# CLIMATE FINANCE SHORT-CHANGED, 2024 UPDATE

## Estimating the real value of the $100 billion commitment for 2021-22

## CLIMATE-SPECIFIC NET ASSISTANCE METHODOLOGY NOTE

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# INTRODUCTION

International climate finance is critical to a just and adequate global response to climate change. It is for this reason that the Paris Agreement not only reaffirms the principle of common but differentiated responsibilities and respective capabilities, originally enshrined in the UN Framework Convention on Climate Change (UNFCCC), but also renews the obligation of developed countries, which bear the greatest responsibility for climate change, to provide financial resources to assist developing countries' efforts to confront the climate crisis. For the sake of trust and global cooperation, it is vital that developed countries are visibly fulfilling these obligations and related commitments. Climate finance also matters materially: In many communities, in many countries, it is what makes climate action possible.

Fifteen years ago, developed countries committed to increase their financial support for climate action in developing countries[1], setting a goal of reaching $100 billion per year by 2020.[2] It was later agreed to maintain that level through to 2025. Yet, even by developed countries' own reporting practices, the goal was missed in 2020 and 2021, reaching overall levels of $83.3 billion and $89.6 billion, respectively, and only met in 2022 with an overall reported volume of $115.9 billion (OECD (2024a)). Missing the $100 billion goal for 2020 and 2021 is of significant concern, not least because $100 billion per year is far below the level of support that developing countries need to confront the climate crisis. Meeting and even exceeding the goal in 2022 for the first time may seem like cause for relief, but it is of equal importance to ensure the goal is reached in a way that is fair and robust. There is no agreed definition for how finance contributing to the goal should be counted with respect to fulfilling the obligations of developed countries to provide financial resources under the UNFCCC or the Paris Agreement. This has led to reporting practices that overstate the value of support provided by a significant margin.

The problem arises from two key issues: Firstly, climate finance continues to be dominated by loans (including a large share of non-concessional loans), contributing to the worsening debt crisis in many lower income countries. For the $100 billion goal, such loans are counted and reported at their face value, rather than by the underlying financial effort of developed countries (i.e., the amount being given away in a loan or other instrument by a developed country) or the financial benefit for developing countries. Secondly, the climate-relevance of reported finance is often exaggerated, so that reported volumes do not reflect amounts specifically directed at climate action (see footnote 5).

Oxfam's estimate of *Climate-Specific Net Assistance* (CSNA) is an attempt to account for these two issues, with a view to better reflect the actual financial effort made by developed countries to provide finance in support of climate action.[1] It is important to note that our estimates are not contesting the technical quality of consolidating reported climate finance figures as, for instance, undertaken by regular reports by the OECD on progress towards the $100 billion goal. But our CSNA estimates indicate that the actual financial effort by developed countries to support climate action in developing countries is vastly lower than the reported figures seem to suggest.

We consider this an important addition to the debate on the adequacy of provided climate finance. Accounting practices that overstate the actual value of provided funds, be it in terms of effort or benefit, may give a misleading impression on the state of global cooperation or of fulfilling respective obligations under the UNFCCC and the Paris Agreement and ultimately risk neglecting the urgent needs of people on the frontlines of the climate crisis.

[1] Oxfam also considers CSNA to better measure progress towards developed countries' obligations under Articles 4.3 and 4.4 of the UNFCCC and Article 9.1 of the Paris Agreement to provide financial support to meet the cost of action in developing countries.

