

# CLIMATE FINANCE SHADOW REPORT 2023

ASSESSING THE DELIVERY OF THE  
\$100 BILLION COMMITMENT



# SUMMARY

EVEN BY THEIR OWN GENEROUS ACCOUNTING STANDARDS, DEVELOPED COUNTRIES ARE THREE YEARS OVERDUE ON THE COMMITMENT TO MOBILIZE US\$100BN PER YEAR. THIS HAS UNDERMINED TRUST IN THE CLIMATE TALKS AND COULD HAVE SERIOUS CONSEQUENCES FOR WHETHER WE ARE SUCCESSFUL IN AVOIDING THE WORST IMPACTS OF CLIMATE CHANGE.

The Sixth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC) states plainly that we are not on track to keep warming below the 1.5°C limit set by the Paris Agreement, with emissions still rising.<sup>1</sup> At the same time, the world is seriously unprepared to deal with the now unavoidable impacts of climate change. The consequences of this inaction manifest as climate change-induced loss and damage. East Africa is experiencing its worst drought in over 40 years, contributing to crisis levels of hunger.<sup>2</sup> In the past three years, India, Pakistan, Central South America, Western North America, the UK, Australia and Siberia have all seen record heat waves and/or wildfires.<sup>3</sup> In 2022, Pakistan suffered a severe heat wave that was later followed by intense rainfall and flooding between June and August, affecting over 33 million people.<sup>4</sup>

While Pakistan's monsoon floods caused destruction that affected people of all backgrounds, women and girls bore the brunt of the impacts. These impacts included nearly 700,000 women deprived of maternal healthcare while pregnant.<sup>5</sup> Similarly, in East Africa, six consecutive failed rainy seasons have seen women taking responsibility for survival tasks – from collecting scarce water and food to caring for children and people who are sick – while being excluded from essential decision making that affects their lives.<sup>6</sup> In both cases, and during climate-induced extreme weather events in general, women and girls are at increased risk of gender-based violence,<sup>7</sup> as well as being less likely to receive relief goods and more likely to experience a loss of livelihood compared with men. This contributes to higher rates of socioeconomic insecurity, physical vulnerability and death – death rates for women and children during these events can even be fourteen times higher than those of men.<sup>8</sup> Women are also less likely to be involved in climate action planning, both for mitigation and adaptation, and as a consequence less likely to benefit, often to the detriment of the action's effectiveness.<sup>9</sup>

International climate finance offers essential support to communities and countries on the frontlines of climate change – to address climate damages, to adapt to unavoidable climate change and to advance low-carbon development pathways. It must be based on principles of local leadership, inclusion, gender equality and women's empowerment if it is to be effective and leave no one behind.

This year, Parties to the Paris Agreement are carrying out a Global Stock Take on progress in achieving the Agreement's goals. One element is already clear: the goal set by developed countries<sup>10</sup> to deliver US\$100 billion a year in climate finance by 2020 has been missed.<sup>11</sup> Based on the current accounting and reporting practices applied by climate finance contributors, total climate finance was reported as \$83.3bn in 2020.<sup>12</sup> While this is a sizeable amount, it falls significantly short of the promise made in 2009, and it is based on accounting practices that do not reflect the actual level of support provided.

INTERNATIONAL CLIMATE FINANCE OFFERS ESSENTIAL SUPPORT TO COMMUNITIES AND COUNTRIES ON THE FRONTLINES OF CLIMATE CHANGE.

Oxfam estimates that in 2020 the real value of financial support specifically aimed at climate action was only around \$21bn to \$24.5bn – much less than officially reported figures suggest. Urgent action is needed to restore trust and provide much-needed finance, starting with immediately fulfilling the \$100bn-a-year goal and making up for the shortfalls in years where it has not been met.

But meeting the goal on paper is nowhere near enough, because *how* climate finance is provided is as important as *how much* is provided. This report lays bare how an excessive number of loans, insufficient grants, inadequate funding for adaptation, and misleading accounting practices mean that climate finance is far from fulfilling its purpose. Only a small share of climate finance has gender equality as a principal objective, and only a small share is for locally led climate action. Even worse, in some cases this finance, which should be helping communities thrive despite climate change, is likely harming them in other ways, by increasing debt and taking money from shrinking Official Development Assistance (ODA) budgets.

The stark reality of climate change has strengthened the calls of developing countries for new financial support to recover from unavoidable losses and damages. This led to the agreement at COP27 in Egypt to establish a new fund to respond to loss and damage. Despite being many years overdue, this is an important step, and the fund should be quickly operationalized and adequately provided for. Importantly, the funding should be new and additional to existing ODA and climate finance commitments.

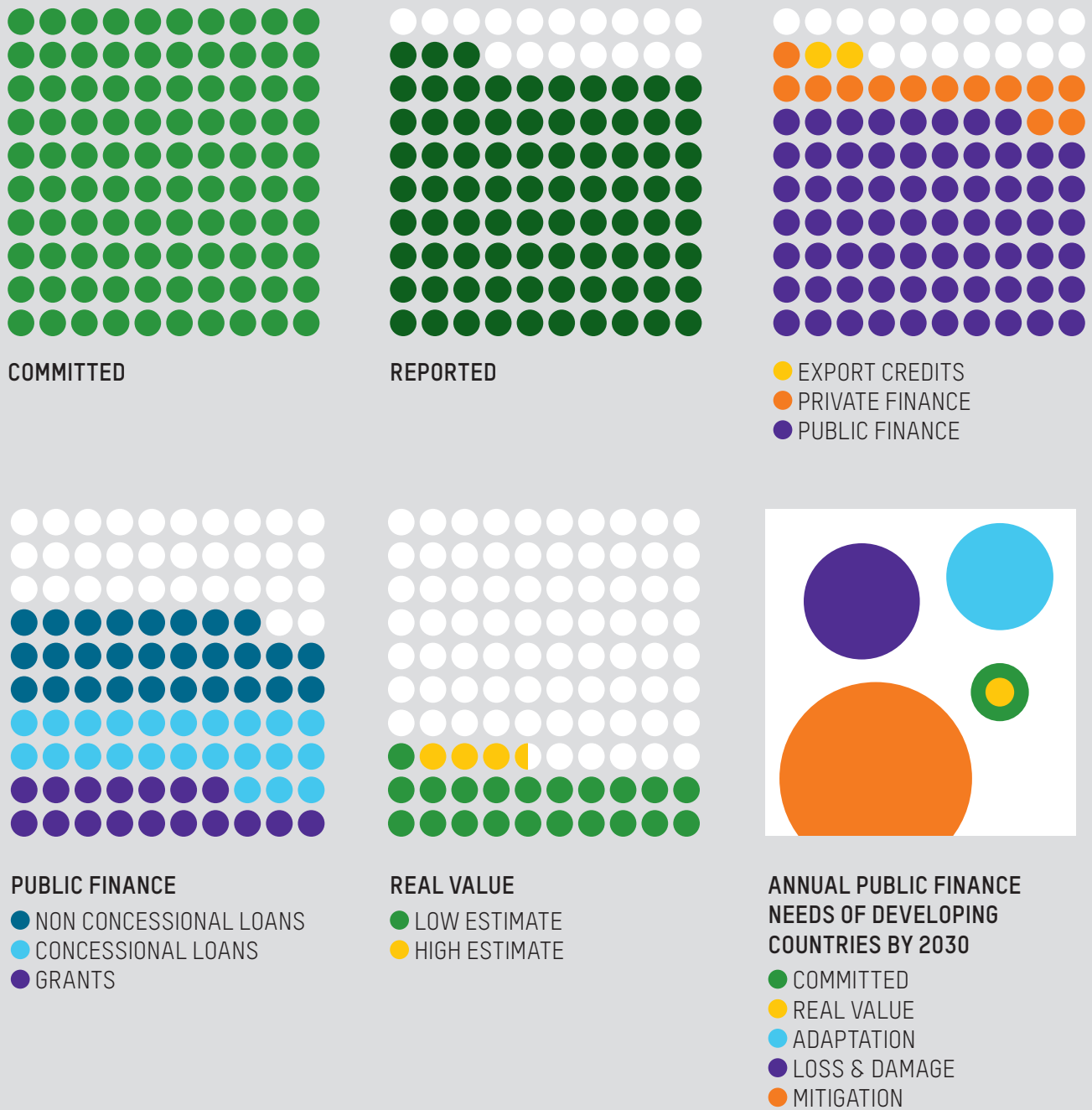
We do not need to wait for the Global Stock Take, which will set the agenda for near-term climate talks, to understand what needs to happen: hugely accelerated climate action. But acceleration will only happen at the scale needed, and in equitable ways, if we also accelerate the provision and mobilization of climate finance and ensure it gets to where it is needed. In line with the ‘polluter pays’ principle, options such as a shipping emissions levy, wealth taxes or an excess fossil-fuel profits tax should be developed as innovative finance sources, particularly for mobilizing finance to support adaptation and address loss and damage. More finance should also be mobilized through the issuance of additional Special Drawing Rights and transferring those to developing countries to support climate action, and through affordable borrowing to fund investment in adaptation and mitigation in low- and middle-income countries without adding to their debt burden.<sup>13</sup>

Talks have started under the UN Framework Convention on Climate Change (UNFCCC) about the new finance goal for the period after 2025: the New Collective Quantified Goal (NCQG), which will take into account the needs and priorities of developing countries, from a floor of \$100bn a year.<sup>14</sup> This discussion is an opportunity to rebuild trust in the climate talks between developed and developing countries.

If those working on the new finance goal do not learn from the mistakes outlined in this report, they will have failed before they even start. Contributions must become far more transparent, building on clear commitments that allow for accountability. There needs to be a new global public finance goal specifically for adaptation and addressing loss and damage as a component of the NCQG. Public finance is a lifeline for communities on the frontlines of the climate crisis, especially for dealing with climate impacts, and this needs to be acknowledged.

All of this should be built on the foundation of a goal that is needs-based, and that allows for far more local ownership and responsiveness to the needs of communities it is supposed to reach. We are at a critical point for trust in multilateral processes, without which we will not be able to limit climate change, and this is an important step towards rebuilding it.

Figure 1. Breakdown of the delivery in 2020 of the \$100bn climate finance goal and an indication of public climate finance needs of developing countries by 2030<sup>15</sup>



# CLIMATE FINANCE 2019–20: KEY TAKEAWAYS

1. DEVELOPED COUNTRIES REPORT THEY HAVE PROVIDED JUST \$83.3BN OF THEIR COMMITTED \$100BN OF ANNUAL CLIMATE FINANCE. ONLY \$21 TO \$24.5BN OF THIS COULD BE CONSIDERED **REAL SUPPORT**.
2. THE **NET FINANCIAL VALUE** OF REPORTED CLIMATE FINANCE TO DEVELOPING COUNTRIES – THE GRANT EQUIVALENT – MAY BE LESS THAN HALF OF WHAT IS REPORTED BY DEVELOPED COUNTRIES.
3. DUE TO OVERESTIMATING THE CLIMATE RELEVANCE OF REPORTED FUNDS, **BILATERAL CLIMATE FINANCE** MAY HAVE BEEN UP TO 30% LOWER THAN REPORTED.
4. JUST ONE-QUARTER OF REPORTED PUBLIC CLIMATE FINANCE IS PROVIDED AS GRANTS. THE REMAINDER IS **MOSTLY LOANS**, THE MAJORITY OF WHICH ARE NOT EVEN CONCESSIONAL (THEY DO NOT REPRESENT A BETTER DEAL THAN CAN BE OBTAINED ON THE MARKET).
5. ONLY 33% OF REPORTED PUBLIC CLIMATE FINANCE WAS FOR **ADAPTATION**, WHILE 59% WAS FOR **MITIGATION**.
6. OVER HALF OF CLIMATE FINANCE ALLOCATED TO **LEAST DEVELOPED COUNTRIES** (LDCS), AND MORE THAN ONE-THIRD OF FINANCE TO **SMALL ISLAND DEVELOPING STATES** (SIDS), WAS PROVIDED AS LOANS.
7. FINANCE TO ADDRESS LOSS AND DAMAGE IS STILL NOT OFFICIALLY PART OF THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE, RESULTING IN **NO SYSTEM OF RELIABLE SUPPORT**.
8. CLIMATE-RELATED DEVELOPMENT FINANCE IS NOW UP TO ONE-THIRD OF **STAGNATING ODA BUDGETS**, RATHER THAN BEING ‘NEW AND ADDITIONAL’.
9. ONLY AN ESTIMATED 2.9% OF CLIMATE-RELATED DEVELOPMENT FINANCE IDENTIFIED **GENDER EQUALITY** AS A PRINCIPAL OBJECTIVE, AND DATA ON HOW MUCH FINANCE IS SPENT AT THE LOCAL LEVEL IS SERIOUSLY LACKING.
10. **CONSISTENT AND TRANSPARENT DATA** IS NOT AVAILABLE TO ESTIMATE THE LEVEL OF PRIVATE FINANCE MOBILIZED TOWARDS THE \$100BN-A-YEAR GOAL.
11. TO BETTER ADDRESS NEEDS, IT IS HIGH TIME TO **MOVE BEYOND** THE \$100BN-A-YEAR GOAL, BOTH IN DESIGN AND THE AMOUNT.

# RECOMMENDATIONS

## ENHANCED TRANSPARENCY IN REPORTING

Climate finance needs to be reported in a way that better reflects its true value for developing countries and the real effort made by developed countries.

All climate finance contributors (both bilateral and multilateral) need to:

- Report full project lists with far more information detailed per project, to allow for better transparency and accountability.
- Start reporting on finance they provide to address loss and damage, with transparency around its additionality, purpose and scope.
- Report the grant equivalent value of their climate finance in the appropriate column of the new Common Tabular Format (CTF), as developed countries already do for bilateral ODA reporting.
- Where climate change is part of a broader development project, report the full project value as well as the estimated value of activities specifically targeting climate change, using a project-by-project approach.
- Stop counting non-concessional instruments towards UNFCCC climate finance obligations.
- Disclose the terms, including interest rates and repayments, of loans and other instruments used to provide climate finance.
- Report the share of climate finance they are contributing to LDCs and SIDS.
- Report mobilized private finance on a project-by-project basis, as with public finance reporting. In doing so, the Katowice principles should be applied, including explaining causality between public investment and mobilized finance, and avoiding double counting in attributing mobilized amounts between governments.

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## MEETING THE \$100BN-A-YEAR GOAL

Climate finance providers should immediately make good on the \$100bn-a-year goal, and commit to urgently increasing their grant-based support.

- For any years in 2020–2025 when the goal is missed, developed countries must commit to addressing any shortfalls through increased contributions in subsequent years.
- All climate finance providers must commit to significantly increasing adaptation finance, focusing on grant-based finance. Developed countries should present a delivery plan, detailing collective and individual action towards the goal of doubling adaptation finance by 2025 compared with 2019.
- All climate finance providers should commit to significantly increasing climate finance to LDCs and SIDS, including by immediately delivering all adaptation finance as grants.

## LOCALLY LED AND GENDER- TRANSFORMATIVE SOLUTIONS

- Climate finance contributors must increase their funding and assistance for climate action at the local level, aligning with developing countries' national planning, policies and strategies (including Nationally Determined Contributions, or NDCs), and keep track of and report on the amount of climate finance spent locally and in line with principles for locally led adaptation.
- Climate finance contributors should prioritize gender equality in climate-related projects, which should consider the unique needs of women and men in their goals, design, budget and execution. Gender equality markers should be transparently and consistently reported to the OECD and the UNFCCC.

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## NEW FINANCE GOAL

The new global climate finance goal for the period after 2025 (the NCQG) cannot be one round number for such diverse things as grants, loans and private investment. It needs to be better defined, and it must be more reflective of actual need than the \$100bn-a-year goal.

- To address the stark difference between reported numbers and the net value of provided support, negotiations on the post-2025 goal must include discussion and agreement on what to count as climate finance, and how to count it towards the new goal.
- The new goal must be needs-based and adaptable over time, responding to new evidence and emerging needs. All financial needs assessments show significantly greater needs than \$100bn a year, so the new goal(s) must also be significantly higher.
- The new goal must recognize the need for public grant-based finance where no returns on investment are required, particularly for adaptation and addressing loss and damage. The NCQG should not combine public climate finance and mobilized private finance in one goal (or sub-goal).
- The new goal must include sub-goals for mitigation, adaptation and addressing loss and damage.
- The NCQG should explicitly recognize the special situation of LDCs, SIDS and other highly climate-vulnerable contexts, including by prioritizing them for grant-based and highly concessional finance.

