered timely introduction of data collection and methodologies needed to provide a clear picture of the volume of climate finance. The report also noted that the existing reporting guidelines and Common Tabular Formats developed in 2012 provide no internationally-agreed definitions or methodology for basic financial reporting, or even for the term 'climate-specific' finance. Reviews of the Biennial Reports have shown that the guidelines leave room for interpretation and for a range of reporting approaches.

In the Second Biennial Assessment, the Standing Committee on Finance informed COP22 that the major challenge for climate finance is "*encountered in collecting, aggregating and analysing information from diverse sources. The limited clarity with regards to the use of different definition of climate finance limits comparability of data.*" (p. 3). Other *challenges and limitations* are:

- Collecting, aggregating and analysing information from

diverse sources poses challenges. There are uncertainties associated with sources of data and with methods for estimating adaptation finance.

- Differences in the assumptions of underlying formulas used to categorise finance from multilateral development banks (MDBs) to developing countries, as well as in the classification of 'green finance' and regarding incomplete data on non-concessional credit flows.
- There are *no* internationally agreed methods for reconciling climate finance provided against support received. Biennial Reports from developing countries are not reviewed in time for aggregating data for the Biennial Assessments.
- There is a lack of systematic collection of data on worldwide climate-related private finance, due to difficulties of identifying climate-related finance, restrictions based on confidentiality, and conceptual and accounting issues.
- There are insufficient resources for providing institutional capacity to developing countries to track climate finance.
- The volume of global climate-related finance and investment may be higher than indicated by current figures, given that there are still significant data gaps in critical sectors such as sustainable transportation, agriculture, energy efficiency and resilient infrastructure.

The Standing Committee on Finance has recognised the need for further improvement with regard to transparency and consistency of information on climate finance provided.

On 12 October 2017, a Review of the functions of the Standing Committee on Finance was published⁶⁹. And for the upcoming COP 23, the Standing Committee on Finance will present its Sixth Review of the Financial Mechanism of the Convention. In 2018, it will present its third Biennial Assessment to COP 24.

5.4. How actors other than the UNFCCC view major challenges regarding transparency, accounting and reporting

Only slightly more than two years remain before 2020, the year in which developed countries are committed to start spending USD 100 billion a year on climate change mitigation and adaptation in developing countries. This was already agreed at COP15 in Copenhagen, the decision was formalised in Cancun (2010) and it is an essential element in the Paris Agreement. Nevertheless, an adequate system for defining, categorizing, tracking and evaluating climate finance has yet to be devised. Although the Standing Committee on Finance and UNFCCC negotiators are increasingly aware of the problems, progress towards improving transparency, accounting and reporting is slow.

The OECD-CPI report from October 2015 made an

⁶⁷ A more advanced methodology, which better captures the mobilisation effect channelled through the MDBs, suggests that USD 14.9 billion in 2013 and USD 16.6 billion in 2014 can be attributed to developed countries (p. 5 in UNFCCC SCF, 2016a).

⁶⁸ OECD-CPI, 2015. Climate Finance in 2013–14 and the USD 100 Billion Goal.

⁶⁹ UNFCCC, 2017. Review of the functions of the Standing Committee on Finance.

important assessment of available data and underlying assumptions and methodologies. Despite making an effort to carry out an aggregate reporting exercise, it concluded that “*there remains significant work to be done to arrive at more complete and accurate estimates in the future.*”

Numerous challenges and problems have been identified by researchers and international NGOs and think tanks. Reviews of the Biennial Reports have shown that the guidelines leave room for interpretation and for a range of reporting approaches. The lack of common standards hinders consistent reporting and comparison.

Serious concerns were also raised in CAN’s submission⁷⁰ to the UNFCCC (July 2016): “*Current reporting systems (e.g. the Biennial Reporting provisions) lack completeness, consistency and detail that in our view is required to meet those objectives. Some developed countries are including many types of projects and financial instruments that recipient nations and civil society observers do not consider appropriate. Levels reported may be inflated or overestimated, financial instruments that do not constitute actual support are included, and the climate-relevance of finance is often questionable. The current accounting systems do not reflect on finance flowing back to developed countries (e.g. as part of repaying loans, or return on private investments). Lack of detail, especially where countries do not report on a project level basis, does not allow comprehensive and consistent monitoring, verification and evaluation, hampering potential to learn from, and advance, climate finance.*”

A group of researchers led by Romain Weikmans and Timmons Roberts have documented the problem by scrutinizing 5,200 donor-funded aid projects from 2012 that had been attributed adaptation-related Rio markers in reporting to OECD DAC. Their re-evaluation⁷¹ showed that 3,444 of the total of 5,200 aid projects (66% of those reported) did *not* explicitly target climate change adaptation.⁷² The researchers are stating that improvements in accounting methodologies and greater transparency in the reporting of climate finance are crucial for building the trust among nations that the targets set by the Paris Agreement are being met.

According to Oxfam International’s shadow report (2016), “*agreement on common accounting standards is long overdue and vital to ensure that climate finance is spent effectively and efficiently to help deliver low carbon and climate resilient development. Climate finance reporting systems lack transparency, consistency and detail,*

resulting in wide differences and ‘fuzzy maths’ in the way developed countries report.”

The Ministry of Finance in India made this comment⁷³ to the OECD-CPI 2015 report: “*This OECD report needs improvement. The credibility gap is too big. We have to have more credible facts, from a careful and continuous collaboration. Ambitions need to be set high, and not shirk even modest past responsibilities The amounts of annual climate change finance flows from rich to poor countries which are new and additional remain extremely low. Everyone in this business knows this well.*”

5.5. Grant equivalent of loans

The second Biennial Assessment estimates that multi-lateral development banks’ (MDBs) transfer of their own resources to developing countries was USD 25.7 billion in 2014. Only 9% was provided as grants and 83% was provided as loans, whose concessionality is not specified in the banks’ climate finance reporting (p. 49).

According to the 2016 Joint Report on MDBs’ Climate Finance: “*collectively, the MDBs committed US\$ 27,441 million in climate finance in 2016. The net total climate co-finance committed during 2016 alongside MDB resources was US\$ 37,879 million. When combined with the MDB climate finance, the year’s total climate finance is US\$ 65,320 million.*” (see Figure 5.1 below).

MDBs⁷⁴ track and report climate finance in a granular manner, covering only those components and/or sub-components or elements/proportions of projects that directly contribute to adaptation and/or mitigation.

The OECD Climate Change Expert Group Paper (2016)⁷⁵ on lessons learned raises the problem that some donor countries only count concessional flows in their climate finance figures, whereas others include non-concessional OOF, if only it is climate-relevant. The paper describes this as difficult to standardize, due to diverging opinions among donor countries.

Oxfam International⁷⁶ finds that reported levels of global climate finance are much higher than actual support (climate-specific net assistance) provided to developing countries. This is mainly due to many countries including transfers provided as loans at face value rather than at their grant equivalent value. Oxfam uses a method for downgrading the value of grants that are not exclusively climate-related, concessional loans and non-concessional loans, arriving at a rough estimate of the actual

70 CAN 2016. CAN Submission: Elaborating Modalities of Accounting for Climate Finance.

71 Weikmans, R. J. et al. 2017. Assessing the credibility of how climate adaptation aid projects are categorized. Of the 5,200 aid activities marked as adaptation-related in the OECD Creditor Reporting System database for 2012 bilateral flows, 1,393 were classified by donors as targeting adaptation as a principal objective and 3,807 as having adaptation as a significant objective.

72 It should be noted that, while the overall conclusion of the study concerning the misapplication of Rio markers for adaptation is valid, the method used by the researchers might overestimate the actual number of errors in the reporting. The researchers have only had access to the information available in the Creditor Reporting System database, which, is often inadequate in its description of projects. A number of projects with actual adaptation objectives might therefore not have been counted as adaptation projects by the researchers due to a lack of information in the database. This weakness is recognized by the researchers and could point to a need for improvements in project descriptions within the Creditor Reporting System and for greater transparency in project documents from donor agencies.

73 Ministry of Finance. 2015. Climate Change Finance, Analysis of a Recent OECD Report: Some Credible Facts Needed.

74 The group of multilateral development banks (MDBs) is composed of the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDBG) and the World Bank Group.

75 Ellis, J. & Moarif, S. 2016. Enhancing transparency of climate finance under the Paris Agreement: lessons from experience.

76 Oxfam. 2016. Climate Finance Shadow Report 2016: lifting the lid on progress towards the \$100 billion commitment.

Figure 2: Total MDB climate finance and net climate co-finance, 2016 (in US\$ million)

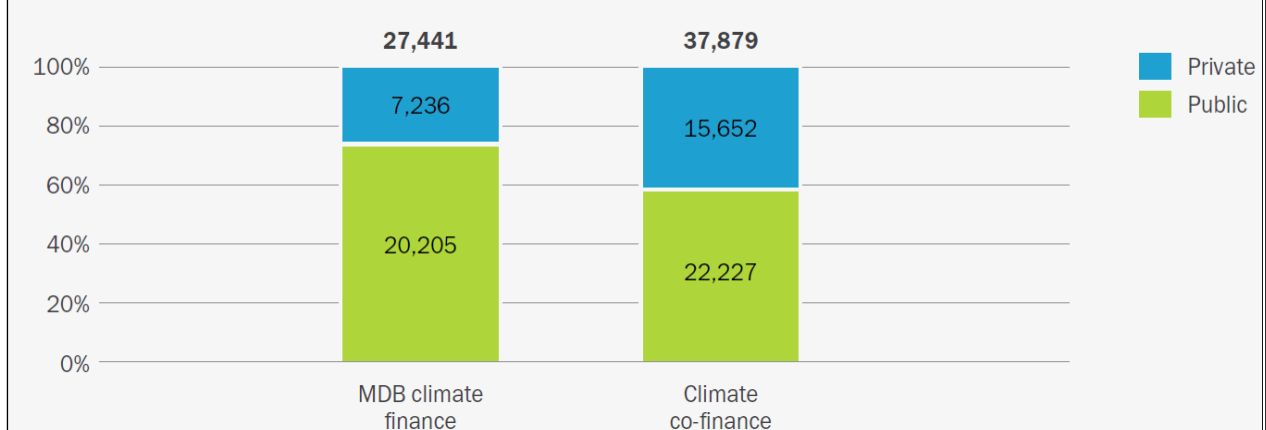


Figure 5.1: MDBs climate finance and mobilized climate co-finance in 2016. Source: MDBs. 2017a. 2016 Joint Report on Multilateral Development Banks' Climate Finance.

climate-specific net value contributed⁷⁷. For grants marked as having climate as one of several targets (Rio marker of "Significant"), the actual climate-specific value is set at 10-50%. The consultant team finds that such low estimates for grants with multiple objectives might be a little harsh and that many of the projects marked as having a "significant" climate-related objective deliver a climate-relevant value considerably greater than 10% of grant value.

