

Delivering on Climate Finance:

A comparison of selected European countries

Asel Doranova

Tilburg Sustainability Center, Tilburg University, the Netherlands,
a.a.doranova@tilburguniversity.edu

Herman Vollebergh

Tilburg Sustainability Center and Fiscal Institute Tilburg
Tilburg University, the Netherlands, h.r.j.vollebergh@tilburguniversity.edu

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ABSTRACT

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1. Introduction

At the UN climate conference in Copenhagen in 2009, developed countries pledged to collectively mobilize USD100 billion in climate finance per year to developing countries by 2020. The USD 100 billion target was reaffirmed in 2015 in Paris and were among the key themes in COP meetings. Despite increasing policy attention, developed countries fell short of their USD 100 billion commitment by 2020.¹ This commitment was delivered in 2022 (OECD 2024). Furthermore, the USD 100 billion annual target itself is not seen as enough and the developing countries bloc has urged to mobilize at least USD1.3 trillion per year by 2030 with at least USD100 billion in grant funding. As per decision 1/CP.21 at COP21 in 2015, developed countries intend to continue their collective mobilisation goal through to 2025, after which the New Collective Quantified Goal (NCQG) on climate finance is expected to be set based on the outcome of ongoing negotiations to be finalised at CMA6, during COP29 at the end of 2024 (OECD 2024). COP26 has launched the formal work towards defining the new collective quantified goal by the end 2024, starting from a floor of the current target and taking into account the needs and priorities of developing countries.² The discussion on new climate finance targets has been progressing since then proposing estimates for new targets ranging between USD 1 to 3 trillion.³

Other ambitions formulated at last COPs (26, 27, 28) is the agreement to urge developed nations to at least double their collective provision of adaptation finance from 2019 levels (that was around 20%) by 2025 in order to achieve a better balance between adaptation and mitigation.⁴ There are persisting concerns about the large role of loans instead of grant-based finance in supporting the poorest and most vulnerable countries.⁵ Loans represented over two thirds of total public climate finance across years (OECD 2024). This loan issue is of particular concern as country leaders increasingly looked to private finance, that is largely based on loans, to fill the overall gap. Last COPs reiterated the call to the private sector to mobilize greater resources and encourages Parties to

¹ 'Climate Finance Delivery Plan' prepared by the Germany and Canadian government suggested that 2023 is a more realistic deadline to reach the USD100 billion target (<https://ukcop26.org/wp-content/uploads/2021/10/Climate-Finance-Delivery-Plan-1.pdf>). Oxfam's estimated suggested that donor will continue to miss the target even through 2025 (<https://www.oxfam.org.uk/media/press-releases/poorer-nations-expected-to-face-up-to-55-billion-shortfall-in-climate-finance/>)

² <https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact/cop26-outcomes-finance-for-climate-adaptation#eq-2>

³ UN Climate Change News, 5 July 2023, <https://unfccc.int/news/work-on-new-collective-quantified-goal-for-climate-finance-reaches-halfway-mark> ; <https://www.twn.my/title2/climate/info.service/2022/cc220305.htm>; <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action.pdf>

⁴ At COP26, the Adaptation Fund raised USD356 million in new pledges including the largest one from the European Commission. Furthermore, USD450 million in new funding was announced for locally-led approaches to climate change adaptation. At COP27, parties agreed to launch the Loss and Damage Fund, which is seen as a large achievement for mobilizing climate finance

⁵Over 2016-2022, Least Developed Countries (LDCs) and Small Island Developing States (SIDS) respectively received 55% and 44% of their public climate finance in form of loans. .

continue exploring innovative approaches and instruments for mobilizing finance from private sources, especially for adaptation projects.

Apart from new ambitions a key challenge is the need for better accountability and transparency in climate finance accounting, such as a clearly defined system and criteria for tracking progress toward the goal. Since its launch back in 2009 there have been serious challenges about the way in which climate finance contributions are identified and estimated by the donor countries. All developed countries report on their public climate finance in reports to UNFCCC⁶. In addition, the EU member states have started reporting their climate finance statistics to the EU recently and which is featured the EU Reportnet portal.⁷ However, even these reports seriously differ across countries as we have noticed.

One important attempt to better understand these country reports is the work by the Organization for Economic Co-operation and Development Assistance Committee (OECD DAC) secretariat. The OECD-DAC maintains a climate-related development finance database. With the use of so called 'Rio Markers' they help to provide better international comparable data quantifying contributions from both bilateral and multilateral sources and how they relate to ODA statistics. The Rio Markers help to identify whether a specific source of finance would really count as climate finance and for how much. This OECD database has also been systematizing the monitoring of publicly mobilized private climate finance channel. However, also the climate finance reporting based on Rio Markers has been heavily criticized for inflating climate components of the provided finance.⁸

Three reasons explain the sometimes intense discussions. First, climate finance comes in different forms supplied bilateral, through multilateral institutions or even private banks. Identification of climate specific contributions from more other purposes is not always straightforward. Second, there is considerable overlap with Overseas Development Aid (ODA) and countries have different perspectives as to whether climate finance should be additional or not. Third, countries differ in how they account for their public finances.

The goal of our paper is to contribute to this discussion by providing a better understanding of donor country differences in climate finance pledges and reporting. In particular the EU and its Member States constitute the largest group of contributions towards the USD100 billion target and have been securing the largest share of public climate finance to developing countries. By focusing on six large

⁶ Up to 2020 the climate finance was part of the the Biennial Reports to UNFCCC, available at <https://unfccc.int/BR5>; Currently Biennial Reports are replaced with Biennial Transparency Report (BTR) under the Enhanced Transparency Framework (ETF).

⁷ EU Reportnet Climate finance 2022 data for EU countries is accessible at <https://reportnet.europa.eu/public/dataflow/963>

⁸ For example Oxfam in their Climate Finance Shadow Report concludes that developed countries have failed to deliver on their commitment, their accounting practices allow overstate the level of support, while high share of loans in climate finance risks increasing the debts burden of countries in need (Oxfam 2022).

donor countries, in particular France, Germany, Netherlands, Sweden, Switzerland and United Kingdom (UK), we have been able to check their contributions in detail under the current reporting system.⁹ To this better understanding, we take stock of current definitions and criteria applied to enable such country comparisons. In particular, our quantitative analysis of the six countries is still based on data supplied by official agencies from these six countries following their reporting templates to the EU and UNFCCC, as well as on the OECD DAC statistics on publicly mobilized private finance.

Our focus is on differences and similarities as to how public and private funds are mobilised and spent in these countries, and to what extent it is possible to get a good understanding of the effects and outcomes from public climate finance for the generation of private finance, in particular with respect to adaptation and mitigation. We also include the role of the European Union through the EBRD and the EIB in the international climate finance activities of the indicated countries and in general. Moreover, our aim is also to assess the different climate finance ambitions and its potential effectiveness. Our comparison shows that the contributions by these countries differ considerably. Even within this group of the willing comparisons remain very difficult as countries work from different concepts and backgrounds, have different ambitions, and have different views as to where climate finance might make a useful contributions.

In the next section, we first explain the current definitions and approach to monitor climate finance in more detail. Section 3 provides overall trends towards reaching 100 bln USD commitment based on the OECD monitoring. Section 4 presents comparison of climate finance trends for the target six countries. In doing this we relied on EU and UNFCCC reports for public finance and OECD data for publicly mobilised private finance, as well as reports of national agencies managing climate finance streams and programmes. We also looked into the ODA vs climate finance statistics to get insight on additionality of climate finance and policy coherences of both areas. We finally tried to understand the impact and effectiveness of the national climate finance by looking into impact monitoring practices applied in these six countries.

2. Climate Finance: definition and assessment

2.1 What is Climate Finance

Climate finance refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.¹⁰ Providing climate finance is important for making progress towards the objective of the UNFCCC and the goals set out in the Paris Agreement. International Climate

⁹ These countries have been selected because of the accessibility of background information on their climate finance efforts.

¹⁰ UNFCCC, <https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance>

Finance is a commitment from developed countries to support developing countries to respond to the challenges and opportunities of climate change. This commitment is based on the principle of “common but differentiated responsibility and respective capabilities”. In the frame of the UNFCCC negotiations and discussed in the introduction this commitment has been set up under the Copenhagen Agreement where countries agreed to allocate annually USD100 billion year for climate finance in developing countries.

According to the UNFCCC definition, climate finance refers to the financial resources dedicated to adapting to and mitigating climate change in the context of financial flows to developing countries. The Parties to the Convention agreed on a definition of climate finance linked to the additionality principle promoted under the UNFCCC. In reaching the annual USD100 billion goal the Annex I countries¹¹ commit to provide ‘new and additional financial resources’ for the ‘full incremental costs’ of addressing climate change in non-Annex I countries (UNFCCC, 2010). This implies that these resources should come in addition to the funding envisaged under the developed nations’ official development aid (ODA) budgets.

Climate finance could exploit both public and private sources. Public development assistance is key in financing development. However it is widely recognized that additional private resources need to be mobilized to unleash the potential of international financial flows. Therefore, in the Copenhagen Agreement developed countries included the private sector as a source of climate finance.

From a country perspective climate finance could be provided through different channels:

- Bilateral channels are dedicated national funds, overseas development aid (ODI) programs in developed countries that disburse and/or manage grant or loans from this country to developing countries. Examples of institutions for bilateral finance channels are Swedish International Development Authority (Sida), German Investment Corporation (DEG), NORFUND in Norway, Proparco in France, etc.
- Multilateral channels include special international funds and financial institutions including regional development banks.
- Export credits provided by developed countries’ official export credit agencies. They are presented as a separate channel category in OECD statistics because they do not qualify as official development finance due to their financial terms and conditions as well as trade-related aim. However, when provided in sectors and for activities that are relevant to climate change mitigation and adaptation they do represent a source of climate finance.
- Publicly mobilised private finance is commercial climate finance, including private sector finance that is mobilised by public finance, for instance through public-private partnerships

¹¹ Parties include the industrialized countries that were members of the OECD (Organisation for Economic Co-operation and Development) in 1992, plus countries with economies in transition (the EIT Parties), including the Russian Federation, the Baltic States, and several Central and Eastern European States.

or through concessional loans (blended finance).¹² UNFCCC agreements allow these types of finance to be reported by donor countries as their contribution; Climate finances channeled from developed to developing countries can come in various financial instruments such as grants, loans, etc, as presented box I.

Box I: Climate finance instruments definitions

Key groups of instruments:

- **Grants:** a sum of money that given for climate change activities but does not need to be repaid.
- **Concessional loans:** loans given for the purpose of addressing climate change, which are characterized with longer repayment terms and lower interest rates
- **Non-concessional loans:** loans that are provided at a market-based interest rate for climate change activities.
- **Equity:** investment in projects forming a stake in a business or company.
- **Guarantees (or development guarantees):** Legally binding agreements in which the guarantor agrees to pay (a part of) the amount due on a loan, equity or other instrument in the event of non-payment by the obligor or loss of value in case of investment. In the OECD reports, the term guarantee refers to both guarantees and insurance schemes.

Specific type of instruments used in the climate finance can include the following:

- **Direct investment in companies** refer to on-balance sheet investments in corporate entities, which are conducted without any intermediary and which typically consist of or can combine the following instruments/mechanisms: equity, mezzanine finance and senior loans.
- **Syndicated loans** are provided by a group of lenders (called a syndicate) who work together to provide funds for a single borrower.
- **Shares in collective investment vehicles (CIV)** allow investors to pool their money and jointly invest in a portfolio of companies.
- **Credit lines** refers to a standing credit amount which can be drawn upon at any time, up to a specific amount and within a given period.
- **Simple co-financing arrangements** include various business or public-private partnerships, B2B programmes, business surveys, matching programmes, as well as result-based approaches
- **Project finance schemes in Special Purpose Vehicles (SPVs)** is a funding structure, by which all investors (or investors under a given investment threshold) are pooled together into a single entity.

Source: UNFCCC and OECD DAC

2.2 Monitoring Public and Private Climate Finance

Monitoring of these finances is important in tracking the fulfilment of country pledges towards the overall goal (See Table 1). There are two official systems for climate finance monitoring: one set up by UNFCCC based on own country reporting, and another one managed by OECD. A special section of the biennial reporting format adopted by the UNFCCC facilitates the provision of data concerning the financial support provided by the reporting country to developing countries. The OECD Development Assistance Committee (DAC) has set up a system for tracking climate finances and making them internationally comparable. The European Commission with support of the European Environmental Agency also collect the climate finance data from the EU member states. All these

¹² The OECD defines blended finance as follows: the strategic use of development finance for mobilisation of additional finance towards sustainable development in developing countries (OECD 2016)

systems monitor climate finance flows through direct bilateral and multilateral channels, while the data collected by the EC and EEA follows the formats required by the other two sources¹³.

There is some overlap between the UNFCCC and OECD-DAC data but also important differences. For example, the UNFCCC datasets had not been reporting on publicly mobilized *private* finance¹⁴, whereas the OECD had done so. Also, the OECD calculates the multilateral contributions itself, whereas the UNFCCC receives information on the multilateral contributions from the countries' own reports (though sometimes the countries report these contributions based on the OECD calculations). Furthermore, UNFCCC focuses on Annex I countries and definition of low income countries applied under UN framework (provider perspective), while the OECD has a different geographical data breakdown (recipients perspective). High income countries like Chili, Oman and Bahrein are not considered as 'developing' by OECD. Third, both UNFCCC and OECD use same data, but allow for different categories that might sometimes overlap: i) CF projects (primary climate goal), ii) ODA projects (primary development goal), iii) overlap.

Table 1 Overview of categories of finance considered in the official monitoring and reporting

Category	Coverage	Instruments	Reports / Data source
Bilateral public	Climate finance outflows from donor countries' bilateral development finance agencies and institutions	Grants, loans, equity investments	National Biennial reports to the UNFCCC (also used afterwards in the OECD statistics)
Multilateral public (attributed to developed countries)	Climate finance outflows from multilateral development banks and climate funds attributable to developed countries	Grants, loans, equity investments	Biennial reports to the UNFCCC; OECD DAC statistics (total multilateral outflows); Institutions' annual reports
Export credits	Climate-related export credits provided by developed countries' official export credit agencies, mostly for renewable energy	Export credit loans, guarantees, and insurance	OECD Export Credit Group statistics
Publicly mobilised private (attributed to developed countries)	Private finance mobilised by bilateral and multilateral public climate finance	Private finance mobilised by grants, loans, equity and developmental guarantees	OECD DAC statistics and complementary data submissions

Source: based on the OECD (2020c)

The climate change markers introduced at the 1992 Rio Earth Summit, referred to as Rio markers, allow monitoring of allocation of funds to mitigation, adaptation and cross-cutting activities. There are three levels of the Rio markers and depending on the intention of a given project the climate expenditure is accounted with different shares following this scoring system:¹⁵

- Mitigation or adaptation as a principal objective (score 2),

¹³ see <https://rod.eionet.europa.eu/obligations/704> (until 2020) and <https://reportnet.europa.eu/public/dataflow/180> (from 2021). The data until 2020 is a duplication of the data provided to the UNFCCC. From 2021 onwards data presentation follows the OECD format, however, excludes RIO markers estimates that is done by OECD.

¹⁴ Although the Biannual Reports could provide information

¹⁵ See [Revised climate marker handbook FINAL.pdf \(oecd.org\)](#)

- Mitigation of adaptation as a significant objective (score 1) or
- Mitigation or adaptation is not the target at all (score 0).

The monitoring is then used to study whether public and private finance has been in line with the countries' pledges over the years. Special effort has been required in setting up the publicly mobilised private climate finance monitoring system which has been done by the OECD DAC Secretariat. While setting and testing the methodology the Secretariat has carried out a series of surveys since in 2013 in order to measure the amounts mobilised (by the public) from the private sector by such instruments as guarantees, syndicated loans, shares in collective investment vehicles, direct investment in companies, credit lines, simple co-financing arrangements and project finance schemes. The OECD DAC surveys is the main source for the private finance statistics both for countries and for multilateral channels.^{16 17}

2.3 How to assess climate finance spending?

In our representation of countries' own reporting of climate finance we rely on these internationally coordinated approaches using data from the UNFCCC and OECD. It should be noted upfront, however, that some organizations raise concerns about these methods and argue that, for instance, loans cannot be considered as similar to grants because they must eventually be repaid. The argument here is that climate finance should not bring with it the burden of additional debt (IISD, 2010; Act Alliance EU, 2020 & 2021). This is just one example of the fact that the exact definition of climate finance has become a political question, rather than a purely technical one (Novikova et al, 2019). Indeed, the political commitment of developed countries towards developing ones, as well as domestic commitments of the European Union (EU) and individual countries to spend a particular amount of money or a particular budget share on climate actions has contributed to this politicization of the definition.

It is worth mentioning that also a so-called Climate Finance Landscape Method for monitoring of the domestic and international climate finances has been developed by the think tank Climate Policy Initiative (CPI).¹⁸ Since 2011, the CPI has been publishing such global landscapes annually. In contrast to the UNFCCC and the OECD, CPI does not have its own reporting and statistics platform, but uses empirical data drawn from a wide range of primary and secondary sources to produce the landscapes (CPI 2022). The CPI's definition of climate finance is similar to that of the UNFCCC and the OECD, with a focus on bi- and multilateral finance and also includes private funds. However, their approach also considers internal finance flows, not only the international flows,

¹⁶ The biennial reports to UNFCCC do not record the private finance statistics in a systematic format and have no template for such statistics. Countries report on private finance in free and flexible style which does not allow cross country comparison.