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## NEW AND ADDITIONAL FINANCE, INCLUDING FROM NEW SOURCES

- In line with the 'polluter pays' principle, options such as a shipping emissions levy, wealth taxes, or an excess fossil fuel profits tax should be developed as innovative finance sources.
- Mobilizing sufficient finance to respond to the new needs-based finance goals will require developed countries to face up to their responsibilities. They can do this, for example, through supporting the issuance of additional Special Drawing Rights, and transferring these to developing countries to support climate action, and through affordable borrowing to fund investment in adaptation and mitigation in low- and middle-income countries without adding to their debt burden.

- Climate finance should be additional to aid commitments: funds counted towards the \$100bn-a-year goal (and towards UNFCCC obligations) should not also be counted towards the 0.7% GNI aid target.
- As a first step, developed countries should commit to ensuring that future increases of climate finance qualifying as ODA form part of an overall aid budget that is increasing at least at the same rate as climate finance.
- Contributors must provide finance to address loss and damage through grants, and these should be in addition to the current \$100bn-a-year goal.

### **BOX 1. NUMBERS IN THIS REPORT VERSUS OECD NUMBERS**

When considering the \$100bn-a-year goal, developed countries usually refer to OECD progress reports, the latest of which says that total climate finance was \$80.4bn in 2019 and \$83.3bn in 2020, of which public finance amounted to \$63.4bn and \$68.3bn, respectively.<sup>16</sup> Yet while the OECD reports are of high technical quality, they do not contain the granularity needed for more in-depth analysis of some key aspects of climate finance. For Chapters 2 to 6, we have therefore tried to reproduce the OECD's estimate of reported public climate finance from bilateral and multilateral providers in 2019 and 2020.

We aggregate reported public climate finance from two principal sources. For bilateral finance, the Fifth Biennial Reports to the UNFCCC (BR5) are used, with a few exceptions.<sup>17</sup> Multilateral outflows attributable to developed countries are estimated based on the OECD climate-related development finance dataset<sup>18</sup> because that data is not available in the BR5. The overall approach is comparable to that used by the OECD for their reports on climate finance. We do not attempt to reproduce the figures related to mobilized private finance.

Oxfam's estimate of total public climate finance in 2019–20 comes to \$66.3bn (annual average), with \$65bn in 2019 and \$67.7bn in 2020. Differences between these and OECD numbers result from imperfect data available to us and a few other factors.<sup>19</sup> Despite the differences, our figures are broadly comparable to the OECD's. Annex 1 has the estimates for public climate finance used in this report.



# 1

## DEVELOPED COUNTRIES REPORT THEY HAVE PROVIDED JUST \$83.3BN OF THEIR COMMITTED \$100BN OF ANNUAL CLIMATE FINANCE. ONLY \$21 TO \$24.5BN OF THIS COULD BE CONSIDERED **REAL SUPPORT**.

The recent OECD report on progress towards the \$100bn-a-year goal states that climate finance amounted to around \$80.4bn in 2019 and around \$83.3bn in 2020.<sup>20</sup> While these figures appear substantial, they are a compilation of a mix of accounting practices that developed countries, multilateral development banks (MDBs), multilateral climate funds and other climate finance contributors use when reporting climate finance. For two key reasons these reporting practices do not reflect the real value of support provided to developing countries specifically for climate action.<sup>21</sup>

First, reported climate finance often overestimates the climate relevance of funds when mitigation or adaptation are not the main objective of a reported project.<sup>22</sup> While climate finance contributors usually take this into account by only reporting a proportion or specific components of a project's total financing volume, many do so with generous assumptions related to the climate relevance of reported funds.

Second, climate finance providers usually report non-grant instruments (such as loans) at their face value rather than by the financial effort of the provider or the financial benefit to the recipient resulting from preferential terms of, for example, a concessional loan with several years of grace period or lower interest rates if compared with instruments under market conditions. One measure for this, grant equivalent reporting, is now standard in overall ODA reporting but not mandatory for climate finance reporting.<sup>23</sup>

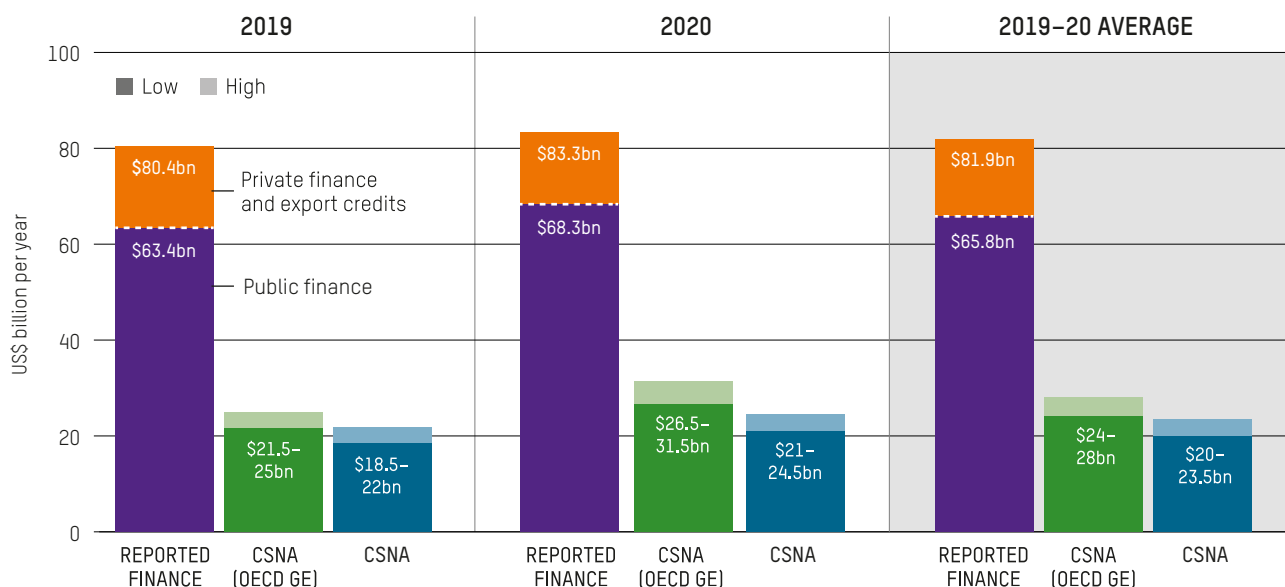
The difference between reported climate finance and its real support value to developing countries can be estimated using the approach described in Box 2. Oxfam estimates that in 2019–20, climate-specific net assistance (CSNA) stood at between \$20bn and \$23.5bn per year (annual averages) (Figure 2), of which between \$9bn and \$10.5bn per year was specifically dedicated to adaptation (Figure 3). In 2020, the year when the \$100bn-a-year level in climate finance should have been met, CSNA amounted to \$21–24.5bn, with \$9.5–11.5bn specifically for adaptation.

A noteworthy source for the sizable difference between reported gross amounts and what Oxfam considers the net value of support are providers of non-concessional finance, especially MDBs. Oxfam estimates that MDBs reported \$31.7bn as climate finance in 2019–20 (annual average). However, Oxfam estimates the CSNA contributed by the MDBs to be just \$6.0bn, one-fifth the reported face-value amount. Relative to other contributors, MDBs are expending the least financial effort to provide (highly) concessional climate finance due to their overwhelming preference for providing large volumes of non-concessional loans.

A NOTEWORTHY SOURCE FOR THE SIZABLE DIFFERENCE BETWEEN REPORTED GROSS AMOUNTS AND WHAT OXFAM CONSIDERS THE NET VALUE OF SUPPORT ARE PROVIDERS OF NON-CONCESSIONAL FINANCE, ESPECIALLY MDBS.

These figures are indicative. Yet even assuming a large margin of error, the underlying conclusion that volumes reported as climate finance are significantly higher than their real support value remains valid.<sup>24</sup>

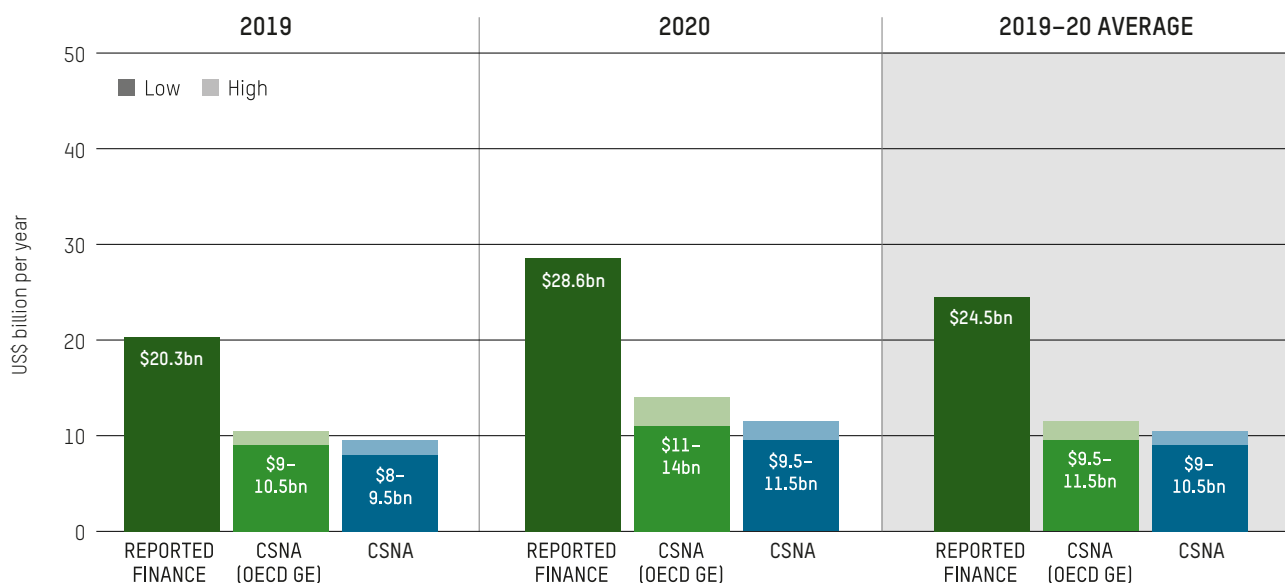
**Figure 2. Reported climate finance vs Oxfam estimates of CSNA (2019, 2020 and 2019–20 average)**



Sources: Reported finance from OECD (2022a), CSNA estimates calculated by Oxfam based on OECD (2022b).

Notes: Amounts given in US\$. The purple and orange bars show climate finance as compiled by OECD (2022a). The green and blue bars show estimates of CSNA, rounded to the nearest \$0.5bn and based on the dataset on climate-related development finance as compiled in OECD (2022b). The green bars use the standard OECD grant equivalent accounting. The blue bars use a more robust methodology. See Box 2 and Annex 2 for more details.

**Figure 3. Reported adaptation finance vs Oxfam estimates of adaptation-only CSNA (2019, 2020 and 2019–20 average)**



Sources: Reported finance from OECD (2022a), CSNA estimates calculated by Oxfam based on OECD (2022b).

Notes: Amounts given in US\$. The dark green bars show adaptation finance as compiled by OECD (2022a). The green and blue bars show estimates of CSNA for adaptation-specific finance rounded to the nearest \$0.5bn and based on the dataset on climate-related development finance as compiled in OECD (2022b). The orange bars use the standard OECD grant equivalent accounting. The blue bars use a more robust methodology. See Box 2 and Annex 2 for more details.

## BOX 2. HOW DO WE ESTIMATE 'CLIMATE-SPECIFIC NET ASSISTANCE' AND HOW IS IT DIFFERENT TO REPORTED NUMBERS?

Compared to the gross volumes resulting from approaches climate finance contributors currently use in their reporting, we consider CSNA to be a better proxy for the effort by the contributor and the net benefit for the recipient.<sup>25</sup>

Oxfam's CSNA estimate is based on the OECD dataset on climate-related development finance. It is not based on developed countries' Biennial Reports submitted to the UNFCCC, as these do not include the necessary level of detail. While the OECD dataset does not mirror climate finance reported to the UNFCCC, it constitutes a robust base for approximating the real value of support and compares it with officially reported climate finance.

To calculate the estimate, two basic approaches are taken: to account for climate relevance, and to estimate the real support value of provided finance. The Annex outlines the methodology in greater detail, but the principal steps are as follows.

To account for climate relevance in bilateral finance, we assume that broader development projects that only partially target climate action<sup>26</sup> 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 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.

See Annex 2 for greater detail.

## RECOMMENDATIONS

- Both bilateral and multilateral climate finance contributors should report climate finance at grant equivalent value, as developed countries already do for bilateral ODA reporting, to better reflect the real effort associated with, and benefit of, the support provided, and to increase transparency.
- They should also adjust their assumptions of the climate relevance of provided funds so they are more accurate, ideally using a project-by-project approach to assess the climate proportion of project volumes where mitigation or adaptation are only secondary goals.
- The new global climate finance goal for the period after 2025 (the NCQG) should express any quantified elements related to the provision of support in grant equivalent terms. It should also include a definition of climate finance as a basis for reporting progress towards the NCQG, including clarity on how to treat funds where climate action is only one of several objectives, and where the face value of provided finance differs substantially from its net support value.

# 2

## THE NET FINANCIAL VALUE OF REPORTED CLIMATE FINANCE TO DEVELOPING COUNTRIES MAY BE LESS THAN HALF OF WHAT IS REPORTED BY DEVELOPED COUNTRIES.

Concessional loans to finance a project can be the right choice under the right circumstances – for example, when a return on investment within the project’s scope can be expected. But current rules and practices for reporting climate finance allow for reporting of loans and other non-grant instruments at face value.<sup>27</sup> This does not reflect the effort of contributors, nor the financial benefit for recipient countries. Instead, contributors take credit for providing climate finance that developing countries will have to pay back.

The real value of loans to developing countries lies in the financial benefit when those loans are concessional and with low interest, and hence come at a lower cost than loans at market rates. This can be approximated by a loan’s grant equivalent value, which is a computed amount that reflects the difference between a loan with preferential terms (such as low interest) once repayments, grace periods and other factors are taken into account, and a loan at market rates.

Oxfam estimates that the grant equivalent value of climate finance provided via bilateral and multilateral channels in 2019–20 was \$23.5bn (annual average). This equates to just over one-third of the estimated \$66.3bn we found reported as public climate finance in 2019–20 (annual average, see Box 1 and Annex 1).

As Table 1 demonstrates, contributors that disburse some of their climate finance through loans and other non-grant instruments report numbers that do not reflect their real financial effort. For Austria, France, Japan, Spain the United States and the MDBs, the grant equivalent value is less than half of reported climate finance; for Canada, Germany, Italy and Switzerland, grant equivalent values are between one-half and three-quarters of the reported amounts.

CONCESSIONAL LOANS TO FINANCE A PROJECT CAN BE THE RIGHT CHOICE UNDER THE RIGHT CIRCUMSTANCES.

### RECOMMENDATIONS

- To improve the integrity and comparability of reported numbers, and to ensure that climate finance keeps pace with improving standards for aid accounting, contributing countries and multilateral institutions should always report the grant equivalent of provided finance – using updated methodologies to calculate such grant equivalents (see Box 2).
- The NCQG should express any quantified elements in grant equivalent terms and include a definition of climate finance that would then be used as the basis for reporting progress towards the NCQG in the future.

**Table 1. Reported public climate finance and grant equivalent estimates 2019–20 (annual average)**

Contributor	Reported climate finance	Estimated grant equivalent
Australia	\$111m	\$110m
Austria	\$189m	\$54m
Canada	\$305m	\$200m
Denmark	\$150m	\$150m
EU institutions (excl. EIB)*	\$2,889m	\$2,883m
France	\$5,831m	\$649m
Germany	\$7,189m	\$3,844m
Italy	\$275m	\$207m
Japan	\$8,811m	\$2,492m
The Netherlands	\$462m	\$462m
Norway	\$536m	\$471m
Spain	\$430m	\$54m
Sweden	\$495m	\$491m
Switzerland	\$222m	\$222m
UK**	\$1,144m	\$1,143m
USA	\$1,560m	\$776m
Other developed countries	\$324m	\$292m
<b>Bilateral Total</b>	<b>\$30,923m</b>	<b>\$14,500m</b>
Multilateral development banks	\$31,704m	\$6,252m
Multilateral climate change funds	\$2,087m	\$1,177m
Other multilateral	\$1,629m	\$1,433m
<b>Multilateral total</b>	<b>\$35,420m</b>	<b>\$8,861m</b>
<b>Grand total</b>	<b>\$66,343m</b>	<b>\$23,364m</b>

Sources: Reported bilateral finance based on UNFCCC (2023), with a few exceptions (see endnote 17). Reported multilateral finance based on OECD (2022b).