According to Oxfam, of the USD 41 billion reported as public climate finance through bilateral and multilateral

channels (annual average over 2013–14), only about USD 10 billion was provided in the form of grants, (around 25 percent), while USD 32 billion was provided through other instruments such as loans, equity or guarantees.

Oxfam estimates the grant equivalent of this reported finance to be between USD 13 and 21 billion. This means that the reported numbers may be up to three times higher than the true net assistance values (see Figure 5.2 below).

Under the right circumstances, concessional loans, equity or guarantees can have an important role to play

Figure 5: Grant finance 2013–14 (bilateral and multilateral)

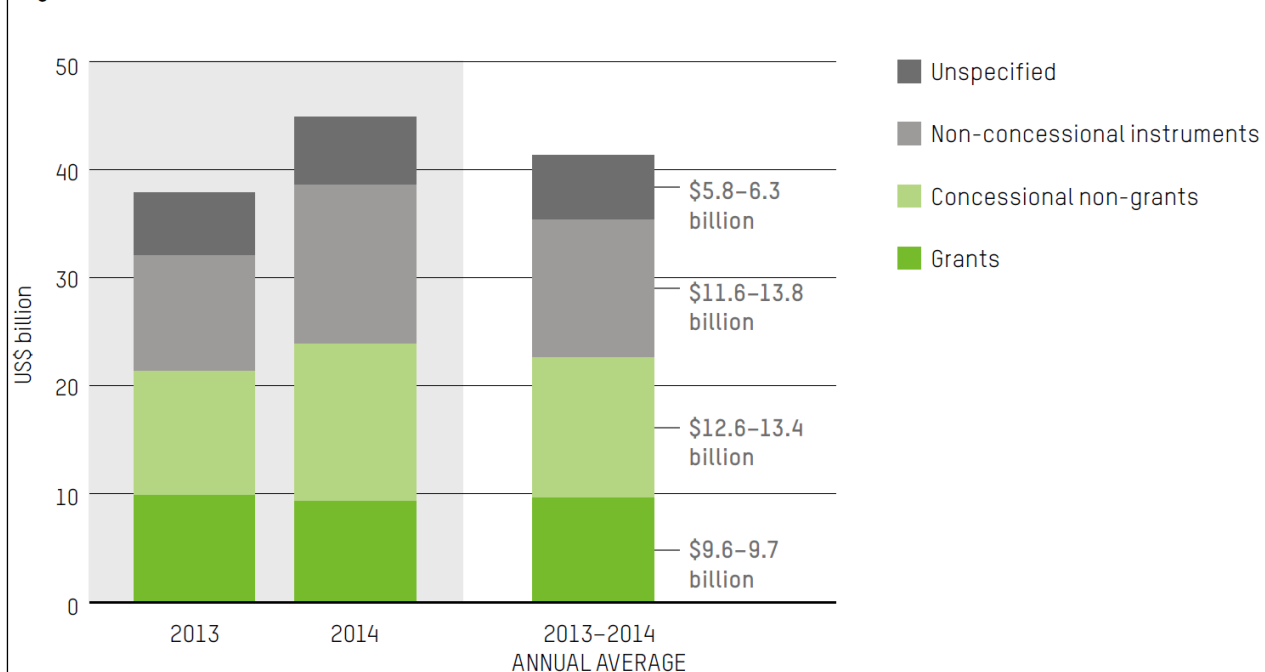


Figure 5.2: Global climate finance 2013–14 divided on instruments. Source: Oxfam. 2016. Climate Finance Shadow Report 2016: lifting the lid on progress towards the \$100 billion commitment. p.12.

⁷⁷ Oxfam has made its own calculations based on the OECD (2016) and Second Biennial Reports (2016). Oxfam has used 25 percent calculated at a discount rate of 10% (concessionality) as its low estimate, since this is the minimum to qualify as ODA. For the high end, it was assumed that the average grant equivalent would be up to 67 percent, which corresponds to loans with a 10-year grace period, 40-year maturity, 0 percent interest and 5 percent discount rate. Source: Climate Finance Shadow Report 2016. Oxfam International. Report written by Tracy Carty, Jan Kowalzig and Annaka Peterson. November 2016.

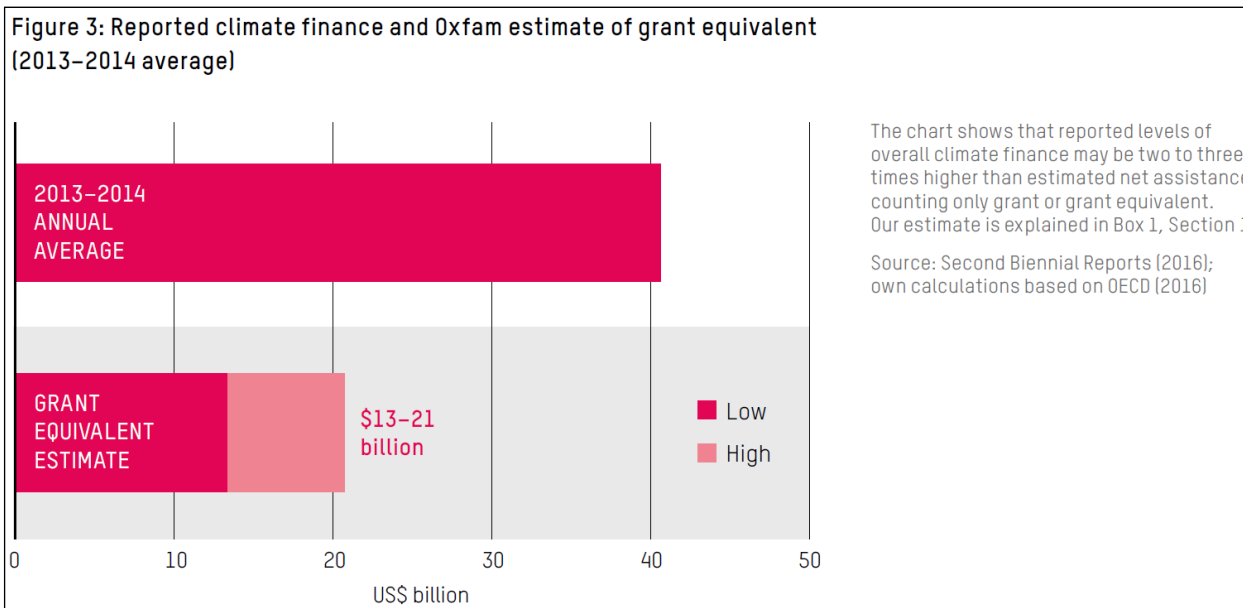


Figure 5.3: Grant equivalent of reported climate finance 2013-14. Source: Oxfam. 2016. Climate Finance Shadow Report 2016: lifting the lid on progress towards the \$100 billion commitment. p. 8.

in providing and mobilising climate finance, but reporting these instruments at their face value vastly overstates the level of assistance that developing countries truly receive.

Similar figures can be found in “*Global Landscape of Climate Finance 2015*”⁷⁸, where CPI figures for 2012 gave rise to the conclusion that the share of project level market rate loans (debt) was almost as high as the low-cost loans. The report states that “*public actors delivered more than half of their financing in the form of grants and low-cost loans, which accounted for 10% (USD 14 billion) and 47% (USD 69 billion) of total public finance respectively. (2012-2014).*”

The results of CPI’s and Oxfam’s calculations brings into question the climate finance roadmap which the developed countries presented at COP 22 in Morocco, setting out how to meet their promise to ramp up climate finance to USD 100 billion a year starting in 2020. The roadmap stipulates that the annual level will increase by USD 26 billion, so that total public finance is projected to reach USD 67 billion a year by 2020. However, according to Oxfam’s calculation, the actual current value may be just USD18-34 billion in climate-specific net assistance.

There is an obvious need for credit to finance renewable energy projects, e.g. low-cost concessional loans (with long grace periods), thus reducing the capital costs and investment risks of windmill parks and solar energy plants. There is a need to increase transparency by calculating the grant equivalent of such loans as expressed in this recommendation (with inspiration from the 2016 Oxfam International):

Recommendation A: All parties should agree on rules and accounting guidelines under the UNFCCC that ensure that countries report the grant equivalent of non-grant instruments, so that what is counted as climate finance corresponds more closely to actual net value contributed towards climate change mitigation and adaptation, thereby minimizing developed countries’ over-reporting of climate finance and attendant evasion of their UNFCCC obligations. Specifically, this means that:

- Contributing countries should (also) report, in a transparent manner, grants or the grant equivalent of instruments towards meeting their UNFCCC obligations.
- Non-concessional instruments that do not lead to net financial transfers should *not* be counted towards the meeting of UNFCCC obligations.
- Country reports should provide data on both concessional and non-concessional instruments, including guarantees and export credit insurance, informing the face values of credits, stating whether or not loans are provided at market rate, etc.