¹⁷ See the latest document on <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-Methodologies-on-Mobilisation.pdf>

¹⁸ <https://www.climatepolicyinitiative.org/climate-finance-tracking/> ; <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-a-decade-of-data/>

somehow accommodates household capital and seems to collect a lot more data (companies, government, households, etc). A few countries (Germany, France, Belgium, Poland, Czech Republic and Latvia) have been using this method in their analyses (Novikova et al, 2019).

For our purpose, however, it is still instructive to stay as closely as possible to the countries own reporting to the UNFCCC and OECD DAC approach, also because this has been adopted by the EU member states when they have to report under Regulation (EU) 2020/1208¹⁹ By looking carefully and in detail to the data these countries provide to these bodies we are better able to compare strengths and weaknesses of the current monitoring system. Moreover, our aim is also to assess the different climate finance ambitions and its potential effectiveness. Therefore we ask the following questions:

- Is the amount of (public) finance committed also reached?
- Is the finance spent on the right purposes, i.e. according to the definition of those purposes?
- To what extent do the public funds also raise additional private funds ('leverage effect')?
- Are the additional means gathered and spent in a coherent way?

It should be noted that these questions basically relate to questions that are usually also addressed by Audit Commissions (e.g. Dutch Court of Auditors, 2020). Such questions can be answered with a clearly defined ultimate goal and if agreement exists on a set of definitions that determine what could be labelled as climate finance and on what purposes it is spent. So a preliminary question for a country comparison assessment is whether and to what extent countries agree on such monitoring issues.

Another set of questions that is relevant relates to policy coherence and (cost) effectiveness, however. Relevant questions to be asked here are:

- What is the effectiveness measured as, for example, tons of CO₂ saved (in case of mitigation) or lives saved (in case of adaptation)?
- What relation exist between money spent and outcomes (such as the cost effectiveness ratio) and how does this relate to additionality issues?

Answers to such questions require a more involved assessment such as those provided by Impact Assessments. Here one should preferably know much more about the projects involved and how they perform in terms of additionality for instance (Spratt, Ryan and Collins, 2012). We address all of these questions in section 5.

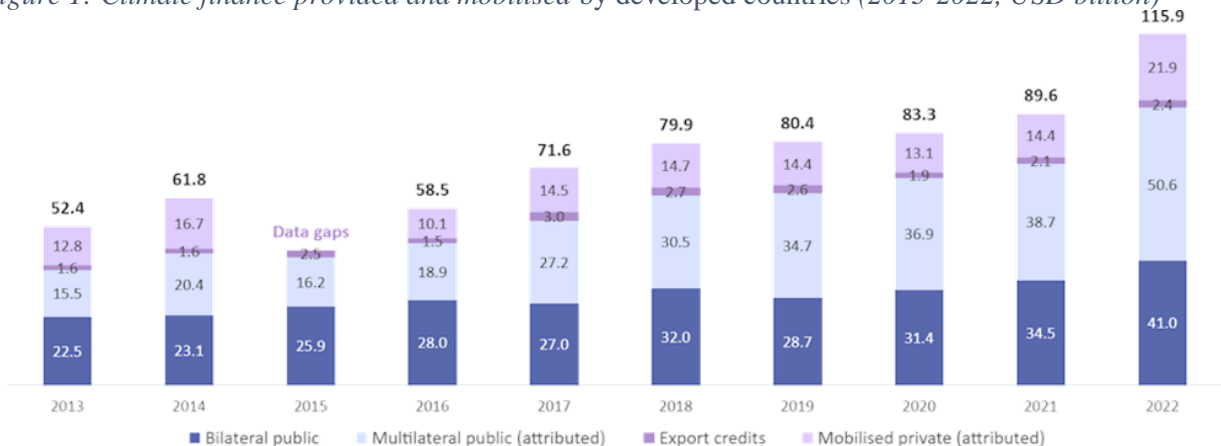
¹⁹ Article 6 of Implementing Regulation (EU) 2020/1208 "Information on financial and technology support provided to developing countries"

3. State of play of climate finance mobilisation worldwide

In this section we provide an overview of the current state of climate finance according to the latest OECD report (2024) which presents the inventory of the climate finance from all developed countries for 2013-2022 based on the OECD-DAC efforts. Before going into the details of our target countries we first provide a global overview of the developments in climate finance based on the same data to sketch the broad picture in the background. During the Copenhagen Conference in 2009 developed countries pledged to provide new and additional resources, including forestry and investments, close to **USD 30 billion for the period 2010 - 2012** and with balanced allocation between mitigation and adaptation. This collective commitment has come to be known as ‘fast-start finance’. In the context of meaningful mitigation actions and transparency on implementation, developed countries also committed to a goal of mobilizing jointly **USD 100 billion a year by 2020** to address the needs of developing countries. These funds should come from a wide variety of sources, including the private sector.

Figure 1 provides an overview of how much finance has been delivered throughout the period. According to the most recent inventory by the OECD (2024) reporting on 2013-2022, total climate finance provided and mobilised by developed countries has increased since 2013, reaching USD 83.3 billion in 2020 and USD 115.9 billion in 2022. This shows that the USD100 billion target was reached with two years delay.

Figure 1: Climate finance provided and mobilised by developed countries (2013-2022, USD billion)



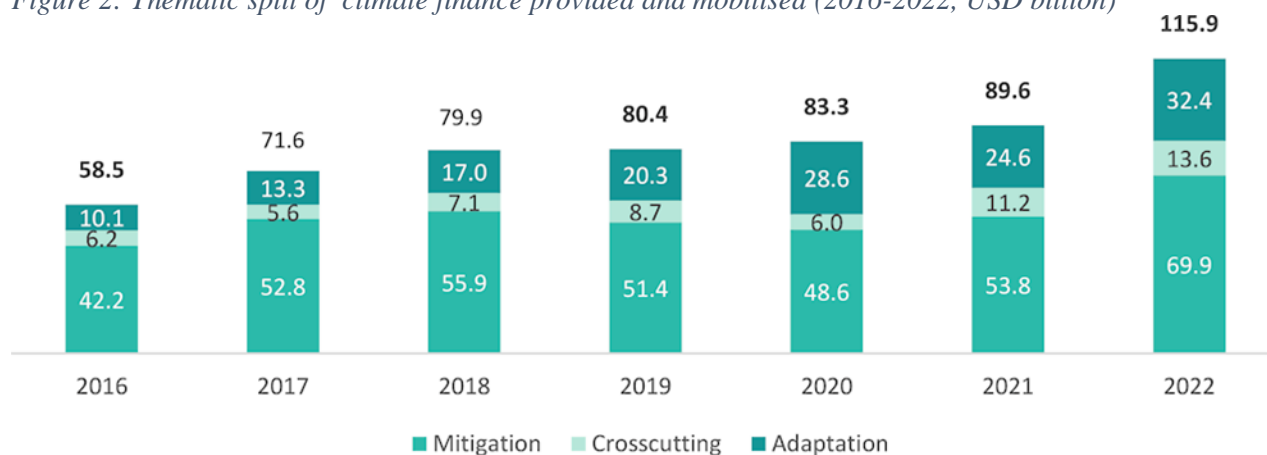
Note: The gap in time series in 2015 for mobilised private finance results from the implementation of enhanced measurement methods. As a result, grand totals in 2016-2022 and in 2013-14 are not directly comparable.

Source: OECD (2024) (based on Biennial Reports to the UNFCCC, OECD DAC statistics, OECD Export Credit Group statistics, as well as complementary reporting to the OECD)

Over the period of 2016-2022, for which the total volumes are comparable, climate finance grew by 22% between 2016 and 2017, by 11% between 2017 and 2018 and 3% between 2018 and 2019, and

4-5% between 2019 and 2021.^{20 21} Public money, including bilateral and multilateral climate finance, has always dominated the funding and cumulatively increasing from USD 46.9 billion to USD 68.3 billion between 2016 and 2020. Private finance amounts have been stagnant between 2017 and 2021, but saw a significant growth in 2022. There was a significant 30% increase between 2021 and 2022 in total climate finance, as well as in each instrument category.

Figure 2: Thematic split of climate finance provided and mobilised (2016-2022, USD billion)



Source: OECD (2024)

Figure 2 shows a **thematic split** of developed countries’ climate finance. Clearly the largest bulk of climate finance is for *mitigation*, that is around two thirds of the overall amount throughout 2016-2022. In 2022 it accounted for 60% of the total amount. The shares for *adaptation* activities increased from 17% in 2016 to 28% in 2022. *Cross-cutting* activities that address both mitigation and adaptation also grew between 2016 and 2022 representing 7% to 13% share of the total throughout the period.

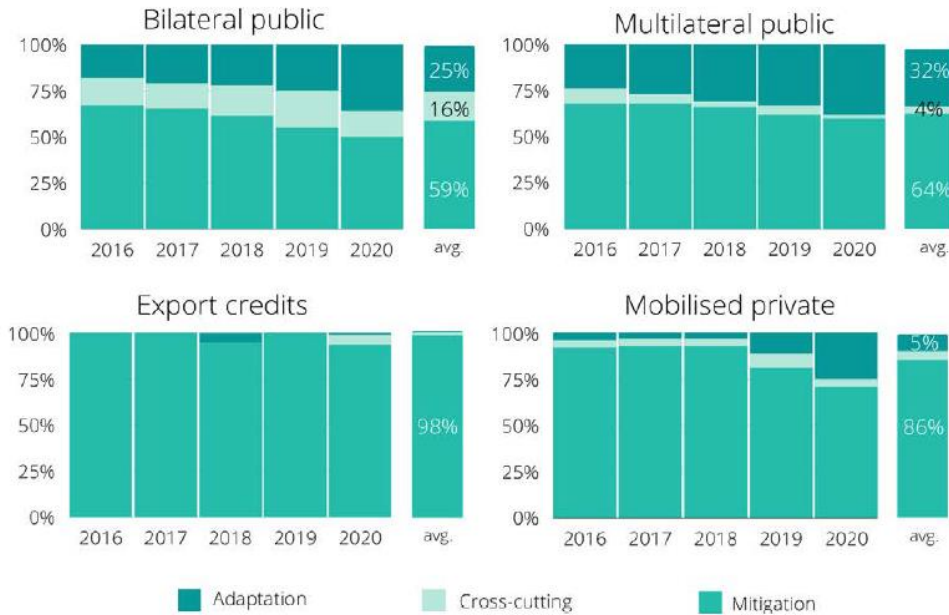
Mitigation oriented climate finance streams are the largest in all types of finance channels for the average of mobilised capital across all years. This trend is strong in export credits (up to 98%). Over the years, the share of finance for adaptation in public bilateral and multilateral streams has been steadily growing. Since 2019 publicly mobilised private finance has seen a fast increase of adaptation projects.

Looking at the differences in the thematic split towards mitigation, adaptation or cross-cutting **across the spending sources**, we have to rely on older report by the OECD because the 2024 report does not have this data for 2022. For all sources of finance Figure 3 clearly shows a clear shift from mainly mitigation spending towards spending on adaptation over time.

²⁰ See OECD (2024)

²¹ While the figures presented for public climate finance (bilateral, multilateral, export credits) constitute a consistent year-on-year time series from 2013 to 2017, the grand totals (including mobilised private climate finance) for 2016 and 2017 are not directly comparable with those for 2013 and 2014. This is due to the implementation of enhanced measurement methodologies and a resulting gap in the time series for mobilised private finance in 2015.

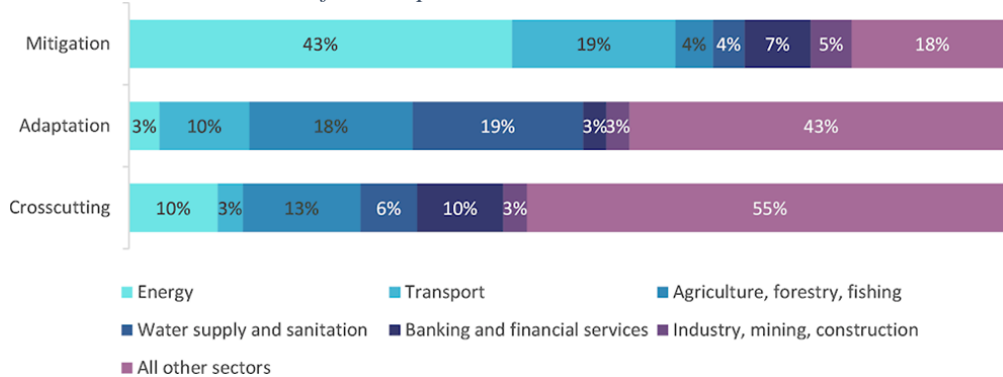
Figure 3: Allocation of climate finance provided and mobilised across themes (%)



Source: OECD (2022b) Based on Biennial Reports to the UNFCCC, OECD DAC and Export Credit Group statistics, complementary reporting to the OECD.

Figure 4 below shows the **sectoral destinations** of climate finances raised in 2016-2022. Trends remained largely unchanged since 2016. Most mitigation finance focused on activities in the energy and transport sectors. Between 2016 and 2022, these two sectors accounted for more than half (62%) of the total mitigation finance provided and mobilised. In contrast, adaptation finance was more evenly distributed across a larger number of sectors, with the water supply and sanitation sector, along with agriculture, forestry, and fishing, accounting for the largest shares with 19% and 18% of total adaptation finance provided and mobilised respectively.

Figure 4 Sectoral destination climate finance provided and mobilised in 2016-2022 in various sectors (%)

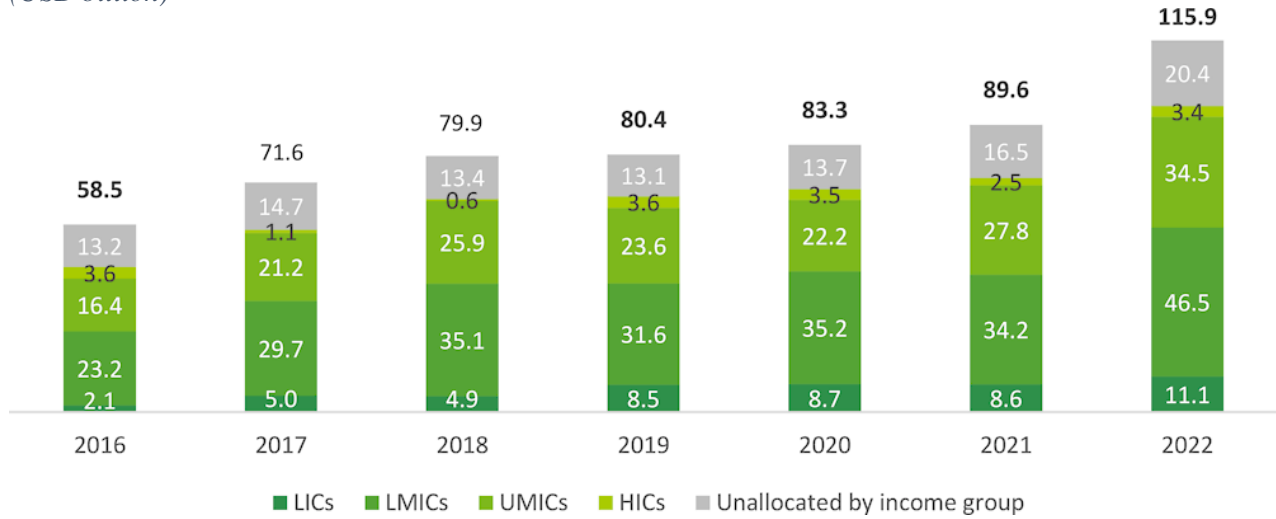


Source: OECD (2024) Based on Biennial Reports to the UNFCCC, OECD DAC and Export Credit Group statistics, complementary reporting to the OECD.

Figure 5 below shows that the climate finance allocation trends across low income countries (LICs), lower middle income countries (LMICs), upper middle income countries (UMICs), and high income countries (or HICs). LMICs were the main beneficiaries, accounting for 40% of total climate finance

in 2022 that saw an increase since 2016. The share represented by UMICs was similarly stable (30% in 2022, 28% in 2016). The share of finance provided and mobilised for LICs represented 10% in 2022. In absolute terms, finance for LICs showed a five-fold (USD 9 billion) increase since 2016.