Notes: Amounts given in US\$. Reported climate finance as per Box 1 and Annex 1. Grant equivalent estimates have been calculated using the methodology described in Box 2 and Annex 2.

\*Only climate finance via the European Commission and the European Development Fund is shown, excluding the European Investment Bank (EIB) that provides climate finance as loans. When including the EIB, the amounts in the table would increase significantly but so would the difference between the reported amount and the estimated grant equivalent.

\*\*Estimating the UK's grant equivalent total amounts to nearly the reported total, as our estimate considers the grant equivalent of equity at 100% of its face value due to the lack of a robust methodology. For other countries the effect is minimal, but for the UK this could distort the estimate significantly, given its high relative share of equity (see Annex 1).

# 3

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## DUE TO OVERESTIMATING THE CLIMATE RELEVANCE OF REPORTED FUNDS, **BILATERAL CLIMATE FINANCE** IN 2019–20 MAY HAVE BEEN UP TO 30% LOWER THAN REPORTED.

Current rules and practices allow for gross overestimation of the climate relevance of funds, especially where climate change is part of a broader development project. In such cases, contributing countries are essentially free to choose what proportion of such a project will be reported under the Paris Agreement.

Most developed countries base their reporting of bilateral climate finance under the Paris Agreement on the OECD DAC's Rio Marker system, in which projects are tagged to indicate if adaptation or mitigation are pursued as a primary objective (Rio Marker for either adaptation or mitigation set at 2), as an objective among several others (Rio Marker set at 1), or not at all. If a project receives a Rio Marker 2 then 100% of its budget is usually reported as climate finance. For projects receiving a Rio Marker 1, most countries report a fixed percentage of the project's budget as climate finance (commonly 40% to 50%), irrespective of how significant the climate component actually was. Only a few countries use a sliding scale on a case-by-case basis, or other approaches (Table 2).

Independent assessments have identified that overly generous Rio Marker coding has been a widespread problem in the past.<sup>28</sup> This includes using Rio Marker 2 for projects that may not have climate action as their principal objective, or using Rio Marker 1 for projects that, while perhaps taking place in climate-relevant sectors, have little or no discernible focus on either mitigation or adaptation. Even in cases where such focus can be identified, the stated objectives of such projects and the measures taken often do not justify reporting 40% or 50% of the project's budget as climate finance.<sup>29</sup>

Some countries use a more granular approach on a case-by-case basis. Yet the lack of disclosed data on how the climate relevance of funds has been calculated makes third-party verification of numbers challenging at best, and in many instances, impossible. Also, a granular approach is no safeguard against overestimating climate relevance.

When estimating the impact of overly generous climate relevance assumptions, we find that bilateral public finance reported to specifically target climate action in 2019–20 may have been \$5.5bn to \$9.4bn (annual average) lower than what developed countries suggest in their reports (Figure 4).

CONTRIBUTING COUNTRIES ARE ESSENTIALLY FREE TO CHOOSE WHAT PROPORTION OF SUCH A PROJECT WILL BE REPORTED UNDER THE PARIS AGREEMENT.

**Table 2. Reporting approaches with mitigation or adaptation as a principal or significant objective in development projects**

Provider	Rio Marker 2	Rio Marker 1
Australia*	100%	30% or case-by-case
Austria	100%	50%
Belgium**	100%	2%–80%, case-by-case
Canada	100%	30%
Czech Republic	100%	100%
Denmark	100%	50%
EU institutions	100%	40%
France***	50%–100%, case-by-case	5%–49.99%, case-by-case
Germany****	100%	50%
Greece	100%	40%
Ireland	100%	40%
Italy	100%	40%
Japan	100%	50%
The Netherlands	100%	40%
New Zealand	100%	30%
Norway	100%	40%
Poland	100%	100%
Slovakia*****	100% or 0%, case-by-case	
Spain	100%	50%
Sweden	100%	40%
Switzerland	85%	50%
UK*****	50%–100%, case-by-case	5%–100%, case-by-case
USA*****	Case-by-case	

Table 2 source: OECD. (2023c).

Notes: Countries not listed have not provided relevant information to the most recent OECD survey.

\* If no absolute amount can be calculated on a case-by-case for Rio Marker 1 projects, Australia reports a 30% share.

\*\* If more Rio Markers (including non-climate Rio Markers) are set at 2, Belgium distributes the 100% evenly.

\*\*\* France has previously used a combination of Rio Markers and alternative approaches to report its climate finance from different public sources. In some cases, it first assigns a percentage to a project and then deduces its Rio Marker from it.

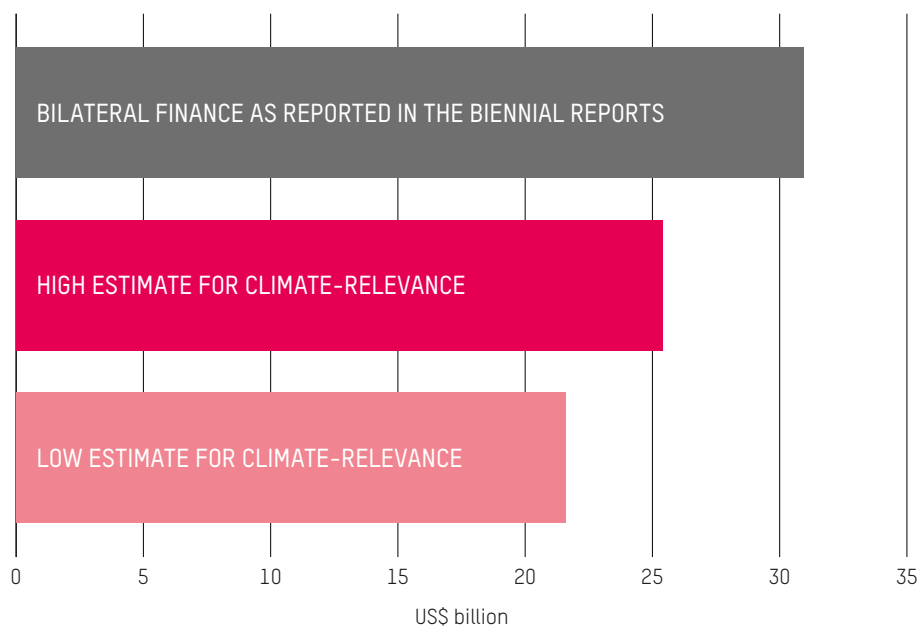
\*\*\*\* For cross-cutting projects that are marked as significant for both mitigation and adaptation, Germany reports 100%, including for projects where climate is not the only or main focus.

\*\*\*\*\* Slovakia decides on a case-by-case basis what projects with Rio Markers will be reported, and reports those at 100%.

\*\*\*\*\* The UK reports Rio Marker 2 projects between 50% and 100%, although most are reported at 100%. Rio Marker 1 projects are reported between 5% and 100%.

\*\*\*\*\* The USA does not use the Rio Marker system but reports (fractions of) project volumes on a case-by-case basis.

**Figure 4. Oxfam estimate of climate relevance of bilateral finance 2019–20 (annual average)**



Sources: Reported figures (grey bar) based on UNFCCC (2023), with a few exceptions (see endnote 17). High- and low-end estimates for climate relevance (red and pink bars) based on OECD (2022b).

Notes: For the estimates, we count Rio Marker 2 projects at 100% of the full project volume; Rio Marker 1 projects are counted at 30%–50%. For countries where bilateral finance reported to the UNFCCC is lower than the results, we used that figure instead.

While our estimates above relate to bilateral public climate finance, climate relevance for multilateral channels also remains an issue. MDBs especially remain a reason for uncertainty in estimating the climate relevance of finance reported as climate finance. While MDBs use project-level analyses to report only the climate-specific components of their adaptation and mitigation projects, the method does not allow for independent scrutiny. Project-level reporting is patchy, and even where project data is reported, the basis on which the climate component is calculated is inconsistent – or in many cases, absent. An Oxfam study found that 40% of the climate finance reported by the World Bank in 2020 could not be independently verified, and reported amounts could be as much as \$7bn higher or lower in reality.<sup>30</sup>

## RECOMMENDATIONS

- Climate finance providers should report climate finance on a project-by-project basis.
- Climate finance providers currently using flat-percentage accounting should switch to a case-by-case system and report only the actual proportion attributable to specifically supporting mitigation or adaptation (and in the future, addressing loss and damage). They should also add information on the chosen proportion in their reporting.
- MDBs should aim to greatly improve transparency, by publishing details on their calculations for project components reportable as climate finance.
- In their deliberations for the NCQG, Parties should agree that only climate-specific proportions of funded projects, measured on a case-by-case basis, will be reported towards progress in meeting the NCQG.



# 4

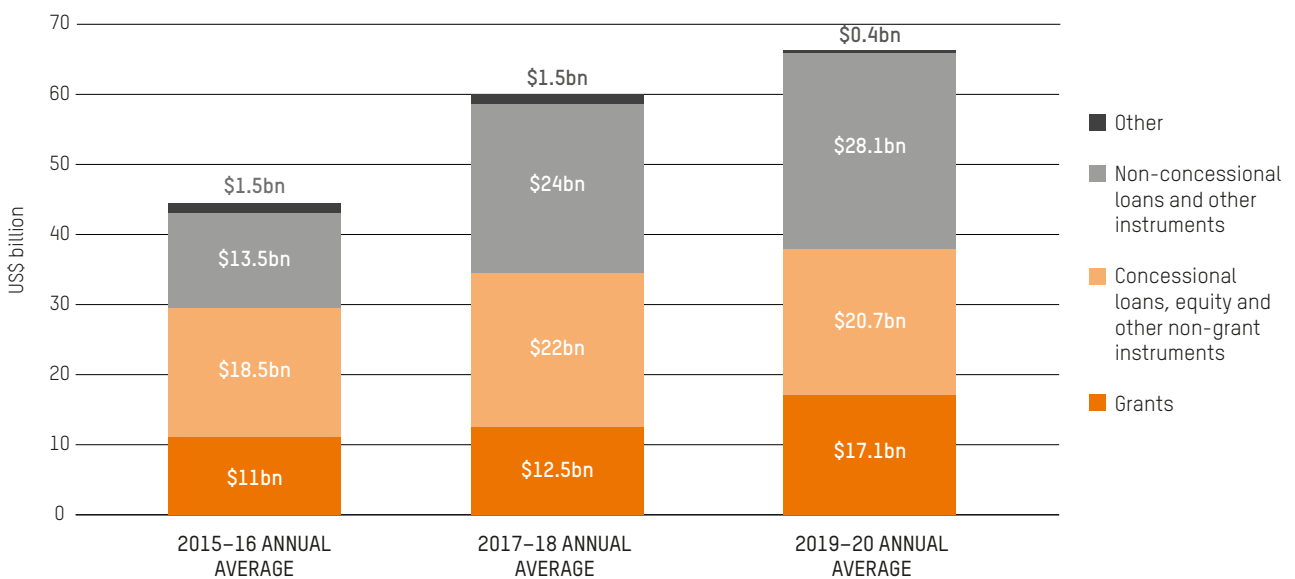
## JUST ONE-QUARTER OF REPORTED PUBLIC CLIMATE FINANCE IS PROVIDED AS GRANTS. THE REMAINDER IS **MOSTLY LOANS**, WITH MOST NOT EVEN CONCESSIONAL.

When the \$100-billion-a-year goal was set in 2009, many may have expected that most of it would be provided as grants or other forms of highly concessional finance, in recognition of developed countries’ disproportionate responsibility for causing the climate crisis and their financial capability to act. However, right now, only a small share of climate finance is provided as grants. There is no agreed definition of climate finance in the context of the \$100-billion-a-year goal, and since it has never been defined what constitutes support towards the financial obligations under the UNFCCC and the Paris Agreement, the current rules allow for reporting both concessional and non-concessional finance.

THERE IS NO AGREED DEFINITION OF CLIMATE FINANCE IN THE CONTEXT OF THE \$100-BILLION-A-YEAR GOAL.

Of the estimated \$66.3bn we found in public climate finance reported for 2019–20 (annual average), we calculate that only \$17.1bn (26%) was provided as grants; \$20.7bn (31%) was provided as concessional loans and other non-grant instruments; and a staggering \$28.1bn (42%) was provided through non-concessional loans and other instruments on terms not generous enough to qualify as ODA (Figure 5).<sup>31</sup> This means that most climate finance continues to be provided as loans.

**Figure 5. Estimates for reported public climate finance by instrument (annual averages)**



Sources: For 2019–20, reported bilateral finance based on UNFCCC (2023), with a few exceptions (see endnote 17). Reported multilateral finance based on OECD (2022b). Figures for 2015–16 and 2017–18 based on Oxfam (2020).

Notes: Amounts given in US\$. 2015–16 and 2017–18 figures are rounded to the nearest \$0.5bn. Where total figures do not equate to the sum of separate figures, this is due to rounding.

## GRANT-BASED FINANCE REMAINS LOW

In 2019–20, just 26%, or \$17.1bn, of reported public climate finance was provided as grants (Figure 5). Despite this increase on previous years, the relative share is about the same as it was 2015–16. As Figure 6 sets out, France and Japan rank lowest in bilateral grant provision – contributing a mere 7% and 8% of their public climate finance as grants between 2019–20, respectively.

While concessional loans can play a role in financing climate action that can be expected to lead to returns within the project’s scope, low volumes of grant-based support are a major concern, as in most cases, loans cannot meet the crucial adaptation needs of at-risk communities to ensure disaster preparedness and food and water security. The low share of grants in climate finance is particularly worrying for LDCs and SIDS (see Chapter 6).

## NON-CONCESSIONAL FINANCE KEEPS ON RISING

It is worrying that non-concessional instruments account for a large share of what is reported as climate finance in the context of the \$100-billion-a-year goal. The vast majority of these are loans, often at or close to market-level terms, even though many may still offer better terms than loans available on the free market.

As shown in Figure 5, reported volumes of non-concessional instruments have increased significantly in recent years – to \$28bn in 2019–20 (annual average), while concessional loans and other non-grant instruments in 2019–20 largely remained at the same level as in 2017–18.

MDBs remain a significant provider of non-concessional finance. In 2019–20, an estimated 80% of non-concessional finance was provided via MDBs (up from 70% in 2017–18).

Among bilateral providers, Spain has the highest share of its bilateral public climate finance through non-concessional instruments, with a staggering 85% (Annex 1). High shares are also found in climate finance from Austria (51%), the USA (31%), Japan (24%) and France (17%).

IT IS WORRYING THAT NON-CONCESSIONAL INSTRUMENTS ACCOUNT FOR A LARGE SHARE OF WHAT IS REPORTED AS CLIMATE FINANCE IN THE CONTEXT OF THE \$100-BILLION-A-YEAR GOAL.

## CLIMATE FINANCE IS INCREASING THE DEBT BURDEN

That climate finance is overwhelmingly provided in the form of loans and other non-grant instruments (the majority of which are non-concessional) is deeply unjust. Climate-vulnerable, low-income countries should not be forced to take out loans for adaptation to protect themselves from a climate crisis they are not responsible for. Furthermore, it is mostly rich countries’ past excess carbon emissions that have diminished the remaining carbon budget consistent with the 1.5°C limit, forcing developing countries to curb their emissions trajectories on the scale and speed now required.

This practice also risks further exacerbating the already unsustainable debt burdens of many low-income countries. Many are spending more on servicing debt payments than on basic infrastructure, health, education, social protection schemes and other vital public services.<sup>32</sup> In addition, servicing debt reduces the fiscal space governments have to invest in additional climate action such as addressing vital adaptation needs or recovering from unavoidable losses and damages. This is exacerbating economic and social inequalities within and between countries, as well as undermining climate action.