Likewise, the CAN submission in July 2016⁷⁹ recommended that the grant equivalent should be reported for concessional instruments aimed at fulfilling Article 9.1 obligations, with their face value added for information purposes. Market-rate loans and other market-rate instruments can contribute to mitigation efforts by meeting capital needs, but do not *per se* contain net assistance towards meeting the costs of mitigating and adapting to climate change, as these amounts will flow back to developed countries. Furthermore, export credits should *not* be reported as contributions towards meeting obligations under Article 9.1.

78 CPI. 2015. *Global Landscape of Climate Finance 2015*.

79 CAN 2016. CAN Submission: *Elaborating Modalities of Accounting for Climate Finance*.

5.6. Accounting and reporting of climate finance by the UNFCCC, OECD, MDBs and EU

Official reporting and accounting of climate finance at the international level is primarily the purview of the UNFCCC, assisted by significant provision of methods and data from the OECD and multilateral development banks (MDBs). EU member states also report on climate finance to the European Commission (EC) under the Monitoring Mechanism Regulation.

5.6.1. Progress in reporting systems

As described in Chapter 2 and 3, donors provide information on climate finance to the UNFCCC and information on ODA and financial flows to the OECD. The countries' own reporting to the UNFCCC is summed up in Table 7 of the Biennial Reports, using the Common Tabular Format, which has been adopted (with minor modifications) by the EC for the reporting of member states. In addition, the MDBs report on climate outflows in their annual *'Joint Report on Multilateral Development Banks' Climate Finance'* and also provide detailed project level reporting of climate finance directly to the OECD.

In past years, considerable efforts have been made to develop and streamline reporting guidelines and formats. Both reporting processes and workshops have been arranged in order to facilitate dialogue and improve guidelines and procedures for calculating climate finance both nationally and globally. This work has so far culminated in the detailed assessment of climate projects provided in Annex 18 of the OECD's Statistical Reporting Directive, and in the adoption of the *'Joint Methodology for Tracking Climate Adaptation/Mitigation Finance'* agreed among six MDBs.⁸⁰ These methods have largely been aligned, so as to use a similar interpretation of what constitutes climate finance in different sectors and projects.

Since early 2016 (after COP21), international efforts to align and improve reporting methods have slowed down, and most of the attention is now focused on measuring the mobilisation of private capital. In the EU, several countries have expressed reluctance to increase their reporting burden, as the ministries involved are facing budget cuts and layoffs. Nevertheless, there is still a need for continued strengthening and streamlining of reporting and calculation methods for all types of climate finance. This section describes some of the main weaknesses of current reporting formats and suggests specific improvements.

5.6.2. UNFCCC reporting system

Reporting on climate finance under the UNFCCC has tak-

en shape in recent years, particularly for Annex 2 Parties, since the Biennial Reports (BR) were submitted for the first time in January 2014. However, existing reporting guidelines and the Common Tabular Format drawn up in 2012 provide *no* internationally-agreed definition of the term 'climate-specific' finance. Parties are required to set out their own definition in their reports and describe their approach to tracking such finance.

This has given rise to a mishmash of self-made approaches, where donor countries get to decide what they count as climate finance. This trend is observable in the donor countries' Second Biennial Reports submitted to the UNFCCC Secretariat in January 2016. For example, some developed countries, such as Norway, Sweden, Denmark, Switzerland and Canada, considered their climate finance to consist exclusively of grants, while countries such as France, Germany and Japan included, as a significant part of their climate finance, their various concessional loans, guarantees, equity and export credits (see further in Section 5.5).

The current format for reporting does *not* enable reporting of a *total* amount of climate finance provided by the donor country. Although the climate-specific reporting in Table 7 can be added up to produce a sum total, the format does *not* require any evaluation of the climate relevance of core funding for multilateral institutions. In the text of its Second Biennial Report, Norway states that its total finance aimed at combating climate change in 2014 was USD 967.2 million, but this figure cannot be found in Table 7 (as shown in Table 5.1 below).

As described in Chapter 2 and 3, countries report their core finance to multilateral institutions, without any assessment of how much of this is climate-related. Since multilateral organisations do *not* officially report to the UNFCCC, it is *not* possible, based solely on the Biennial Reports submitted, to determine the global level of climate finance provided under the convention. Both the need for multilateral institutions to report to the UNFCCC and the use of imputed multilateral contributions in national reporting are areas for improvement suggested by the SBSTA Co-chairs (see point b and e in Section 5.2).

Based on experience of Danish and Norwegian climate finance reporting, the following weaknesses in the UNFCCC reporting format have also been identified:

- Countries can report climate finance as commitments and/or disbursements, which complicates aggregation.
- There is a lack of guidance on which multilateral institutions should be included as "other" in Table 7 (a)⁸¹.
- Countries provide insufficient and inconsistent information when reporting in the Common Tabular Format, es-

⁸⁰ The six development banks affiliated to the MDB group are: the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDBG), and the World Bank Group.

⁸¹ Table 7(a) lists a number of institutions, whose core finance and climate-specific finance should be reported upon by the donors. These include: Multilateral climate change funds: Global Environment Facility, Least Developed Countries Fund, Special Climate Change Fund, Adaptation Fund, Green Climate Fund, and UNFCCC Trust Fund for Supplementary Activities; Multilateral financial institutions, including regional development banks: World Bank, International Finance Corporation, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank; Specialized United Nations bodies: United Nations Development Programme and United Nations Environment Programme.

Allocation channels	Year - 2014								
	Domestic currency (NOK mill)				USD (mill.) ^b				
	Core/general ^c	Climate-specific ^d			Core/general ^c	Climate-specific ^d			
	Mitigation	Adaptation	Cross-cutting ^e	Other ^f		Mitigation	Adaptation	Cross-cutting ^e	Other ^f
Total contributions through multilateral channels:	2 695,6	425,9	0,0	2 352,4	427,7	67,6	-	373,3	
Multilateral climate change funds ^g	193,8	2,0	0,0	0,0	30,7	0,3	-	-	
<i>Of which: Other multilateral climate change funds^h</i>	<i>35,7</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>5,7</i>	<i>-</i>	<i>-</i>	<i>-</i>	
Multilateral financial institutions, including regional development banks	1 721,8	182,9	0,0	1 490,0	273,2	29,0	-	236,4	
Specialized United Nations bodies	780,0	241,0	0,0	262,6	123,8	38,2	-	41,7	
Other multilateral channels ^g				599,7				95,2	
Total contributions through bilateral, regional and other channels		-172,2	20,9	3 468,3		-27,3	3,3	550,4	
Total	2 695,6	253,7	20,9	5 820,7	427,7	40,3	3,3	923,6	

Table 5.1: Table 7 in Norway's Second Biennial Report, with reporting of climate finance for 2014 (p. 44). The total Norwegian climate finance (USD 967.2) is the result of adding up the amounts for mitigation, adaptation and cross-cutting objectives found at the bottom to the right.

pecially in Table 7(b)⁸². There is no requirement to include privately mobilised climate finance or any guidelines for how this should be calculated. This is also one of the areas targeted for improvement by SBSTA Co-chairs (see point d in Section 5.2).

- There is a lack of common methods for identifying and assessing climate finance channelled through individual projects. Some of the main shortcomings at present are the differing percentage valuations of projects with the Rio marker "significant" (what proportion of the total budget should be counted as climate finance) and variety from one country to another as to what financial instruments are included in climate finance accounting. This is yet another of the areas targeted for improvement by SBSTA Co-chairs (see point a and c in Section 5.2).
- There is no requirement for reporting on the share of climate finance going to Least Developed Countries (LDCs), small island developing states and particularly vulnerable countries.

In addition, it is noted that some countries change their methodology for calculating the amount of climate finance in between biennial reports. While this might be desirable, either to improve accuracy or to reflect better data availability, it can reduce comparability over time, if it fails to be done in a transparent manner.

These weaknesses limit the ability of UNFCCC reporting to provide comprehensive and transparent figures for climate finance provided under the convention, thus complicating efforts to assess progress towards providing USD 100 billion per year in climate finance by 2020, as pledged by developed countries.

In order for the UNFCCC to provide a comprehensive estimate of global climate finance, the international community needs to agree on a clearer definition of climate finance. Considering the complex nature of international

financial support, it needs to be defined what constitutes climate finance while distinguishing between different financial instruments, e.g. grants, loans, concessional loans, non-concessional loans, equity investments, private mobilized finance etc. Climate finance in terms of loans is discussed further in Section 5.5.

Recommendation B: During 2018, the parties to the UNFCCC should agree on a clear and detailed definition of climate finance, including how the various financial instruments should be valued and included. In addition, the Common Tabular Format should be updated to contain more comprehensive and transparent information on countries' climate finance, including:

- Information on the *total* level of climate finance (Table 7)
- Separate reporting of projects marked as having 'principal' climate-related objectives and projects marked as having 'significant' climate-related objectives.
- An additional column in Table 7 and 7(a) assessing how much of the country's core funding of multilateral institutions should be counted as climate finance ("imputed multilateral contributions").
- An additional table (Table 7(c)), with information on mobilized private finance
- Additional information reported in Table 7(b), including name of each project, Creditor Reporting System ID number and/or donor ID.
- Reporting on the share of climate finance going to LDCs and small island developing states. Furthermore, countries should be required to report on changes in their methodology introduced between biennial reports, including recalculation of climate finance for previous reporting in order to ensure comparability over time.

5.6.3. Key role of the OECD

The OECD is a central institution in the development of

⁸² Additional requirements could be all countries reporting on each individual project, commitments and/or disbursements, inclusion of both Creditor Reporting System and national project ID numbers, as well as of specific purpose codes adhering to OECD DAC standards.

comprehensive and transparent data and information on climate finance, both on a national and global scale. The OECD DAC's Creditor Reporting System provides the most comprehensive and detailed set of data for analysing disaggregate flows of ODA and other types of financial flows⁸³ from member countries.