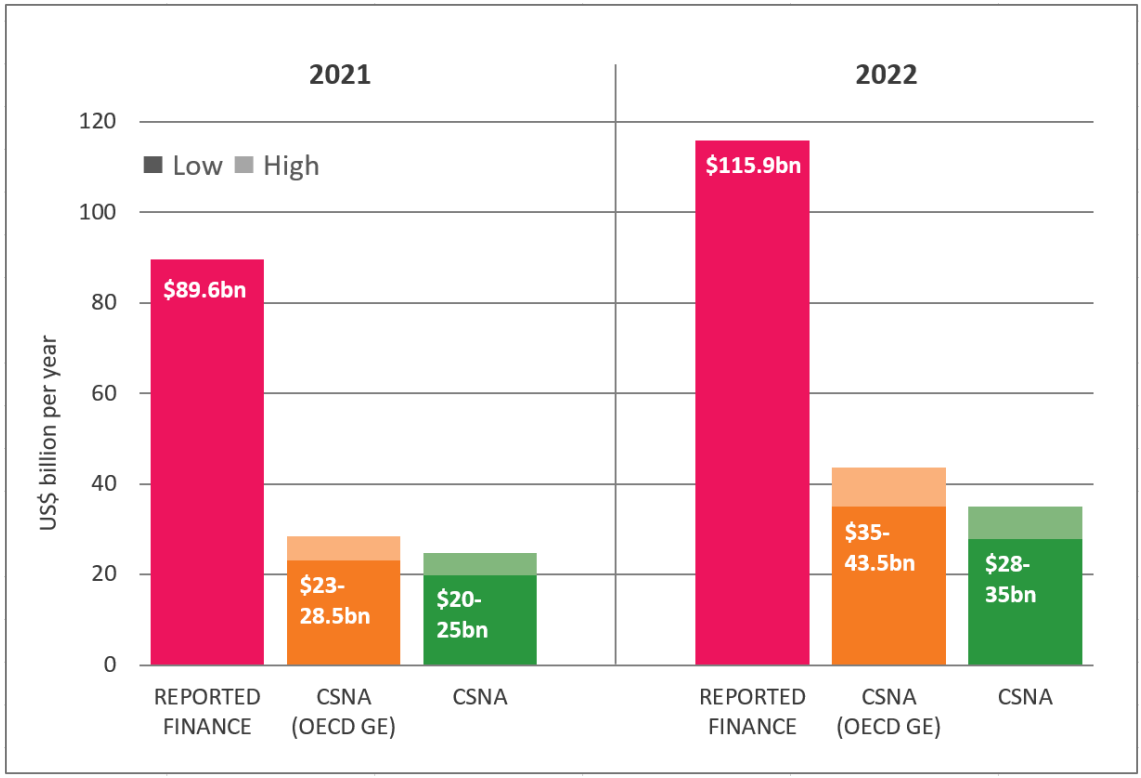
Moreover, it is concerning that the overcounting of developed countries' effort linked to providing loans when reporting Official Development Assistance (ODA) provides an incentive for donors to extend climate finance as loans rather than as much-needed grants.

This work can also help ensure that the agreement on the new global climate finance goal, the New Collective Quantified Goal, to be adopted at COP29 in Baku later this year, does not repeat the mistakes of the $100 billion goal but instead enhances transparency and accountability over the actual effort undertaken by developed countries.

# KEY RESULTS

Our estimate for Climate-Specific Net Assistance (CSNA) is calculated based on the OECD's climate related development finance dataset as found in OECD (2024b). The estimate first consolidates the data, then discounts for the climate-relevance of reported funds contained in the dataset and then discounts projects financed through non-grant instruments by estimating their grant equivalents. The result is, in our view, a reasonable approximation of the actual financial effort undertaken by developed countries to support developing countries efforts to confront the climate crisis. The methodology is described below. The key results are shown in Figures 1 and 2, with further details in the Annex.[2]

**Figure 1:** Reported climate finance versus Climate-Specific Net Assistance, 2021-2022

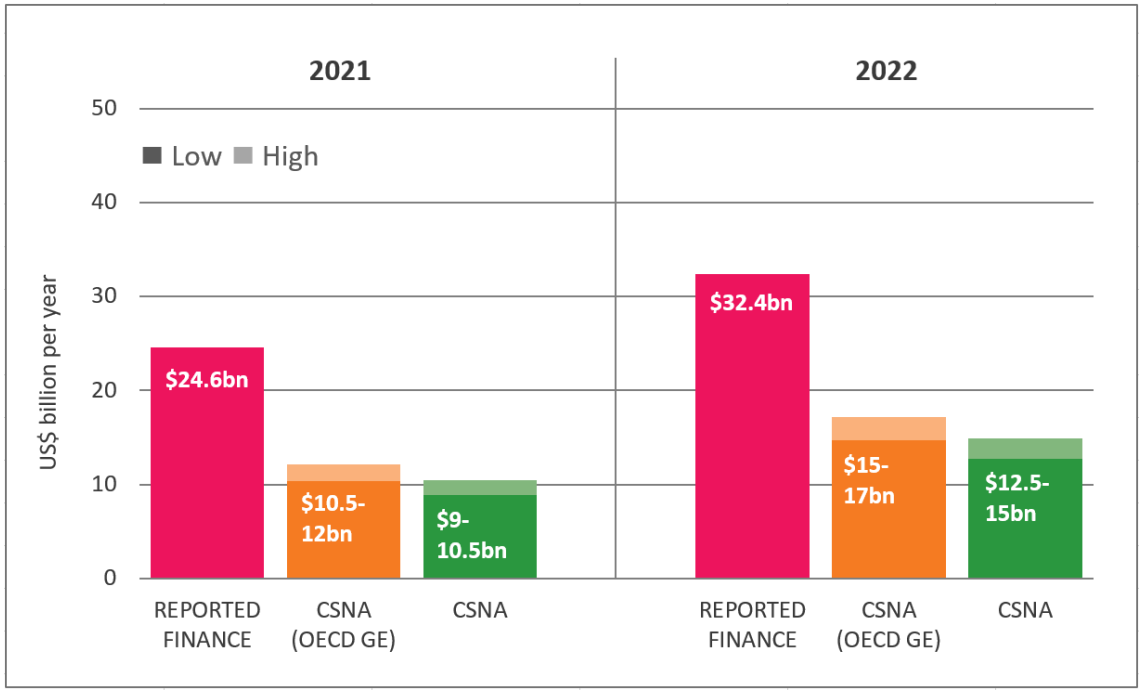



The red bars show reported climate finance as compiled by OECD (2024a). The orange and green bars show estimates of CSNA, rounded to the nearest 0.5 billion US$ and based on the climate-related development finance dataset found in OECD (2024b). The orange bars use the flawed standard OECD method for grant equivalent accounting. The green bars use Oxfam's more robust grant equivalent methodology for more accurate accounting of financial effort by contributors. Lighter shading indicates the range between low and high estimates.