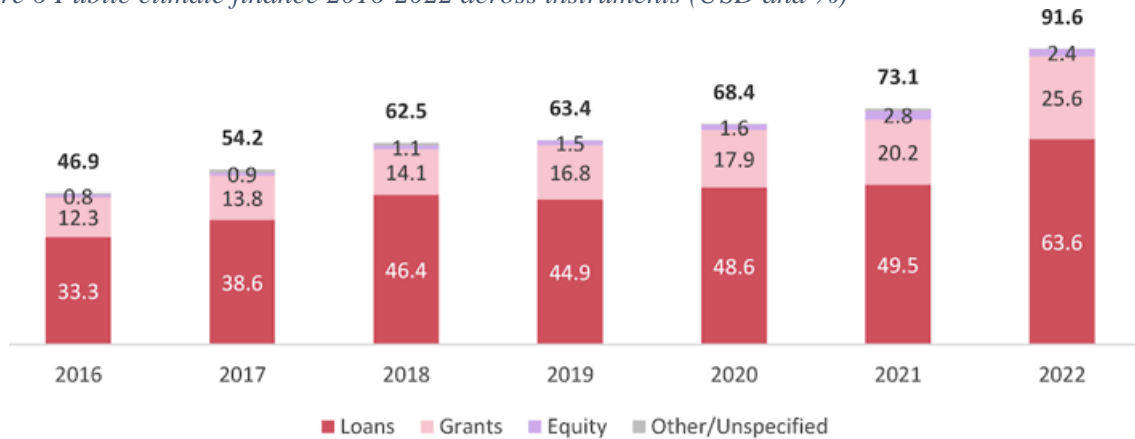
Figure 5: Climate finance provided and mobilised 2016-2022 per developing country income grouping (USD billion)

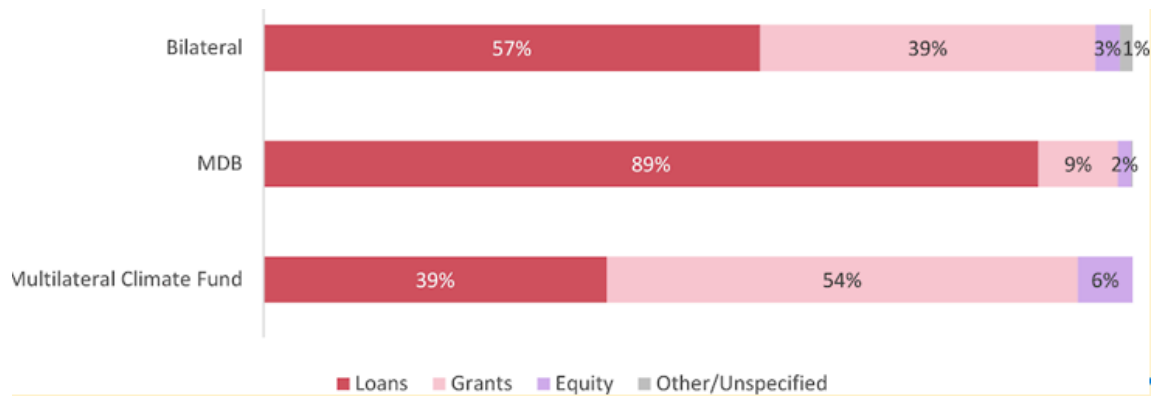


Source: OECD (2024) based on Biennial Reports to UNFCCC, OECD DAC and Export Credit Group statistics, complementary reporting to the OECD.

When looking at the **financing instruments** used in **public climate finance** applied in 2016-2022 about 69% of finances channelled were provided as loans, both concessional and non-concessional, and around 28% as grants (based on Figure 6). Volumes of equity investments (whether in companies, projects, or funds) remained small. Close to 90% of financing provided by MDBs took the form of loans. In contrast, the mix was comparatively more balanced for multilateral climate funds and bilateral providers, which tend to fund a more diverse range of activities and projects.

Figure 6 Public climate finance 2016-2022 across instruments (USD and %)

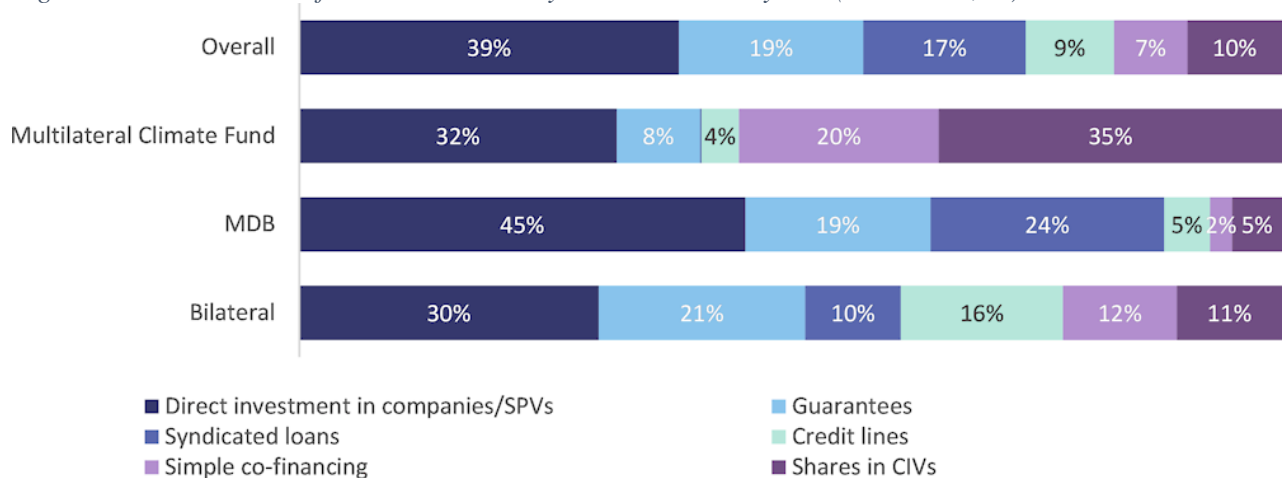




Source: OECD (2024) Based on Biennial Reports to the UNFCCC, OECD DAC and Export Credit Group statistics, complementary reporting to the OECD.

In **private climate finance** the typology of instruments reported is different and more diverse as demonstrated in the Figure below. Over 2016-2022, the majority of private climate finance was mobilised through direct investment in companies (or special purpose vehicles - SPVs), guarantees and syndicated loans.

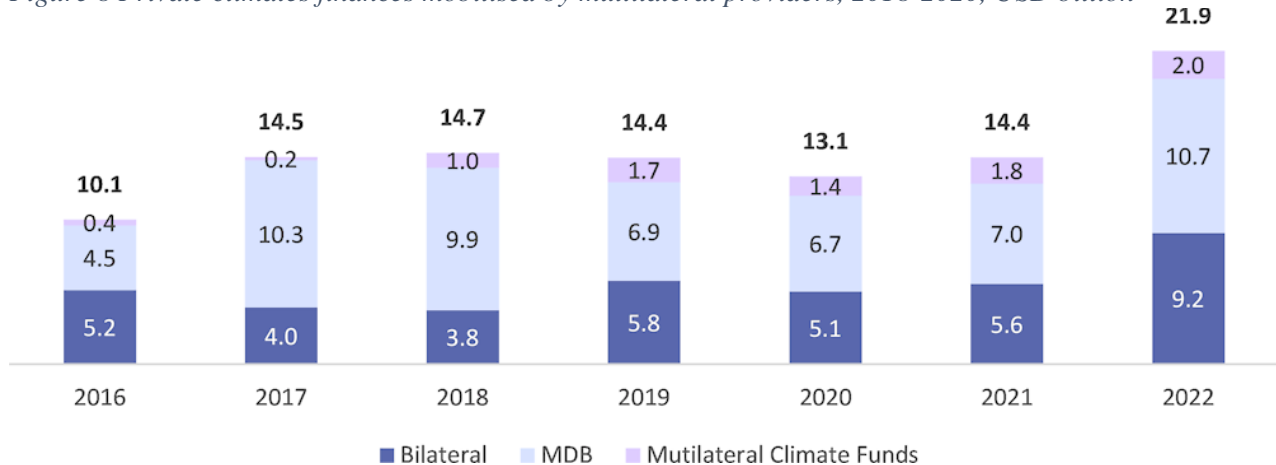
Figure 7: Private climate finance mobilised by instruments and years (2016-2022, %)



Source: OECD (2024)

After several years of stagnation, private finance mobilised by public climate finance increased significantly in both relative and absolute terms, reaching USD 21.9 billion in 2022. This represented a 52% (or USD 7.4 billion) increase compared to 2021. According to OECD (2024) this annual jump is likely to reflect both the strong growth of public climate finance between 2021 and 2022 (which grew by 25%), as well as some improvements in the effectiveness of such public finance in mobilising private finance.

Figure 8 Private climate finances mobilised by multilateral providers, 2018-2020, USD billion



Source: OECD (2024)

4. Climate finance design – cross country comparison

In this section we focus on some European countries to better understand differences across countries as to how they provide climate finance and how effective this is. We start with a country specific description of the organization of this process within each country and what potential differences exist in procedures to define climate finance. Next, we discuss several detailed characteristics of climate finance aspects such as own (public) finance commitment, spending purposes, and publicly raised private finance. We also provide some information on European institutions such as European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

4.1 Climate finance governance in targeted countries

France relies mainly on the French Development Agency group (French: AFD, and its private-sector subsidiary, PROPARCO), and on bilateral instruments dedicated, in part, to the climate stakes in developing countries, namely the French Facility for Global Environment (French: FFEM), the Fund for Private Sector Studies and Aid (French: FASEP) and subsidized and unsubsidized Treasury loans. Local agencies of the French Development Agency identify the projects and needs of recipient countries jointly with the partners and project developers provided by these countries. It also relies on the signature of funding contracts with national and local authorities in the countries where there is intervention.

In *Germany* most of the funds are made available through the bilateral development cooperation of the Federal Ministry for Economic Cooperation and Development (BMZ). KfW Development Bank acts on behalf of BMZ in managing climate finance for developing countries and introducing new

finance instruments, and to mobilise private capital²². A smaller (but important) share of climate finance is provided by the International Climate Initiative (ICI / IKI)²³ of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).²⁴

In the *Netherlands*, the public climate finance of the Netherlands consists of over 350 programmes/projects financed from a variety of budget lines. Also several finance institutions work with climate finance. FMO is the Dutch entrepreneurial development bank. It invests in over 85 countries, supporting jobs and income generation. It has a broad portfolio of investment projects addressing various challenges in developing countries. In addressing climate challenge FMO invested €1 billion in 2022, €544 million in 2021 and €466 million in 2020 in Green projects such as renewable energy projects, sustainable agriculture, forestry and Green credit lines. FMO's current portfolio resulted in a around 1500 ktCO₂e avoided GHG emissions annually.²⁵

Together with public investment partners like Dutch and UK government, European Commission and the Green Climate Fund, FMO has set up eight public funds with specific thematic focus. Three of these funds address climate change related challenges. These are Dutch Fund for Climate and Development (DFCD), Access to Energy Fund and Mobilizing Finance for Forests. DFCD²⁶ was set up in 2019 to enable private sector investment in projects aimed at climate adaptation and mitigation in developing countries. The Dutch Ministry of Foreign Affairs has made available €160 million to increase the resilience of communities and ecosystems most vulnerable to climate change. The DFCD is managed by a consortium of FMO, Climate Fund Managers (CFM), World Wide Fund for Nature Netherlands (WWF-NL) and SNV Netherlands Development Organisation. The Access to Energy Fund²⁷ was jointly initiated in 2007 by the Dutch government and FMO. By 2022 it had a portfolio of €186 million and support private sector projects aimed at providing long-term access to energy services in developing countries. Mobilizing Finance for Forests²⁸ is a blended finance programme established in 2021 by the UK government and FMO with a portfolio of over €170 million (£150 million) that focuses on sustainable forestry, forest protection, restoration, non-timber forest products, carbon offsetting and tackles the drivers of climate change and biodiversity loss.

Other notable climate finance vehicles in the Netherlands is Fonds Duurzaam Water (FDW). FDW is a public-private partnership programme (PPPs) that supports water safety and water security in developing countries. Since 2012 it has allocated 150 million euro to support 42 PPP projects in 24 countries to address problems around drinking water and sanitation, efficient water use in

²²https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Brosch%C3%BCren/2019_Herausforderung_Klimawandel_EN.pdf

²³ https://www.international-climate-initiative.com/en/?iki_lang=en

²⁴ <https://www.germanclimatefinance.de/overview-climate-finance/>

²⁵ <https://reporting.fmo.nl/> Annual reports for 2022, 2021, 2020

²⁶ <https://www.fmo.nl/climate-fund>

²⁷ <https://www.fmo.nl/aef>

²⁸ <https://www.fmo.nl/mobilising-finance-for-forests>

agriculture, and integrated water management.²⁹ In terms of disbursement, most of the activities that are under the responsibility of Dutch embassies are single-country activities. This ‘delegated budget’ made up 23% of the total climate disbursement in 2016-2019.³⁰

Sweden has not chosen to create a separate climate finance mechanism, but rather includes climate finance in its ODA. The majority of Swedish bilateral support is provided through Sida and includes support to bilateral, regional and global institutions and organisations (including so called ‘multi-bi’ support). The Ministry of Environment administered support to a number of strategic initiatives linked to the UNFCCC negotiations. The Swedish Energy Agency, the Swedish Environmental Protection Agency and the Swedish Meteorological and Hydrological Institute were also involved in important climate initiatives, programs and mechanisms, such as the Climate and Clean Air Coalition, and SIDS DOCK. The Swedish Program for International Climate Initiatives focuses on the Kyoto Protocol’s flexible mechanism and contribution to the development of new market mechanisms under the Paris Agreement. The core mission of the program is to support the development of international climate cooperation, to achieve cost-effective greenhouse gas reductions and to contribute to sustainable development in developing countries.

In *Switzerland* three government entities – the Swiss Agency for Development and Cooperation, the Swiss State Secretariat for Economic Affairs, and the Swiss Federal Office for the Environment – have specific roles and dedicated budgets for international climate financing. They cooperate closely to ensure overall effectiveness and coherence of Swiss support for climate change activities in developing countries and countries in transition. Through its bilateral development cooperation Switzerland supports multiple climate change mitigation projects such as the Transformative Carbon Asset Facility, the Pilot Auction Facility for Methane and Climate Change Mitigation and Climate Investment Funds.

In the *United Kingdom (UK)* International Climate Finance (ICF) is Official Development Assistance (ODA) to support developing countries to respond to climate change. The ICF portfolio is delivered by three UK government departments: Department for International Development (DFID); Department for Business, Energy and Industrial Strategy (BEIS); and Department for Environment, Food and Rural Affairs (Defra). Some of the UK’s climate finance is delivered through British International Investment, previously CDC – Commonwealth Development Cooperation, the UK’s development finance institution. Also there is mentioned above Mobilising Finance for Forests (MFF) joint programme of the UK government and FMO.

²⁹ <https://www.rvo.nl/subsidies-regelingen/fonds-duurzaam-water-fdw>

³⁰ MFA 2021, IOB evaluation Funding commitments in transition Dutch climate finance for development 2016-2019

4.2 Copenhagen pledges in targeted countries

As for our countries the pledges for the period 2015-2020, as well as the renewed pledges (e.g. declared at COPs 26-28) for up to 2025-2026 are summarized below in Table 5. It should be noted that the pledges are not uniformly defined by countries and therefore estimation of the per-capita figures are approximated in some cases. From this comparison we learn that per capita pledges have clearly gone up over time varying from 30 USD (Germany) to 99 USD (Sweden) in 2015 to 50 USD (Switzerland) to 138 USD (Sweden) in 2025. Some countries like the UK have already committed (before COP26) at increasing their effort to even much higher levels (over 200 USD by 2026).

Table 2 Climate finance related pledges

Country	Pledges (EUR per year)	Per capita/ annually (national currency)	Per capita/ annually (in USD)
France	3 billion EUR (2015)	45 EUR (2015)	49
	5 billion EUR (2020)	75 EUR (2020)	83
	6 billion EUR (2021-2025) (COP26 & COP28 commitment)	90 EUR (2025)	99 ¹⁾
Germany	2 billion EUR (2014)	24 EUR (2014)	30
	4 billion EUR (in 2020)	50 EUR (2020)	55
	unofficial position: 10% of 100 billion USD	100 EUR (unofficial)	110 (unofficial)
	5 billion EUR (2021-2025) (COP26 commitment)	62 EUR (2021-2025)	68
	6 billion EUR by 2025 (COP28 commitment)	73 EUR (2025)	80 ¹⁾
Netherlands	550 million EUR in 2016	35 EUR (2016)	39
	1.25 billion EUR per year from 2020 ²⁾	75 EUR (2020)	83
	1.3 billion EUR in 2022 incl. 660million in public CF and 40million in private CF (COP26 commitment)	78 EUR (2022)	86
	1.8 billion EUR in 2025 (COP28 commitment)	108 EUR (2025)	119 ¹⁾
Sweden	In 2015 Sweden announced its intention to nearly double multilateral climate support in 2016. + 500mIn EUR / year to Green Climate Fund. In 2019 Sweden committed to increase financial support to three major climate funding mechanisms 15billion SEK by 2025 (COP26 commitment)	840 SEK (2015)	99
	Increase from SEK 6.5 billion to SEK 8 billion by 2026 (COP28 commitment)	1450 SEK (2025) 770 SEK (2026)	138 74 ¹⁾
Switzerland	Considers its fair share 380-510 mill EUR ³¹	45 EUR(2015)	50 USD
	425 million CHF by 2024 (COP26 commitment)	48 CHF (2024)	52 USD ¹⁾
	400 million CHF in public climate finance by 2024 through bilateral and multilateral channels (COP28)		
UK	2015 pledge: provide 5.8GBP (6.46 EUR) billion in 2016-2020	86 GBP (2020)	108 USD
	2019 pledge: double commitments/ reach 11.6 GBP (12.9 EUR) billion in 2021-26 (COP2 and COP28)	162 GBP (2026)	212 USD ¹⁾

³¹ The report describing the target and the various measures to meet it you can find here in French: <https://www.parlament.ch/centers/eparl/curia/2015/20153798/Bericht%20BR%20F.pdf>. Also see <https://www.germanclimatefinance.de/2020/07/23/is-switzerland-making-an-appropriate-contribution-to-international-climate-finance/>

Source: <https://unfccc.int/sites/default/files/resource/climate-finance-roadmap-to-us100-billion.pdf> , <https://unfccc.int/list-of-recent-climate-funding-announcements>, biennial reports of countries to UNFCCC ; <https://ukcop26.org/wp-content/uploads/2021/11/Table-of-climate-finance-commitments-November-2021.pdf> ; <https://unfccc.int/documents/628432>

Notes: 1) All conversions for CHF, EUR, GBP, SEK to USD based on the European Central Bank data on exchange rates in the relevant year (see https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-usd.en.html); 2) See Dutch Court of Auditors report.