The external debt repayments of LDCs increased from \$31bn in 2020, to \$50bn and \$43bn in 2021 and 2022, respectively.<sup>33</sup> According to Debt Justice, 91 lower-income countries will spend an average of 16.3% of their government revenues on foreign debt payments in 2023, rising to 16.7% in 2024, an increase of over 150% since 2011.<sup>34</sup> The outlook is bleak: the IMF’s debt sustainability analysis indicates that 36 out of 73 low-income countries are either in, or at high risk of, debt distress.<sup>35</sup>

### BOX 3. IMPACT OF INTEREST RATE INCREASES ON LOAN REPAYMENTS IN DEVELOPING COUNTRIES

How interest rates will change over time is a source of uncertainty in estimates of repayment costs.

An illustrative example can demonstrate the impact of rising global interest rates on the costs and repayments associated with non-concessional climate loans. In our example, the World Bank gives an IBRD Flexible Loan (IFL) of \$400m to the Philippines in early 2022. The IFL is a loan product used by the World Bank to finance activities with public sector borrowers in middle-income developing countries, aiming to accelerate climate or development objectives, subject to current interest rates. A typical repayment maturity for an IFL loan is 20 years.

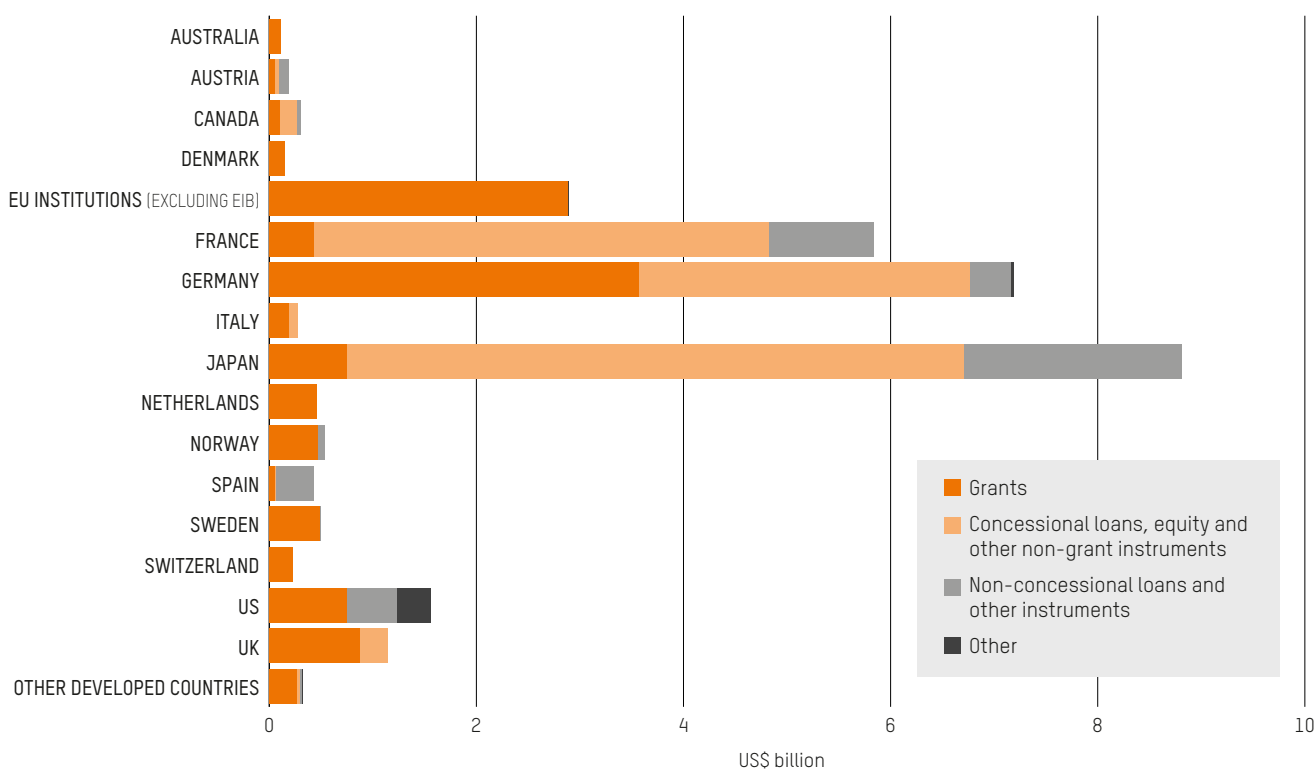
Due to the low interest rates before March 2022, the interest rate for the loan, on signing, would have been 1.94% for a country like the Philippines.<sup>36</sup> If this rate remained the same for duration of the loan, total repayments would be \$482m (including the principal and interest).

However, the rise in interest rates from the US Federal Reserve as a response to high inflation will have an impact on IFLs – the interest rate had risen to 5.86% as of April 2023.<sup>37</sup> Assuming this rate over 20 years, the Philippines would have to pay back \$686m, a 42% increase in total repayments.

While this example is indicative,<sup>38</sup> it illustrates how changing interest rates for non-concessional loans can significantly increase the debt burden associated with non-concessional climate loans.

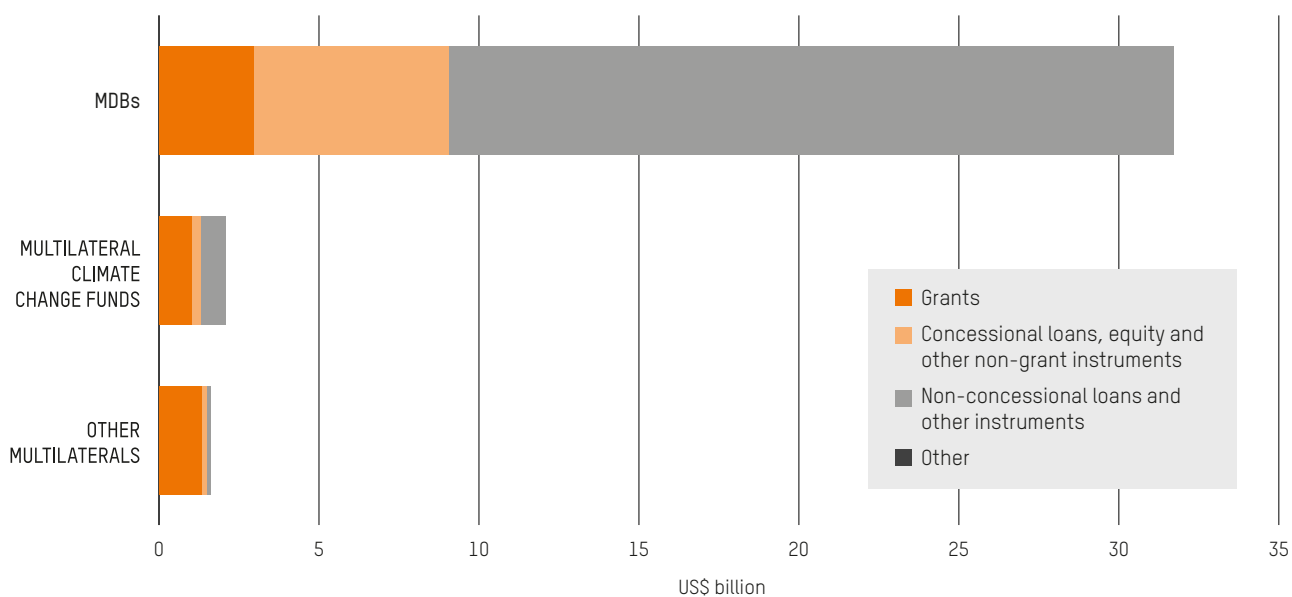
Developing countries will also be affected by recent increases in interest rates on the global capital markets.<sup>39</sup> Such increases imply higher repayments for climate loans and further increases in public debt, particularly for countries taking non-concessional loans (see Box 3 for an illustrative example). This further curtails a country’s ability to adapt and take transformative climate action, increasing vulnerabilities to future climate change.

**Figure 6. Reported bilateral climate finance by instrument 2019–20 (annual average)**



Source: Reported bilateral finance based on UNFCCC (2023), with a few exceptions (see endnote 17).

Figure 7. Reported multilateral climate finance by financial instrument 2019–20 (annual average)



Source: Reported multilateral finance based on OECD (2022b).

### RECOMMENDATIONS

- Climate finance contributors should commit to urgently increasing grant-based support for climate action, particularly those that currently provide a low share of grants.
- Non-concessional finance should not be counted by developed countries as part of their contribution to the financial obligations under the Paris Agreement and the UNFCCC.
- The NCQG should include dedicated quantified components (e.g. in the form of sub-goals) to specifically facilitate the provision of grant-based support in critical areas of adaptation and resilience, as well as addressing loss and damage.

# 5

## ONLY 33% OF REPORTED PUBLIC CLIMATE FINANCE WAS FOR ADAPTATION, WHILE 59% WAS FOR MITIGATION.

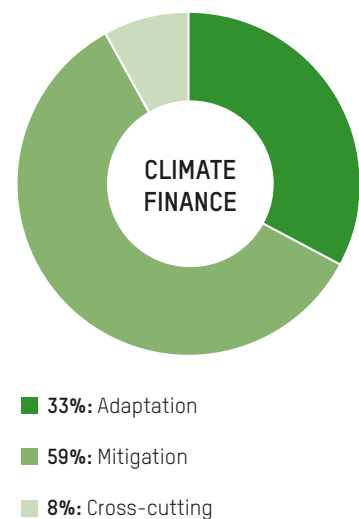
In the Paris Agreement, parties agreed to ‘achieve a balance between adaptation and mitigation’ finance. However, in practice, adaptation has remained consistently underfunded.<sup>40</sup> Of the estimated \$66.3bn we found in reported public climate finance for 2019–20 (annual average), 33% was allocated to adaptation, 59% to mitigation and 8% to cross-cutting objectives (Figure 8). Reported adaptation finance increased from an annual average of \$9bn in 2015–16, to \$15bn in 2017–18, to \$24.5bn in 2019–20.<sup>41</sup> Note that as outlined in Chapter 1, Oxfam estimates that the real support value of reported adaptation finance in 2019–20 was between \$9.0bn and \$10.5bn per year.

### ADAPTATION FINANCE HAS INCREASED BUT A HUGE GAP PERSISTS

Despite the increases, adaptation finance provisions fall well short of meeting global needs, which are now estimated to be at the upper end of the \$160bn–\$340bn per year by 2030 range suggested by the United Nations Environment Programme (UNEP).<sup>42</sup> Adaptation finance is still well below what could reasonably be considered adequate to ensure the agreed balance between mitigation and adaptation in the allocation of climate finance set out in the Paris Agreement. In Oxfam’s view, this would require a share of 50% for adaptation in the context of the \$100bn-a-year goal. In any case, a significant increase in adaptation finance is still needed, not least to reach the goal set by the Glasgow Climate Pact at COP26 to double annual adaptation finance by 2025 compared with 2019.

Table 3 breaks down reported adaptation finance in 2019–20 by provider type. Australia, the Netherlands and Sweden should be applauded for achieving comparatively higher shares of adaptation finance, although it is still insufficient.<sup>43</sup> Australia, France, Japan and Denmark have increased their adaptation shares relative to 2017–18, though France and Japan have some way to go towards achieving a balanced allocation and provide much of their adaptation finance as loans.<sup>44</sup> The adaptation gap has persisted for other countries with historically low adaptation shares, including Spain, Norway and the US.

**Figure 8. Estimated thematic allocation of reported public climate finance 2019–20 (annual average)**



Sources: Reported bilateral finance based on UNFCCC (2023), with a few exceptions (see endnote 17). Reported multilateral finance based on OECD (2022b).

**Table 3. Reported public adaptation finance 2017–18 and 2019–20 (annual averages)**

Contributor	2017–18		2019–20	
	Adaptation only	Adaptation +50% cross-cutting	Adaptation only	Adaptation +50% cross-cutting
Australia	13% (\$15m)	56% (\$67m)	76% (\$84m)	79% (\$88m)
Austria	13% (\$22m)	20% (\$34m)	7% (\$14m)	17% (\$33m)
Canada	20% (\$61m)	44% (\$136m)	21% (\$65m)	38% (\$115m)
Denmark	22% (\$35m)	40% (\$64m)	30% (\$45m)	42% (\$63m)
EU institutions (excluding EIB)*	41% (\$1.29bn)	59% (\$1.86bn)	41% (\$1.18bn)	58% (\$1.69bn)
France	20% (\$976m)	27% (\$1.29bn)	31% (\$1.81bn)	39% (\$2.28bn)
Germany	19% (\$1.31bn)	28% (\$1.99bn)	18% (\$1.27bn)	29% (\$2.11bn)
Italy	24% (\$78m)	55% (\$183m)	23% (\$63m)	51% (\$140m)
Japan	11% (\$1.05bn)	13% (\$1.22bn)	33% (\$2.93bn)	34% (\$3.03bn)
Netherlands	52% (\$191m)	68% (\$247m)	47% (\$217m)	67% (\$309m)
Norway	8% (\$51m)	12% (\$75m)	11% (\$60m)	16% (\$85m)
Spain	17% (\$44m)	29% (\$77m)	7% (\$31m)	12% (\$53m)
Sweden	45% (\$199m)	61% (\$269m)	40% (\$200m)	58% (\$289m)
Switzerland	60% (\$133m)	60% (\$133m)	57% (\$126m)	57% (\$126m)
United Kingdom	49% (\$547m)	49% (\$548m)	49% (\$565m)	49% (\$565m)
United States	15% (\$218m)	15% (\$218m)	16% (\$246m)	16% (\$246m)
Other developed countries	43% (\$102m)	63% (\$153m)	48% (\$154m)	64% (\$207m)
<b>Bilateral total</b>	<b>21% (\$6.37bn)</b>	<b>28% (\$8.63bn)</b>	<b>29% (\$9.06bn)</b>	<b>37% (\$11.43bn)</b>
Multilateral development banks	30% (\$7.38bn)	30% (\$7.38bn)	37% (\$11.77bn)	37% (\$11.83bn)
Multilateral climate change funds	25% (\$590m)	37% (\$885mn)	32% (\$663m)	32% (\$678m)
Other multilaterals	53% (\$678m)	57% (\$729m)	34% (\$560m)	47% (\$771m)
<b>Multilateral total</b>	<b>30% (\$8.64bn)</b>	<b>31% (\$8.99bn)</b>	<b>37% (\$13.00bn)</b>	<b>37% (\$13.27bn)</b>
<b>Grand total</b>	<b>25% (\$15.02bn)</b>	<b>30% (\$17.62bn)</b>	<b>33% (\$22.06bn)</b>	<b>37% (\$24.71bn)</b>

Sources: UNFCCC (2023), with a few exceptions (see endnote 17), for bilateral finance 2019–20, UNFCCC (2022) for bilateral finance 2017–18. OECD (2022b) for multilateral finance.

Notes: Amounts in US\$. Figures for 2017–18 are based on T. Carty, J. Kowalzig and B. Zagema (2020). Percentages are with regard to overall reported public climate finance (see Annex 1 for 2019–20 data). Bilateral providers report finance as ‘cross-cutting’ when a programme is considered pursuing both mitigation and adaptation. For figures in columns 3 and 5, it is assumed that 50% of such finance served adaptation objectives. Multilateral organizations generally do not report finance as ‘cross-cutting’ but report separate amounts attributable to either adaptation or mitigation. \*Only climate finance via the European Commission and the European Development Fund is shown, excluding the European Investment Bank (EIB). When including the EIB, the proportions shown serving adaptation would decrease substantially.

While the MDBs currently provide slightly more adaptation finance than developed countries, they are likely to continue to favour mitigation over adaptation due to their business model of loan-based support. The same is true for mobilized private finance – an OECD analysis suggests that over 2018–20, only 12% was for adaptation.<sup>45</sup> To achieve real balance, such as a 50:50 split between mitigation and adaptation in the context of the \$100-bn-a-year goal, bilateral climate finance providers could follow the example of Denmark, which aims for a 60% share for adaptation to counterbalance the prevailing bias against adaptation in other finance channels.

For many adaptation objectives, such as ensuring food and water security or protecting communities from extreme weather events, loans are often not suitable instruments due to the lack, or low level, of financial return that can be expected from the initial investment. Public finance grants are therefore a lifeline for adaptation action. Table 4 below outlines the financial instruments by different contributor groups to deliver adaptation finance. On average, climate finance contributors provided just 35% of their adaptation finance as grants in 2019–20 (annual average). In comparison, 34% of adaptation finance was extended as concessional loans, and 31% using non-concessional instruments.