[2] Note that our estimates are not directly comparable to estimates we have produced for previous years for instance as found in Oxfam (2023). This is because for the 2021 and 2022 estimates we have further refined the methodology, e.g., related to the consideration of climate-relevance of reported funds and the calculations of grant equivalents of multilateral development banks.

As shown in Figure 1 above, we estimate that Climate-Specific Net Assistance amounted to 20-25 billion US$ in 2021 and 28-35 billion US$ in 2022. Figure 2 below shows our estimate on Climate-Specific Net Assistance specifically targeting adaptation, amounting to 9-10.5 billion US$ in 2021 and 12.5-15 billion US$ in 2022.

**Figure 2:** Climate-Specific Net Assistance specifically targeting adaptation, 2021-2022




The red bars show reported adaptation finance as compiled in OECD (2024a). Figures show adaptation-only finance, not including (as sometimes seen in the literature) 50% of cross-cutting finance. The orange and green bars show estimates of CSNA specifically for adaptation, rounded to the nearest 0.5 billion US$ and based on the dataset on climate-related development finance as compiled in OECD (2024b). The orange bars use the flawed standard OECD method for grant equivalent accounting. The green bars use Oxfam's more robust methodology for more accurate accounting of financial effort by contributors. Lighter shading indicates the range between low and high estimates.

Our CSNA estimates are far below the reported climate finance totals shown in red, mostly because the CSNA estimates account for loans by their grant equivalents and not by their face value. In addition, these grant equivalents are not calculated using the standard OECD methodology that overvalues financial effort of developed countries by over-discounting their returns, but a more accurate calculation based on the OECD's own, regularly revised, Differentiated Discount Rates (which for decades have been the international standard for determining tied aid loans' concessionality level) and Minimum Premium Rates.

Also, our approach to account for the climate-relevance of provided funds (i.e., what proportion of a project' funding volume can reasonably be considered to specifically support climate action) is more (but not dramatically more) conservative than the relatively lenient practice shown by developed countries in their reporting. Hence, this also contributes to the difference between reported figures and our CSNA estimates, but to a lesser extent.

This does not mean that reported figures, e.g. through the reporting mechanisms of the Paris Agreement or the UNFCCC, are erroneous or that they are not in line with the way developed countries have agreed to measure progress against their $100 billion goal. But it does mean that reported figures do not reflect the true financial effort of contributors. For instance, non-concessional loans are often extended at terms that can even lead to a profit for the issuing country. Clearly, reporting such loans at their face value is not a reflection of effort by a contributor. This is acknowledged by the reporting system of the Paris Agreement, that invites developed countries to also report the grant equivalents of climate finance provided,

albeit only on a voluntary base, due to the heavy resistance of developed countries to make such reporting mandatory.

We believe that the assumptions and approach used to estimate Climate-Specific Net Assistance are robust and justified. Naturally, our calculations on climate relevance and the grant equivalence of reported funds involve aggregating data, and as with any methodology this has its own limitations, including potential data gaps. However, we contend that our figures are a far closer approximation of the financial effort developed countries are making towards their climate finance commitments and goals than the total figures reported to the UNFCCC or compiled by the OECD.

Several findings emerge from this work. Clearly, the most important one is that the real value of climate-specific support provided by developed countries in 2021 and 2022 is far lower than suggested by officially reported figures. As shown in Figure 1, the true effort by developed countries in 2022 was less than a third of officially reported totals. If we consider adaptation only, as shown in Figure 2, the effort was, at best, less than half of the reported totals; conversely, if we consider mitigation activities only, the effort is, at best, less than a fifth of the reported totals. See Table A1 in the Annex for the exact figures.

The sources and channels of climate finance also differ in their ratio between climate finance as reported and our CSNA estimates. Table A2 of the Annex shows that, for bilateral finance in 2022, financial effort was, at best, just above half of reported totals, whereas for finance via the multilateral development banks (MDBs), the subsidy element was, at best, less than a quarter. It probably does not come as a surprise that, while more climate finance was provided via multilateral channels, the bulk of financial effort is coming through bilateral channels, since developed countries offer both more grants and higher grant element in their loans than the MDBs.

Table A3 of the Annex allows for a closer comparison between the OECD's method for calculating grant equivalent and our more accurate method using realistic, market-derived discount rates. Notably, our estimate of the financial effort in bilateral loans is less than half the OECD's. This is consistent with other studies[3] which have shown that, even allowing for loan risk, the OECD method is overscoring true financial effort by developed countries by at least double.