So far, most developed countries have used the OECD DAC's 'Rio marker' system (explained in section 2.5) to report to the UNFCCC Secretariat on their financial commitments to combat climate change. The Rio markers were originally designed by policy makers to track the extent to which the countries were integrating the Rio Conventions into their development aid portfolios. Accordingly, the Rio marker methodology was *not* originally designed to monitor financial pledges. This is problematic, since nowadays the USD 100 billion per year commitment gives rise to a greater demand for reliable quantitative data.

Nevertheless, the Rio marker methodology is applied despite its shortcomings, because it is a well-established part of the reporting system both internationally and within each OECD member state, which ensures comparability between countries.

Climate finance is *not* reported directly to the OECD, but, as described in Chapter 2, flows of bilateral commitments and disbursements are classified with Rio markers, including for adaptation and mitigation⁸⁴. OECD's guidelines for Rio markers⁸⁵ offer detailed instructions for climate markers, including an 'Indicative table to guide Rio marking by sector/sub-sector' (Annex 18 in the Statistical Reporting Directive). This provides comprehensive information on how to assess the various types of projects, which allows for a degree of consistency between countries when evaluating climate-related activities. It should be noted that the description of climate markers within subsectors is based on the division into OECD DAC *Purpose codes*, which are of limited accuracy, as they encompass some very broad categories. Accordingly, the descriptions and examples provided in the guidelines do not necessarily clarify how to assess the climate relevance of each and every project.

Rio markers

Rio markers are *not* reported by donor countries for core funding provided to multilateral institutions⁸⁶. Instead, multilateral institutions report on outflows of finance to the OECD, either by attaching Rio markers or, in the case of MDBs, by using their own joint methodology for climate tracking, described in more detail below.⁸⁷

Based on the reporting of Rio markers and reporting of climate shares from MDBs, the OECD DAC calculates annual figures for commitments and disbursements of climate finance, both globally and disaggregated by country. This calculation does *not* apply a standard reduction factor

for projects marked as having "Significant" objectives in pursuit of climate. Instead, the sum total is expressed with some uncertainty, ranging from a 'lower bound' (only considering projects with "Principal" marker as climate finance) to an 'upper bound' (including both projects marked with "Significant" and projects marked "Principal").

According to the Standing Committee on Finance (in its Second Biennial Assessment), approximately 40% of bilateral climate finance from reporting countries received "Significant" marker (Table 2.3, p. 45). Likewise, the OECD reports bilateral climate finance for 2015 to be between USD 14.1 billion ('lower bound') and USD 29.0 billion ('upper bound')⁸⁸. This wide range is more a rough estimate than an accurate calculation of the level of global climate finance.

Table 5.2 below, copied from the OECD-CPI 2015 report, shows the methodologies used by a number of reporting countries for calculating climate finance based on Rio markers. The various countries use a wide array of reduction factors and clearly interpret the climate share of projects with the Rio marker "Significant" very differently. A common reduction percentage agreed upon by OECD would allow for considerable harmonisation in the reporting of different countries.

Section 4.2. presents the recommendation that the Norwegian government should only count projects with the Rio marker "significant" as 50% climate finance (and not 100%). Such a change would also bring Norway's practice more in line with that of other major OECD donors. A similar change should be considered in Greece, Slovakia, Poland, Slovenia, Iceland, Czech Republic, Luxembourg and Japan. All of these countries count spending on projects marked "Significant" as 100% climate finance, which, in the consultant team's view, amounts to side-stepping the Annex 18 Rio marker guidelines from OECD, instructing separation between spending marked "Principal" and "Significant".

It should be recognised that some types of projects with 'significant' climate relevance might contain a higher degree of climate relevance than 50%. Such examples are rainforest or renewable energy projects. This could be solved by using the granular method for calculating the climate relevance (as described in Section 5.7), which is the most accurate. In addition, if a project has multiple principal objectives, countries can report more than one objective as principal and hence as 100% climate finance. However, in the absence of a national system, let alone an international agreement, to use granular method, on the whole, a harmonised figure for "significant" ranging between 30%-50% would be considerably less inaccurate than the current practice where each country apply an

⁸³ This includes "Other Official Flows (OOF)", "Private grants", "Private market", and "Other flows".

⁸⁴ Rio markers should be reported for all flows of bilateral ODA, except general budget support, imputed student costs, debt relief, administrative costs, development awareness-raising, and refugee reception in donor countries. Non-export OOF can be reported on a voluntary basis.

⁸⁵ OECD DAC. 2016b. OECD DAC Rio Markers for Climate - Handbook.

⁸⁶ Project-specific and earmarked funding channelled through multilateral institutions ("Multi-bi" ODA) is reported with Rio markers.

⁸⁷ It should be noted that a number of multilateral institutions are not reporting on climate-specific finance, neither by using Rio markers nor using another methodology. This includes the UNDP and UNEP.

⁸⁸ Figures reported in OECD DAC. 2016c. Climate-Related Development Finance in 2015.

Country	Coefficient for Rio marker "Principal"	Coefficient for Rio marker "Significant"
Czech Republic	100%	100%
Greece	100%	100%
Iceland	100%	100%
Japan	100%	100%
Luxembourg	100%	100%
Norway	100%	100%
Poland	100%	100%
Slovak Republic	100%	100%
Slovenia	100%	100%
Austria	100%	50%
Denmark	100%	50%
Germany	100%	50%
Ireland	100%	50%
EU Institutions	100%	40%

Country	Coefficient for Rio marker "Principal"	Coefficient for Rio marker "Significant"
France	100%	40%
Italy	100%	40%
Netherlands	100%	40%
Sweden	100%	40%
Australia	100%	30%
New Zealand	100%	30%
Spain	100%	20% - 40%
Switzerland	51% - 100%	1% - 50%
Portugal	100%	0%
Canada	100%	Most relevant
Belgium	Range of coefficients	
Finland	Range of coefficients	
United Kingdoms	Own approach (range of coefficients)	
United States	Own approach (range of coefficients)	

Table 5.2: Donors' scaling of climate finance based on Rio markers. Adapted from Annex C in OECD-CPI. 2015. Climate Finance in 2013–14 and the USD 100 Billion Goal.

individual percentage figure.

The OECD's calculations are presented both from a recipient and a provider (donor) perspective⁸⁹, using a specific methodology for distinguishing between different types of multilateral flows⁹⁰. Multilateral climate-related flows from donor countries are calculated based on the share of climate-related activities in each multilateral institution's portfolio (Imputed multilateral contributions). These climate shares (for 2015) are available on OECD DAC's website, but little information is provided as to how exactly these shares are calculated,⁹¹ nor is there any information for the UNDP and UNEP, among others.

The OECD fulfils an important function by providing access to data and project level information on climate finance, based on the Rio marker methodology. Though calculations of national and global climate finance could be more precise, they do set a standard for what constitutes climate finance, and their methodological consistency paints a more reliable picture of changes in the level of climate finance over time compared to biennial reporting to the UNFCCC. The main *weaknesses* identified in the OECD's methods and data include:

The aforementioned very large range between lower and upper bound of total climate-related bilateral ODA, due to the lack of an agreed a standard reduction factor for projects with the Rio marker "Significant".

A number of multilateral institutions are still not calcu-

lating the climate shares of their outflows.

There is a lack of transparency in the reporting from MDBs and in the exact methodology used to calculate climate shares.

Recommendation C: The OECD should encourage countries to increase the accuracy of their climate finance reporting by applying a granular method when reporting projects that pursue a "significant" climate-relevant objective. The OECD should also determine a standard percentage (probably between 30% and 50%) of the total budget categorised as climate finance for projects whose Rio markers indicate that they pursue "significant" climate-related objectives, if the granular method is not applied. This would harmonise the wide range of approaches and hence enhance comparability between countries, as well as facilitate and improve accuracy in the calculation of total climate finance.

Recommendation D: The OECD should consider the following improvements in reporting on climate finance:

- Publishing a more detailed description of how climate shares are calculated for multilateral institutions (and include UNDP and UNEP, among others).
- Breaking down imputed multilateral contributions, calculated on the basis of climate shares, by mitigation and adaptation⁹².

89 Excel sheets with annual climate finance by recipient perspective (2000-2015) and provider perspective (2012-2015) are available at the OECD DAC website: <http://www.oecd.org/dac/stats/climate-change.htm>.

90 This is described thoroughly in ENVIRONET and WP-STAT Task Team. 2015. Treatment of Climate-Related Multilateral Flows in DAC Statistics & Status of Reporting

91 The shares are not taken directly from the 'Joint Report on Multilateral Development Banks' Climate Finance', but have been calculated based on the MDBs' reporting to OECD.

92 Both the joint reporting from MDBs and OECD's calculation on provider perspective climate finance show that such a distinction should be possible to

- Report the grant equivalent of climate finance in the category “Other official flows” (OOF).
- Continuing to improve the guidelines for applying Rio markers in view of purpose codes, especially in the case of project categories that cover a wide range of activities (e.g. 41010 - Environmental policy and administrative management).

5.6.4. Reporting from Multilateral Development Banks (MDBs)

As an interesting annual exercise, MDBs⁹³ publish the ‘*Joint Report on Multilateral Development Banks’ Climate Finance*’, with information on total amounts of climate finance commitments for each bank, divided into mitigation and adaptation. In addition to each bank’s own funds, the report contains information on external resources managed by the banks and on capital mobilised as co-finance for climate projects from external public and private parties.

The myriad figures provided in the report show a number of interesting aspects about the distribution of the MDBs’ own funds, including by geographical location, recipient income level, sector, and type of financial instrument. See about the reported figures in Section 5.6.

It should be noted that loans and financial instruments are reported at face value, with *no* estimation of their grant value, which leads to significant overestimation of actual climate finance provided (as discussed in more detail in Section 5.5).

The inclusion of mobilized co-finance in the MDBs’ report is a significant step towards improving the methodology and assessment of climate finance compared to what is reported to the UNFCCC and OECD. The methodology developed by the MDBs assesses actual climate finance values and avoids double counting between banks.