**Table 4. Reported public adaptation finance by financial instrument and contributor 2019–20 (annual average)**

Contributor	Adaptation finance as reported	Grants	Concessional loans, equity and other non-grant instruments	Non-concessional loans and other instruments	Other
Bilateral providers	\$9,061m	54.0%	42.4%	3.3%	0.3%
Multilateral providers	\$12,995m	22.1%	28.3%	49.6%	0%
<i>Multilateral development banks</i>	\$11,772m	16.6%	30.2%	53.2%	0%
<i>Multilateral climate change funds*</i>	\$663m	89.2%	0.2%	10.6%	0%
<i>Other multilaterals</i>	\$560m	58.0%	21.0%	21.1%	0%
<b>Grand total</b>	<b>\$22,056</b>	<b>35.2%</b>	<b>34.1%</b>	<b>30.6%</b>	<b>0.1%</b>

Sources: UNFCCC (2023), with a few exceptions [see endnote 17], for bilateral finance 2019–20, OECD (2022b) for multilateral finance.

Notes: Amounts in US\$. Figures shown exclude finance reported as ‘cross-cutting’ finance. See Annex for full 2019–20 data.

## RECOMMENDATIONS

- All climate finance providers must commit to significantly increasing adaptation finance, focusing on grant-based finance. Developed countries should present a delivery plan, detailing collective and individual action towards the goal of doubling adaptation finance by 2025 compared with 2019.
- The NCQG should include a needs-based sub-goal for public climate finance specifically for (grant-based) adaptation.

# 6

## OVER HALF OF CLIMATE FINANCE ALLOCATED TO **LDCS**, AND MORE THAN ONE-THIRD OF FINANCE TO **SIDS**, WAS PROVIDED AS LOANS.

Despite their minimal emissions, the LDCs and SIDS are particularly vulnerable to climate change due to their geography, high poverty levels and low adaptive capacity. Developed countries' biennial reports do not specify the percentage of climate finance allocated to LDCs and SIDS. However, this can be estimated using OECD data, which indicates that on average, 21.7% of climate-related development finance reported to the OECD was allocated to LDCs and 2.4% to SIDS in 2019–20. Assuming that the same proportion of climate finance reported to the UNFCCC went to LDCs and SIDS, the estimated yearly amounts would be approximately \$6.7bn and \$0.7bn, respectively.

In 2019–20, over half (55%) of climate finance allocated to LDCs was in loans and other non-grant instruments. For SIDS, this was 35%. However, an estimated 12.3% of total reported climate finance to LDCs and 10.4% to SIDS was non-concessional. Over half (54.6%) of reported climate finance for LDCs, and 59.9% for SIDS, went towards adaptation. Shockingly, in many cases these countries are being given loans instead of grants to adapt to climate impacts (see Figure 9).

Despite their extreme vulnerability to climate impacts, LDCs and SIDS are not receiving enough of the support they need, especially via grant-based finance. The allocation of loans and other non-grant instruments risks creating unsustainable debt burdens; in 2022, 60% of least developed and other low-income countries were at high risk of, or in, debt distress.<sup>46</sup> Given this, it is even more unacceptable that 12% of finance for LDCs is non-concessional. Among major climate finance providers, Switzerland, the USA, France, Germany and Norway are estimated to provide the smallest share of their climate finance to LDCs, while almost all contributors except Australia and New Zealand fail to target SIDS.

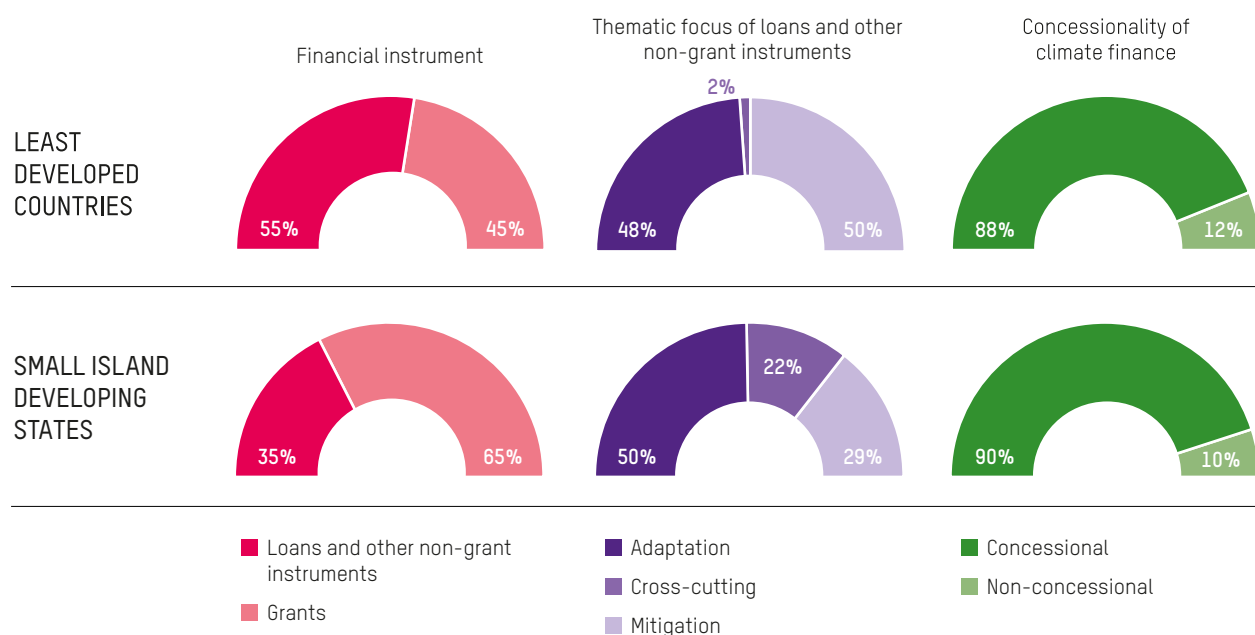
**SHOCKINGLY, IN MANY CASES THESE COUNTRIES ARE BEING GIVEN LOANS INSTEAD OF GRANTS TO ADAPT TO CLIMATE IMPACTS.**

### RECOMMENDATIONS

- All climate finance providers should commit to significantly increasing climate finance to LDCs and SIDS, including by immediately delivering all adaptation finance as grants.
- UNFCCC rules and reporting guidelines should require climate finance providers to report the share of climate finance they are contributing to LDCs and SIDS.
- The NCQG should recognize the special situation of LDCs, SIDS and other highly climate-vulnerable contexts, including by prioritizing them for grant-based and highly concessional finance.



**Figure 9. Estimated climate-related development finance to LDCs and SIDS in 2019–20 by instrument, concessionality and thematic focus of loans and non-grant instruments**



Source: OECD (2022b).

Note: To calculate the percentages, we count projects with either or both Rio Markers set at 1 with 50% of their total project volumes.

**Table 5. Estimated share of climate-related development finance to LDCs and SIDS by selected bilateral providers 2019–20 (annual average)**

Country	Share to LDCs	Share to SIDS
Australia	19.5%	42.1%
Belgium	44.5%	1.7%
Canada	22.1%	5.5%
Denmark	27.0%	0.0%
EU institutions (excl. EIB)	19.6%	4.5%
France	17.4%	2.9%
Germany	10.2%	0.2%
Ireland	70.4%	1.9%
Japan	37.8%	1.1%
The Netherlands	16.2%	0.0%
New Zealand	13.2%	76.6%
Norway	11.0%	0.3%
Spain	17.5%	7.1%
Sweden	25.4%	0.1%
Switzerland	16.0%	1.0%
UK	27.6%	0.3%
USA	19.0%	1.8%

Source: OECD (2022b).

Note: To calculate the percentages, we count projects with either or both Rio Markers set at 1 with 50% of their total project volumes.

# 7

## FINANCE TO ADDRESS LOSS AND DAMAGE IS STILL NOT OFFICIALLY PART OF THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE, RESULTING IN NO DEDICATED SYSTEM OF RELIABLE SUPPORT.

Loss and damage, referring to climate impacts that have not been mitigated or adapted to, has been occurring for decades and is most keenly felt in the Global South. Despite over 30 years of developing countries calling for finance to address it, and the historic agreement to establish a fund at COP27, no predictable system of loss and damage finance exists within the international climate finance architecture. The associated financial costs are high and currently borne by the communities that experience them (Box 4); in 55 of the most climate-vulnerable countries over half a trillion dollars in economic losses were attributable to climate change between 2000 and 2019.<sup>47</sup> Future predictions for loss and damage in developing countries are stark, with one estimate putting costs at rising to \$290bn–\$580bn annually by 2030.<sup>48</sup>

Multiple countries pledged loss and damage finance at COP27, signalling its rising salience and raising important questions about how it will fit into the overall climate finance architecture. Worryingly, of the loss and damage pledges made, all but three take from previously committed climate finance.<sup>49</sup> Many of these pledges focused on predominantly insurance-based mechanisms, which is not what developing countries advocate for as they are inappropriate in many contexts.<sup>50</sup> Additionally, as there is not yet a commitment to adequately or predictably finance loss and damage under the UNFCCC, many pledges are one-offs and do not ensure the continuity of funding required for communities to properly rebuild in the aftermath of an impact.

Loss and damage finance must be new and additional. However, governments relabelling existing finance for development as climate-relevant has been a problem since the \$100bn-a-year goal was first established. Adaptation finance is crucial to minimize losses and damages and humanitarian finance is already massively overstretched; these pots of finance cannot be pilfered to pay to address climate-induced loss and damage.<sup>51</sup> Ultimately it is people on the frontlines of climate change who suffer when contributor countries increasingly divvy up a small pot of money for rising needs. If there is no specified sub-goal for loss and damage, it will be difficult to ensure that money going towards it is new.

Loss and damage finance should be grant-based: no community or person should go into debt for recovering from a climate-induced crisis they did not cause. For example, in the aftermath of the 2022 Pakistan floods and 2019's Cyclone Idai in Mozambique, both countries were forced to take out large loans to recover and rebuild.<sup>52</sup> There are real risks that this finance is provided as loans or other non-grant instruments, as evidenced for adaptation in Chapter 5, and commitments must be made from the outset that this will not happen for loss and damage finance.

ULTIMATELY IT IS PEOPLE ON THE FRONTLINES OF CLIMATE CHANGE WHO SUFFER WHEN CONTRIBUTOR COUNTRIES INCREASINGLY DIVVY UP A SMALL POT OF MONEY FOR RISING NEEDS. IF THERE IS NO SPECIFIED SUB-GOAL FOR LOSS AND DAMAGE, IT WILL BE DIFFICULT TO ENSURE THAT MONEY GOING TOWARDS IT IS NEW.

#### **BOX 4. LOSS AND DAMAGE FROM TROPICAL CYCLONE FREDDY**

Tropical Cyclone Freddy wreaked havoc on Malawi, Mozambique and Madagascar in March 2023. It lasted for over a month and set the record for the highest accumulated cyclone energy of any Southern Hemisphere storm in history.<sup>54</sup> In Malawi, over 500 people died and at least 2.27 million people were reported as being affected.<sup>55</sup> To deal with the damage, the Government of Malawi launched an emergency response plan that aims to target 1.63 million people – 71% of those affected – mainly focusing on immediate survival needs and basic services.<sup>56</sup> As of mid-April, the plan was still 75% unfunded. Malawi is an LDC already at high risk of debt distress, and it is extremely vulnerable to climate change. Grant-based loss and damage finance would have helped ease Malawi's burden in responding to the aftermath of the cyclone.<sup>57</sup>

#### **RECOMMENDATIONS**

- Finance to address loss and damage must be a standalone sub-goal in the NCQG, ensuring that finance to address loss and damage is adequate and additional. The sub-goal should be based on comprehensive and participatory needs assessments and the best available science.
- Contributors must provide finance to address loss and damage through grants, and these should be in addition to the \$100bn-a-year goal. In line with the 'polluter pays' principle, options such as a shipping emissions levy, wealth taxes or an excess fossil-fuel profits tax should be developed as innovative finance sources.
- Contributors should report on finance they provide to address loss and damage, with transparency around its purpose and scope.<sup>53</sup>

# 8

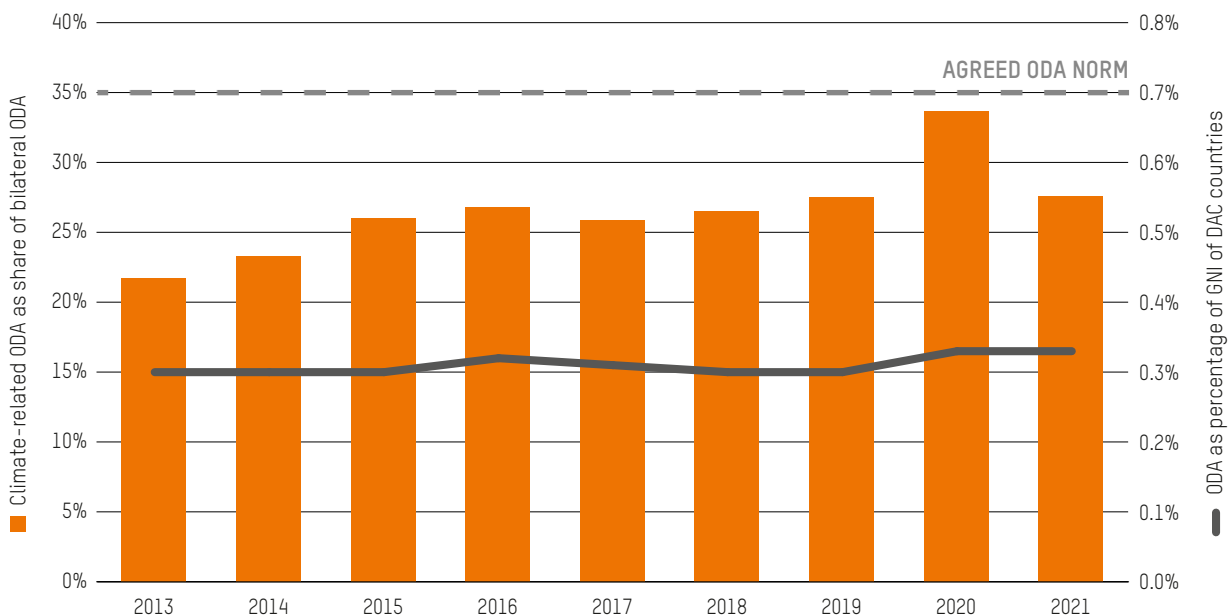
## CLIMATE-RELATED DEVELOPMENT FINANCE IS NOW UP TO ONE-THIRD OF **STAGNATING ODA BUDGETS**, RATHER THAN BEING ‘NEW AND ADDITIONAL’.

‘A key agreement was that climate financing should be ‘new and additional’ and not at the cost of SDGs. Resources prioritizing climate at the cost of non-climate development finance increases the vulnerability of a population for any given level of climate shocks, and additionality of climate financing is thus essential.’ IPCC (2022)<sup>58</sup>

‘A KEY AGREEMENT WAS THAT CLIMATE FINANCING SHOULD BE ‘NEW AND ADDITIONAL’ AND NOT AT THE COST OF SDGS.’ IPCC (2022)

The IPCC has recognized that the additionality of climate finance is essential, and that resources prioritizing climate at the cost of non-climate development finance increases the vulnerability of a population subject to climate shocks. However, most reported concessional climate finance is double counted against developed countries’ long-standing commitment (since 1970)<sup>59</sup> to increase their ODA to 0.7% of gross national income (GNI), rather than being truly new and additional.

**Figure 10. Climate-related ODA as a share of overall bilateral ODA, and ODA as a percentage of GNI of DAC countries**



Sources: OECD (2023b)<sup>60</sup> and OECD on Development (2023).<sup>61</sup>

Note: The OECD noted that the 2020 peak value owes mostly to a few large activities reported that year by a small number of DAC members.<sup>62</sup>

Over the past decade, the total net ODA of DAC countries has fluctuated around a disappointing 0.3%, less than half of their 0.7% commitment (Figure 10). In 2020, ODA spending increased by 3.5% (in real terms) compared with 2019, but this came mainly in response to the COVID-19 pandemic: COVID-related activities represented 7.4% of total ODA. In addition, in-country refugee costs represented 5.6% of total ODA in 2020.<sup>63</sup>

In 2020, only six developed countries met their commitment of spending 0.7% of their GNI on ODA.<sup>64</sup> According to analysis by CARE, between 2011 and 2018, only Luxembourg, Norway and Sweden consistently provided substantial amounts of climate finance on top of the 0.7% commitment.<sup>65</sup>

ODA is crucial to achieving the Sustainable Development Goals (SDGs), which are in grave jeopardy, according to the UN. The SDG Report 2022 showed a reversal of progress on many of the goals, in many regions, often caused by a lack of public finance.<sup>66</sup> Integration of climate action and other development strategies is positive, as adaptation or mitigation goals often have synergies with other sustainable development goals. However, that is not always the case, and even if it is, there may be additional costs related to climate challenges. This is why developing countries insist on the additionality of climate finance over ODA commitments.