4.3 Public and private climate finances and spending by target countries

This section presents the comparison in climate finance statistics across France, Germany, the Netherlands, Sweden, Switzerland and the UK. It is necessary to mention that as of September 2024, the climate finance (CF) data for 2022 was still being prepared by the responsible agencies in the six target countries. The data obtained for this study needs to be treated as draft data. The reporting templates and requirements for CF from the UNFCCC have changed starting from 2021. CF data is no longer included in the Biennial Reports to the UNFCCC but will instead be featured in a new CF data portal, which is yet to be launched by the UNFCCC. This transition has caused delays in the preparation of CF reports for 2021 and 2022, which were initially expected to be ready by late 2023. At the same time, EU member states have been required to report their climate finance contributions to the EU in accordance with Article 6 of Implementing Regulation (EU) 2020/1208, "Information on financial and technology support provided to developing countries." In compliance with this regulation, member states have submitted data for the years 2020, 2021, and 2022. Recently both, EU and UNFCCC require to present indication on the “committed” and “provided”(disbursed) amounts, as well as on “grant equivalent” in bilateral and multilateral CF statistics. Publicly mobilised private CF does not have such details. The UNFCCC template allows reporting of either committed or disbursed amounts, but not both and leave the choice up to the reporter. This brings the problem of comparability of the climate finance reporting across countries because “committed” can be associated with the budgets that will be (or not, in case project is cancelled) spent in future years, while “provided” data is the actually spent budgets in the specific year. Connecting these two categories make sense only in a timespan of several years, when one can analyse whether and how the committed finance has been spent.

Further challenge is related to diverse quality of data presented in each report. Netherlands, Germany, Sweden provide detailed data, both for public and private finance. The details for private finance are very limited in the reports of France (which provided only aggregates), while the UK report fully missed this data category. For these countries the OECD private climate finance data was used as a substitute, despite possible difference that can also vary from country to country. According to the Dutch expert responsible for the CF reporting, their methodology in collecting private finance data is quite different from the one from OECD and relies on a detailed analysis and more tailored estimates.

Despite efforts to harmonize the reporting templates for climate finance between the UNFCCC and the EU, there are still several differences in how the data is presented. We have made every effort to standardize the data from these two sources into a unified format for use in our analysis.

Table 3 Sources used to obtain climate finance data for the present report

Countries for which data were sourced	Bilateral and Multilateral CF data sources	Private CF mobilised data source
France Germany Netherlands Sweden	Report to the EU, following Article 6 of Implementing Regulation (EU) 2020/1208 "Information on financial and technology support provided to developing countries" Sources: (a), (b) Some details for private finance for France, OECD DAC statistics 'Mobilised private finance for development' has been consulted. Source: (d)	
Switzerland	Report to UNFCCC, Information on financial support provided under Article 9 of the Paris Agreement in year 2021 Source: (c)	
UK	Report to UNFCCC, Information on financial support provided under Article 9 of the Paris Agreement in year 2021 Source: (c)	OECD DAC statistics 'Mobilised private finance for development' Source: (d)
Notes:		
<p>(a) Contact persons at the Dutch and Swedish agencies responsible for CF reporting to the EU and UNFCCC provided the CF data files.</p> <p>(b) The EU Reportnet (https://reportnet.europa.eu/public/dataflow/963) was used to source the German and French data. It is important to note that the Dutch and Swedish data provided to us aligned well with the data available at EU Reportnet. However, the German and French 2022 data available on EU Reportnet is subject to further updates and refinements by the respective reporting countries</p> <p>(c) UK and Swiss contacts for the UNFCCC report provided draft CF reports. They requested that the data be treated as provisional, considering the possibility of future updates</p> <p>(d) OECD database: https://stats.oecd.org/Index.aspx?DataSetCode=DV_DCD_MOBILISATION</p>		

Table 44 below shows the country specific climate finances channeled via bilateral and multilateral providers and private finance mobilised in 2022. Germany and France have provided the largest amount of bilateral finance. The UK has managed to mobilise significantly less compared to Germany and France. The Netherlands provided in around EUR 1.1 bln which is below the 2020 commitment. It is an increase from EUR 0.79 bln provided in 2020 but still below 1.53 bln secured in 2018. The table also shows that the share of grant equivalent in the various categories of CF can range from 5% to 100%. It is necessary to clarify that the 'committed' amounts in specific year indicate the budget of contracts for projects and initiative that will take place during often several year following the contract launch. The 'provided' statistics includes the amounts spent on projects (or a part of these projects) in this specific year. Therefore one should not compare 'committed' numbers with the 'provided' ones for the same year.

Table 4 Country specific climate finance channels in 2022 (bln USD)

	Bilateral			Multilateral			Private	Total committed	Total provided
	Committed amount	Provided amount	Grant equivalent ³²	Committed amount	Provided amount	Grant equivalent			
France	6.76	3.81	0.31	1.31	1.31	1.12	1.26	9.33	6.38
Germany	8.78	5.62	0.69	1.42	1.20	(*)	0.50	10.70	7.32
Netherlands	0.59	0.58	0.58	0.42	0.26	0.26	0.61	1.62	1.45
Sweden	0.26	0.27	0.01	0.58	0.58	0.39	0.61	1.45	1.46
Switzerland	(**)	0.33	0.33	(**)	0.21	0.21	0.11	0.66	0.65
UK	2.15	(***)	2.15	0.63	(***)	0.63	1.31	4.09	<i>n/a</i>
Grand Total	18.87	10.61	4.07	4.56	3.55	2.60	3.27	34.51	25.08

Source: see details in Table 33.

Notes: (*) the German report has missed to report the grant equivalent amounts, (**) Switzerland missed to provide data on ‘committed’ amount, while (***) the UK missed to report ‘provided’ amounts ; Estimation of the ‘Total provided’ based on the summing ‘Bilateral provided’, ‘Multilateral provided’, and ‘Private’ amounts;

Table 55 shows the **financing instruments** used in allocation of **bilateral and multilateral public finances** across countries in 2022. Grants is the most common instrument applied in disbursement of the finances, across all countries analysed here. Loans are used widely in France and Germany in climate finance, but hardly in other four countries. Equity tends to be used only in Germany, Sweden and the UK and only in bilateral finance. France in its bilateral finances has a large category of ‘other instruments’ not specified in the report but presumably a mix of diverse instruments. In the category of “others” for Germany are syndicated loan, credit lines, composite loans, direct investment in companies/SPVs (mezzanine/senior debt), structured collective investment vehicle, and common shares in flat collective investment vehicle.

Table 5 Allocation of **bilateral and multilateral public climate finance 2022 across various instruments and countries (bln USD)**

	Bilateral			Multilateral		
	Committed amount	Provided amount	Grant equivalent	Committed amount	Provided amount	Grant equivalent
France	6.76	3.81	0.31	1.31	1.31	1.12
Concessional loan	3.47			0.33	0.33	0.13
Grant	0.30	0.002		0.98	0.98	0.98
Non-concessional loan	2.98					
Other		3.80	0.31			
Germany	8.78	5.62	0.69	1.42	1.20	(*)
Concessional loan	4.08	1.86				
Equity	0.18	0.18				
Grant	4.36	3.33	0.69	1.42	1.20	(*)
Other	0.16	0.25				
Netherlands	0.59	0.58	0.58	0.42	0.26	0.26

³² For the methodology for estimation of grant equivalent see *Annex 7a: Reporting on debt relief, grant equivalent basis*, of the OECD Reporting Directive for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire document - DCD/DAC/STAT(2023)9/ADD1/FINAL, available at [https://one.oecd.org/document/DCD/DAC/STAT\(2023\)9/ADD1/FINAL/en/pdf](https://one.oecd.org/document/DCD/DAC/STAT(2023)9/ADD1/FINAL/en/pdf)

Grant	0.59	0.58	0.58	0.42	0.26	0.26
Sweden	0.26	0.27	0.01	0.58	0.58	0.39
Equity	0.03	0.03				
Grant	0.23	0.24	0.01	0.58	0.58	0.39
Switzerland	(**)	0.33	0.33	(**)	0.21	0.21
Grant		0.33	0.33		0.21	0.21
UK	2.15	(***)	2.15	0.63	(***)	0.63
Equity	0.88		0.88			
Grant	1.24		1.24	0.63		0.63
Other	0.03		0.03			
Grand Total	18.87	10.61	4.07	4.56	3.55	2.60

Source: see details in Table 33 . (*) Germany missed to report the grant equivalent amounts in Multilateral CF, (**) Switzerland missed to provide data on committed amount, while (***) the UK missed to report provided amounts

The spread for *multilateral public finance* very much depends on the institution through which the finance is allocated. Among multilateral providers, the instrument split varied between MDBs and climate funds, primarily due to the different mandates and operating models of these two types of multilateral institutions (OECD 2024, p15). In 2016-2022, 54% of global public climate finance provided via multilateral climate funds was provided in the form of grants and 39% as loans, while 89% and 9% MDBs' climate finance counted for loans and grants respectively. Furthermore, in 2016-2022, 41% and 23% of loans extended by multilateral climate funds and MDBs respectively were concessional.

The data on *private* climate finance mobilised in 2022 and its allocation across various instruments in the selected countries is presented in Table 66. Report for France missed detailisation related to instruments. For the rest it appears that all countries use a two or more set of instruments in disbursing mobilised private finances. Most of the Netherlands' private climate finance is allocated via programmes that use mix of instruments including loans, grants, etc. In Sweden and Switzerland state guarantee is the main instrument to mobilise private finance. Germany relies on diverse set of instruments where CIV and simple co-financing are more prominent.

Table 6 Allocation of *publicly mobilised private climate finance* 2022 across various instruments and countries (bln USD)

	Credit Lines	Direct investment in companies & SPVs	Grant	Guarantees	Shares in CIVs	Simple co-financing	Syndicated loan	Mix of instruments	Unspecified	Total
France	0.86	0.01			0.18	0.0002	0.01		0.21	1.26
Germany	0.07	0.08			0.22	0.12	0.02			0.50
Netherlands				0.002				0.60		0.61
Sweden		0.03	0.002	0.57						0.61
Switzerland			0.02	0.10						0.11
UK	0.002	0.30			0.28	0.72				1.31

Source: see details in Table 33

In the **thematic** allocation statistics Germany and UK allocates higher share of their public and private climate finances on mitigations focused projects, while, France, Sweden, Switzerland and the Netherlands spent the largest share on adaptation and cross-cutting activities. It is important to note that in 2020-2022, in comparison to earlier years allocation for adaptation projects has increased, thus the balance across thematic areas has been improving.

Table 7 Thematic split of the total of bilateral and multilateral public climate finance in all countries in 2020 (bln USD)

		Adaptation	Mitigation	Cross-cutting	Total
France	Committed amount	1.36	3.43	3.28	8.07
	Provided amount	0.64	0.65	3.83	5.12
	Grant equivalent	0.72	0.61	0.10	1.43
Germany	Committed amount	2.26	5.56	2.37	10.20
	Provided amount	1.59	2.71	2.52	6.82
	Grant equivalent	0.12	0.46	0.11	0.69
Netherlands	Committed amount	0.29	0.13	0.59	1.01
	Provided amount	0.35	0.12	0.37	0.84
	Grant equivalent	0.35	0.12	0.37	0.84
Sweden	Committed amount	0.32	0.09	0.43	0.84
	Provided amount	0.28	0.11	0.46	0.85
	Grant equivalent	0.07	0.004	0.33	0.40
Switzerland	Committed amount	(**)	(**)	(**)	(**)
	Provided amount	0.40	0	0.14	0.54
	Grant equivalent	0.40	0	0.14	0.54
UK	Committed amount	0.86	1.89	0.02	2.78
	Provided amount	(***)	(***)	(***)	(***)
	Grant equivalent	0.86	1.89	0.02	2.78

Source: see details in Table 33; Switzerland missed to provide committed amount, (***) the UK missed to report provided amounts

Table 8 Thematic split of the total of private climate finance in all countries in 2020 (bln USD)

	Adaptation	Mitigation	Cross-cutting	Unspecified	Total
France			1.26		1.26
Germany	0.01	0.45	0.04		0.50
Netherlands	0.03	0.03	0.55		0.61
Sweden		0.47	0.14		0.61
Switzerland		0.10	0.005	0.01	0.11
UK	(****)	(****)	(****)		1.31

Source: see details in Table 33; (****) private climate thematic split statistics is not available for private finance in the OECD report.

Table 9 and Table 10 show the **sectoral destinations** of climate finances from the **bilateral, multilateral and publicly mobilised private finance** sources in total and per each country in 2022. The most prominent sector is the energy for most of the countries and categories of finance streams. Agriculture, forestry and fishing, as well as Water and sanitation are the sector groups that have been getting increasing finance from bilateral and multilateral streams; those are however less prominent in the private finance group. Transport sector projects are an important receiver of climate finance from France and Germany. Banking and business services is prominent channel for private climate finance and amount mobilised by private sector is three times more than funds provided by public sources. This might relate to governments providing funds to a private bank which in turn

uses the money for spending on climate.³³ The category of ‘other sectors’ shows the largest, which includes a mix of various industries, including construction, social infrastructure, environmental protection, humanitarian aid, etc. Note that sectorial decomposition could not be made for a notable share of the finance (labelled as **unspecified**), from multilateral funds largely reported by Sweden and Germany.

Table 9: Allocation of climate finance mobilised in 2022 in economic sectors, Total for France, Germany, Netherlands, Sweden, Switzerland, and UK (bln USD)

sector	Bilateral			Multilateral			Private
	Committed amount	Provided amount	Grant equivalent	Committed amount	Provided amount	Grant equivalent	
Agriculture, forestry and fishing	1.47	1.18	0.50	0.06	0.12	0.02	0.06
Banking & business services	0.34	0.36	0.06		0.01		0.05
Energy	3.14	1.49	0.27	0.20	0.04	0.19	1.82
Industry	0.04	0.03	0.03	0.01	0.01		0.04
Water & Sanitation	1.45	0.54	0.19	0.02	0.02		0.03
Transport	0.99	0.24	0.01				0.03
Unspecified	0.28	0.05	0.69	1.81	1.51	0.38	2.16
Other & cross-cutting sectors	11.17	6.72	2.34	2.46	1.85	2.01	0.22
Total	18.87	10.61	4.07	4.56	3.55	2.60	4.41

Source: see details in Table 3

Table 10 Allocation of private climate finance in 2022 in economic sectors per country (bln USD)

	France	Germany	Netherlands	Sweden	Switzerland	UK	Total
Bilateral							
Agriculture, forestry and fishing							
Committed	0.20	0.81	0.14	0.02	0.07	0.24	1.47
Provided	0.0005	0.97	0.10	0.04	0.07		1.18
Banking & business services							
Committed		0.24	0.06			0.03	0.34
Provided		0.33	0.03			0.00	0.36
Energy							
Committed	0.01	2.85	0.04	0.03	0.06	0.16	3.14
Provided		1.37	0.04	0.02	0.06	0.00	1.49
Industry							
Committed	0.0002	0.01	0.004	0.003	0.01	0.01	0.04
Provided		0.01	0.01	0.005	0.01		0.03
Transport							
Committed	0.47	0.52	-0.0002		0.002	0.003	0.99
Provided		0.24	0.001		0.002		0.24
Water And Sanitation							
Committed	0.82	0.50	0.04	0.01	0.02	0.04	1.45
Provided	0.00	0.43	0.08	0.01	0.02		0.54
Other & cross-cutting sectors							
Committed	5.27	3.58	0.29	0.20	0.17	1.66	11.17
Provided	3.81	2.23	0.32	0.19	0.17		6.72
Unspecified							
Committed		0.27	0.02				0.28
Provided		0.05	0.003				0.05
Total Committed Bilateral	6.76	8.78	0.59	0.26	0.33	2.15	18.87

³³ Note that if this sectorial allocation only relates to private banks, funds provided to banks that have a majority of public shares, like the Dutch FMO or are even state owned bank might not show up under this category,

	France	Germany	Netherlands	Sweden	Switzerland	UK	Total
Total Provided Bilateral	3.81	5.62	0.58	0.27	0.33	0.00	10.61
Multilateral							
Agriculture, forestry and fishing							
Committed	0.02			0.05			0.06
Provided	0.02	0.07	0.01	0.03			0.12
Banking & business services							
Committed							
Provided				0.01			0.01
Energy							
Committed		0.00		0.03		0.17	0.20
Provided				0.04			0.04
Industry							
Committed				0.01			0.01
Provided				0.01			0.01
Water And Sanitation							
Committed				0.02			0.02
Provided				0.02			0.02
Other & cross-cutting sectors							
Committed	1.29		0.42	0.09	0.21	0.45	2.46
Provided	1.29		0.25	0.10	0.21		1.85
Unspecified							
Committed	0.01	1.42	0.003	0.38			1.81
Provided	0.01	1.13	0.003	0.37			1.51
Total Committed Multilateral	1.31	1.42	0.42	0.58	0.21	0.63	4.56
Total Provided Multilateral	1.31	1.20	0.26	0.58	0.21	0.00	3.55
Private							
Agriculture, forestry, fishing		0.003	0.04		0.003	0.02	0.06
Banking and financial services		0.01		0.02		0.02	0.05
Energy		0.43	0.05	0.47	0.002	0.86	1.82
Industry		0.02		0.01		0.01	0.04
Transport						0.03	0.03
Water supply & sanitation			0.03				0.03
Other & cross-cutting sectors	1.26	0.04	0.49	0.11	0.1	0.16	2.16
Unspecified					0.01	0.21	0.22
Total Private	1.26	0.5	0.61	0.61	0.11	1.31	4.41