The methodology for calculating climate finance has been developed by the MDBs over several years, resulting in the ‘*Common Principles for Climate Change Adaptation Finance Tracking*’ and the ‘*Common Principles for Climate Change Mitigation Finance Tracking*’, released jointly by the MDBs and the International Development Finance Club.⁹⁴ Based on these principles, appraisals of climate-related contents are made for all projects and activities funded by the MDBs, while the distribution between adaptation and mitigation is assessed for each activity, based on specific methodologies developed. For both adaptation and mitigation, there is a reference list with notes for sector-based assessments and links to specific case studies⁹⁵.

The methodology for evaluating *adaptation activities* (in projects, components, subcomponents etc.) considers the so-called three step approach to guide the assessment: 1) Vulnerability context. 2) Statement of purpose or intent. 3)

Link between climate vulnerability and project activities. For *mitigation activities*, the principles used for assessing climate relevance require examination of nine attributes: 1) Additionality. 2) Timeline. 3) Conservativeness. 4) Granularity. 5) Scope. 6) Mitigation results. 7) Eligibility. 8) Exclusion. 9) Avoidance of double counting.

On the whole, the MDBs’ reporting seems to be based on the most comprehensive and detailed methodology for estimating the climate finance of individual projects available. Unfortunately, the joint report and the common principles are the only methodological information published so far. If the MDBs were to disclose more detailed public information about their assessments (including the percentage of climate finance in each project), this would enable recipient countries, researchers, civil society and the public to verify reported figures.

Recommendation E: In order to enhance transparency, the Multilateral Development Banks (MDBs) should publicise additional project level information, including the percentage of climate finance calculated for each project. This would facilitate verification of reported figures by recipient countries, civil society, researchers, and the public.

5.6.5. The EU’s Monitoring Mechanism Regulation

EU member states are obliged to report on climate finance under the EU Monitoring Mechanism Regulation. This is done in an adapted version of tables 7, 7(a) and 7(b) from the Common Tabular Format. The guidelines and reporting format used by the EU include a number of improvements on the UNFCCC format, resulting in greater transparency and easier access to information. This includes a request for reporting countries to provide a short narrative report outlining the methodological choices made. In addition, the following improvements are noted:

- The sum total of climate-specific finance is provided in the tables submitted.
- Core funding provided to multilateral climate change funds (other than GEF) is automatically counted as climate-specific finance and included in reported figures⁹⁶.
- Member states can choose to report core funding donated to other multilateral institutions as imputed figures.
- The reporting tables include a section of notes where countries may elaborate on the methodological choices made when calculating climate finance.

These improvements would all be easy to implement in the UNFCCC reporting. In particular, counting multilateral climate change funds more consistently as climate-specific will improve reporting accuracy.

While the refined EU format enhances transparency and

make with the information available to the OECD.

⁹³ MDBs included in the reporting are: African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank Group, and the World Bank Group.

⁹⁴ <https://www.idfc.org/>

⁹⁵ The methodologies and reference lists are described in Annex B and Annex C in MDBs. 2017a. 2016 Joint Report on Multilateral Development Banks’ Climate Finance.

⁹⁶ In their reporting to the UNFCCC, countries have the option of categorizing core funding provided to multilateral climate change funds as climate-specific, though this has not been done by all countries thus far.

accuracy of climate finance figures compared to what is reported to the UNFCCC, it still suffers from most of the weaknesses described for the UNFCCC reporting.

5.7. Accounting of climate finance reported by countries (bilateral donors)

As mentioned in Chapter 2, countries report on ODA and other flows to the OECD DAC and report specifically on climate finance in their Biennial Reports, adhering to the reporting format laid down by the UNFCCC.

In their climate finance accounting, most countries take a self-made approach to calculating multilateral core funding and bilateral funding. As described previously, climate-specific multilateral core funding can be reported upon using the imputed multilateral contributions method, which is based on multilateral institutions' own reporting of the overall climate share of their project portfolios (see description in Chapter 3 and 4, and in Section 5.6).

Most reporting countries assess individual bilateral commitments and disbursements on a project-by-project basis⁹⁷. A majority of countries use Rio markers to identify relevant projects, classifying these as either outright climate projects (Rio marker "Principal"), projects with some degree of finance for climate (Rio marker "Significant") or projects with no climate finance altogether. Based on the applied Rio marker, countries often scale down the climate finance element of individual projects, using a "reduction factor", which has been analysed in section 5.6. As explained in section 5.4, research studies have particularly questioned the validity of reported Rio markers in relation to adaptation projects.

An important element is to make sure that the sum total of what is counted as climate finance from Rio-marked projects does not exceed 100% of their budgets, in other words, to avoid double-counting. As shown in Table 5.2, countries only count according to the highest marker, which means that projects with a "principal" climate objective are never counted as more than 100% of their budget. Projects with a "significant" climate objective in the areas of both adaptation and mitigation are mostly counted with the same reduction factor as projects with "significant" objective in only one of these areas.

Based on experiences of conducting quality assurance of Rio marking at the country level, it is observed that Rio markers tend to be misapplied by programme officers in ministries and embassies due to insufficient familiarity with guidance in the OECD's Annex 18 or, in other cases, due to insufficient knowledge about a particular project. The best application of Rio markers would probably be obtained when the project design comes under expert scrutiny, which takes place at the appraisal stage, i.e. prior to final project approval by the donor agency. In their aid management guidelines (or programme guidelines),

national donor agencies need to provide guidance on how to carry out Rio marking. In addition, it is advantageous to conduct quality assurance of Rio marking in order to ensure consistent categorisation across project portfolios.

Recommendation F: Donor countries should identify the scope for improvement in procedures to assess their project portfolio, including the possibility of applying Rio markers and determining the climate share of new projects as early as the appraisal stage, as well as adding guidance to this effect in each agency's aid management guidelines. In addition, it is recommended that national donor agencies undertake quality assurance of Rio marking in order to ensure consistency in assessments prior to submission of data to the OECD DAC.

As explained in the previous section, the use of Rio markers to establish the climate share of individual project budgets is, at best, imprecise, grouping a large number of projects into three categories (0, 1, 2). Using 'a range of coefficients' or granularity (0-100%), based on an estimate of the climate finance share of each project budget, allows for a much more accurate assessment. This approach is already taken in some countries: Finland, Switzerland, Belgium⁹⁸, United Kingdom and United States.⁹⁹ However, it is a paradox that precisely these countries, while probably taking the most accurate approach (granularity), need to be better at explaining their methodology for these assessments to the public. Their Second Biennial Reports only contain fleeting remarks to this effect, and it has not been possible to obtain further elucidation by sending emails to the corresponding authorities in these countries.

A granular approach enables a more precise estimate of a country's actual climate finance, capturing the variety of projects and types of support provided. Accuracy would improve even more, if countries were to simultaneously assess the distribution between adaptation and mitigation work in each project, thereby eliminating the need for a 'cross-cutting' category (which is currently lessening the accuracy of the calculated distribution between mitigation and adaptation by making it necessary to resort to a crude 50-50 split).

Despite the shortcomings of the Rio markers in providing accurate information on actual climate finance in projects, they remain the only standard used by a large number of countries for assessing the climate relevance of individual projects. Ideally, donor countries would agree on comprehensive guidelines to be used for detailed appraisals and individual assessments of the climate finance share in projects. For the time being, however, it is up to the countries to individually improve on their own methodologies for calculating climate finance.

⁹⁷ This includes bilateral funds channelled through multilateral institutions ("Multi-bi" ODA).

⁹⁸ Belgium is a special case, as its regions have powers relating to international cooperation. Rio markers are also used at the level of the Flemish Regional government, while the expenditure of Walloon Region and Brussels-Capital Region is reported as "Other Official Flows" in Table 7(a), but not reported as ODA.

⁹⁹ Finland, Switzerland, Belgium are applying Rio markers, while the UK and US are not.

Recommendation G: Donor agencies in charge of reporting to the UNFCCC should voluntarily complement the use of Rio markers with individual assessments of projects by using a 'range of coefficients' or granularity (0-100% of budget) to indicate the level of climate finance in each project/programme. At the same time, there should be a granular assessment of the percentage of the budget spent on adaptation and on mitigation.

The term 'voluntarily' in the above recommendation is only used because of the expected difficulty of having granularity approved either in the UNFCCC or as part of OECD guidelines.

Transparency as regards project data, marking and calculations should be another priority in countries' accounting of climate finance. This is discussed in the next Chapter 6.

5.8. Mobilised private climate finance

While the above sections of this Chapter focus on public climate finance, this section takes stock of the main challenges of accounting and other issues related to private climate finance. There is much less experience of reporting and reviewing the mobilisation of private climate finance than of the provision of public climate finance.

Norway and Denmark have completed pilot studies to make initial estimates of the levels of private climate finance that they have mobilised by leveraging their bilateral public climate finance¹⁰⁰. The Second Biennial Reports of only four countries – Canada, Finland, France and Japan – included information about the amount of private finance mobilised for spending in developing countries. They have

used different methodologies, as the UNFCCC has yet to come up with an agreed definition of "mobilised private finance". However, reporting of mobilised private finance will become mandatory under the Paris Agreement, which stipulates that developed country Parties "shall provide transparent and consistent information on support for developing country Parties ... mobilised" (Article 9.7).

The multilateral development banks have recently published: "Joint MDB reporting on private investment mobilization: methodology reference guide."¹⁰¹ It explains how the MDBs calculate and jointly report private investment mobilization, which is based on assessing the private finance mobilised by each MDB on a project-by-project basis. In 2016 the MDBs committed themselves to contributing USD 27,441 million and mobilised another USD 37,879 million through co-financing with private investors and other sources, i.e. by directly leveraging public finance instruments (see Table 5.3 below copied from the MDBs' annual report 2016). Accordingly, the year's total climate finance through MDBs amounts to USD 65,320 million. The amount of USD 37,879 million is much higher than the OECD-CPI's preliminary estimate of USD 14.7 billion mobilised as private finance per year (average estimate for 2013-14).