# METHODOLOGY: CALCULATING CLIMATE-SPECIFIC NET ASSISTANCE

Climate-Specific Net Assistance (CSNA) is estimated using the OECD's climate-related development finance datasets (OECD (2024b)) from a recipient perspective, which includes data on both bilateral and multilateral finance. The average grant element percentages (see below for more detail) are estimated using the Creditor Reporting System (CRS) aid activity database (OECD (2024c)), which provides data on grant equivalent values and loan conditions of disbursed climate-related Official Development Assistance (ODA) loans, something that is missing in the aforementioned datasets.

Our CSNA estimates are *not* based on the reports submitted by contributor countries under the UNFCCC (i.e., the Biennial Reports) or the Paris Agreement (i.e., the forthcoming Biennial Transparency Reports) – because these reports do not contain the information needed for our estimates.

[3] See for instance Ritchie (2020). Mismeasuring ODA – How Risky Actually Are Aid Loans? Center for Global Development. https://www.cgdev.org/sites/default/files/Ritchie-Mismeasuring-ODA.pdf.

The OECD datasets differ from the reports to the UNFCCC and the Paris Agreement. For instance, the OECD dataset only covers finance provided to countries eligible to receive ODA. Also, projects listed in the OECD dataset for any given year may not appear, at least not for the same year, in the climate finance reporting under the UNFCCC or the Paris Agreement, and vice versa, due to varying reporting rules and practices. The OECD dataset lists the overall volume of an activity while for their climate finance reporting under the UNFCCC or the Paris Agreement, contributors may only report a proportion of an activity's overall volume – often depending on the Rio Marker assigned to the activity but without transparency on the details.[4] We address this latter problem by applying our own discounting for climate-relevance based on the Rio Markers found in the OECD dataset.

Note that multilateral finance as contained in the OECD dataset mostly matches the amounts the OECD is using in their regular progress reports on the $100 billion goal (after calculating attribution to developed countries, see below).

Using the OECD datasets means that while our estimate is not analysing climate finance *as reported under the UNFCCC and the Paris Agreement*, our figures offer a more robust estimate of the real effort by developed countries to provide support to specifically support climate action in developing countries. Consequently, they *can* be compared climate finance totals as reported under the UNFCCC and the Paris Agreement and consolidated by, e.g., the OECD in their regular reports on the $100 billion goal, such as OECD (2024a).

## Consolidating the base data

The OECD climate-related development finance dataset was downloaded on the 22nd of May 2024 for 2021 data, and 5th of June 2024 for 2022 data. The OECD will sometimes update their datasets, correcting for (usually small) inconsistencies or errors, which means that future downloads may differ to what we have used.

We have consolidated the data as needed – for instance removing all entries where the provider is not a developed country, correcting (after consulting with OECD staff) for a data error linked to some entries for the Green Climate Fund etc.

All multilateral finance data found in the datasets has been adjusted to reflect only those shares of the outflows that are attributable to developed countries. To do this, we have used the same percentages also used by the OECD in their regular report on the $100 billion goal as compiled in OECD (2024a). Beyond the percentages found there, we have applied an attribution percentage of 0% for the Islamic Development Bank since no developed countries are contributors to the bank, and 100% for the Food and Agriculture Organisation and the Global Green Growth Institute, to give the benefit of the doubt.

## Thematic allocation

For activities that are reported with their Rio Markers for adaptation and for mitigation in the dataset (i.e., bilateral finance and some of the multilateral channels), we apply the following method:

[4] When reporting climate-related development finance (to the OECD), 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). In reporting climate finance under the UNFCCC and the Paris Agreement, many countries use the same Rio Markers to decide what percentage of a project's financing volume to report as climate finance. These percentages can be found in Table 1 of OECD 2023.

- Activities with only one of the two Rio Markers set at 1 or 2, and the other one set at 0, are considered contributing to either adaptation or mitigation accordingly.

- Activities with both Rio Markers set at 1 or both Rio Markers set at 2 are considered to serve cross-cutting purposes (i.e. contributing to both adaptation and mitigation).

- Activities with one Rio Marker set at 2 and the other one at 1 are considered to completely contribute to the purpose indicated by the Rio Marker that is set at 2.

Activities for which no Rio Markers are included in the dataset (several multilateral institutions including the multilateral development banks) but instead their climate component reported, the thematic allocation is based on the dataset's columns for mitigation, adaptation and overlapping dollar amounts. The overlapping figure is considered to serve cross-cutting purposes and deducted from the adaptation and mitigation figures before these are then allocated to either adaptation or mitigation. It follows that where the overlapping figure is 0 (as is the case for most entries), nothing is considered to serve cross-cutting purposes, while for cases where the overlapping figure is equal to the adaptation and mitigation, the entire amount is considered to serve cross-cutting purposes.