## RECOMMENDATIONS

- Climate finance should be additional to aid commitments: funds counted towards the \$100bn commitment and UNFCCC obligations should not also be counted as ODA towards the 0.7% GNI aid target.
- As a first step, developed countries should commit to ensuring that future increases in climate finance qualifying as ODA form part of an overall aid budget that is increasing at least at the same rate as climate finance.
- All countries need to support urgent action to implement the most promising new national and international sources of climate finance – including shifting fossil fuel subsidies and carbon pricing for international aviation and maritime transport.

# 9

## ONLY AN ESTIMATED 2.9% OF CLIMATE-RELATED DEVELOPMENT FINANCE IDENTIFIED **GENDER EQUALITY** AS A PRINCIPAL OBJECTIVE, AND DATA ON HOW MUCH FINANCE IS SPENT AT THE LOCAL LEVEL IS SERIOUSLY LACKING.

The impact of the climate crisis is not distributed equally: those on lower incomes and from marginalized groups face the worst effects despite often having contributed the least emissions. For climate finance to reach those most affected by climate change, it must be spent in a way that is responsive to the specific needs of affected communities, particularly women. There is a lack of data on how much climate finance is being spent at the local level or in partnership with local communities, but the limited information available suggests it is very little.<sup>67</sup> Local communities should be empowered to lead on decisions that affect them. Despite many of them having endorsed the Principles for Locally Led Adaptation,<sup>68</sup> bilateral providers, UN agencies and MDBs are failing to prioritize locally led activities, and poor transparency makes it difficult to track how finance gets to the local level.<sup>69</sup>

ADAPTATION AND MITIGATION ACTION THAT IS GENDER-BLIND RISKS BEING INEFFECTIVE AND EXACERBATING GENDER INEQUALITIES.

Women and men experience the impacts of climate change differently, with women often being responsible for providing and preparing food, collecting water and tending crops. These differential impacts are heightened by women’s socioeconomic status and unequal access to resources and decision-making processes. Yet, we estimate that only one-third of climate finance projects in 2019–20 were reported as integrating gender equality objectives to at least a significant degree, let alone to the transformative levels required to achieve gender justice. Adaptation and mitigation action that is gender-blind risks being ineffective and exacerbating gender inequalities.

**Table 7. OECD DAC gender equality markers for climate-related development finance in 2019–20 (annual average)**

Share of gender markers (2019–20)	Not targeted (0)	Significant (1)	Principal (2)	Not marked
Bilateral donors (DAC members)	43.5%	49.0%	2.4%	5.2%
MDBs	3.2%	12.9%	3.5%	80.4%
Multilateral climate funds (GCF, CIF, AF, LDCF, SCCF)	0.0%	76.7%	0.3%	23.0%
Other multilateral institutions (FAO, GEF, General Trust Fund, GGGI, IFAD, NDF)	0.2%	3.5%	0.0%	96.3%
<b>Total</b>	<b>20.7%</b>	<b>30.7%</b>	<b>2.9%</b>	<b>45.7%</b>

Source: OECD (2022b).

Note: To calculate percentages, we count projects with either or both Rio Markers set at 1 with 50% of their total project volumes.

The biennial reports developed countries submit to the UNFCCC do not include data on gender, and Oxfam therefore has to estimate the proportion of climate finance that prioritizes gender using OECD data. Only an estimated 2.9% of climate-related development finance identified gender equality as a principal objective, and 30.7% identified it as an important but not principal objective (Table 7). A remaining 66.4% of projects either determined that gender equality was not a significant objective (20.7%) or were not screened (45.7% not marked). There have also been criticisms of projects supposedly focusing on gender equality not being of sufficiently high quality, with Oxfam research analysing major climate finance providers' self-reported gender-equality projects finding that none consistently included enough gender-equality components for their projects to be considered of high quality.<sup>70</sup>

## RECOMMENDATIONS

- Climate finance contributors must increase their funding and assistance for climate action at the local level, aligning with developing countries' national planning, policies and strategies (including NDCs), and keep track of and report on the amount of climate finance spent locally and in line with principles for locally led adaptation.
- Climate finance contributors should prioritize gender equality in climate-related projects, which should consider the unique needs of women and men in their goals, design, budget and execution; gender equality markers should be transparently and consistently reported to the OECD and the UNFCCC.

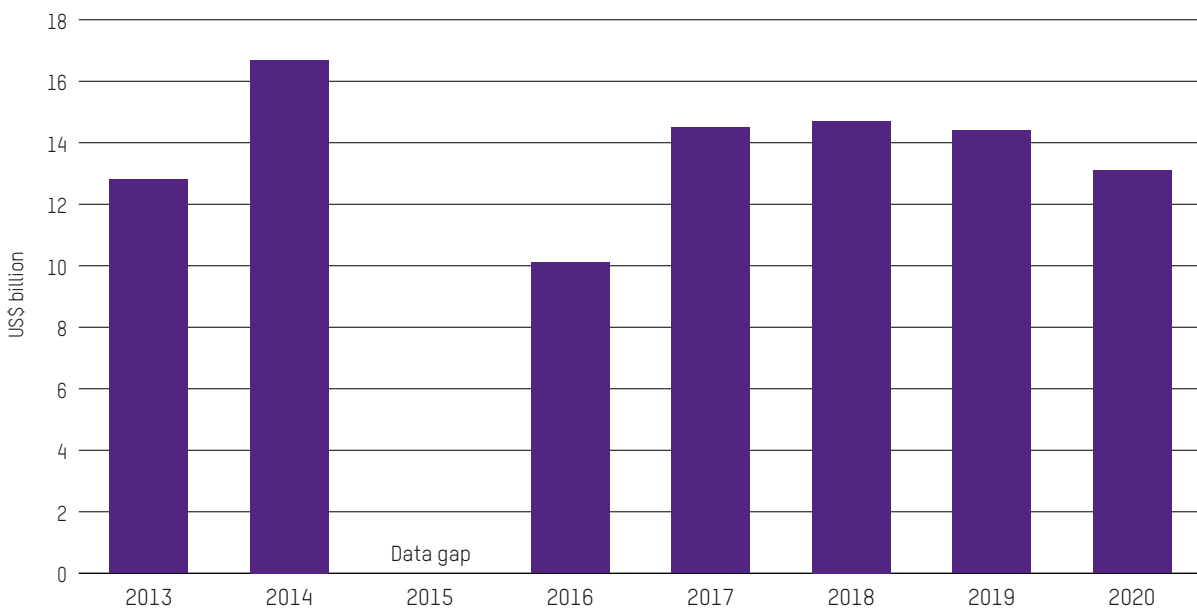
## CONSISTENT AND TRANSPARENT DATA IS NOT AVAILABLE TO ESTIMATE THE LEVEL OF PRIVATE FINANCE MOBILIZED TOWARDS THE \$100BN GOAL.

Developed countries have long been confident that private investors would deliver a substantial share of the \$100bn-a-year goal.<sup>71</sup> More broadly, they expected private investment to play a major role in financing the implementation of the SDGs.<sup>72</sup> However, OECD analysis of private climate finance mobilized by developed countries' public climate finance interventions shows a flat line at around \$14bn per year (Figure 11).<sup>73</sup>

It is impossible to verify the OECD figures, as they are based on confidential data (shared with OECD under non-disclosure agreements) from developed countries and multilateral institutions reporting to have leveraged those private investments.<sup>74</sup> Some developed countries report on their mobilization of private investments in their biennial reports, but using very diverse methods for counting and reporting (see Table 8), making it difficult to compare or aggregate the reports, or to compare them with the OECD analysis. The lack of disclosure makes it even more difficult to examine the leveraged investments in developing countries, their contributions to adaptation or mitigation, or who benefits from them.

'SURVEY RESULTS SHOWED THAT ADAPTATION PROJECTS GENERALLY DO NOT OFFER SUFFICIENT FINANCIAL RETURNS TO ATTRACT PRIVATE INVESTORS AND TRADITIONALLY REMAINED TO BE FINANCED BY THE OFFICIAL SECTOR.'

Figure 11. Private finance reported to OECD DAC as mobilized by developed countries over 2013–20 (US\$bn)



Source: OECD (2022a).<sup>75</sup>

Notes: The gap in 2015 results from a transition towards enhanced measurement methods. This also means that the 2016–20 and 2013–14 totals are not directly comparable.



The vast majority (86%) of mobilized private finance between 2016 and 2020 was for mitigation, while only 5% was for adaptation, according to OECD reporting.<sup>76</sup> This is underlined by an OECD survey of both (potential) investors and development institutions aiming to convince them to invest in climate action in developing countries. It found that official and private actors see high risks and low returns for development-relevant investments, particularly in adaptation, as barriers to their financing of such activities:

‘The survey results showed that adaptation projects generally do not offer sufficient financial returns to attract private investors and traditionally remained to be financed by the official sector. The main reason shared by respondents ... was the very small size of investment opportunities for adaptation, making it difficult to build a business case and achieve the required scale for private investors to come in.’<sup>77</sup>

**Table 8. Selected Fifth Biennial Reports on mobilized private finance**

Australia	Mentioned, but no estimate given.
Canada	Over 2019 and 2020, Canada mobilized an estimated US\$149.43m in private finance for climate-related activities through US\$178.61m in public finance.
Denmark	Fifth Biennial Report not submitted.
EU	Not mentioned (an estimate was given in the Fourth Biennial Report).
France	€1.7bn in private finance was mobilized by AFD Group’s climate projects in 2021 (no estimate given for 2019–20, the reporting period of the Fifth Biennial Report).
Germany	In 2019, €770m (\$862m) was mobilized using the public sector funds KfW and DEG. In 2020, €192m (\$219m) was mobilized using public sector funds (with no estimate provided for KfW and DEG).
Japan	\$3.8bn in total over 2019 and 2020.
The Netherlands	€750m (2019) and €523m (2020), about half of which through MDBs (excluding EIB) and multilateral climate funds (GCF, GEF).
Norway	\$16m (NOK 145m) in 2019, and \$33m (NOK 313m) in 2020.
Spain	Not mentioned.
Sweden	Sida guarantees mobilized SEK 14.7bn (multi-year, portfolio held per 2020) from private, public and mixed sources; Swedfund investments of €69.3m in six projects contracted in 2019 and 2020 mobilized €16.2m of private capital.
Switzerland	\$71m (2019) and \$106m (2020) (breakdown given between adaptation and mitigation, and across regions; the only country reporting mobilized private finance project-by-project in its CTF).
UK	Examples included, but no consolidated estimate (an estimate was given in the Fourth Biennial Report).
USA	Examples included, but no consolidated estimate.

Source: Narrative sections of Fifth Biennial Reports (2023).<sup>78</sup>

### **BOX 5. LIQUEFIED NATURAL GAS (LNG) PROJECTS IN MOZAMBIQUE: EXPLOITATION OF A FOSSIL FUEL REPORTED AS ADAPTATION FINANCE**

A recent OECD report shows that mobilized private adaptation finance rose from \$1.9bn in 2018 to \$4.4bn in 2020, mostly driven by a large energy project in Mozambique, connected to two LNG exploitation consortiums.<sup>79</sup> International development finance institutions are reported by the OECD to have jointly mobilized \$2.4bn of private finance for climate adaptation in 2020. The OECD database seems to indicate that these adaptation investments are part of an even larger private development investment of \$9.8bn.<sup>80</sup> It would be ironic if such a large adaptation project is connected to the exploitation of a fossil fuel.

However, the project documents that are publicly available do not refer to any substantive adaptation activities, and certainly not at the scale of investment claimed. Instead, they discuss investments in the extraction, processing and transportation of the natural gas, and resettling communities affected by these activities.

Non-disclosure agreements prevented the OECD secretariat from providing additional information. It is shocking that such a large claim can be made without any possibility of public scrutiny. The project's scale may be an exception, but the lack of transparency is the rule.

### **RECOMMENDATIONS**

- Like publicly financed projects, mobilized private finance must be reported on a project-by-project basis by bilateral contributors as well as multilateral institutions, strictly applying the Katowice principles, including explaining causality between public investment and mobilized finance, and avoiding double counting in attributing mobilized amounts between governments.
- The NCQG should not combine public climate finance and mobilized private finance in one goal (or sub-goal).

# 11

## TO BETTER ADDRESS NEEDS, IT IS HIGH TIME TO **MOVE BEYOND** THE \$100BN-A-YEAR GOAL, BOTH IN DESIGN AND THE AMOUNT.

Fourteen years after the original \$100bn-a-year commitment at COP15 in Copenhagen in 2009, it is time for a reality check, particularly as talks have started on a new finance goal for the period post-2025. How much finance is needed to support developing countries to deal with climate change, and to get on low carbon development pathways? Is the design of the goal fit for purpose – one round number for such diverse instruments as grants, loans and private investment, be it for adaptation or mitigation, or LDCs or middle-income countries?

The first needs determination report (NDR1) published in 2021,<sup>81</sup> which compiles all financial needs expressed by developing countries in their national climate plans in the context of the UNFCCC (including their NDCs), showed much greater needs than \$100bn per year, even though most countries had not costed all of their needs.<sup>82</sup> The NDR1 found 4,274 actions in the NDCs of 153 developing countries: of those, only 1,782 (in 78 NDCs) had been costed, to a total financial need of over \$5.8 trillion in the years up to 2030. More than half of actions committed to in NDCs were not costed, so we can reasonably assume that the true financial needs are far higher.

Moreover, most NDCs (and the NDR1) do not distinguish between costs and investments: whether a financial return can be expected on the expense. In practice, this is where mitigation, adaptation and loss and damage finance are quite different. Where they are similar is in the need for considerable amounts of international public finance.

### **MITIGATION: PRIVATE INVESTMENTS FIRST REQUIRE SUBSTANTIAL PUBLIC INVESTMENT**

For mitigation, the IPCC assesses the expenditure needed in developing countries in 2°C warming scenarios to be between \$1.4 to \$2.8 trillion per year, mostly for the energy transition.<sup>83</sup> A considerable share of this will be in activities that will generate returns, so these are more attractive for private investors. Even then, significant public investments are required to facilitate those private sector investments. Assessments from the International Energy Agency (IEA)<sup>84</sup> and McKinsey<sup>85</sup> (for GFANZ, the Global Finance Alliance for Net Zero) indicate that globally, 30% of investments in mitigation actions need to come from public sources, ranging from 5% to 50% across regions with different levels of market maturity. The highest relative needs for public investment in the energy transition will be in countries where governments are already highly indebted, and pay prohibitively high interest rates if they go to capital markets.

**THE HIGHEST RELATIVE NEEDS FOR PUBLIC INVESTMENT IN THE ENERGY TRANSITION WILL BE IN COUNTRIES WHERE GOVERNMENTS ARE ALREADY HIGHLY INDEBTED, AND PAY PROHIBITIVELY HIGH INTEREST RATES IF THEY GO TO CAPITAL MARKETS.**

## ADAPTATION'S 'TRIPLE DIVIDEND' DOES NOT COME IN CASH

Adaptation actions are said to have a 'triple dividend'. They help to avoid losses and they bring economic benefits, as well as social and environmental benefits.<sup>86</sup> The Global Commission on Adaptation<sup>87</sup> has identified the financial costs and net economic benefits of five key adaptation strategies across developing countries that would require combined investments of \$1.8 trillion over the current decade (2020–30), but would bring combined net benefits of \$7.1 trillion.<sup>88</sup> This means that the benefits of such adaptation actions would outweigh the costs by nearly four to one. However, the benefits would be for society at large, rather than going to investors, which means these calculations do not equate to a traditional business proposition.