These large total amounts of loans from the multilateral banks underline the message in section 5.5 about the importance of determining the grant equivalent of loans. As an example, the MDBs should, in the executive summary of their joint annual report, include the total grant equivalent of these reported loans.

During 2017, the OECD will be collecting 2016 data, for which Rio markers are also applied to private amounts mobilised. Norad is doing the same for the Norwegian

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total climate co-finance	Correction for multiple MDB financing
Public co-finance								
Other MDBs	780	158	635	1,108	4	844	3,528	2,786
IDFC members	288	29	112	657	11	920	2,017	1,127
Other international public	337	26	542	4,126	366	223	5,620	5,508
Other domestic public	1,861	398	130	7,326	436	5,071	15,221	12,806
Private mobilisation								
Private direct mobilisation	822	–	488	323	515	1,466	3,615	3,615
Private indirect mobilisation	1,207	69	3,407	521	3,264	5,323	13,791	12,037
Total	5,295	681	5,312	14,061	4,596	13,847	43,792	37,879
Note:	The level of co-financing flows related to the EIB was significantly higher in 2015 compared with 2016. This was due to a number of large EU structural programme loans financed in 2015 which are allocated in five-year cycles.							

Table 5.3: Mobilized public and private co-finance by MDBs in 2016. Source: MDBs. 2017a. 2016 Joint Report on Multilateral Development Banks' Climate Finance. p. 18.

100 Triconomics. 2015. Pilot study of private finance mobilised by Denmark for climate action in developing countries and Torvanger, A., Narbel, P. & Lund, H.F. 2015. Estimating mobilized private climate finance for developing countries - A Norwegian pilot study.

101 MDBs. 2017b. Joint MDB reporting on private investment mobilization: methodology reference guide.

development fund Norfund and the Danish Ministry of Foreign Affairs for the Danish Investment Fund for Developing Countries.

Norway and Denmark are part of a group of 19 bilateral climate finance providers, which is supporting the OECD-hosted Research Collaborative on Tracking Private Climate Finance. Examples of key decisions include defining public and private finance, scoping private finance accounting boundaries, assessing causality (between public interventions and private finance) and deciding on an attribution method (when multiple public actors are involved). Identifying private climate finance is also a priority for the Climate Change Expert Group (CCXG), which is composed of government delegates and experts from both developed and developing countries.

One of the complicated issues is accounting of climate

finance jointly mobilised by multiple actors collaborating on and/or co-funding an individual project. If each donor individually reported all the private finance mobilised for a given project, then significant double counting would result. The box below presents an example of how complex it would be to calculate the amount of public funds being mobilised from private investors for a large-scale renewable energy project.

The Lake Turkana Wind Power project in Kenya is the largest single wind power undertaking in Africa. It aims to provide as much as 17% of Kenya's annual electricity consumption and is the largest single private investment in the history of Kenya. It was initiated by the Danish Climate Investment Fund, which is a public-private partnership with funds from the Danish government and Danish pension funds.

AN EXAMPLE: Lake Turkana Wind Power in Kenya

Objective: The main objective of the project is to provide clean, reliable, low-cost power by increasing Kenya's national power generation capacity by approximately 17%. This will be achieved by building a 300 MW wind farm located at Lake Turkana in north-western Kenya.

It is the largest wind farm project ever launched in Africa. It provides large-scale demonstration of clean energy technology and will lead to the reduction of 736,000 tonnes of CO₂ equivalent emissions per year based on conservative estimates. Its output will replace fuel imports of approximately € 120 million annually.

It is an example of innovative public-private financing of energy production involving both generation (by the private sector at Lake Turkana) and transmission (with an ancillary 428 km transmission line being procured and delivered by the public sector).

Projected costs are approximately € 650 million for 365 wind turbines from Vestas.

- The lead arranger for the financing package is the African Development Bank.
- The European Investment Bank, with guarantees from the Danish Export Credit Agency and from two South African banks, could be leveraged to deliver another € 200 million to the project.
- Grants have been promised from the Netherlands (€ 10 million) and the European Commission (€ 25 million).
- The Lake Turkana Wind Power project manages the liquidity risk by means of a combination of letters of credit and escrow account arrangements).

The above analysis translates into the following recommendation:

Recommendation H: Parties to the UNFCCC need to agree on a consistent approach to the accounting and reporting of private finance mobilised, based on project-by-project assessments of direct private co-financing, and taking measures to avoid double counting of private finance mobilised.

In general, governments and international institutions should shift financing away from fossil fuels towards renewable energy. This includes facilitating the mobilization of private finance to encourage low-emission and climate-resilient development.

6. FOCUS AREAS FOR CIVIL SOCIETY ADVOCACY REGARDING CLIMATE FINANCE

This chapter proposes focus areas for civil society advocacy, including ways of conducting rapid assessments of donor countries' climate finance, stressing the importance of efforts to enhance transparency and adequate access to data, to obtain the grant equivalent of non-grant instruments, and to ensure increased support for adaptation and LDCs.

As described in Chapter 5, there has only been sluggish progress towards a clear and internationally-agreed definition of climate finance and towards improving transparency, accounting, and reporting. This can be explained by the complex nature of defining the different types and elements of climate finance and by the political motivations involved. The chances of reaching the target of providing USD 100 billion per year in climate finance by 2020 depend to a high degree on what is included and excluded in the calculations. Considering the scant progress among UNFCCC negotiators and international institutions in recent years, civil society needs to focus more on how individual countries are reporting the climate finance that they provide. This should include looking at how much is transferred to Least Developed Countries (LDCs) and to adaptation in other vulnerable countries, including small island developing states.

6.1. Rapid country assessment regarding climate finance

There seems to be two main possibilities for making headway towards improving climate finance accounting:

1. COP 24 in 2018 agrees on many of the recommendations for improvement that have been presented earlier in this report and also been suggested by CAN, World Resource Institute, Climate Policy Initiative, Overseas Development Institute, the Indian government, Third World Network and many others.
2. Alternatively, if there is insufficient progress towards introducing adequate common standards for reporting of climate finance, civil society should select some climate finance-related focus areas, instead of attempting to cover an excessively broad agenda encompassing many different financial instruments and sources for reaching the USD 100 billion per year target. Such focus areas should include the pursuit of improvements in transparency, increased funding for adaptation, and more being transferred to LDCs and particularly vulnerable states.

One possibility is for national NGO networks, Climate Action Network (CAN) and others to carry out a "*Rapid country assessment regarding climate finance*" suggested below. Such assessments should prioritise close scrutiny of some key policy parameters, including progress towards transparency and access to all the data required to measure donor countries' levels of climate finance, the grant equivalent of non-grant instruments and support for adap-

tation and LDCs. Below is a possible table format filled in for Norway for the year 2014.

Recommendation I: Civil society networks should prioritise generation of information by assessing different donor countries' climate finance reporting. The format for "*Rapid country assessment regarding climate finance*" is suggested in the table below. Such country assessments could also be complemented by a more comprehensive study of each country's climate finance (as done in Norway and Denmark).

UNFCCC's Common Tabular Format for Biennial Reports does not enable donor countries to report a total level of climate finance, but in the *Rapid country assessment* this is calculated based on the figures for bilateral climate-specific mitigation, adaptation and cross-cutting support, and imputed core funding figures. Such a rapid country assessment could also be complemented by an analysis and recommendations for concrete improvements in national reporting to the UNFCCC, where civil society networks can conduct checks, deliver special studies etc. (as done in Norway and Denmark).

By monitoring the balance between mitigation and adaptation, as well as how much support is given to LDCs, national civil society networks can advocate for increasing financial resources for these areas. This is a concern to the extent that most of the public finance and even more of the private investment is being spent on renewable energy and other mitigation projects in better-off countries, while the adaptation needs in poor countries are vast, and finance should be balanced according to the Paris agreement.

In donor countries, such a rapid country assessment could also be complemented by an analysis and recommendations for concrete improvements in national reporting to the UNFCCC, where civil society networks can conduct checks, deliver special studies etc. (as done in Norway and Denmark).

6.2. Transparency and access to data should be the top priority

The most important and probably easiest first step towards improving international accounting of climate finance is to get donor governments to enhance transparency and access to project information (databases). Advocating for greater transparency and access to data through user-friendly web portals (in line with the International Aid Transparency Initiative IATI) is an important goal for civil society in the short term, as donor countries have already committed themselves to implementing this initiative. A high degree of transparency and access to information is of great value to recipient countries, researchers, think tanks and civil society organisations, which can use project databases to check information and produce analysis.

Rapid country assessment regarding climate finance: (Example NORWAY)				
	Parameter	Norway 2014		Comments
A	Level of transparency and access to data (on a scale from 0 to 10)	9		Norad portal lacks data on commitments.
B	Total climate-specific funding reported to UNFCCC (fill in the elements below in USD million)			
	Mitigation	514		
	Adaptation	74		
	Cross-cutting	212		
	Multilateral core/general funding total (calculated as imputed multilateral finance)	154		
	Sum total of country's climate finance		955	
	Core/general total	427.7		
	Method for calculating climate finance (Rio Markers, granular etc. - Include information on reduction factor)	Rio Markers	"Significant" = 100%	
C	Percentage of total climate finance allocated to adaptation	22%		
D	Percentage of total climate finance in support of LDCs	34%		
E	Percentage reported as grants (or grant equivalent)	100%		
F	Other official flows (OOF) as percentage of reported ODA	0%		
G	ODA as percentage of GNI	0.99%		
H	Climate finance as percentage of ODA	19%		Norway includes only ODA in calculation of climate finance.

Notes: i) Source: Calculation made by consultant team (for other countries, this would come from the UNFCCC reporting Table 7). ii) Core/general should be calculated as an imputed amount using the OECD table indicating climate shares. iii) The percentage spent on adaptation is calculated by dividing cross-cutting expenditure equally between adaptation and mitigation. iv) Support given to LDCs needs to be calculated based on DAC Creditor Reporting System data v) It should be indicated if countries include support other than ODA in their calculation of climate finance.