## Discounting for climate relevance

For activities for which Rio Markers are included in the dataset (i.e., bilateral finance and some of the multilateral cannels), we apply the following method:

- For our low-end estimate, projects with one of the two Rio Markers set at 1 (signalling that mitigation or adaptation were a significant objective) and the other one at 0, the climate relevance is assumed to be 30% of the overall project volume. This corresponds to the most conservative coefficient used by contributors, namely New Zealand, Canada and Australia when reporting climate finance based on these Rio Markers. See Table 1 of OECD (2023a) for an overview. Projects with at least one Rio Marker set at 2 (marking projects where mitigation or adaptation were the principal objectives), are considered to have a climate relevance of 85%, corresponding to the most conservative coefficient used by any one country (namely Switzerland). We consider these low-end values defensible since it is well documented that developed countries have been overly generous in both their coding with Rio Markers and the chosen coefficients, especially for projects with one of the Rio Markers set at 1.[5] Since assigning Rio Markers 1 and 2 to projects should be an objective exercise based on provisions adopted by the OECD, we consider the most conservative coefficients used by countries (30% and 85%) as defensible default values for our low-end estimate.[6]

[5] See for instance Lottje, C. (2017): Anpassung an den Klimawandel: Wie gut unterstützt Deutschland die Entwicklungsländer? Brot für die Welt, Oxfam, CARE, Germanwatch, and Heinrich-Böll-Stiftung. https://www.deutscheklimafinanzierung.de/blog/2017/12/anpassung-an-den-klimawandel-wie-gut-unterstuetzt-deutschland-die-entwicklungslaender, accessed 5 June 2024; CARE (2021): Climate Adaptation Finance – Fact or Fiction? CARE Denmark & CARE Netherlands, Copenhagen/Den Haag. https://careclimatechange.org/climate-adaptation-finance-fact-or-fiction; Toetzke, M., A. Stünzi and F. Egli (2022): Consistent and Replicable Estimation of Bilateral Climate Finance. Nature Climate Change, 12, 897–900. https://www.nature.com/articles/s41558-022-01482-7, accessed 5 June 2023; Borst J., 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. https://arxiv.org/pdf/2211.16947.pdf, accessed 2 May 2023.

[6] 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

- For our high-end estimate, projects with one of the two Rio Markers set at 1 and the other one at 0, the climate relevance coefficient is assumed to be either 50% or equal to the co-efficient used by the contributor, whichever is lower. Projects with at least one Rio Marker set at 2 are considered to have a climate relevance co-efficient of 100% or equal to the coefficient used by the contributor, whichever is lower. We consider this adjustment to what contributors themselves are using as coefficient robust as we can assume that no contributing country will deliberately under-estimate the climate relevance of funded activities, while at the same time we recognise that we need to give other countries the benefit of the doubt.[7]

- For projects with both Rio Markers set at 1, we use a climate relevance co-efficient range of 30% for the low-end estimate and, for the high-end of the estimate, either 100% or whatever co-efficient the contributor is using in such a situation.

- This means that for contributors reporting on Rio Markers but not using such coefficients, we apply a 30-50% range for projects with one Rio Marker set at 1 (and the other at 0), a 85-100% range for projects with at least one Rio Marker set at 2, and a 30-100% range for projects with both Rio Markers set at 1.

We consider the above to result in a defensible range based on the varying relevance of such projects to climate change, as well as the varying percentages that are applied to such projects by developed countries themselves to calculate climate relevance as seen in OECD (2023a).

For activities financed via the multilateral development banks (MDBs) and other multilateral channels, for which no Rio Markers are provided in the dataset (because they do not use the Rio Markers but use their own system for reporting the climate components of provided funds), we do not discount for climate relevance at all. In these cases, we use the amounts as contained in the dataset. This could potentially overestimate the credit these institutions deserve, but we opted to give them the benefit of the doubt.

## Estimating grant equivalents

A key step to estimate Climate-Specific Net Assistance is to estimate the grant equivalents of various funding instruments as a proxy for financial effort of contributors. The following steps lead to the central CSNA estimate (the green bars in Figures 1 and 2).

**Grants** are counted at 100% as the entire grant can be considered financial effort, with no repayments back to the contributor country.

For **bilateral concessional loans**, we estimate their grant equivalent which equates to the financial effort made by developed countries in providing such loans. This is done in several steps:

countries' accounting is too conservative. Given the political pressure to demonstrate high levels of support, we consider this unlikely.

[7] This of course makes this approach unsuitable for comparing countries as it penalises countries using more conservative coefficients – but our methodology is not designed for such comparisons but to provide an estimate range of overall Climate-Specific Net Assistance.