UNEP estimates that the financing need for climate adaptation is 'in the upper range of' \$160bn to \$340bn a year through 2030 (and rising afterwards).<sup>89</sup> Its Adaptation Gap Reports usually refer to the costs of adaptation, rather than investments. This is expenditure that is necessary in order to withstand expected changes in the climate, such as protective measures against rising sea levels, occasionally flooding rivers, or increasingly recurring and prolonged droughts. These are costs that must be incurred to avoid even more costly loss and damage.

## LOSS AND DAMAGE COSTS INCREASE WITH INACTION

In the absence of sufficient mitigation and adaptation action, the expected losses and damages are enormous. As outlined in Chapter 7, these costs could be as high as \$580bn a year for developing countries by 2030,<sup>90</sup> and 55 of the most climate-vulnerable countries estimate they would have been 20% financially better off in the first two decades of this century if it were not for loss and damage.<sup>91</sup>

The International Institute for Environment and Development (IIED) surveyed 3,000 households in 10 districts in Bangladesh, finding that they spent an average of \$88 per year on climate adaptation and addressing climate damage.<sup>92</sup> This would extrapolate to \$1.7bn for the country: more than the government budget for adaptation. The costs are spread unevenly within Bangladesh – lower-income and female-headed households spent a higher percentage on climate measures than high-income or male-headed households. Addressing loss and damage is not an investment opportunity; it is a burden that will mainly fall on governments, or in the absence of inter-government action, on people, particularly on those who are the most marginalized.

ADDRESSING LOSS AND DAMAGE IS NOT AN INVESTMENT OPPORTUNITY; IT IS A BURDEN THAT WILL MAINLY FALL ON GOVERNMENTS, OR IN THE ABSENCE OF INTER-GOVERNMENT ACTION, ON PEOPLE, PARTICULARLY ON THOSE WHO ARE THE MOST MARGINALIZED.

## RECOMMENDATIONS

- To address the stark difference between reported numbers and the net value of provided support, negotiations on the post-2025 goal need to include discussion and agreement on what to count as climate finance and how to count it towards the new goal.
- The NCQG must be needs-based. It must be adaptable over time, responding to new evidence and to emerging needs.
- The new goal must recognize the need for public (grant-based) finance where no returns on investment can be expected, particularly for adaptation and addressing loss and damage.
- Mobilizing sufficient finance to respond to the new needs-based finance goals will require the developed countries to step up their game, for example through the issuance of additional Special Drawing Rights, and transferring those to developing countries to support climate action.<sup>93</sup>

**Table 9. Annual financial needs for climate action in developing countries up to 2030**

Authors	Scope	Annual financial needs, in US\$ (and timeframe)
<b>Mitigation</b>		
UNFCCC NDR1 (2021) <sup>94</sup>	Mitigation and cross-cutting (combined mitigation and adaptation actions) finance needs in developing countries' NDCs. Note: only costed actions; most actions in NDCs were not costed.	(2021–30) Mitigation: \$215.6bn Cross-cutting: \$283.9bn
IPCC (2022) <sup>95</sup>	Sector studies covering energy, energy efficiency, transport and AFOLU (agriculture, forestry, other land use), developing countries	(2020–30) Public and private sources: \$1,450bn to \$2,800bn
IEA (2021) <sup>96</sup>	(WEO Net Zero scenario) Clean energy Global	(2026–30) Total: \$3,942bn Public sources: \$1,202.9bn Private sources: \$2,739.1bn
McKinsey/GFANZ (2021) <sup>97</sup>	Decarbonization annual investment requirements (AFOLU; buildings; electricity; industry; low emission fuels; transport); (sum of Africa, Asia Pacific, Central and South America, Eurasia, Middle East)	(2026–30): \$2,200bn (2031–40): \$2,900bn (2041–50): \$3,200bn Globally split between 30% public and 70% private investment, ranging from 50%/50% to 5%/95% across regions with different levels of market maturity
IHLEG (Independent High Level Expert Group) (2022) <sup>98</sup>	(Developing countries, not including China) Transforming the energy system Mitigating methane emissions from fossil fuels and waste	(by 2030) \$1,300bn to \$1,700bn \$40bn to \$60bn
<b>Adaptation</b>		
UNFCCC NDR1 (2021) <sup>99</sup>	Adaptation and cross-cutting (both mitigation and adaptation) finance needs in developing countries' NDCs. Note: only costed actions; most actions in NDCs were not costed.	(2021–30): Adaptation: \$76.4bn to \$83.5bn Cross-cutting: \$283.9bn
UNEP (2022)	Global sectoral analysis, developing countries	(2030): \$160bn to \$340bn (2050): \$315bn to \$565bn
IHLEG (2022) <sup>100</sup>	(Developing countries, not including China) Adaptation and resilience Natural capital	(by 2030) \$200bn to \$250bn \$275bn to \$400bn

Loss and damage		
IHLEG (2022) <sup>101</sup>	(Developing countries, not including China) Annual costs of coping with loss and damage	(by 2030) \$200bn to \$400bn
Markandya and González-Eguino (2018) <sup>102</sup>	Annual macroeconomic losses of developing countries	2030: \$290bn to \$580bn 2040: \$551bn to \$1,000bn 2050: \$1,100bn to \$1,700bn
Climate Analytics (2015) <sup>103</sup>	Projected macroeconomic damage of climate change for developing countries	2030: \$400bn to \$431bn 2050: \$1,100bn to \$1,800bn

# ANNEX 1

Table A1 contains aggregated public finance data used in Chapters 2 to 6. See Box 1 for more details.

**Table A1. Reported climate finance and its thematic and financial instrument breakdown 2019–20 (annual average)**

Contributor	Reported climate finance (US\$m)	Thematic breakdown of reported climate finance			Financial instrument breakdown of reported climate finance				
		Adaptation (US\$m)	Cross-cutting (US\$m)	Mitigation (US\$m)	Grants (US\$m)	Concessional equity (US\$m)	Concessional loans and other non-grant instruments (US\$m)	Non-concessional loans and other instruments (US\$m)	Other* (US\$m)
Australia	111.2	84.2	7.9	19.1	110.1	0	0	1.1	0
Austria	189.2	14.0	37.2	138.0	55.6	0	37.6	96.0	0
Canada	305.0	65.0	100.3	139.7	103.6	0	164.1	37.3	0
Denmark	150.2	45.1	35.5	69.7	150.2	0	0	0	0
EU institutions (excl. EIB)**	2,888.6	1,180.3	1,017.3	691.0	2,882.0	0	0	0	6.6
France***	5,831.2	1,810.9	947.7	3,072.5	432.1	14.6	4,370.6	1,013.9	0
Germany	7,188.8	1,273.6	1,664.0	4,251.3	3,569.7	186.0	3,009.6	390.4	33.1
Italy	274.9	63.0	154.4	57.5	191.5	0	77.6	1.8	3.9
Japan	8,811.0	2,927.0	215.6	5,668.4	749.8	135.2	5,820.5	2,105.4	0
The Netherlands	462.2	216.5	185.2	60.5	462.2	0	0	0	0
Norway	535.8	59.6	50.6	425.6	470.9	0	0	64.9	0
Spain	430.3	30.5	44.5	355.3	53.2	0	10.6	366.5	0
Sweden	494.8	200.1	178.3	116.4	491.0	0	0	3.9	0
Switzerland****	222.2	125.7	0	96.5	222.2	0	0	0	0
UK	1,143.9	565.3	0	578.6	875.6	267.4	0.9	0	0
USA****	1,559.6	245.7	0	1,313.9	749.6	0	0	479.2	330.9
Other developed countries	324.0	154.4	104.9	64.6	262.0	27.8	7.3	19.2	7.7
<b>Bilateral total</b>	<b>30,922.9</b>	<b>9,060.8</b>	<b>4,743.4</b>	<b>17,118.6</b>	<b>11,831.4</b>	<b>631.1</b>	<b>13,498.8</b>	<b>4,579.4</b>	<b>382.2</b>
Multilateral development banks	31,704.4	11,771.9	106.8	19,825.6	2,949.8	0	6,115.2	22,639.4	0
Multilateral climate change funds*****	2,086.6	662.7	29.7	1,394.2	1,010.4	0	300.3	775.9	0
Other multilateral	1,629.2	560.3	422.1	646.8	1,315.8	0	177.8	135.6	0
<b>Multilateral total</b>	<b>35,420.2</b>	<b>12,994.9</b>	<b>558.7</b>	<b>21,866.6</b>	<b>5,275.9</b>	<b>0</b>	<b>6,593.3</b>	<b>23,551.0</b>	<b>0</b>
<b>Grand total</b>	<b>66,343.1</b>	<b>22,055.7</b>	<b>5,302.0</b>	<b>38,985.3</b>	<b>17,107.3</b>	<b>631.1</b>	<b>20,092.2</b>	<b>28,130.4</b>	<b>382.2</b>

Sources: Reported bilateral finance based on UNFCCC (2023), with a few exceptions (see endnote 17). Reported multilateral finance based on OECD (2022b).

Notes: In line with the OECD approach to calculating public climate finance, export credits, mobilised private finance, and coal-related finance have been removed from bilateral totals reported in Fifth Biennial Reports, meaning: \$12m and \$63m of export credit finance was removed from Austria and Spain's reported annual average bilateral totals, respectively; \$88m of mobilised private finance was removed from Switzerland's reported annual average bilateral total; \$656m of coal-related finance was removed from Japan's reported annual average bilateral total. \* 'Other' includes finance which has been reported neither as ODA nor as Other Official Finance (OOF). \*\* Only climate finance via the European Commission and the European Development Fund is shown, excluding the European Investment Bank (EIB). When including the EIB, the reported total would grow significantly with more than half of the combined EU institutions' climate finance shown as loans, and the thematic allocation significantly tilted in favour of mitigation. \*\*\* France reported US\$119,863 of its climate finance (annual average) with a thematic objective of 'other'. As a result, the sum of France's adaptation, cross-cutting and mitigation finance does not sum to the reported climate finance total. \*\*\*\* The USA reported a large share of its finance with a funding source of 'other', mostly as guarantees and loans. Switzerland did similarly; additional information in its reporting states that 90% of this finance is 'private sector mobilization by IDH'. \*\*\*\*\* Includes the Green Climate Fund, the Adaptation Fund, the Least Developed Countries Fund, the Special Climate Change Fund and the Climate Investment Funds.

## ANNEX 2: METHODOLOGY

This annex provides additional information on the calculations we make throughout the report, complementing information in the relevant chapters or in captions accompanying figures and tables.

### CHAPTER 1

#### Estimating climate-specific net assistance (CSNA)

As explained in Box 2, Oxfam's CSNA estimate is based on the OECD dataset on climate-related development finance (OECD 2022b) and not on developed countries' Biennial Reports submitted under the Enhanced Transparency Framework of the Paris Agreement, as these reports do not include the necessary level of detail. While the OECD dataset does not mirror climate finance reported to the UNFCCC, it constitutes a robust base for approximating the real value of support and comparing it with officially reported climate finance.

#### Estimating climate relevance

For our estimate, we assume the climate relevance of bilateral projects with both or either of the two Rio Markers for Adaptation and for Mitigation set at 1 to be 30% of the total project volume as reported in the OECD dataset in our low-end estimate, and 50% of the total project volume reported in the OECD dataset in our high-end estimate. Projects with at least one of the Rio Markers set at 2 are considered to be 100% climate-relevant.

To estimate CSNA for adaptation only (Figure 3), only those projects were considered where either the Rio Marker for Adaptation is set at 2 and the Rio Marker for Mitigation is either 1 or 0; or the Rio Marker for Adaptation is set at 1 and the Rio Marker for Mitigation is set at 0.

For multilateral institutions or funds that provide Rio Marker codes in their reporting in the OECD dataset, we apply the approach above. For all other multilateral activities, including multilateral development banks (MDBs), that do not use the Rio Marker system but instead report on a case-by-case basis, climate (or adaptation) relevance is assumed as reported, due to a lack of detail and transparency allowing more in-depth scrutiny.

#### Estimating net support value of reported funds

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 found in the OECD dataset are counted at 100%.

For bilateral concessional loans, estimating their grant equivalent value is done by calculating the grant element percentage of loans provided by bilateral providers, and multiplying that percentage with the face value of the loan, as reported by the provider. There are two methodologies to calculate grant element percentages used and compared in the analysis of CSNA: Oxfam's and the OECD's:

- Oxfam's estimate of the grant element percentage of concessional loans is produced by calculating their 'net present value' using discount rates based on the long-term cost of borrowing funds for the issuing country at the time the loan is disbursed, with the addition of a risk margin based on an OECD assessment of the recipient country's credit risk. The credit margins added to the discount rates have been calculated from the OECD's minimum country risk premium benchmarks that apply to the provision of medium- and long-term export credits.<sup>104</sup>
- For comparison, we also calculate grant equivalent values using the standard OECD methodology applied by bilateral climate finance contributors when reporting to the OECD's Creditor Reporting System (CRS) database. We calculate the average grant element for all bilateral providers who have reported climate-related ODA loans in the OECD CRS database (Table A2). To do so, we divide the grant equivalent value of all climate-related ODA loan disbursements reported by a given bilateral provider by the total face value of those disbursements, in both 2019 and 2020.

For each method, we then use the annual grant element percentages produced to calculate the grant equivalent value of the climate-related development finance reported in the recipient perspective OECD 'Climate-related development finance at the activity level' dataset. To do so, we multiply the grant element percentage with the total face value amount of climate-related ODA loans in 2019 and 2020, respectively.



Table A2 shows the resulting grant element percentages applied to concessional ODA loans from bilateral providers. For comparison, it also shows the average grant equivalents of reported climate-relevant ODA loans for 2019–20 based on the OECD methodology.

**Table A2. Grant element calculations for climate-related concessional loans 2019–20 (annual average)**

Country	Grant element using OECD methodology (%)		Grant element using more robust calculation of 'net present value' (%)	
	2019	2020	2019	2020
Austria	-	34.9	-	-3.4
Belgium	79.7	79.0	35.8	37.7
Canada	100.0	95.3	71.0	52.5
France	41.7	43.3	9.8	1.7
Germany	31.1	32.5	5.2	0.6
Italy	91.5	36.6	63.2	17.1
Japan	69.7	69.7	28.7	26.4
Spain	33.2	38.4	7.8	1.8
<b>Weighted average</b>	<b>55.0</b>	<b>53.0</b>	<b>19.7</b>	<b>13.0</b>

Source: Oxfam calculations.

Note: The table lists countries that have reported climate-related loans to the OECD and in their Fifth Biennial Reports (or equivalent reports, see endnote 17). Note that the UK and Poland have reported loans in their Fifth Biennial Reports, but not in the OECD dataset.

For concessional loans provided via MDBs and other multilateral institutions and funds, it is less appropriate to apply Oxfam's more robust grant element percentages, and an equivalent provider-specific approach is not possible due to data constraints. Therefore, we use the annual weighted average grant element percentage of bilateral ODA loans produced using the OECD methodology (55.0% for 2019 and 53.0% for 2020) to estimate the grant equivalent value of multilateral concessional loans.<sup>105</sup>

Non-concessional instruments in both bilateral and multilateral finance are estimated to have zero direct assistance value. While some finance defined as 'non-concessional' may include some level of concessionality, it is not generous enough to, in the case of bilateral finance, be categorized as ODA, and as such is not counted as assistance due to the burden that debt places on developing countries.

Mobilized private finance is also counted as having zero assistance value. While mobilizing (and shifting) private investments are key to transform our economies, private investments as such do not constitute assistance to developing countries from developed countries to meet the cost of climate action.<sup>106</sup>

Equity and shares in collective investment vehicles, as well as other concessional instruments with insufficient specifications in the OECD dataset, are counted at their face value, for lack of a robust approach to estimate their grant equivalents.

Tables A3 and A4 show the results of the calculations.

**Table A3. Estimated climate-specific net assistance (CSNA) of reported public finance in 2019 and 2020**

Channel	2019			2020			2019–20 AVERAGE		
	Reported climate finance	CSNA (OECD GE)	CSNA	Reported climate finance	CSNA (OECD GE)	CSNA	Reported climate finance	CSNA (OECD GE)	CSNA
Bilateral	28.7	13.7-17.2	11.1-14.0	31.4	17.7-22.3	12.4-15.8	30.1	15.7-19.7	11.7-14.9
MDB finance	30.5	5.4	5.4	33.2	7.1	7.1	31.9	6.2	6.2
Multilateral climate funds and other institutions	4.1	2.3-2.5	2.3-2.5	3.7	1.6-1.8	1.6-1.8	3.9	1.9-2.1	1.9-2.1
Mobilized private finance and export credits	17.0	0	0	15.0	0	0	16.0	0	0
<b>Total</b>	<b>80.4</b>	<b>21.3-25.0</b>	<b>18.7-21.9</b>	<b>83.3</b>	<b>26.5-31.3</b>	<b>21.1-24.7</b>	<b>81.9</b>	<b>23.9-28.1</b>	<b>19.9-23.3</b>

Sources: Reported finance from OECD (2022a), CSNA estimates calculated by Oxfam based on OECD (2022b).