It will be more difficult to achieve international agreements on harmonised methodologies and formats for accounting and reporting across countries and institutions.

Norway provides a good example of transparent and easy access to data. This is delivered by Norad's user-friendly web portal, which contains information about all projects supported until 2016. It also enables examination of individual projects (including brief project information, disbursements and Rio markers) and it is easy to extract an Excel file with data (e.g. one that covers all projects between 2010 and 2016 is about 40,000 lines). This indicates that Norad is implementing the International Aid Transparency Initiative (IATI).

Recommendation J: Civil society networks in each donor country should engage in advocacy and constructive dialogue with official development agencies with a view to enhancing transparency through user-friendly web portals, making it easier to extract key information on projects, commitments, disbursements and Rio markers for all activities supported (at least since 2010).

Public access to the Creditor Reporting System database is essential and is handled very well by the OECD. Although MDBs have, in recent years, published good annual reports on climate finance, it is a problem that there has been no public access to the database and calculations behind the figures in these MDB reports.

Recommendation K: Civil society advocacy should target members of the Boards of Directors of the various multi-lateral banks (MDBs) with a view to making it more transparent how they calculate the climate finance share of each project or programme.

6.3. Increase funding for adaptation

The Paris Agreement seeks to achieve a "balance" between adaptation and mitigation finance, as well as to attend to the special needs of least developed countries (LDCs) and small island developing states.

The recent MDB report for 2016 shows that 77% of total climate finance has been spent on mitigation (USD 21,217 million), while only 23% has been allocated to adaptation (USD 6,224 million). According to the OECD-CPI report from 2015, mitigation activities remain a dominant share of worldwide bilateral climate-related ODA. In 2014-15, 29% of climate-related development finance targeted 'adaptation only'. By comparison, the proportion allocated to 'mitigation only' was 49% and the proportion allocated to activities addressing *both* adaptation and mitigation was 22%. In addition, the roadmap for reaching USD 100 billion in climate finance laid out by the developing countries allocate only about 1/5 of the funding directly to adaptation.

There is some variety in what percentage of climate finance bilateral agencies allocate to adaptation. For instance, in the case of Norway, mitigation accounted for

Breakdown of Danish climate finance 2015	Total funds (DKK millions)	Mitigation share	Adaptation share
ODA only (without core funding to multilateral institutions)	1,100	56%	44%
Privately mobilised	1,300	100%	-
TOTAL ODA + privately mobilised	2,400	80%	20%

Table 6.1: Danish climate finance including privately mobilised finance divided between mitigation and adaptation. Source: DanChurchAid, CARE Denmark and Oxfam IBIS. 2017. Analysis of Danish climate finance. p. 34.

85% between 2010 and 2016, while adaptation was only 15% over the whole period¹⁰². A major reason for the low share of climate finance provided as adaptation is that Norway supports a number of large forest and REDD+ projects that are classified as mitigation. This analysis indicates that Norway should prioritise an increase in funding provided to adaptation projects, particularly in low-income countries.

Increasing mobilisation of private investment makes this distribution even more imbalanced. To take Denmark as an example using figures from 2015 in the table below, DKK 1.3 billion was mobilised as private climate finance in 2015, which is approximately the same amount as Danish climate finance disbursements from ODA (DKK 1.36 billion). However, climate projects managed by IFU¹⁰³ focused almost exclusively on mitigation.¹⁰⁴ This translates into a significant change in the distribution between mitigation and adaptation spending when including privately mobilised funds, from 44% of official climate finance compared to only 20% of total Danish climate finance being spent on adaptation in 2015.

Recommendation L: International NGOs should persist in a dialogue aimed at getting their donor governments to increase future public climate finance commitments allocated to adaptation projects.

This takes on even greater importance given that financial resources mobilised from private sector investors is spent almost exclusively on mitigation.

6.4. Support provided to Least Developed Countries (LDCs)

Historically, most climate finance has supported mitigation efforts¹⁰⁵. However, even if climate change is successfully mitigated, developing countries (particularly Least Developed Countries (LDCs) and small island developing states are highly vulnerable and will need to adapt to the inevitable impacts. In this context, the Copenhagen Accord and Cancun agreements seek to achieve a “balance” between adaptation and mitigation finance. This goal is also reflected in the Paris Agreement.

Having read through numerous international reports, the consultant team is surprised how little attention has been paid to climate finance in LDCs. Only a single OECD source¹⁰⁶ was found on this subject in recent years. It estimates bilateral climate-related finance donated to LDCs to be 14% of total development aid. OECD also writes that LDCs remain strongly dependent on concessional loans from bilateral and multilateral partners, which provide the bulk of external finance to LDCs (68% in 2014).

The Standing Committee on Finance will soon plan for its third assessment of climate finance flows. The aggregation of figures in previous biennial assessments, whilst important in mapping out the state of climate finance on a global scale, has masked the unresolved challenge of ensuring that international support reaches the most vulnerable. For example, the 2016 Biennial Assessment did not highlight flows to LDCs or small island developing states.

Based on Creditor Reporting System data, it is calculated that 27% of Norway’s climate finance between 2010 and 2015 went to LDCs¹⁰⁷. This is considerably lower than the share of total Norwegian ODA going to LDCs over the same period (52%). The reason for the low share of climate finance going to LDCs is that Norway supports some very large climate projects in middle income countries, especially in Brazil. Of the climate finance to LDCs, 40% was for adaptation, significantly higher than the average of 15% adaptation finance in Norway’s total climate finance during the period.¹⁰⁸

The report published in May 2017 by the Danish NGOs found that LDCs received more than half of total climate finance from Denmark between 2010 and 2015. Denmark does not, to the same degree as Norway, sponsor large forest and REDD+ projects in middle income countries.

Climate finance should match the priorities of LDCs as agreed in the “*Programme of Action for the Least Developed Countries for the Decade 2011-2020*”, which was adopted in 2011 in Istanbul at the Fourth UN Conference on LDCs.

Recommendation M: The Standing Committee on Finance, planning for the third assessment of climate finance flows, should pay much more attention to determining how much

102 Calculated based on Norad data, using the 50% method, with cross-cutting divided equally between mitigation and adaptation.

103 The Danish Investment Fund for Developing Countries (IFU) provides capital and advice to companies wishing to conduct business in Africa, Asia and Latin America on commercial terms in the form of equity and loans.

104 2016 is the first year for which the Danish MFA will apply Rio markers to IFU projects (and report it to OECD DAC), i.e. this was not done for funds spent in 2015.

105 Bird, N. 2017. Climate finance: effective spending and the challenge of leaving no one behind.

106 USD 4.4 billion on average per year to LDC countries in the period 2012-14.. OECD. 2016. About the same amount came through multilateral channels. Source: OECD. 2016. FACTSHEET: Financing for development: the case of Least Developed Countries (LDCs).

107 Using the 50% method as described in Chapter 4 of this report.

108 In this calculation, the cross-cutting category has been eliminated by dividing it equally between adaptation and mitigation.

international climate support is reaching the Least Developed Countries, small island developing states and particularly vulnerable countries. The Third Biennial Assessment in 2018 should produce figures to report specifically on this.

6.5. ODA as part of rapid assessments

Grants play an essential role in assisting those who are hit first and hardest by climate change, e.g. LDCs, small island developing states and others with high vulnerability and low capacity. Private finance and loans will struggle to meet the essential adaptation needs of poor and marginalised people. This section contains considerations on the role of grants donated by governments:

a) High ODA level counts

Without any internationally agreed definition of the term 'new and additional' resources, it is even more important to look at the level of total ODA provided. Norway can be viewed as one of the few donors that have provided a high level of 'new and additional' resources, since it launched the International Climate and Forest Initiative at COP13 in 2007. In 2006, Norwegian climate finance as a proportion of total ODA was 2%, but this has since been increased significantly to 19% in 2014¹⁰⁹. On the other hand, as a major oil exporter, Norway is also one of the countries contributing most to emissions.

Norway's ODA was no less than 1.05% of GNI in 2016 (OECD figure), which has made it possible to allocate significant resources to climate projects. This is also the case of Sweden, Luxembourg, Denmark, the Netherlands and the UK, which are the only other donor countries exceeding the UN target of 0.7%. Some other countries with an ODA level considerably below the UN target are: Finland (0.55%), Germany (0.52%), Switzerland (0.52%), France (0.37%), USA (0.17%) and Spain (0.12%).

Naturally, it is necessary to analyse climate finance as a percentage of total ODA, which, in the case of Norway, was 19% in 2014 and around 12% in 2016¹¹⁰. This is a modest share that has made it possible to assign the majority of development aid budget to other development issues (health, education, governance etc.).

b) High percentage of grants counts

Table 6.2 below has been obtained from Oxfam's report on climate finance¹¹¹. It lists the amount of climate finance provided in the form of grants as reported by major donors. France, Japan and Spain have the lowest level of grants in their climate finance – providing just two percent, five percent and twelve percent of their finance, respectively.

As it can be seen in the below table, Australia, Canada, Denmark, Holland, Norway, Sweden and Switzerland records a 100% provision of grants as reported to the UNFCCC.

There is a substantial difference among these countries on how they are reporting concessional loans, equity or guarantees that leads to this report last recommendation (also similar to page 9 in Oxfam's Climate Finance Shadow Report 2016).

Recommendation N: Contributing countries should only report grants or the grant-equivalent of instruments towards their UNFCCC obligations. Non-concessional instruments that do not lead to net financial transfer should not be counted towards UNFCCC obligations.

Setting out information in country reports on concessional and non-concessional instruments at their face value, such as loans at market rates, guarantees or export credit insurance, is acceptable providing there is a clear distinction between what is reported and what is counted towards fulfilling a country's UNFCCC obligations. There must be clear information on both grant-equivalent and face value.