- We calculate, for those bilateral providers where sufficient data is available, the 'grant element' of climate-related concessional loans,[8] using information on loan disbursements, loan conditions as found in the CRS database as well as discount rates based on the long-term cost of borrowing funds for the issuing country at the time the loan is disbursed. We use the same net present value calculation method used by the OECD to calculate grant equivalents of concessional loans for the purpose of scoring Official Development Assistance (ODA).[9]

- However, we do not use the same discount rates that the OECD uses as these are significantly higher than the cost expended by donors in extending the loans, exaggerating the "real" donor effort. Instead, we have used discount rates derived from the OECD's own Differentiated Discount Rates (DDRs), which the OECD uses to calculate the concessionality level of tied aid, and which are based on the real long-term borrowing rates of individual donors (i.e., the market yields of their long-term sovereign bonds).[10] The 1% margin added to bond yields in the DDRs to reflect the additional cost of commercial borrowing was deducted to reflect more accurately the donor government's cost of funds. We added a margin to the DDR-derived Euro discount rate for European donors whose borrowing costs are higher than this benchmark, using historic bond market data[11].

- We added margins to the discount rates for all donors to reflect the risk on non-repayment of loans. These margins were derived from the OECD's minimum country risk premium benchmarks[12] that are designed to cover the long-term operating costs and losses of official export credits to different recipient countries (OECD countries deem that these are adequate to cover the risk of non-repayment for export credits – as required by the WTO – and this is the same risk of non-repayment of climate loans). Adding margins for credit risk means that we are estimating the full long-term fiscal cost of all loans, including the cost of eventual debt relief on any loans that may not be fully repaid. It is important to note that this assumes that contributing countries will not be allowed to claim any future debt relief for these loans as climate finance, as this would be to count the same risk twice.

[8] The formulas calculate the grant equivalent value of the loan, which is the sum of the present value of the debt service to be made by the borrower, and then expresses these grant equivalent values as grant element percentages, which is the grant equivalents expressed as a percentage of the face value of the loan. The formulas can be found here: https://thedocs.worldbank.org/en/doc/287062306faaab990e9ea7a5deb0ace8-0410012017/original/grant_element_calculation_formula_2013.pdf and further detail on grant equivalent and element calculation can be found here: https://one.oecd.org/document/DEV/DOC/WKP(2017)5/En/pdf.

[9] We consider the repayment term, interest rate, grace periods (before repayments start) and the structure of the loan repayments (whether equal principal payments (EPP), annuities, or lump sum repayment). When the type of the repayment structure is not specified as one of these and there is no information to deduce it, we have used the lowest grant element resulting from using either the EPP, annuity, or lump sum repayment structure, as the grant elements resulting from the three different types can vary substantially and over-estimate donor effort. In any case, there are very few instances where loan repayment is not specified, so the overall figures are not sensitive to this assumption.

[10] Historical DDRs can be found here: https://www.oecd.org/trade/topics/export-credits/aid-and-export-credits.

[11] The margin is based on the average seven year spread versus German rates for the years 2021 and 2022. Data is sourced from https://www.macrobond.com.

[12] Historical country risk classification can be found here: https://www.oecd.org/trade/topics/export-credits/arrangement-and-sector-understandings/financing-terms-and-conditions/country-risk-classification. For risk classifications 1 through 4, a margin of 1% was added; for classifications 5 and 6, a margin of 2% was added; and for classification 7, a margin of 3% was added. For risk classification 0, no margin was added.

- The resulting calculated grant equivalents are summed for each contributing country and divided by the loan disbursements, leading to an average grant element for individual contributing countries. This approach was only possible for Belgium, Canada, France, Germany, Italy, Japan, Spain, and Australia (2022 only), as not all contributors have supplied loan specifications to allow for the grant element calculations. The resulting average grant element percentages can be found in Table 1.

**Table 1:** Estimated average grant element percentages

| Country | 2021 | 2022 |
|---|---|---|
| Australia | - | 30.2% |
| Belgium | 48.5% | 53.0% |
| Canada | -15.5% | 25.5% |
| France | 11.6% | 5.0% |
| Germany | 2.0% | 3.8% |
| Italy | 12.8% | -2.2% |
| Japan | 34.5% | 38.6% |
| Spain | 12.5% | 17.1% |
| Weighted average | 22.4% | 21.6% |

The table lists average grant element percentages as estimated for countries for which sufficient data can be found in the CRS database, plus the averages weighted by the face values of the loans. Negative percentages in the table mean that the lending country can expect to make, on average, a profit on loans issued in 2021 and/or 2022, after allowing for its borrowing costs and the risk of default. Source: Own calculations.

- Where available data is insufficient to calculate country-specific average grant element percentages, we have used the weighted overall averages resulting from the step above (i.e. 22.4% in 2021 and 21.6% in 2022), except for Australia. Here, we have used their 2022 value also for 2021.

- We then use the 2021 and 2022 average grant element percentages to calculate the grant equivalent value of concessional loans as found in the climate-related development finance dataset, OECD (2024b). To do so, we multiply the grant element percentages with the total face value amount of climate-related ODA loans for each country in 2021 and 2022 as found in the climate-related development finance dataset (OECD (2024b)).