Source: see details in Table 33

Table 11 show the **geographic destinations of the climate finance**. The African continent seems to be a priority for most of the provider countries. Asia is the next largest destination climate finance, and American continents are also important. Tables further highlight with colours the intensity of the climate finance resources per each recipient regions from the targeted six countries

Table 11 Geographic destinations of climate finance from each provider country in 2022 (bln USD)

	Bilateral			Multilateral			Private
	Committed amount	Provided amount	Grant equivalent	Committed amount	Provided amount	Grant equivalent	
France	6.76	3.81	0.31	1.31	1.31	1.12	1.26
Africa	2.94	0.002	0.18				
America	1.34	0.0002	0.01				
Asia	1.96	0.001	0.03				
Europe	0.27		0.004				
Global				1.24	1.24	1.04	1.26
Oceania							
Unspecified	0.25	3.80	0.09	0.07	0.07	0.07	
Germany	8.78	5.62	0.69	1.42	1.20		0.50
Africa	2.40	1.26	0.12				0.15
America	1.48	0.79	0.17				0.04
Asia	3.08	1.42	0.40				0.05
Europe	0.27	0.18					0.02
Global	1.19	1.42		1.37	0.98		0.01
Oceania	0.003	0.001					
Unspecified	0.37	0.55		0.05	0.22		0.23
Netherlands	0.59	0.58	0.58	0.42	0.26	0.26	0.61
Africa	0.23	0.18	0.18		0.02	0.02	0.01
America	0.0002	0.0002	0.0002				
Asia	0.07	0.02	0.02				
Europe							
Global	0.29	0.37	0.37	0.42	0.24	0.24	0.59
Oceania							
Unspecified							
Sweden	0.26	0.27	0.01	0.58	0.58	0.39	0.61
Africa	0.09	0.12		0.07	0.08	0.01	0.36
America	0.02	0.01		0.003	0.003		
Asia	0.05	0.04	-0.000001	0.05	0.04	0.00003	0.14
Europe	0.01	0.01	-0.000005	0.01	0.02	0.01	
Global							
Oceania					0.002		
Unspecified	0.09	0.09	0.01	0.44	0.43	0.38	0.11
Switzerland	0.33	0.33	0.33	0.21	0.21	0.21	0.11
Africa		0.07	0.07		0.04	0.04	
America		0.04	0.04		0.04	0.04	
Asia		0.07	0.07		0.0001	0.0001	0.10
Europe		0.03	0.03				
Global		0.12	0.12		0.14	0.14	0.02
Oceania							
Unspecified							
UK	2.15		2.15	0.63		0.63	1.31
Africa	0.27		0.27				0.44
America	0.21		0.21				0.19
Asia	0.30		0.30				0.20
Europe	0.0004		0.0004				
Global	1.36		1.36				
Oceania							
Unspecified	0.01		0.01	0.63		0.63	0.48
Grand Total	18.87	10.61	4.07	4.56	3.55	2.60	4.41

Source: see details in Table 33

4.4 Multilateral action through EU institutions: EIB and EBRD

Two major multilateral organizations that play an important role in climate finance are the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). Both are multilateral financial institutions whose shareholders are the EU member states in case of EIB, and the EU institutions and 69 countries in case of the EBRD (see also section 3). It is important to understand that both the EIB and the EBRD finance generally fund only half of a project while the other part is supplied by private investors. The public share is raised also by the EIB raises on the capital market, via e.g. bonds. European governments generally only provide the capital (equity) to help raise the money on the capital market.

The European Investment Bank (EIB) mission is to fund infrastructure projects in Europe. Although about 90 percent of projects financed by the EIB are based in EU member countries, the bank does fund projects in about 150 other countries—non-EU South-eastern European countries, Mediterranean partner countries, ACP countries, Asian and Latin American countries, the members of the Eastern Partnership and Russia.

The EIB defines itself as the EU's climate bank with “the mission to play a leading role in mobilising the finance needed to keep global warming below 2°C, aiming for 1.5°C”. Since 2012, the EIB has provided €170 billion of finance supporting over €600 billion of investment in projects that reduce emissions, help countries adapt to the impacts of climate change and contribute to achieving environmental sustainability goals. This makes the EIB one of the world's largest multilateral providers of finance for projects supporting these objectives.

The EIB set the aim to support €1 trillion of investments in climate action and environmental sustainability in the critical decade from 2021 to 2030, as well as gradually increase the share of its financing dedicated to climate action and environmental sustainability to reach 50% of its operations in 2025. In 2022 EIB Global was launched to support work of EIB beyond Europe and address a wide range of challenges faced by the developing countries. Out of 10.8 billion euros investment of EIB Global in 2022, nearly half was allocated to support climate and environmental sustainability. 47% of the investment went to least-developing and fragile states.³⁴

The European Bank for Reconstruction and Development (EBRD) initially focused on the countries of the former Eastern bloc, but expanded to support development in more than 30 countries from Central Europe to Central Asia. EBRD is increasing its focus on green economy financing. It launched its Green Economy Transition (GET) approach in 2015, under which it aimed to dedicate 40 per cent of its annual investments to climate finance by 2020, compared with an average of around 25 per cent in the previous five years. In 2022, 43% of total EBRD operations were reported to be dedicated to climate finance. The GET uses the full range of the EBRD's financial instruments,

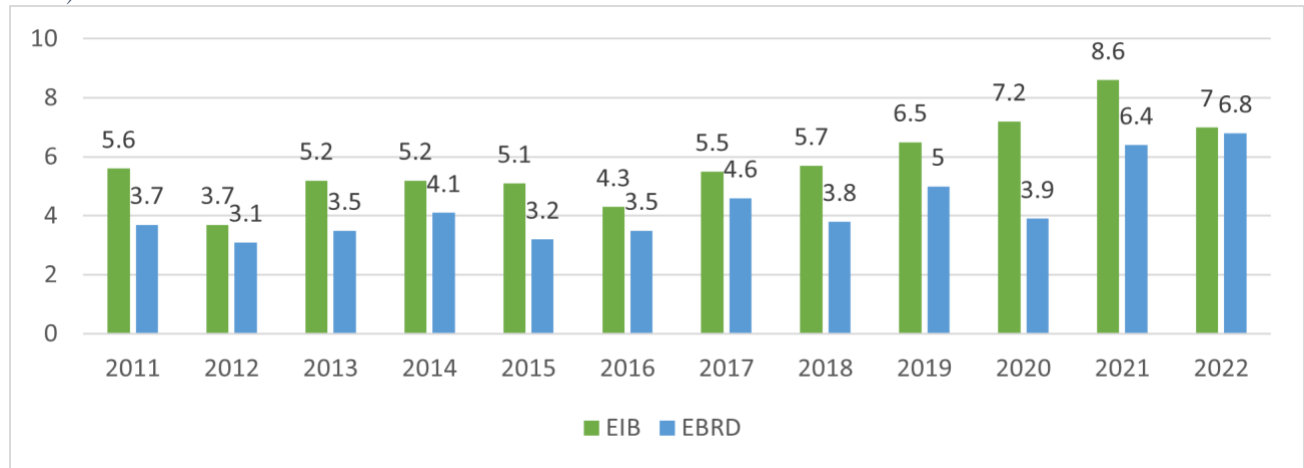
³⁴ <https://www.eib.org/en/global/index.htm>

including direct EBRD financing and syndication in the form of private, non-sovereign and sovereign guaranteed loans, direct equity, equity funds and Green Energy Financing Facilities and Sustainable Energy Financing Facilities.

The EBRD uses a private sector investment model to reducing carbon emissions with energy efficiency and renewable energy projects while also promoting the transfer of green technology to its regions. It has a Finance and Technology Transfer Centre for Climate Change that supports climate technology transfer to countries in transition.

Figure 10 demonstrates **climate finance commitments** in low-income and middle-income economies of EIB and EBRD over the years.³⁵ While the amounts have been fluctuating over the years, one can read a slight trend into this with increases in the last years, especially 2020-2022. Within the total climate finance amounts, the low-income and middle-income economies statistics show that over half of the EBRD climate finances goes to developing counties, while only 10-12% 2,5 of EIB climate finances are channeled to developing countries. In case of both institutions, the dominating share (over 85%) of financing is disbursed on climate change mitigation projects.

Figure 10 Climate finance commitments by EIB and EBRD in developing economies for 2011-22 (in billion USD) ¹



Note 1: We understand that all the data we use from the Multilateral Development Banks is public climate finance, but this graph also includes private climate finance or basically all the money that the MDBs raised on the capital market.

Source: Joint Report on Multilateral Development Banks’ Climate Finance, 2022

The table below presents the actual allocation of finance from both bank accounts for 2019 and 2022. When comparing the commitments of both banks for developing economies with their actual allocation it becomes clear that the actual funds lag strongly behind in both institutions. Where the

³⁵ Note that the categories ‘developing countries’ in the UNFCCC frame is not entirely similar to the categories ‘low-income and middle-income economies’ used by the EIB and EBRD.

EIB committed USD 7 bln in 2022 their actual funds disbursed was only USD 4.16 bln., while these figures were USD 6.8 bln. committed versus USD 4.29 bln disbursed funds by the EBRD.

Table 12 Actual EIB and EBRD climate finance flows by themes and country group destinations, 2019 and 2022(in million USD)

Destination	Theme	For low-income and middle-income economies		For high-income economies	
		2019	2022	2019	2022
EIB	Adaptation	387	341	584	1562
	Mitigation	3,170	3,734	17,517	31,351
	Total	2,558	4,165	18,100	32,913
EBRD	Adaptation	569	300	13	7
	Mitigation	3,354	3,989	1,066	2,462
	Total	3,923	4,289	1,079	2,469

Note 1: In past editions of the Joint Report on Multilateral Development Banks' Climate Finance, for the years 2011-18, EIB climate finance figures were restricted to developing and emerging economies in transition where other MDBs were operating and did not include other economies where only the EIB was operating and supported climate action

Source: Joint Report on Multilateral Development Banks' Climate Finance, 2020 and 2023

5. Assessment

As mentioned in section 2.3 assessment of differences of climate finance efforts between countries requires answers to a set of questions which will be the subject of this section. Answering these questions requires a deeper understanding of the way in which such efforts are taken within each country properly. Countries strongly differ in their cultures as to how they monitor public finance in general and more specific expenditures such as climate finance in particular. In the first subsection we start with an assessment of the general monitoring issues before comparing peculiarities of the different countries that we have studied in particular. Next, in section 5.2, we discuss questions related to the auditing exercise in order to get a deeper understanding of which country finances what. We pay somewhat more attention to the leverage issue in section 5.3. Finally we turn to issues as policy coherence and effectiveness in sections 5.4 to 5.6.

5.1 General monitoring issues

5.1.1 Issues around public climate finance monitoring

Public climate finance has been at the core of the monitoring of the delivery of USD 100 billion commitment. Since the Copenhagen Agreement, there was work towards a clear definition of climate finance that would help in monitoring countries. UNFCCC and in particular the OECD have succeeded in setting up a consistent as possible monitoring framework to estimate climate finance channelled from developed countries to developing countries for mitigation and adaptation measure

along such components as bilateral public climate finance, multilateral public climate finance, and publicly supported climate-related export credits.³⁶

However, a few concerns persisted with the definitions of climate finance, largely relevant to public finance. One of the concerns has been the “**additionality**” issue. From the early days of the Copenhagen agreement the developing countries insisted that the pledges be ‘new and additional’ because they were concerned that Overseas Development Aid (ODA) would otherwise be diverted away from crucial needs such as health care, education, agriculture and safety. Assessing the additionality of funds is even more difficult, because it is quite likely the case that substantial overlap exists between climate change projects and typical development aid. Particularly in the case of adaptation projects, many of the actions taken to prepare for climate impacts are identical to those many countries have been putting into practice for years (e.g. shifting from drought-sensitive crops, building irrigation systems, moving wells away from salty groundwater. Etc.). Distinguishing between old ‘development and new ‘mitigation projects’ counted under Copenhagen to reduce carbon emissions was also said to be difficult. For instance, are new instances of these same projects suddenly promoted because of climate change therefore new and additional? (IIED 2010; European Parliament 2012; UNCTAD 2015).

Also the European Commission (EC) took steps to come to a common definition *within the EU* and asked all Member States to declare their pledges and the definition for additionality they applied. However, the answers were very diverse, and the only obvious trend was that ‘good ODA performers’ opt for options that imply strictly rising ODA or even are above the 0.7 % target (European Parliament. 2012).

A recent report from CARE Climate Change (2023) suggests that 93% of the USD 296 billion climate finance reported between 2011 and 2020 was taken directly from development aid, meaning that only 7%, or around USD 20 billion has been provided on top of the ODA commitment (that is 0.7% of GNI). Furthermore only 3 countries, Luxembourg, Norway, and Sweden, have been delivering their climate finance on top of their ODA commitment. But in most cases the additionality and novelty is hardly clearly discussed in the climate finance reports. The Netherlands, for instance, does not make a difference in their reporting and claims that all climate finance is just part of their ODA budget.

Another concern that has been repeatedly raised is the deployment of **grants vs. loans** in climate finance from developed to developing countries. From the very start of the Copenhagen Accord it was unclear whether the promised new climate finance includes mostly grants, or also a major fraction of loans. EU climate finance consists of grants, loans and equity investments. Including

³⁶ Note that DAC work on mobilisation feeds into International Task Force TOSSD which also includes countries like RSA, Costa Rica, Nigeria, Indonesia, Brazil etc. DAC data collections is an integral part of wider collections on ODA and other flows to developing countries.

loans, however, is controversial, and each party to the UN Framework Convention on Climate Change, among them the EU, can decide to report its own mix of climate finance instruments, with some choosing not to report loans. If the decision is taken to also report loans, as the EU institutions have done, than ideally there needs to be a measure of the ‘gift’ portion of that loan in order to compare grants with loans. Unlike grants, loans must be repaid at some stage, and this also bears with it interest. Therefore it is suggested that non-concessional loans should not be reported as grant equivalent. Only the ‘grant equivalent’ of concessional loans should be reported which is in line with new OECD reporting guidelines (Act Alliance EU 2020 and 2021).

The concern over the **complexities, representativeness and clarity of the official climate finance data** created a call for **alternative methods** of counting of climate finance. For example, ONE (2023) suggests that OECD DAC approach overcounts climate-specific ODA but offers more consistent, reliable, and timely data than the UNFCCC. In contrast, the data reported to the UNFCCC provides more conservative climate-specific figures, but is inconsistent, incomparable and incomplete.³⁷ The ONE Campaign (2023) released their estimates of the climate finance data that are based on publicly available data from UNFCCC and OECD. Their methodology proposed to minimise overcounting and double counting through reduced Rio markers inflation³⁸, more clearly distinguish between adaptation and mitigation financing, and counting disbursement instead of commitments. According to their estimates that USD 343 billion committed between 2013 and 2021 have not been disbursed or have little to do with climate. Similar criticism came from Reuters that investigated around 10% sample of projects reported to UNFCCC and found that some projects have been cancelled but still kept in the reporting, while selected ones had little or no direct connection to climate change.³⁹

Oxfam (2023) in their recent Climate Finance Shadow Report consider ‘climate-specific net assistance’ (CSNA) to be a better proxy for the effort by the climate finance contributor and the net benefit for the recipient. Two basic approaches are taken: to account for climate relevance, and to estimate the real support value of provided finance⁴⁰. Oxfam estimates that in 2020 the real value

³⁷ <https://observablehq.com/@one-campaign/one-climate-finance-methodology>,
<https://observablehq.com/@one-campaign/the-climate-finance-files-methodology#cell-189>
<https://datacommons.one.org/climate-finance-files>

³⁸ Counting 40% of the value of *significant* focus instead of 100%, while keeping 100% of the value of projects with a *principal* focus on climate change

³⁹ <https://www.reuters.com/investigates/special-report/climate-change-finance/>

⁴⁰ To account for climate relevance in bilateral finance, we assume that broader development projects that only partially target climate action²⁶ contribute between 30% and 50% of their total project volume to climate action. For MDBs, climate relevance is assumed as reported, due to a lack of detail and transparency allowing more in-depth scrutiny. To estimate the real support value of provided finance, we attempt to account for climate finance at its grant equivalent value. This means that public finance grants are counted at 100%. For bilateral concessional loans, we estimate their grant equivalent not by using the OECD standard methodology, but by using discount rates based on the long-term cost of funds to the issuing country at the time the loan is disbursed, plus a risk margin based on recipient country credit risk. For MDBs, the same approach is not possible. Instead, we use average grant element percentages of bilateral finance

of financial support specifically aimed at climate action was only around USD 21bn to USD 24.5bn – much less than officially reported USD 83.3bn.