Table 1: Reported climate finance and grant equivalent estimates for major donors (2013–14 average) delivered through bilateral channels

Country	Bilateral total as reported	Grants	Concessional loans or equity	Non-concessional loans or equity	Non-concessional other instruments*	Unspecified ^b	Estimated total grant and grant equivalent
Australia	\$0.14bn	100%	0%	0%	0%	0%	\$0.14bn
Canada	\$0.06bn	100%	0%	0%	0%	0%	\$0.06bn
Denmark	\$0.2bn	100%	0%	0%	0%	0%	\$0.2bn
EU institutions ^c	\$3.84bn	28%	6%	3%	0%	63%	\$1.44–2.04bn
France	\$3.31bn	2%	78%	20%	0%	0%	\$0.71–1.8bn
Germany	\$5.18bn	45%	46%	9%	0%	0%	\$2.94–5.94bn
Japan	\$8.14bn	5%	41%	15%	0%	39%	\$1.66–3.72bn
Netherlands	\$0.34bn	100%	0%	0%	0%	0%	\$0.34bn
Norway	\$0.78bn	100%	0%	0%	0%	0%	\$0.78bn
Spain	\$0.43bn	12%	7%	32%	49%	0%	\$0.06–0.07bn
Sweden	\$0.28bn	100%	0%	0%	0%	0%	\$0.28bn
Switzerland	\$0.19bn	100%	0%	0%	0%	0%	\$0.19bn
United Kingdom	\$0.75bn	94%	6%	0%	0%	0%	\$0.71–0.73bn
United States	\$2.27bn	35%	0%	17%	48%	0%	\$0.79bn

Table 6.2: Grant part of climate finance from major bilateral donors. Source: Oxfam. 2016. Climate Finance Shadow Report 2016: lifting the lid on progress towards the \$100 billion commitment. p.13.

¹⁰⁹ Figures for the climate-related part of ODA has been taken from Norway's Second Biennial Report, December 2015. The 2014 figure closely matches the 18.8% share calculated in this report. It is noted that, according to the consultant team's own calculations in Chapter 4, the climate share of Norway's ODA had fallen to 12.4% in 2016.

¹¹⁰ Based on the consultant team's own calculations presented in Chapter 4.

¹¹¹ The figures are based on countries' second Biennial Reports. Source: Oxfam International: Climate Finance Shadow Report 2016. November 2016.

ANNEXES

ANNEX A: LIST OF PERSONS INTERVIEWED (IN PERSON AND BY MAILS AND SKYPE)

Name	Organisation	Position
Governments:		
Johanna Pietikäinen	Ministry for Foreign Affairs Department for Development Policy. Government of Finland	Programme Officer (international climate policy, environmental finance)
Gabriela Blatter	Federal Office for the Environment FOEN Government of Switzerland	Responsible environmental and climate financing
Gard Lindseth	Norwegian Ministry of Climate and Environment	Senior adviser
Bente Herstad	Norad	Policy Director. Section for Climate, Forest and Green Economy
Geir Johansen	Norad	Deputy Director. Statistics Section
Einar Tornes	Norad	Adviser. Statistics Section
Randy Caruso	State Department. US Department of State	Climate Change Negotiator
Jens Fugl	Danish Foreign Ministry	Senior advisor
International NGOs and researches:		
Jessica Brown	Climate Policy Initiative (CPI)	Associate Director
Federico Mazza	Climate Policy Initiative (CPI)	Analyst, Climate Finance
Joe Thwaites	Sustainable Finance Center. World Resources Institute (WRI)	Associate
Dr. Helena Wright	E3G, Third Generation Environmentalism	Senior Policy Advisor
Jan Kowalzig	Oxfam Deutschland	Climate change policy
Tuuli Hietaniemi	KEPA network Finland	Policy Adviser Climate Justice
Romain Weikmans	Free University of Brussels	Postdoctoral Research Fellow
Timmons Roberts	Brown University. USA	Director, the Climate and Development Lab
Mattias Söderberg	Danish Church Aid	Senior Policy Advisor
Dan Belusa	The Danish 92-Group coalition	Policy & Analysis
Jürg Staudenmann	Alliance Sud. Switzerland	Climate Policy

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ANNEX C: ADDITIONAL TABLE AND FIGURES

This annex includes additional tables which include the results used for the figures presented in Chapter 4.

C.1 Different calculation methods for climate finance (detailed)

Reporting method		Disbursements - NOK million						
		2010	2011	2012	2013	2014	2015	2016
100%-method	Adaptation	398	434	481	629	740	615	477
	Mitigation	2,253	2,291	3,776	5,989	3,698	3,575	3,076
	Cross-cutting	184	354	553	971	1,493	832	448
	Total climate-specific	2,834	3,079	4,810	7,590	5,932	5,023	4,001
50%-method	Adaptation	244	284	312	421	466	403	333
	Mitigation	2,082	2,056	3,499	5,653	3,242	3,169	2,759
	Cross-cutting	148	285	427	776	1,336	683	351
	Total climate-specific	2,474	2,624	4,238	6,850	5,044	4,255	3,442
40%-method	Adaptation	213	254	278	379	412	360	304
	Mitigation	2,047	2,009	3,443	5,586	3,150	3,088	2,695
	Cross-cutting	141	271	402	737	1,305	653	331
	Total climate-specific	2,402	2,534	4,123	6,702	4,867	4,101	3,330

Table C.1: Detailed breakdown of the results for using the different calculation methods presented in Section 4.2.

C.2 Climate finance divided on budget chapters in the National Budget (detailed)

Budget chapter in Norway's national budget	2010 - 2016 Disbursements		
	Total climate finance - NOK millions	% of all climate finance	Climate finance % of budget chapter
1482 - Internasjonale klima- og utviklingstiltak	8,465	23.7%	94.2%
150 - Bistand til Afrika	2,498	7.0%	15.3%
151 - Bistand til Asia	420	1.2%	6.9%
152 - Bistand til Midtøsten og Nord-Afrika	6	0.0%	0.2%
153 - Bistand til Latin-Amerika	210	0.6%	17.6%
160 - Sivilt samfunn og demokratiutvikling	1,006	2.8%	7.4%
161 - Næringsutvikling	2,224	6.2%	20.4%
162 - Overgangsbistand (GAP)	94	0.3%	3.9%
163 - Nødhjelp, humanitær bistand og menneskerettigheter	373	1.0%	1.5%
164 - Fred, forsoning og demokrati	324	0.9%	3.1%
165 - Forskning, kompetanseheving og evaluering	747	2.1%	13.8%
166 - Miljø, og bærekraftig utvikling mv.	13,541	37.9%	82.6%
168 - Kvinners rettigheter og likestilling	113	0.3%	5.4%
169 - Global helse og utdanning	75	0.2%	0.4%
170 - FN-organisasjoner mv.	2,351	6.6%	8.2%
171 - Multilaterale finansinstitusjoner	3,171	8.9%	22.0%
172 - Gjeldslette og gjeldsrelaterte tiltak	133	0.4%	6.6%

Table C.2: Norway's total climate finance divided on Chapters in the National Budget. More detailed than as presented in Table 4.8.

C.3 Extending Agencies

Extending Agency	2010 - 2016 Disbursements	
	Total climate finance - NOK millions	% of all climate finance
Ministry of Foreign Affairs - Oslo	16,313	46.3%
Ministry of Foreign Affairs - Embassies	8,451	24.0%
NORAD	6,761	19.2%
Ministry of Climate and Environment	1,648	4.7%
FK Norway	58	0.2%
Norfund	2,017	5.7%

Table C.3: Sources of climate finance 2010-2016, divided on extending agencies. Based on data for disbursements from Norad. The figures correspond with Figure 4.3.

C.4 Implementing channels of climate finance (Agreement partners)

Agreement Partner	2010 - 2016 Disbursements	
	Total climate finance - NOK millions	% of all climate finance
Multilateral institutions	17,288	48.4%
Norwegian public sector	2,458	6.9%
Governments and public sector in other countries	9,770	27.3%
Public sector other donor countries	680	1.9%
Governments/Ministries in developing countries	1,566	4.4%
Public sector in developing countries	7,523	21.0%
NGOs	5,401	15.1%
NGO International	2,246	6.3%
NGO Local	1,286	3.6%
NGO Norwegian	1,870	5.2%
Other	823	2.3%
Norwegian private sector	214	0.6%
Other countries private sector	146	0.4%
Public-private partnerships	333	0.9%
Consultants	129	0.4%
Unknown	2	0.0%

Table C.4: Implementing channels of climate finance 2010-2016, broken down by agreement partner. Bold correspond to groupings used in Figure 4.4. Based on data for disbursements from Norad.

C.5 Geographical distribution of climate finance

Continent	2010 - 2016 Disbursements	
	Total climate finance - NOK millions	% of bilateral climate finance
Americas	2,169	52.4%
Africa	6,113	29.7%
Asia	3,449	16.8%
Europe	163	0.8%
Oceania	32	0.2%
The Middle East	22	0.1%
Not geographically allocated	8,367	-

Table C.5: Geographical distribution of climate finance disbursements 2010-2016. Based on data from Norad. Percentages only include the finance that is geographically allocated. Correspond to figures in Figure 4.5.

C.6 Climate finance divided on income groups of the recipient countries

Recipient income group	2010 - 2016 Disbursements	
	Total climate finance - NOK millions	% of bilateral climate finance
Upper Middle Income Countries (UMICs)	8,728	55.4%
Lower Middle Income Countries (LMICs)	2,741	17.4%
Other Low Income Countries (LICs)	97	0.6%
Least Developed Countries (LDCs)	4,187	26.6%
Unallocated by income	9,673	-

Table C.6: Distribution of climate finance disbursements 2010-2016, based on recipient country income group. Based on data from Creditor Reporting System. Percentages only include the recipients that are allocated on income groups. Correspond to figures in Figure 4.6.



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