For **concessional loans provided via MDBs and other multilateral institutions and funds**, data on lending terms is mostly unavailable (save for the World Bank's IDA).[13] We apply the following steps:

- We estimate the average grant element percentage for loans issued by the World Bank's International Development Association (IDA) with an equivalent approach as described above for bilateral concessional loans but applying it using information

[13] MDB finance is a source of added uncertainty regarding the grant equivalent value of finance provided. Unlike developed countries, MDBs are not obliged to provide information on the conditions of their loans, and do not have the concessionality of their loans assessed by the DAC in the same way as bilateral loans are assessed. As MDBs often partner with the private sector, they also report aggregated or anonymized data which can prevent data quality scrutiny efforts.

available on IDA lending terms.[14] We assume that concessional loans by other MDBs broadly follow the same terms, except for the EIB.

- For the EIB, the CRS database holds specifications for all loans. Therefore, we have used the available EIB loan specifications to calculate grant equivalents. The method for finding discount rates and risk premiums is the same as for other MDBs (see footnote 14 above).

- For all other multilateral institutions (e.g. the Green Climate Fund) we use the weighted average of bilateral concessional loans, due to the lack of information on lending terms for these multilateral loans.

**Equity** and **Shares in Collective Investment Vehicles** are counted at 0%. Returns on these instruments are unpredictable (unlike in the case of loans with pre-agreed schedules for repayment of capital and interest), rendering upfront net present value calculations impossible. However, investors, including developed country governments through their development finance institutions (DFIs), design these instruments with the expectation of commercial viability. Hence, we estimate the financial effort to be zero, even though we recognise that equity provided by developed countries can play a crucial role in mobilising additional finance, including private finance, and hence can contribute to efforts to low-emission development.

**Other, non-concessional instruments in both bilateral and multilateral finance** are estimated to have zero direct assistance value. While such instruments may include some (low) level of concessionality, for bilateral finance it is not only not generous enough to be reported as ODA, but we can also assume that they will generally not involve any financial effort by the provider (and instead may well generate profit for the provider). The same assumptions are made for MDB finance defined as 'non-concessional', though the terms of these instruments are largely not publicly available.

Finally, while **mobilising (and shifting) private investments** are key to transforming our economies, private investments as such do not constitute assistance to developing countries from developed countries to meet any costs associated with climate action. Hence, the resulting mobilised private finance is considered to have zero grant equivalent/financial effort by the contributing country, although, of course, it is not possible to calculate a grant equivalent of private investments.[15]

## For comparison: OECD style grant equivalents

For comparison, we also provide an estimate for CSNA where the grant equivalent values of concessional debt instruments are calculated using the overly generous OECD methodology applied when reporting to the CRS database (while other instruments such as

[14] See https://ida.worldbank.org/en/financing/ida-lending-terms for the lending terms. We have used the terms listed for regular IDA loans. Discount rates and risk premiums for the MDB loans are the same as for bilateral loans with DDRs to reflect the long-term borrowing rates of donors based on the currencies of the loans less the 1% margin for additional costs of commercial borrowing, no margin for higher borrowing costs for European donors, and 0-3% margins for risk on non-repayment of loans (see footnotes 10-12 above).

[15] Note that the public finance from climate finance providers that is used to do the mobilising might well have a grant equivalent, depending on instruments used. Usually, one would expect such efforts to be reported separately as provided public finance.

grants or non-concessional loans are treated the same way as in our central estimate). This leads to the orange bars in Figures 1 and 2 and is done as follows:

- We first calculate the average grant element percentage for all bilateral providers who have reported sufficient detail on their climate-related ODA loans in the CRS database. To do so, we divide the grant equivalent value of all climate-related ODA loan disbursements by the total face value of those disbursements. This approach was possible for Austria, Belgium, Canada, France, Germany, Italy, Japan, Spain, and Australia (for 2022 only). The results are displayed in Table 2 below.

  **Table 2:** Estimated average grant element percentages, OECD method

| Country | 2021 | 2022 |
|---|---|---|
| Australia | - | 60.2% |
| Austria | 98.3% | 97.5% |
| Belgium | 79.8% | 80.3% |
| Canada | 92.5% | 99.3% |
| EU Institutions | 43%* | - |
| Finland | 66%* | - |
| France | 42.7% | 34.2% |
| Germany | 33.9% | 28.6% |
| Italy | 20.2% | 12.7% |
| Japan | 68.6% | 69.5% |
| Poland | 64%* | - |
| Spain | 33.4% | 64.4% |
| United Kingdom | 31%* | - |
| Weighted Average | 56.8% | 51.8% |

  The table lists average grant element percentages as estimated for countries for which sufficient data can be found in the CRS database, plus the averages weighted by the face values of the loans. Percentages marked with a star (*) indicate where we used the average grant element percentages of overall ODA loans as reported by the OECD. Source: Own calculations.

- For countries where sufficient data, as per above, is not available, but for which the OECD has published (OECD 2023b) the average grant element of their total ODA loans in 2021, these values were used for 2021, as indicated in Table 2.