Toetzke et al (2022) have applied a machine learning method to identify international climate finance from 2.7 million ODA projects between 2000 and 2019, resulting in an inventory of 82,023 bilateral climate finance projects (US\$80 billion). Their findings reinforce concerns that the actual numbers may be much lower than current estimates made with Rio markers.

Finally, there have been concerns that the volume of climate finance might be further stretched if **financial flows from carbon trading**, such as through the Clean Development Mechanism (CDM) of the Kyoto Protocol, are included⁴¹. However, buying carbon credits from developing countries cannot be seen as triggering additional emission reductions overall, as those credits are used to comply with carbon targets that developed countries are setting themselves. Future mechanisms in the carbon market may be even more prone to double counting if they are not internationally administered and if national governments. (IIED 2010)

5.1.2 Issues around the disclosure of information by multilateral banks

A further complication could be seen with some multilateral development banks which are the largest public donors. In case of their co-finance climate programs we would have liked to present more detailed information on their mobilized private capital. Although the MDBs report to the OECD DAC statistics on their outflows and private mobilisation, the OECD cannot disclose their mobilisation data as that is considered too risky by some MDBs at this point of time. MDBs only agree on specific analytical outputs for which the data can be used. This is one of the reasons that we could not report on their activities in more detail. Work is on-going in a dedicated working group of DAC members, the OECD and the MDBs to overcome these confidentiality constraints. It would be very useful if multilateral development finance providers would report more explicitly on their activities, not only on climate finance but also on their ODA activities.

5.1.3 Issues around the private climate finance

Despite extensive effort in improving the methodology there are persisting challenges associated with measuring mobilised private finance. Since 2010 the OECD has been working on reporting methodologies and the latest set of methods/reporting guidance was approved by the DAC in 2019 (OECD DAC, 2019). In particular, OECD DAC reached agreement for measuring seven different financial instruments which are used to mobilise private finance. Even though the OECD DAC

using the OECD standard methodology. Non-concessional instruments in both bilateral and multilateral finance, as well as mobilized private finance, are estimated to have zero direct assistance value, while equity instruments are counted at face value for lack of a robust approach to estimate their grant equivalents.

⁴¹ E.g World Bank's "State and Trends of Carbon Pricing 2023" report, emphasize that while carbon pricing and CDM are critical tools for reducing emissions, there is an ongoing need to enhance transparency and accountability in how these mechanisms contribute to broader climate finance goals. Link to the report: <https://openknowledge.worldbank.org/handle/10986/39796>

methodologies should be considered as the final methodologies, some components in the *report instructions* remain multi-interpretable and some components are difficult to match with the actual structure of certain public programmes.

Therefore the OECD DAC Working Party on Development Finance Statistics (WP-STAT) continues reviewing and expanding reporting instructions. Aside from improving the reporting instructions, WP-STAT is continuously working on methodologies to measure more indirect “catalytic effects” of public interventions, such as grants for policy support, technical assistance and feed-in-tariffs development. It is, however, recognised that it is very difficult to measure the catalytic effect statistically and that the results are susceptible to double-counting (Trinomics, 2020).

5.1.4 Differences in country specific reporting

The definitions of public and private climate finance have been converging across countries due to the unified monitoring system imposed by UNFCCC and OECD. Indeed, the procedures developed over the past years have provided specific criteria for countries to report on their financing instruments (UNFCCC and OECD 2022). Therefore, **country reporting on public climate finance is in principle well aligned** with the templates provided by the UNFCCC in the Biennial report and EU, as well as in the OECD DAC reports. However, we noted that some country reports may suffer from caveats. For instance, we discovered that Germany in the public funding streams also reported publicly mobilised funds. This is the money that KfW or DEG raise on the capital market (basically, borrowing via bonds or similar) and that Germany reports in the UNFCCC reporting as public climate finance.⁴² Furthermore, data on the Netherlands do not seem to take the public support to FMO into account, whereas their role in raising private capital is included. FMO is not directly responsible for bilateral flows nor is it a multilateral bank. FMO is mainly active in supporting specific projects to developing countries, including climate related projects on mitigation and adaptation, while the state owns 51% of its capital.

Furthermore, many countries have been taking individual initiatives on more detailed **analysis of publicly mobilised private climate initiatives**. Although these approaches have been largely aligned with the OECD DAC methodology, some countries offer adjustments of specific instruments such as the UK). Other countries launch dedicated studies that focus on inventorying a broader selection of international programmes and initiatives (e.g in the Netherlands, Belgium) while other countries focus on the largest institutions channelling ODA. At the same time Germany and France have been also producing national climate funding landscape where the scoping of climate finance instruments is slightly different.

⁴² See Germany’s Fourth Biennial Report on Climate Change under the United Nations Framework Convention on Climate Change 2020.

Box II: Examples of specificities of climate finance reporting

According to BMZ ⁴³, currently, **Germany** only reports on climate finance mobilised from private funds in the areas for which reporting methods have already been agreed. KfW and DEG apply the instrument-specific DAC methodology. The reporting on publicly provided private climate finance seems incomplete in so far as there are many other options for mobilising funds that are not taken into account. The German government is currently working to establish internationally agreed criteria for taking climate finance delivered through Federal guarantees (Euler Hermes) into account. From the reporting year 2017 onwards, BMZ has also published grant equivalents of its development loans with a view to measuring the degree of concessionality of these development loans transparently and more precisely than has been done in the past. The grant equivalents are given an arithmetical value for accounting purposes. The value is calculated on the basis of each grant element (a percentage that indicates the concessionality level of the loan), the volume of the market funds and the Rio markers for each intervention. This is in line with the rules agreed for ODA (official development assistance) by the OECD Development Assistance Committee (DAC).

In the **Netherlands** climate finance has been channelled via numerous programmes and initiatives implemented by the Dutch institutions and funds (e.g. FMO, DFCD, RVO), as well as by multilateral organisations and multi-donor funds. The Ministry of Foreign Affairs (MFA) has been following up on monitoring of the climate finance through launching dedicated evaluations of the Dutch international climate finance (total or private) trends and programmes. MFA recognises that the Dutch data on climate finance in development cooperation is fragmented (IOB MFA 2021). There is no single database or single information source that gives a complete overview of Dutch climate finance, disaggregated by country, distinguishing adaptation and mitigation, and including the mobilised private sector finance. Different databases and information sources each have their strengths and weaknesses. The annual report 'International Cooperation' (HGIS) provides an overview of all climate finance, including finance from the Ministry of Finance to multilateral development banks, but with less detail on climate relevance, and not disaggregated by recipient country. The MFA annual reports to the UNFCCC provide a complete list of all climate-relevant activities, indicating adaptation and mitigation, and climate relevance (%). However, budgets of multi-country activities and contributions to multilateral funds and programmes are not disaggregated by country. The MFA databases – Management information system for Development Cooperation (MiOS) and Management information system for Foreign Affairs (MiBZ), based on the internal administration system (SAP) – give a complete overview of all activities, but contain less information about climate relevance, and no disaggregation for multi-country activities. IATI provides actual disbursements, per country, but does not include all information about climate relevance. Besides, it is not complete, because implementing organisations, and multilateral organisations that receive unearmarked contributions, do not always register activities in IATI. Mobilised private sector finance is not included in the above databases. Therefore, every year the Directorate-General for International Cooperation (DGIS) asked a consultancy to calculate the mobilised private sector finance, including for climate action, using the most recent OECD DAC reporting rule and this report is separate from the other reporting systems (to the OECD, the EU, the UNFCCC and the Dutch parliament). The challenge is to link or merge the various data sources and to get an overview of climate finance, as complete as possible and with disaggregated data (ibid.).

Sweden has an Ordinance for Financing of Development Loans and Guarantees for Development Cooperation. This provides opportunities to expand and leverage available resources for development by linking public measures with market finance. Guarantees stimulate mobilisation of both private and public capital, including partner countries' domestic capital. Sida helps lenders deal with risks by insuring eligible

⁴³<http://www.bmz.de/en/issues/klimaschutz/climate-finance/index.html#:~:text=Germany's%20contribution%20to%20international%20climate,the%20consequences%20of%20climate%20change> .

projects against losses relating to the different market risks. A common set-up is that Sida covers part of the loss if the borrower fails to repay the loan to the bank. Sida's guarantees are based on a set of simple key principles and conditions: additionality, risk-sharing, risk reflecting premium to be charged and that it should be non-distortionary. In 2018, Sida had guarantees to climate-relevant initiatives with a total guarantee volume of approximately 4.4 billion SEK, mobilising about 14 billion SEK (1 USD = 8.693 SEK). Note that part of the mobilised capital is provided by Development Finance Institutions (DFIs) that are partly or fully owned by public entities." In 2018, Swedfund made the investments and helped mobilise 31.6 mill EUR . (The World Bank definition of mobilized capital is used).

Switzerland reports the publicly mobilised private climate finance as part of the UNFCCC reporting in the category "other". Furthermore, within the UNFCCC reporting, only bilateral private climate finance is considered by Switzerland, as it is argued that multilaterally mobilised private climate finance is too difficult to measure. (i) to ensure that only finance mobilised by developed country governments is counted towards the 100 billion US dollars goal, (ii) that, where multiple actors are involved, the resulting finance is only counted once in tracking the progress, and (iii) to ensure that the reporting framework encourages and incentivises the most effective use of climate finance.

In **the UK** publicly mobilised private finance measured under this indicator is from non-public sources such as banks (but not multilateral or regional development banks), private companies, pension funds, nongovernmental organisations, Clean Development Mechanism financing⁴⁴, voluntary carbon credit market, insurance companies, private savings, family money, entrepreneurs' own capital and sovereign wealth funds. It includes all types of finance such as equity, debt and guarantees.

5.2 Commitments instruments and spending

Our data allow us to compare pledges across countries with their actual climate finance reported (see Table 13). The pledges for 2020 and 2025-2026 featured in Table 2 are presented here in the USD conversion to allow comparison with the estimated from this report. In this assessment the "provided"(disbursed) climate finance data were used to estimate the per capita and total climate finance. However, such assessment was not possible for the UK due to missing data on 'provided' public climate finance amounts.

The table shows that for all countries except the Netherland, 2022 showed more modest records than one saw in 2020. Nonetheless considering the pledges from the last COPs apply assume a gradual progress towards the pledges during 2021-2025 the countries are can be seen to be in a progress to targets. If we look into the trends for each country, we see that France' numbers have been sliding down since 2018. Germany and Switzerland after an increase from 2028 to 2020, had a decline in 2022 in their total and per capita climate finance. The Netherlands after a sharp dip in 2020 has managed to bring back their climate finance to almost the same level. The UK has the most ambitious pledges, but up to 2020 heavily lagged in fulfilling those. Furthermore, its CF

⁴⁴ The Clean Development Mechanism (CDM) is a way to finance emissions mitigation projects by selling certified emission reductions, or CERs. For further information, see <https://cdm.unfccc.int/> .

commitment data also does not show sufficient provisions to fulfil its renewed pledges. Economic consequences of Covid 19 are said to be one of the key causes of the climate finance decline in 2022.

Table 13: Climate finance related pledges of the countries

	Pledges per capita*	Reported climate finance per capita**			Total climate finance reported***		
	2020 / (2021-2026)	2018	2020	2022	2018	2020	2022
	USD/cap	USD/cap	USD/cap	USD/cap	USD	USD	USD
France	83 / 99	126	100	94	8.15	6.48	6.38
Germany	55 / 80	96	119	88	7.94	9.94	7.32
Netherlands	83 / 86	89	44	82	1.53	0.79	1.45
Sweden	99 / 152	84	159	139	0.86	1.66	1.46
Switzerland	50 / 52	62	119	75	0.53	1.05	0.66
UK	108 / 212	39	57	n/a	2.59	3.89	n/a

Source: *see Table 2 Climate finance related pledges; **own computations based on total “provided” climate finance and the country population statistics ***Climate finance total (provided bilateral + provided multilateral + private) reported in earlier chapters and in 2018 and 2020 reports;

Note: pledges fulfilled / pledges close to fulfillment / pledges not fulfilled; The UK data for provided public climate finance in 2022 is not available and it is not possible to assess the progress

However, it is important to take the underlying structure of climate finances into account as we have observed quite different ways of reporting for these countries. First of all, the shares of the various climate finance channels in the overall climate finance pool vary across countries (see Table 14). In all countries the share of bilateral finances is substantial, especially France and Germany sources over three quarter of their climate finances via bilateral providers. Comparisons are not easy however, as we notified before that Germany and Switzerland report some publicly mobilised private climate finance as bilateral public data, France spends a lot of its bilateral funding through banks which may also indicate that private funding is involved here (see Table 5) and the Netherlands counts private capital mobilised by FMO as part of its publicly raised private capital while its support to FMO is not included.

Table 14 Share of various funding channels in total climate finance (2022, %)

		Bilateral	Multilateral	Private	total
France	Committed	72%	14%	14%	100%
	Provided	60%	20%	20%	100%
Germany	Committed	82%	13%	5%	100%
	Provided	77%	16%	7%	100%
Netherlands	Committed	36%	2%	38%	100%
	Provided	40%	18%	42%	100%
Sweden	Committed	18%	40%	42%	100%
	Provided	18%	40%	42%	100%
Switzerland	Committed	n/a	n/a	n/a	n/a
	Provided	51%	32%	17%	100%
UK	Committed	53%	15%	32%	100%
	Provided	n/a	n/a	n/a	n/a

See Table 43 for absolute numbers and sources;

Again, looking at the composition of **climate finance instruments** (see also section 4.3 for the absolute numbers) the countries reveal very different profiles.⁴⁵ **Error! Reference source not found.** below shows that 59-100% of German, Dutch and Swiss **public bilateral** climate finances consist of grants. In France only a very small portion of its public bilateral climate finances was used as grants while 96% was used as loans. Germany has a very high portion of their bilateral capital as loans which might be less surprising if we one recalls that much of its publicly raised climate finance also consists of privately mobilised capital. So instead of being a reflection of real differences this might be the result of differences in monitoring strategies.

Table 15 Shares of various instruments in bilateral and multilateral public climate finances (2022, %)

	instruments	Grant	Loan	Equity	Other	total
Committed						
France	Bilateral	4%	96%			100%
	Multilateral	75%	25%			100%
Germany	Bilateral	50%	46%	2%	2%	100%
	Multilateral	100%				100%
Netherlands	Bilateral	100%				100%
	Multilateral	100%				100%
Sweden	Bilateral	89%		11%		100%
	Multilateral	100%				100%
Switzerland	Bilateral	n/a	n/a	n/a	n/a	n/a
	Multilateral	n/a	n/a	n/a	n/a	n/a
UK	Bilateral	58%		41%	1%	100%
	Multilateral	100%				100%
Provided						
France	Bilateral	0.06%			99.94%	100%
	Multilateral	75%	25%			100%
Germany	Bilateral	59%	33%	3%	4%	100%
	Multilateral	100%				100%
Netherlands	Bilateral	100%				100%
	Multilateral	100%				100%
Sweden	Bilateral	89%		11%		100%
	Multilateral	100%				100%
Switzerland	Bilateral	100%				100%
	Multilateral	100%				100%
UK	Bilateral	n/a	n/a	n/a	n/a	n/a
	Multilateral	n/a	n/a	n/a	n/a	n/a

See Table 5 for absolute numbers and sources.

The observation in section 4.3 that countries apply a diversity of instruments in **private finance mobilisation** is confirmed when looking at shares (see Table 16). But each country has specificities: the 98% of the dutch private finance is channeled via programmes using a mix of instruments. Guarantees are the instrument of over 90% of their private finance of Sweden and Switzerland. German private climate finance is spread across several instrument where shares in CIVs and simple financing are the largest groups. In the UK over half of private climate finance is offered in the form

⁴⁵ See also Tables 8-13 for sources used to tabulate the relative data in this section.

of simple co-financing, rest is split between direct investment in companies & SPVs and Shares in CIVs.

Table 16 Shares of instruments in publicly mobilised private climate finance of countries (2022, %)

	Credit Lines	Direct investment in companies & SPVs	Grant	Guarantees	Shares in CIVs	Simple co-financing	Syndicated loan	Mix of instruments	Unspecified	Total
France	68%	1%			14%	0.02%	1%		17%	100%
Germany	14%	16%			43%	23%	4%			100%
Netherlands				2%				98%		100%
Sweden		5%	1%	94%						100%
Switzerland			9%	91%						100%
UK	1%	23%			21%	55%				100%

See Table 6 for absolute numbers and sources

By using shares in Table 17 and Table 18 more or less confirm the earlier observations on the **thematic** split, **sectoral** diversity and **geographic** split in section 4.3. Table 17 shows that a climate change mitigation focus is dominant in the German climate finance. Switzerland had fully excluded mitigation projects and prioritised adaptation projects. The Netherlands and Sweden allocated comparatively higher share of climate finance to cross-cutting projects. In 2022 adaptation and cross-cutting projects got higher attention.