Amounts in US\$ billion per year.

**Table A4: Estimated climate-specific net assistance (CSNA) by thematic allocation, 2019 and 2020**

Thematic area	2019			2020			2019–20 AVERAGE		
	Reported provided and mobilized climate finance	CSNA (OECD GE)	CSNA	Reported provided and mobilized climate finance	CSNA (OECD GE)	CSNA	Reported provided and mobilized climate finance	CSNA (OECD GE)	CSNA
Adaptation	20.3	8.8-10.4	8.2-9.7	28.6	11.2-13.8	9.6-11.5	24.4	10.0-12.1	8.9-10.6
Mitigation	51.4	10.6-12.1	8.6-9.8	48.6	13-14.7	9.8-11.1	50.0	11.8-13.4	9.2-10.4
Cross-cutting	8.7	2.0-2.5	1.8-2.3	6.0	2.2-2.8	1.7-2.2	7.4	2.1-2.6	1.8-2.3
<b>Total</b>	<b>80.4</b>	<b>21.3-25</b>	<b>18.7-21.9</b>	<b>83.3</b>	<b>26.5-31.3</b>	<b>21.1-24.7</b>	<b>81.8</b>	<b>23.9-81.1</b>	<b>19.9-23.3</b>

Sources: Reported finance from OECD (2022a), CSNA estimates calculated by Oxfam based on OECD (2022b).

Amounts in US\$ billion per year.

## CHAPTER 2

### Estimating grant equivalents for individual contributors

To estimate grant equivalents of individual climate finance providers, we use the same approach as for our estimate for CSNA (see above), except that for bilateral finance we apply the grant element percentages to data from the Fifth Biennial Reports, with a few exceptions (see endnote 17). For multilateral finance, the approach is the same as for our estimate for CSNA, based on multilateral data in OECD (see OECD 2022b).

The countries in Table A2 have reported climate-related ODA loans for 2019 and 2020 in their reporting to both the OECD CRS database and Fifth Biennial Report submissions. For these countries, this means that provider-specific grant element percentages can be calculated using both Oxfam and OECD methodologies, using CRS data. However, despite reporting climate-related ODA loans in their Fifth Biennial Report submissions, the UK and Poland did not report climate-related ODA loans and their grant equivalent values to the CRS database, preventing provider-specific grant element percentages being calculated. This means that for the UK and Poland, the weighted average grant element percentage of the climate-related ODA loans provided by all contributors as shown in Table A2 has been used.

For bilateral providers reporting finance with a funding source of 'other' (as opposed to ODA or OOF), 50% of the finance has been considered as ODA and 50% as OOF. In grant equivalent calculations, the ODA portion of the finance has been treated as a concessional loan. For countries where provider-specific grant element percentages have been calculated, they were used. For countries where provider-specific grant element percentages could not be calculated due to data constraints, annual weighted average grant element percentages were used.

## CHAPTER 3

### Estimating climate relevance

For estimating climate relevance in Figure 4, we use the same approach as described above for Chapter 1. Projects with either or both Rio Markers set at 2 are counted a 100%, while Rio Marker 1 projects are counted at 30% to 50%. For countries where bilateral finance reported to the UNFCCC is lower than the results, we used that figure instead.

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# ENDNOTES

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- 4 World Weather Attribution. (14 September 2022). *Climate change likely increased extreme monsoon rainfall, flooding highly vulnerable communities in Pakistan*. Press release. Accessed 26 April 2023. <https://www.worldweatherattribution.org/climate-change-likely-increased-extreme-monsoon-rainfall-flooding-highly-vulnerable-communities-in-pakistan/>
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- 11 The commitment was originally set out in the Copenhagen Accord in 2009 and affirmed a year later in decisions made at COP16 in Cancún. See United Nations Framework Convention on Climate Change (UNFCCC). (2010). *Report of the Conference of the Parties on its Fifteenth Session, Held in Copenhagen from 7 to 19 December 2009. Addendum: Part Two: Action Taken by the Conference of the Parties at its Fifteenth Session*. Accessed 26 April 2023. <https://unfccc.int/sites/default/files/resource/docs/2009/cop15/eng/11a01.pdf>; and UNFCCC. (2011). *Report of the Conference of the Parties on its Sixteenth Session, Held in Cancun from 29 November to 10 December 2010. Addendum: Part Two: Action Taken by the Conference of the Parties at its Sixteenth Session*. Accessed 26 April 2023. <https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf>
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- 13 E. Seery and D. Jacobs. (2023). *False Economy: Financial wizardry won’t pay the bill for a fair and sustainable future*. Oxfam. <https://www.oxfam.org/en/research/false-economy-financial-wizardry-wont-pay-bill-fair-and-sustainable-future>
- 14 UNFCCC. (2021). *Decision 9/CMA.3, New Collective Quantified Goal*. Accessed 26 April 2023. <https://unfccc.int/documents/460952>
- 15 The small bubbles in Figures 1a to 1e represent US\$1bn each. The bubbles in Figure 1f are roughly proportional to each other’s sizes. Sources for the figures (left to right): Figure 1a – the \$100bn-a-year commitment. Figure 1b – reported finance: OECD (2022a). Figure 1c – channels: OECD (2022a). Figure 1d – instruments: reported bilateral finance based on UNFCCC (2023), with a few exceptions (see endnote 17 in the full report). Reported multilateral finance based on OECD (2022b). Figure 1e – climate-specific net assistance (CSNA) estimates calculated by Oxfam based on OECD (2022b). Figure 1f – these are indicative numbers for developing countries’ public finance needs by 2030, based on the sources mentioned in Table 9. For mitigation finance we have taken 50% of the middle ground in the IPCC’s range for 2030 (\$1,100bn); the other 50% is expected to come from private sources. For adaptation finance, we have taken the upper end of UNEP’s range for 2030 (\$340bn). For loss and damage finance, we have taken the middle ground of the three sources mentioned in Table 9 (\$400bn).
- 16 OECD. (2022c). *Climate Finance Provided and Mobilised by Developed Countries in 2016-2020: Insights from Disaggregated Analysis*.
- 17 Bilateral figures based on UNFCCC (2023), apart from: Luxembourg and Slovenia (EU Monitoring Mechanism Regulation (MMR) data for 2019 and EU Governance Regulation data for 2020); Iceland (figures from the Fourth Biennial Reports to the UNFCCC for 2017 and 2018 are assumed for 2019 and 2020, respectively, in the absence of more recent reporting); Hungary (EU Governance Regulation data for 2020 is assumed for 2019 and 2020, due to a lack of alternative publicly available data). Multilateral figures based on OECD (2022b).
- 18 OECD (2022b). *OECD DAC External Development Finance Statistics. Datasets: Climate-related development finance at the activity level, recipient perspective*.
- 19 Such as the inclusion or exclusion of specific contributor and recipient countries. Oxfam only includes finance reported by OECD DAC member states (except South Korea) and only ODA-eligible recipient countries. The OECD’s figures also report the finance provided using export credits as a separate category of finance, disaggregated from bilateral public climate finance, while Oxfam’s figures use data reported by contributor countries to the UNFCCC largely as delivered.

- 20 OECD (2022c). *Climate Finance Provided and Mobilised by Developed Countries in 2016-2020*.
- 21 And, arguably, therefore do not represent a sound proxy for developed countries' progress towards fulfilling their financial obligations under the Paris Agreement and the UNFCCC.
- 22 In reporting climate-related development finance, countries use the Rio Marker system, whereby it is indicated where projects pursue climate action as a *principal* goal (Rio Marker for Adaptation or Rio Marker for Mitigation set at 2) or a *significant* (albeit secondary) goal (corresponding Rio Marker set at 1).
- 23 The reporting rules of the Enhanced Transparency Framework under the Paris Agreement agreed by COP24 in 2018 allow for reporting at face value. At the insistence of developed countries, reporting at grant equivalent value is optional, on a voluntary basis.
- 24 Our calculations of climate-relevance and grant equivalence involve some aggregation of data. There will be some unavoidable shortcomings in the methodology and in the use of sometimes patchy data. However, we contend that our figures are a closer approximation of the financial effort developed countries are making towards meeting (or rather failing to meet) their climate finance obligations than those reported to the UNFCCC or published by the OECD.
- 25 Oxfam also considers CSNA to better measure progress towards developed countries' obligations under the UNFCCC and the Paris Agreement to provide financial support to meet the cost of action in developing countries, (Articles 4.3 and 4.4 of the UNFCCC and Article 9.1 of the Paris Agreement).
- 26 Projects that have the Rio Marker for Adaptation or the Rio Marker for Mitigation set at 1.
- 27 Reporting tables for climate finance under the Paris Agreement's Enhanced Transparency Framework allow for providing information on grant equivalents, but only on a voluntary basis.
- 28 A review of over 5,000 projects by AdaptationWatch found that three-quarters of projects listed as supporting developing countries to adapt to climate change appeared to be overcounted. R. Weikmans, J.T. Roberts, J. Baum, M.C. Bustos, and A. Durand. (2017). 'Assessing the Credibility of How Climate Adaptation Aid Projects are Categorized.' *Development in Practice*, 27(4), 458–71. <https://www.tandfonline.com/doi/abs/10.1080/09614524.2017.1307325>. An assessment of 2013–15 adaptation finance from Germany found that more than two-thirds of projects may not have deserved a Rio Marker (for adaptation) at all. C. Lottje. (2017). *Anpassung an den Klimawandel: Wie gut unterstützt Deutschland die Entwicklungsländer? Brot für die Welt*, Oxfam, CARE, Germanwatch, and Heinrich-Böll-Stiftung. Accessed 26 April 2023. <http://www.deutschemklimafinanzierung.de/wp-content/uploads/2017/12/Analyse77-FinanzierungAnpassung.pdf> [German]. See also CARE. (2021). *Climate Adaptation Finance – Fact or Fiction?* Accessed 26 April 2023. <https://careclimatechange.org/climate-adaptation-finance-fact-or-fiction>; M. Toetzke, A. Stünzi and F. Egli. (2022). 'Consistent and Replicable Estimation of Bilateral Climate Finance.' *Nature Climate Change*, 12, 897–900. Accessed 2 May 2023. <https://www.nature.com/articles/s41558-022-01482-7>; and J. Borst, Th. Wencker and A. Niekler. (2022). 'Using text classification with a Bayesian correction for estimating overreporting in the creditor reporting system on climate adaptation finance. A preprint.' Accessed 2 May 2023. <https://arxiv.org/pdf/2211.16947.pdf>
- 29 The mere fact that developed countries each use different shares, ranging from 30% to 100%, for Rio Marker 1 projects could already indicate overly generous accounting by some. Technically, the percentage spread could equally indicate that some countries' accounting is too conservative. Given the political impetus to demonstrate high levels of support, we consider this unlikely.
- 30 J. Farr, J. Morrissey and C. Donaldson. (2022). *Unaccountable Accounting: The World Bank's Unreliable Climate Finance Reporting*.
- 31 A concessional loan has preferential terms, such as a below-market interest rate and several years' grace period for repayment, from which a grant equivalent can be calculated. As per the 2016 OECD DAC reporting directive, for instruments to be considered concessional, they must have a grant element of at least 45% in the case of loans to LDCs and other LICs, 15% for loans to lower-middle-income countries (LMICs), and 10% for loans to upper-middle-income countries (UMICs). Bilateral loans below these thresholds are referred to as 'non-concessional' in OECD DAC statistics. The OECD Creditor Reporting System (CRS) requests that [providers] report data on the financial terms of aid recorded in the Aid Activity database including the type of flow (grant, grant-like, equity investment, loan) and the terms of repayment of loans (maturity, grace period, interest rate). The latter serve to calculate the grant element of an aid loan and thus verify its ODA eligibility. See OECD. (n.d.). *Technical Guide to Terms and Data in the Creditor Reporting System (CRS) Aid Activities Database*. Accessed 29 March 2023. <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/crsguide.htm>
- 32 See IMF (2023). Even after the G20's debt suspension initiative in response to the COVID-19 pandemic, 73 countries still repaid up to \$33.7bn worth of debt this year, which is \$2.8bn per month. Christian Aid, Oxfam, Global Justice Now and Jubilee Debt Campaign. (July 2020). *Passing the buck on debt relief: how the failure of the private sector to cancel debts is fueling a crisis across the developing world*. Accessed 26 April 2023. <https://policy-practice.oxfam.org/resources/passing-the-buck-on-debt-relief-how-the-failure-of-the-private-sector-to-cancel-621026/>
- 33 UNCTAD. (2022). *Soaring Debt Burden Jeopardizes Recovery of Least Developed Countries*. UNCTAD. Accessed 26 April 2023. <https://unctad.org/topic/least-developed-countries/chart-march-2022>
- 34 Debt Justice. (11 April 2023). *Lower income country debt payments to hit highest level in 25 years*. Press release. Accessed 26 April 2023. <https://debtjustice.org.uk/press-release/lower-income-country-debt-payments-set-to-hit-highest-level-in-25-years>. The 91 countries refer to low-income, lower-middle-income countries and SIDS.
- 35 In February 2023, the IMF's debt sustainability assessment outlined that nine countries were in debt distress, 27 countries were at high risk, 26 countries were at moderate risk, and seven countries were at low risk of debt distress. See <https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf>

- 36 For IFLs, countries are classified into one of four pricing groups (A to D) with implications for the loan's terms. The example loan is assumed to be extended to the Philippines in category B. The interest rate for an IFL consists of: (a) a variable reference rate, based on the Secured Overnight Financing Rate (SOFR), a market-based interest rate for loans in US\$ that reflects the IBRD's AAA credit rating (the level is relatively close to US Federal Reserve interest rates); and (b) a variable spread that includes a contractual spread, a maturity premium and a charge to cover the World Bank's average funding spread relative to SOFR, where the benefits and risks of changes in the IBRD's cost of borrowing are borne by the borrower. As of March 2022, the SOFR rate would have been 0.25%, with the variable spread for a category B recipient for a 20-year loan at 1.69%, for a total of 1.94%.
- 37 In April 2023, the SOFR would be 4.66%, and the variable spread in the example at 1.20%, for a total of 5.86%.
- 38 For simplicity, the calculations do not include a one-time front-end fee of 0.25% on the loan amount, and a commitment fee of 0.25% charged on undisbursed balances. Both are normally part of IFLs. Furthermore, through its IFLs, the IBRD has mechanisms for currency and interest rate conversions, and different amortization profiles on repayments that have not been included here, and which can affect repayment costs.
- 39 Including the US Federal Reserve increasing its interest rate from close to zero (0.25%) as recently as March 2022 to 5.0% by March 2023 (its highest level since 2007). See T. Tepper. (22 March 2023). *Federal funds rate history 1990 to 2023*. *Forbes*. Accessed 26 April 2023. <https://www.forbes.com/advisor/investing/fed-funds-rate-history>
- 40 Paris Agreement Article 9, paragraph 4: [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)
- 41 2015–16 and 2017–18 figures are from T. Carty, J. Kowalzig and B. Zagema. (2020).
- 42 See UNEP (2022).
- 43 A high share for adaptation is also shown for EU institutions, as the EIB is not included here but is considered a multilateral channel. Including the EIB would show a much lower percentage going to adaptation for the EU as a whole.
- 44 It should also be noted that while Australia and Denmark provided their bilateral adaptation finance in the form of grants in 2019–20, France and Japan provided 83% and 78% of their bilateral adaptation finance using loans (with 12% of France's loans being provided as non-concessional finance).
- 45 OECD. (2023a). *Private Finance Mobilised by Official Development Finance Interventions*. More than 40% of private adaptation finance over 2018–20 was mobilized by a large but unspecified adaptation project connected to LNG exploitation in Mozambique (see Box 5).
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- 106 Although public finance from climate finance providers that is used to do the mobilizing might well do.

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For further information on the issues raised in this paper please email [advocacy@oxfaminternational.org](mailto:advocacy@oxfaminternational.org).

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