- To fill gaps for countries listed in Table 2, we used either the percentages available for the other year, or the weighted average of bilateral providers for which data on climate-related loan disbursements was available in the CRS database, whichever is higher (to give the benefit of the doubt). For instance, for Australia we used 60.2% for 2021 while for the UK we used 51.8% for 2022. For all other countries we have used the weighted average.

- As per the central estimate above, we then multiply the average grant element percentages with the total face value amount of climate-related ODA loans in 2021 and 2022 as found in the climate-related development finance dataset, OECD (2024b).

- For MDB concessional loans, we apply an equivalent approach as described above for our central estimate, except using the same discount rates as the OECD based on income groups.[16]

In this comparison, other instruments such as grants or non-concessional instruments are treated the same way as in our central CSNA estimate.

[16] The discount rates used are 6% for upper-middle-income countries (UMICs), 7% for lower-middle-income countries (LMICs), and 9% for Least Developed Countries (LDCs) and other low-income countries (LICs), see https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm

# ANNEX: DISAGGREGATING THE NUMBERS

The following tables provide additional details to our estimates.

**Table A1:** Climate-Specific Net Assistance (CSNA) by theme, 2021-2022

| | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **Thematic area** | **Reported Climate Finance** | **CSNA (OECD GE)** | **CSNA** | **Reported Climate Finance** | **CSNA (OECD GE)** | **CSNA** |
| Adaptation | 24.6 | 10.3-12.2 | 8.9-10.5 | 32.4 | 13.8-17.2 | 12.7-14.9 |
| Mitigation | 53.8 | 9.4-10.6 | 7.8-8.9 | 69.9 | 15.9-18.3 | 11.4-13.1 |
| Cross-cutting | 11.2 | 3.3-5.7 | 3.2-5.4 | 13.6 | 4.3-8.2 | 3.8-7.0 |
| **Total** | **89.6** | **23.0-28.5** | **19.8-24.8** | **115.9** | **35.0-43.7** | **27.9-34.9** |

Amounts in billion US$. 'CSNA' shows our central estimate, 'CSNA (OECD GE)' shows the estimate using the flawed OECD method for calculating grant equivalents. 'CSNA' shows our central estimate, 'CSNA (OECD GE)' shows the estimate using the flawed standard OECD method for calculating grant equivalents. Source: Reported climate finance from OECD (2024a), own calculations.

**Table A2:** Climate-Specific Net Assistance (CSNA) by channel, 2021-2022

| | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **Channel** | **Reported Climate Finance** | **CSNA (OECD GE)** | **CSNA** | **Reported Climate Finance** | **CSNA (OECD GE)** | **CSNA** |
| Bilateral finance | 34.5 | 13.1-18.5 | 11.6-16.4 | 41.0 | 21.0-29.6 | 16.5-23.4 |
| MDB finance | 34.3 | 7.9 | 6.3 | 46.9 | 12.3 | 10.3 |
| Multilateral climate funds and other multilateral | 4.4 | 2.0-2.1 | 1.9-2.0 | 3.7 | 1.6-1.8 | 1.1-1.3 |
| Export credit | 2.1 | 0.0 | 0.0 | 2.4 | 0.0 | 0.0 |
| Mobilised private finance | 14.4 | N/A | N/A | 21.9 | N/A | N/A |
| **Total** | **89.6** | **23.0-28.5** | **19.8-24.8** | **115.9** | **35.0-43.7** | **27.9-34.9** |

Amounts in billion US$. 'CSNA' shows our central estimate, 'CSNA (OECD GE)' shows the estimate using the flawed standard OECD method for calculating grant equivalents. Source: Reported climate finance from OECD (2024a), own calculations.

**Table A3:** Climate-Specific Net Assistance (CSNA) by channel and instrument, 2021-2022

| Channel | 2021 | | 2022 | |
|---|---|---|---|---|
| | **CSNA (OECD GE)** | **CSNA** | **CSNA (OECD GE)** | **CSNA** |
| Bilateral grants | 9.9-14.2 | 9.9-14.2 | 13.4-19.5 | 13.4-19.5 |
| Bilateral non-grants | 3.2-4.3 | 1.7-2.2 | 7.6-10.1 | 3.0-3.9 |
| MDB grants | 4.3 | 4.3 | 5.8 | 5.8 |
| MDB non-grants | 3.7 | 2.1 | 6.6 | 4.5 |
| Other multilateral grants | 1.8-2.0 | 1.9-2.0 | 1.1-1.3 | 1.1-1.3 |
| Other multilateral non-grants | 0.1 | 0.0 | 0.5 | 0.0 |
| **Total** | **23.0-28.5** | **19.8-24.8** | **34.9-43.7** | **27.9-34.9** |

Amounts in billion US$. 'CSNA' shows our central estimate, 'CSNA (OECD GE)' shows the estimate using the flawed standard OECD method for calculating grant equivalents. Source: Own calculations.

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For further information on the issues raised in this publication please email advocacy@oxfaminternational.org



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