Table 17 Country-specific shares of in the total public and private climate finance (2022, %)

		Public (bilateral + multilateral)				Private				Total
		Adaptation	Mitigation	Cross-cutting	Total	Adaptation	Mitigation	Cross-cutting	Unspecified	
France	Committed	17%	43%	41%	100%					
	Provided	13%	13%	75%	100%			100%		100%
Germany	Committed	22%	55%	23%	100%					
	Provided	23%	40%	37%	100%	2%	90%	8%		100%
Netherlands	Committed	29%	13%	58%	100%					
	Provided	42%	14%	44%	100%	5%	5%	90%		100%
Sweden	Committed	38%	11%	51%	100%					
	Provided	33%	13%	54%	100%		77%	23%		100%
Switzerland	Committed	n/a	n/a	n/a	100%					
	Provided	74%	0%	26%	100%		87%	4%	9%	100%
UK	Committed	31%	68%	1%	100%					
	Provided	n/a	n/a	n/a	100%	(***)	(***)	(***)		(***)

See Table 7 for absolute numbers and sources. (***) private climate thematic split statistics is not available for private finance in the OECD report.

Table 18 **Error! Reference source not found.** confirm the patterns for sectoral destination already observed for the absolute amounts from all sources in 2022 even more clearly (Table 9 and Table 10) For private climate finance source Germany, Sweden and UK focus strongly focus on energy. Cross cutting sectors seems to get the larger part of the public and private climate finance across all countries.

Table 18 Country specific *public and private* climate finance shares channeled to economic sectors (2022, %)

	France	Germany	Netherlands	Sweden	Switzerland	UK
Committed Public (Bilateral + Multilateral)						
Agriculture, forestry and fishing	3%	8%	14%	8%		9%
Banking & business services		2%	6%			1%
Energy	0.1%	28%	4%	7%		12%
Industry	0.002%	0.1%	0%	1%		0%
Water And Sanitation	10%	5%	4%	4%		2%
Transport	6%	5%				0.1%
Other & cross-cutting sectors	0.1%	17%	2%	45%		
Unspecified	81%	35%	70%	35%		76%
Total Public	100%	100%	100%	100%		
Provided Public (Bilateral + Multilateral)						
Agriculture, forestry and fishing		16%	15%	10%	16%	n/a
Banking & business services		5%	4%	2%	0%	n/a
Energy		22%	6%	7%	14%	n/a
Industry			1%	2%	2%	n/a
Water And Sanitation		7%	11%	4%	5%	n/a
Transport		4%				n/a
Other & cross-cutting sectors	100%	36%	63%	43%	63%	n/a
Unspecified		10%		33%	0%	n/a
Total Public	100%	100%	100%	100%	100%	
Private						
Agriculture, forestry, fishing		1%	7%		3%	2%
Banking and financial services		2%		3%		2%
Energy		86%	8%	77%	2%	66%
Industry		4%		2%		1%
Transport						2%
Water supply & sanitation			5%			
Other & cross-cutting sectors	100%	8%	80%	18%	87%	12%
Unspecified					9%	16%
Total Private	100%	100%	100%	100%	100%	100%

See Table 10 for absolute numbers and sources.

Finally, Table 19 confirms the differences in geographic specialisation of each country's public and private finance streams. Global is the destination for large shares of public and private climate finance, indicating that these finance streams are handled by the programmes working in various regions of the world. Among the regions Africa is the significant destination especially for public finance. Private finance of Switzerland seem to favour Asia. Latin America receives the modest share of climate finance. Oceania is not outreached by the studied countries.

Table 19 Allocations of public and private climate finance across destinations (2022, %)

	Bilateral		Multilateral		Private
	Committed	Provided	Committed	Provided	
France	100%	100%	100%	100%	100%
Africa	43%	0%	0%	0%	0%
America	20%	0%	0%	0%	0%
Asia	29%	0%	0%	0%	0%
Europe	4%	0%	0%	0%	0%
Global	0%	0%	95%	95%	100%
Oceania	0%	0%	0%	0%	0%
Unspecified	4%	100%	5%	5%	0%
Germany	100%	100%	100%	100%	100%
Africa	27%	22%	0%	0%	30%
America	17%	14%	0%	0%	8%
Asia	35%	25%	0%	0%	10%
Europe	3%	3%	0%	0%	4%
Global	14%	25%	96%	82%	2%
Oceania	0%	0%	0%	0%	0%
Unspecified	4%	10%	4%	18%	46%
Netherlands	100%	98%	100%	100%	98%
Africa	39%	31%	0%	8%	2%
America	0%	0%	0%	0%	0%
Asia	12%	3%	0%	0%	0%
Europe	0%	0%	0%	0%	0%
Global	49%	64%	100%	92%	97%
Oceania	0%	0%	0%	0%	0%
Unspecified	0%	0%	0%	0%	0%
Sweden	100%	100%	99%	99%	100%
Africa	35%	44%	12%	14%	59%
America	8%	4%	1%	1%	0%
Asia	19%	15%	9%	7%	23%
Europe	4%	4%	2%	3%	0%
Global	0%	0%	0%	0%	0%
Oceania	0%	0%	0%	0%	0%
Unspecified	35%	33%	76%	74%	18%
Switzerland	n/a	100%	n/a	100%	100%
Africa	n/a	21%	n/a	17%	0%
America	n/a	12%	n/a	17%	0%
Asia	n/a	21%	n/a	0%	86%
Europe	n/a	9%	n/a	0%	0%
Global	n/a	36%	n/a	66%	14%
Oceania	n/a	0%	n/a	0%	0%
Unspecified	n/a	0%	n/a	0%	0%
UK	100%	n/a	100%	n/a	100%
Africa	13%	n/a	0%	n/a	34%
America	10%	n/a	0%	n/a	15%
Asia	14%	n/a	0%	n/a	15%

Europe	0%	n/a	0%	n/a	0%
Global	63%	n/a	0%	n/a	0%
Oceania	0%	n/a	0%	n/a	0%
Unspecified	0%	n/a	100%	n/a	37%

See Table 11 for absolute numbers

5.3 Leverage of publicly mobilised private finance

An important discussion in climate finance is to what extent public money has potential to mobilise a certain sum of private capital. The idea to exploit public money to expand and leverage available resources for development by linking public measures with market finance is very attractive of course. For the same amount of public funds one would be able to channel much more funds to those projects that are in need to reach climate targets. In other words, using this ‘leverage’ means that more funds become available cheaply and easily. Moreover, for some projects, like infrastructure or energy provision, one might even expect that private funding would be more efficient than public funding. Moreover, public funding is by far more constraint in volume than private funding.

Looking at the previous indicators we were able to compute comparable ratios for private relative to public funds for our six countries. For each euro of public money the Dutch and Swedish programs in 2022 raised EUR 0.72 private funds, which is what a ratio of 72% implies. A first step to a better understanding of the Dutch case would be a more balanced representation of the FMO data in both the public and private component.⁴⁶ These widely divergent indicators suggest that countries still differ a lot as to how they report their efforts, even for countries that are relatively highly committed to the UNFCCC goals.

Table 200 Publicly mobilised private climate finance as a share of public climate finance (2018, 2020, 2022)

	Private/Public, 2018	Private/Public, 2020		Private/Public, 2022	
				Committed	Provided
France	36%	18%	16%	25%	
Germany	6%	2%	5%	7%	
Netherlands	132%	16%	60%	72%	
Sweden	26%	37%	73%	72%	
Switzerland	16%	1%	n/a	21%	
UK	66%	13%	47%	n/a	

Source: Climate Finance data comes from the country reports to UNFCCC, EU, OECD.

Furthermore, there are also concerns as to how productive private capital is in the case of climate finance *projects*. There are, roughly, two channels through which public money can mobilise private money. The first is *guarantees* or insurance. If a private investor is unsure about his or her returns, then guarantees or insurance can take some of this risk and tilt the project towards a favourable cost-benefit analysis. For this reason, public funding is increasingly being used to insure or guarantee

⁴⁶ For example in the case of France, both the AFD, Proparco and other investments and the private finance that is mobilised by them are compared. The leverage ratio is then lower of course, but clearly far more correct

private climate finance. The advantage of this approach is that the public funds only need to be available in case a project fails, but do not necessarily need to be disbursed.

While this approach seems, a priori, the cheapest for the government, it is subject to significant problems such as adverse selection or moral hazard. Adverse selection occurs if the guarantees or the insurance allows more low-quality projects to become financed, leading to a larger deadweight loss to society as these projects are less likely to yield the desired outcomes. Moral hazard occurs if guarantees or insurance induce project leads to undertake less effort as they know that the project is insured. Hence, helping to finance projects via guarantees or insurance can potentially lead to larger ex post costs, or more variable costs, and more failed projects.

The other channel is that public funds help attract *private funds in joint projects*. For example, projects by the EIB tend to use on average half of its own funds and the rest of the projects' costs are market-based bond financed. In this case there is a private-public partnership. Although tempting to believe, even in such cases adverse selection and moral hazard do not disappear (Dewatripont and Tirole, 1994). Such projects still require considerable knowledge of project risks and require complex distributions of risk allocation across the participating partners. At the same, if governments provide climate finance in the form of a grant this money should normally also be spent in a given budget year. Such incentives might induce selection of bad projects in order to spend the money. Although one is likely to believe that such risk might be better managed by a (public) bank than by a bureaucracy, this might not always be true and very much depends on the type of project involved (Peterson and Skovgaard, 2019).

Further questions arise whether the public funding is necessary to mobilise the private funds, or whether it even displaced other private funds. For example, the EIB tends to predominantly invest in projects that otherwise would not receive funding. Once significant amounts of climate finance are, however, channeled to developing countries, then it is not straightforward to assess whether a project would have been financed without the help of public funds, especially if the project originates with the entity that provides the public funds.

In this respect, a distinction between private direct mobilisation and private indirect mobilisation would be useful, but difficult to implement. Private direct mobilisation applies if there is clear evidence that the funds provided by the public entity had an active involvement in the mobilisation of finance through its financial instruments and operations. Private indirect mobilisation means that private finance is provided to the public entity's project, but that there was no attempt by the public entity to raise this money. However, it is not easy to assess the causality underlying the contribution of the private funds.

A final problem exists when private funding is mobilised not at the bilateral level but at the multilateral level, e.g. through the EIB or ERBD. In this case there would be a risk of double

counting if countries themselves would (also) claim to have raised the same private climate finance. This problem, however, is avoided by the OECD DAC reporting, as here the OECD takes a country's contribution as a share of its contribution to the multilateral entity times the share of the multilateral climate finance. This might nevertheless be a problem in the UNFCCC biennial reports as these are provided by the countries themselves. Here there are, to our knowledge, currently no clear criteria yet that help avoid potential problems of double counting.

Noting all these issues with calculating leverage above, the OECD has provided estimates based on 2011-13 data of the leverage of bilateral and multilateral funding (JOECD 2016). The estimates suggest that publicly mobilised private climate finance consists of a leverage ratio of roughly 10-13 which is much lower than the ratios reported for the 6 countries we have studied in more detail (see Table 20). In another contribution the OECD estimates, based on 2011-13 data, that the leverage ratio is somewhere between 2-9, meaning that 1 EUR public money is able to mobilise between 2-9 EUR private money (Jachnik, R. and V. Raynaud, 2015). These calculations were based on energy-related projects. Within this report the authors themselves suggest that these estimates are likely to be highly inaccurate.

5.4 Internal and external policy coherence

The Articles 4.3 and 4.5 of the UNFCCC Convention suggest that Annex I developed countries provide “new and additional” financial resources to aid developing countries. An investment is additional if it does not replace another investment that would otherwise have been undertaken (in the same domain). A common definition is that an investment conforms to the additionality principle if it represents a deviation from a BAU scenario. Additionality in the climate finance domain can then be understood as finances that are undertaken by the developed countries which are additional to those that the developed countries would have anyway provided to the developing countries.

The problem is that a large amount of climate finance comes from funding that originally was intended as Official Development Aid (ODA). However, if funds that were originally targeted to alleviate poverty through ODA then get diverted to climate finance, then these funds would not be additional. Furthermore, if ODA funds that were already directed towards financing mitigation actions then get reclassified as climate finance, then these funds are not additional as well as they would have fulfilled that purpose even without being relabeled as climate finance.

One issue is that we are unaware of any baseline estimates for project-based ODA, meaning that it is impossible to know the share of finances from ODA that were intended to be spent on climate-related issues before climate financing became an important topic. For this reason it is virtually impossible to assess whether climate finance is additional or not. Countries often claim that, since governments vote on the amount of new ODA funding directed towards climate-related issues every year, then one can argue that any climate financing is additional. But this is not true, as this could have also happened in the baseline scenario. There are essentially two solutions.

Firstly, either a country develops a baseline scenario and denotes any deviations (in this case increased climate finance) from this as additional climate finance. Here the challenge is to define a consistent and correct baseline. A second, simpler option is that any climate-related finances that were originally directed towards ODA are not viewed as additional climate finance. While this is retrospectively possible it is difficult to do this for future finance decisions.

To analyse **additionality, external coherence and added value** of national climate finance, it is helpful to check the different relevant indicators for development aid. Table 21 shows that most countries spent between 0.4-0.55% of their Gross Domestic Product to national overseas development aid (ODA). Since 2018 the countries are rather converging. However it is important to note that the COVID has caused a significant drop of GDPs across all six countries. In 2021 GDP regained their pre-pandemic levels and continues to grow in 2022. While some countries have also reduced their ODA in 2020, the largest players Germany and France (as well as Switzerland) increased their ODA amounts across 2020-2022. At the same time, as discussed earlier in this report, climate finance has increased in 2022 across all countries.

Table 211 Funding channels as a percentage share of country's main indicators (2018, 2020, 2022)

		France	Germany	Netherlands	Sweden	Switzerland	UK
ODA/GDP	2018	0.25%	0.47%	0.42%	0.73%	0.43%	0.44%
	2020	0.38%	0.57%	0.41%	0.69%	0.51%	0.46%
	2022	0.36%	0.69%	0.43%	0.62%	0.60%	0.39%
CF/GDP	2018	0.28%	0.19%	0.17%	0.17%	0.09%	0.09%
	2020	0.24%	0.25%	0.09%	0.32%	0.19%	0.15%
	2022 committed	0.30%	0.24%	0.12%	0.16%	n/a	0.13%
	2022 provided	0.22%	0.17%	0.15%	0.16%	0.11%	n/a
CF/ODA	2018	114%	41%	40%	23%	21%	20%
	2020	63%	44%	22%	47%	36%	32%
	2022 committed	83%	35%	28%	26%	15%	34%
	2022 provided	61%	25%	34%	26%	18%	n/a
CF/Population, USD	2018	120.8	95.8	88.8	84.5	61.1	39
	2020	95.3	119.6	45.5	160	122.1	58
	2022 committed	127.4	122.6	68	85.5	n/a	60.3
	2022 provided	93.3	87.4	81.7	86.6	74.9	n/a

Source: Climate finance data comes from the analysis presented earlier. The Official Development Aid (ODA) data, the population (Population) and the GDP (GDP) data are taken from the OECD statistical reporting.

With respect to the additionality issue we have observed two extreme positions. While some countries claim that climate finance should be on top of ODA (e.g. Sweden), others allow for full crowding out (e.g. Netherlands). As it remains largely unclear which position each country takes in this respect, a first approach would be to assume full crowding out, and compare the ratio of climate finance over the ODA.⁴⁷ As Table 21 shows, France in 2022 had by far the highest ratio of Climate

⁴⁷ One way to get a better understanding of how much climate finance substitutes for ODA is a comparison of both channels over time. We leave this analysis for future research.

Finance over ODA among the six countries. This indicator for rest of the countries has been falling or fluctuating over the years.

Also, other studies looked into the role of climate finance in overall development policy. For instance, Climate Alliance EU analysed climate finance reporting of EU member states for the years 2014 and 2016 and compared their climate finance/Gross National Income (GNI) ratios (see ClimateAllianceEU,2018). This approach is inspired by similar calculations of development aid (ODA). The agreed UN target for ODA states that developed countries should devote 0.7% of GNI to ODA, while there is no agreed target for climate finance allocations. The ranking of top ten EU Member States in this study contains all six countries analysed in this report.

Box III: Climate Fairshares and international finance and technology transfer

This box explains a view on climate fairshares based on a methodology by Friends of the Earth EWNI, Jubilee South Asia Pacific Movement on Debt and Development, Stockholm Environment Institute, Ecoquity and the Institute for Governance & Sustainable Development. According to this Climate Fairshares (www.climatefairshares.org) tool one could calculate how much effort each country must undertake if we are to avoid catastrophic climate change in a fair and just way. The tool calculates the share of each country on GHG emission reduction target, and how much the world should receive from the country to support global level effort. The transfers necessary to fulfil global fairshares of climate effort will involve finance, technology and capacity building. These efforts are recalculated into USD to allow for easier comparison. The numbers generated for each country, as either a provider or receiver of international finance, is determined by converting the non-domestic mitigation effort (either that done internationally by the rich industrialized countries, or that done domestically with provision of resources in countries in the South) into USD. The fair share indicators for the sample of six countries is presented below. Per capita estimates have been added to it.

Country	Year relevant for effort share target	Fair share effort bln. USD	Fair share effort, bln. EUR	Fair share effort per capita, EUR
France	in 2025	51.02	42.5	761
	in 2030	65.34	54.4	975
Germany	in 2025	72.25	60.2	870
	in 2030.	91.81	76.5	1106
Netherlands	in 2025	17.1	14.2	994
	in 2030.	21.63	18	1257
Sweden	in 2025	11.29	9.4	1103
	in 2030	14.02	11.7	1370
Switzerland	in 2025	14.82	12.3	1744
	in 2030	17.99	15	2116
UK	in 2025	49.81	41.5	747
	in 2030	64.54	53.8	968

The figures used to illustrate the scale of finance and technology transfer necessary in the graphs are purely illustrative. They are not intended to be prescriptive or suggestive of the necessary priorities for the transfer of those resources. Nor does their inclusion indicate an endorsement of the approaches used or promoted by their source institutions. The tool has been prepared by Friends of the Earth EWNI and Jubilee South Asia Pacific Movement on Debt and Development based on work by the Stockholm Environment Institute, Ecoquity and IGSD

Source: based on data from www.climatefairshares.org

5.5 Impact and effectiveness of the climate finance

In allocating their international climate finances the countries apply rather diverse approaches and frameworks in monitoring the impacts of their funding streams. The monitoring is done at the level of the bilateral finance institutes that are set up to manage the climate finance programmes. Some countries (DE, FR, SE, CH) apply a generic impact monitoring system applied for all ODA programmes and get assessment only through ex-post evaluation exercise. Such frameworks address impact along the traditional programme and project evaluation framework, and look into achievement of objectives and a wider set of impacts. Qualitative analysis is very dominant in this approach and where possible quantitative indicators are applied.

In addition to the traditional impact evaluation approach, some countries (NL, UK) have been adopting more systematic approach in monitoring of climate related impact. It is also notable that a clear Key Performance Indicators (KPIs) system has been applied only in the UK and in the Netherlands. These KPIs guide monitoring and reporting projects and climate finance programmes. In the Netherlands this system is a part of the overall development aid monitoring system coordinated by the MFA. In the UK all ICF programmes are expected to report progress using at least one of the KPIs. Targets along these indicators are applied in UK and since 2019 in the dedicated climate finance initiative of the NL.

At the moment the traditional monitoring and evaluation systems evaluate the efficiency of the climate finance projects only in ex-post evaluation exercises. Definition of impact, including the effectiveness is subject to the methodology adopted in each programme or institute. Lack of aggregate and universally applied impact indicators does not allow to compare the effectiveness of the climate finance across countries. However, enhancement of the systematic monitoring, and improved definition of impact indicators that has been increasingly discussed across countries is likely to allow such analysis in the future.

Box IV: Monitoring and assessment of impact in national climate finance programmes

In **Germany** climate finance programmes the impact monitoring seems to be adopted by each bilateral institute while following overall principles. E.g. In GIZ development aid evaluation policy recognises the complexity of the issues including the interlinkages among e.g. climate change, environmental degradation with poverty, human right, social disintegration, migration, etc. However it is not clear how this is translated into practical measurements and indicators system that allows to see the impact of projects, including climate finance projects. KfW as part of its ex-post evaluation has an impact scoring system for all projects in all areas where some indicators are universal (relevance, effectiveness, efficiency etc) and some are adjusted to the sectoral topic of the project, e.g. environmental projects also have indicator “environment and climate impact” which can be multidimensional and measured differently across projects.

The International Climate Protection Initiative (IKI) of the German Ministry of Enviro (BMU) applies monitoring and reporting system including standard indicators which measure direct and long-term effects of both the individual projects and the overall IKI program via aggregation. In addition to the project-specific indicators, each project also reports on six overarching standard indicators:

- Reduction indicator: Reduction in greenhouse gas emissions and increase in carbon storage (as tonnes of carbon dioxide equivalent) in the project/programme area.
- Person indicator: Number of people the project directly assists with adaptation to climate change impacts or ecosystem conservation.
- Ecosystem indicator: Ecosystem area (in hectares/km coast) that is improved or protected by the project's activities.
- Policy indicator: Number of new or improved policy frameworks for managing climate change and/or conserving biodiversity.
- Institution indicator: Number of new or improved institutionalised structures or processes for managing climate change and/or conserving biodiversity.
- Methods indicator: Number of new or improved methodological tools for managing climate change and conserving biodiversity

Importantly already at the project application stage the proposal needs to predefine potential impact along these indicators.

In the **Netherlands**, support for climate action is part of development cooperation⁴⁸. The Ministry of Foreign Affairs is overseeing this and reports the impact along several indicators, where the most important ones are:

- number of people receiving access to renewable energy
- forest areas under sustainable management
- number of farms with increased resilience to climate change
- number of people benefiting from improved water management

In addition, in climate finance, poverty is another important criterion in selecting the finance destination. The poorest countries are prioritised, especially in adaptation-oriented projects. Also, gender is an important cross-cutting issue in climate actions as climate action is most effective when it builds on the capacities and addresses the needs as well as the vulnerabilities of both genders⁴⁹.

Launched in December 2019 the Dutch Fund for Climate and Development (DFCD) focuses on a set of high impact investment themes within the four Rio Markers (Biodiversity, Desertification, Climate change mitigation, Climate change adaptation). The Key Performance Indicators applied by DFCD in monitoring the impact of its programme include:

- size of farmland sustainably managed (target 100,000 ha)
- size of forest and wetland sustainably managed (100,000 ha)
- private finance mobilised in mln EUR (target 500,000 EUR)
- n of beneficiaries / people who benefited from projects (13,5 mln people)
- reduced GHG emissions in tCO₂ (40 mln tons)
- n of people provided with access to drinking water (12,5 mln people)

Sweden climate finances are largely managed by SIDA an national overseas development agency, via “Climate Change Initiative” (CCI) launched in 2009. The following basic principles guiding the CCI allocations and design have been applied:

- P1 The funds reserved for adaptation interventions should go primarily to the poorest countries.
- P2 The Swedish contributions should have a tangible added value.
- P3 Contributions should work towards the implementation of the Paris agenda principles on aid effectiveness.
- P4 Consideration should be taken to the ongoing international climate negotiations regarding timing and choice of channels.
- P5 The allocation should reflect the ongoing work of the Commission on Climate Change and Development (CCCD).
- P6 Sustainable adaptation to climate change requires that the climate perspective is integrated into the countries' own development strategies. Central areas are water-and land-use in urban as well as rural areas.

⁴⁸ <https://www.dutchdevelopmentresults.nl/theme/climate>

⁴⁹ Fourth Biennial report of The Netherlands to the UNFCCC:

- P7 A proportion of the Swedish contributions should focus on disaster risk reduction as an integral part of climate adaptation.

The ex-post evaluation of the CCI 2009-2012 programme⁵⁰ done in 2020 points out at less structured documentation for outcomes and impact. It concluded that In terms of the programming and implementation of the CCI, the principles-based approach had a significant role to play, especially in securing objectivity and less bureaucracy, championing of the country ownership, gender, adaptation capacities, social transfer and safety net building, focus on risks rather than response, multi-level governance. It is necessary to note that the positive impact is not uniformly achieved in this programme.

Switzerland conducts project evaluations as part of its regular monitoring and evaluation of our development cooperation project portfolio. The Global Programme Climate Change and Environment⁵¹ of the Swiss Agency for Development and Cooperation SDC consists of four components, each targeting specific outcomes⁵² and set of indicators, which are also linked to specific SDGs:

- Component 1: Climate and environment policy and planning
 - Outcome 1: The normative multilateral climate policy process (UNFCCC) is ambitious, fair and safeguards the needs and interests of the most vulnerable countries.
 - Outcome 2: Resources for global climate change mitigation and adaptation are mobilized and invested effectively and efficiently, considering the needs of the most vulnerable countries.
 - Outcome 3: National and sub-national development policies and plans account for climate change and environmental risks.
- Component 2: Low-emission development:
 - Outcome 1: Clean energy is increasingly used, energy is used more efficiently, and energy access is enhanced.
 - Outcome 2: Air pollution is reduced with particular focus on urban areas, resulting in improved health.
 - Outcome 3: Land and water pollution is reduced, avoiding natural resources degradation.
- Component 3: Climate-resilient development and sustainable natural resource management
 - Outcome 1: Climate resilience of communities is increased resulting in reduced impacts of climate change.
 - Outcome 2: The management and use of water resources is improved to ensure water availability under a changing climate.
 - Outcome 3: Forests, mountains and other ecosystems are sustainably managed and are more resilient to climate change.
- Transversal component: Climate Change and Environment in Development Cooperation
 - Outcome 1: Climate change and environment aspects are increasingly integrated into development cooperation strategies, programmes and projects

This framework has been adopted for 2017-2020 programme and report on the indicators has not been launched yet.⁵³

In the **UK**, achievements from the portfolio of ICF investments are reported against the following key performance indicators (KPI):

- KPI 1: Number of people supported to better adapt to the effects of climate change
- KPI 2.1: Number of people with improved access to clean energy
- KPI 2.2: Number of social institutions with improved access to clean energy
- KPI 4: Number of people whose resilience has been improved

⁵⁰ <https://eba.se/wp-content/uploads/2020/04/Evaluation-of-the-Swedish-Climate-Change-Initiative-2009-2012-2.pdf>

⁵¹ <https://www.eda.admin.ch/deza/en/home/themes-sdc/climate-change.html>

⁵² [Strategic Framework 2017–2020: SDC Global Programme Climate Change \(GPCC\) \(admin.ch\) https://www.eda.admin.ch/dam/deza/en/documents/themen/klimawandel/broschuere-climate-change-2017_EN.pdf](https://www.eda.admin.ch/dam/deza/en/documents/themen/klimawandel/broschuere-climate-change-2017_EN.pdf)

⁵³ A general description Swiss evaluation policies here: <https://www.eda.admin.ch/deza/en/home/results-impact/wirkungsmessung/evaluation.html>

The last full impact and effectiveness evaluation of the entire climate portfolio was conducted in 2014 and looked at the Swiss climate projects from 2000-2012: <https://www.eda.admin.ch/eda/en/fdfa/fdfa/publikationen/alle-publikationen.html/content/publikationen/en/deza/wirkungsberichte/wirkungsbericht-2014-klimawandel>

- KPI 6: Greenhouse gas emissions reduced or avoided
- KPI 7: Installed capacity of clean energy
- KPI 8: Area of land where deforestation has been avoided
- KPI 10: Value of ecosystem services generated or protected
- KPI 11: Volume of public finance mobilised for climate change purposes
- KPI 12: Volume of private finance mobilised for climate change purposes
- KPI 15: Extent to which ICF intervention is likely to lead to Transformational Change
- KPI 17: Area of land under sustainable land management

The international climate finance programmes are expected to report progress using at least one of Key Performance Indicators (KPIs). Achieved and expected results are collected annually, using a web-based platform. One-hundred-and-forty-eight programmes from DFID, BEIS and Defra contributed to these results in 2020. Where the UK cofunds a programme with other donors, only 'UK-attributed' ICF results are included in proportion to the UK's donor share.⁵⁴

6. Conclusions – Key messages

Based on the results and discussion above we draw some particular conclusions for Netherlands. Netherlands pledged to provide annually 1.3 billion EUR for climate finance to developing countries in 2022 and raised its ambition to 1.8 billion EUR annually by 2025. The latest available data that is at our disposal show that Netherlands total climate finance to developing nations is 1.45 billion USD in 2022. This translates to 1.37 billion EUR which is 70 million EUR above the pledge set for 2022 announced in COP26. This is also a 110 million EUR increase from 2021. To achieve its 2025 pledge of 1.8 billion EUROS, the Netherlands would need not to reduce the current growth trends by adding minimum 140 million EUR annually to the amount provided in the preceding year.

According to the current data for 2022 provided by the Netherlands' report to EU (which will also feed the UNFCCC data) over 40% of this climate finance comes from publicly mobilised private channels. The data on private finance leverage ratio (private/public) has been drastically changing from 132% in 2018 to 16% in 2020 to 72% in 2022. This report has pointed at some potential issues in the way the Netherlands reports its climate finance efforts. In particular, it would be helpful to better understand how the funds provided for FMO and other specific finance vehicles (such as MASSIF, DGGF, DFCD, FDW) have been reported. This may very well explain some of our findings such as, mentioned above changing leverage ratios, the 100% grants in bilateral funding, and the very large share of cross-cutting climate finance.

Apart from these monitoring issues and taking the figures as we observed them in the data serious, we have some concerns about the reliance by the Netherlands on publicly mobilised private channels. Such funds have some drawbacks as well and might even be inferior to public climate finance. If we only count the public climate finance that Netherlands provides, then this covers just

⁵⁴ <https://www.gov.uk/government/publications/uk-climate-finance-results>

40% of its climate finance, while a large part is also channeled through Multilateral Development Banks and for which it is not always clear to what extent funds are not simply loans at market interest rates. Again, for reasons discussed below, we argue that public climate finance should be favoured to publicly mobilised climate finance wherever possible. This would require a substantial further effort on the part of public authorities in Netherlands.

We also observed in the data that the Netherlands spends 44% of its public climate finance and 90% of its private finance on cross-cutting projects. This suggests that underlying projects would have both aspects of mitigation and adaptation, but we cannot be entirely sure due to the upstream reporting issue. Anyway and in addition, 42% of the public finances go to adaptation. Here the Netherlands might consider to invest more into mitigation efforts. One result in the academic climate change literature is that, when given the choice, then mitigation should be favoured over adaptation (Schumacher, 2019), because a euro invested in mitigation helps the whole world (by reducing the extent of climate change which affects everyone), while a euro invested in adaptation only helps a smaller local group (by reducing the impact of climate change). Thus, globally speaking, Netherlands would do better to invest into climate finance projects that are directly towards mitigation. But it is also important to strike a balance between mitigation and adaptation focused financing.

One other problem is that public information on the sectors that are targeted by Dutch publicly mobilised private climate finance (including the funds provided to MDB's) is not easily available for external parties. The information provided suggests that over 80% of these climate finance projects are unclassified, while roughly 20% are targeted to the banking or business sector. While we have no direct opinion as to whether one or another sector should be favoured, it would be useful to assess carefully whether there is some reason for the fact that 20% of the finances go to the banking or business sector, and to investigate where the other 80% are allocated. Also our data show that Dutch climate finance is somewhat evenly spread across the continents. Interestingly, 25% of the climate finance is allocated within poorer regions in Europe. It could be worthwhile to check whether this part of Dutch climate finance is spent on the right set of countries and may perhaps be more beneficially allocated to least developed countries. Related to this is the question to what extent public bilateral finance has been provided in grant form. Our findings that this would be 100% seems misleading given the prominent role of the FMO. However, we do believe that providing grants to very poor countries that may also be extra sensitive to climate change makes a lot of sense and we hope that this will continue to be the case also in the future.

This study has also given rise to some open, more general questions. Firstly, on how countries estimate their climate finance. We have noticed that some countries include publicly mobilised private climate finance in their reports on bilateral climate finance (Germany and Switzerland). As far as we understand, this category should only include public climate finance. Other countries do not clearly inform as to what components are exactly included (e.g. UK). We are, therefore,

wondering how far this may lead to double counting when comparing with the OECD data. Indeed, the OECD data uses the bilateral data that the countries provide to the UNFCCC and EU. In addition, the OECD then estimates (or obtains information on) the publicly mobilised private climate finance. It is also not clear how the private climate finance estimate differs across countries, and how their approach differs also from the approach of the OECD DAC.

Secondly, there are some countries, such as Germany, or some multilateral institutions such as the EIB, who add stretch the category “mobilised public” climate finance. This is money for projects that is raised on the capital market. Hence, this money in fact is private money that has been mobilised by public funds. We do not see a substantial difference between the categories “mobilised public” climate finance and “publicly mobilised private” climate finance. It seems to us that some countries use the “mobilised public” category to artificially inflate their public climate finance. This is something that requires clarification.

Thirdly, when analysing some projects in more detail categorisation as either adaptation or mitigation projects seems somewhat farfetched. It seems to us that it is especially easy to use the Rio Marker “Adaptation” in order to classify a project as climate relevant, while it has seemingly little to do with climate issues. We would strongly urge that the criteria for classifying climate finance are applied more strictly.

Fourthly, the reports prepared to EU and UNFCCC by countries, as well as well the reporting templates do not always assure sufficient transparency and quality of the data. The reports to EU lack explanation of the data and how data has been prepared. Reports largely differ in detailisation and disaggregation of their data (e.g. some countries provide good level of details on projects, others provide only an aggregates numbers not allowing to see project level details. In case of the Netherlands, the data granularity and transparency was among the best). There seem to be differences in how various countries understand and define ‘committed’ and ‘provided’ data (in some cases those two categories had 100% match which in reality is hardly possible). The UNFCCC reports allow to feature either ‘committed’ or ‘provided’ category in one same column, resulting e.g. in case of UK showing only ‘committed’ budgets and not allowing to see the actual spendings in the specific year, while Swiss report showing only disbursed. The coherence of the EU and the UNFCCC reporting templates requires further improvement. It should be advised that each country also provides definition of committed and disbursed climate finance.

Finally, it is clear that overall public climate finance after falling short its target in 2020, has finally reached the 100 billion USD target in 2022. The countries selected for the present analysis, have made a good total climate finance achievement in 2020, but have paced down their performance in 2022 falling slightly short from their renewed commitments. Furthermore, the developed countries placed, during the past years, a significant emphasis on raising private climate finance. However, a major concern from our side is the increased focus on publicly mobilised climate finance to reach

the 100 billion USD target. In particular, there is a crucial difference between public climate finance and private climate finance. Most public climate finance comes in the form of a grant, which is money that the developing countries do not need to return to the donor countries. In contrast to this, while there is a lack of data for this, private climate finance is likely to come often in the form of a loan of some sort, which means that at some point it must be repaid. For this reason private climate finance is less often used for education or administration, as this is not immediately profit generating.

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