

# Norwegian Climate Finance 2011

## Headlines

- Norway's financing of climate related projects and programmes in developing countries, has increased significantly over the past years from an already high level. Climate finance is crucial in order to keep global mean temperature rise below two degrees; and to assist vulnerable developing countries in adapting to climate change and preventing climate related disasters.
- Main priorities during the last few years has been on reducing emissions from deforestation and forest degradation, renewable energy and sustainable management of natural resources, and climate adaptation with particular focus on food security and disaster risk reduction.
- Norway's bilateral climate finance was 734 million USD in 2011, while the level in 2010 was 676 million USD. In 2006 the share of bilateral climate finance in the overall Official Development Aid (ODA) budget was about 3 %, and in 2011 it was about 21 %. During the same period the total ODA budget also increased.
- Norwegian multilateral core support to organisations that have been classified as climate relevant has increased from 332 million USD in 2010 to 394 million USD in 2011.
- Due to our main focus on REDD+ and renewable energy, a large share of bilateral climate financing is going to mitigation activities, with USD 598 million in 2011. However, efforts are being made to scale up financial assistance for adaptation. Financing for adaptation increased from 64 million USD in 2010 to 76 million USD in 2011, while support for activities classified as both mitigation and adaptation increased from 27 million USD to 60 million USD.
- Our fast start finance report for 2012 will include an overall assessment of the Norwegian climate finance figures for the whole fast start period.

## 1. Background

In Decision 1/CP.16 relevant parties were invited to submit information on the resources provided for the fast start period (2010-2012). Reference is made to last year's report. Norway is pleased to submit the information below on actual disbursements in 2011. All numbers are ODA contributions; non-ODA contributions to various climate

change activities are not included. All Norwegian assistance mentioned in this report is on a grant basis (no loans).

The main goal of Norway's ODA is poverty reduction, equitable distribution of social and economic goods and sustainable development. The strong interlink between environment and development has been emphasised by the Government, and the budget for climate change adaptation and mitigation has increased strongly over the last 5-6 years.

It should also be noted, as this is not included in the report and the numbers, that efforts are being made, where relevant, to integrate climate change assistance into broader development efforts.

Fast start finance should reflect an enhanced effort by governments around the world. Norwegian total ODA has not only exceeded 0.7 per cent of Gross National Income (GNI) for many years, but also exceeded 1 per cent the last few years. All our climate finance can be counted beyond the 0.7% threshold. Moreover, we have steadily increased our ODA budget, so that the increase in climate finance has not reduced other ODA.

Last year, Norway made an effort to report the percentage of core funding to multilateral organisations that was climate related, and in turn, how much of that was funding for adaptation and how much was funding for mitigation. We have concluded that it is very difficult to assign a fair percentage in this way. For this reason, and especially in view of the likely consequences of subjective estimates-different countries assigning different percentages to one and the same organisation- we have decided to simply present the overall core support to those multilateral organisations that we have classified as *climate relevant*, in the sense that core support can be assigned to climate change activities.

We believe it could be worthwhile to look into the possibility of having the multilateral organizations make their own estimates of these percentages, to avoid discrepancies between countries.

## **2. REDD+ activities in 2011**

The Government of Norway's International Climate and Forest Initiative (NICFI) constitutes by far the largest part of Norway's mitigation assistance. It aims to support the development of an international REDD+ architecture and simultaneously achieve cost-effective and verifiable reductions in greenhouse gas emissions from deforestation and forest degradation in developing countries (REDD+). The initiative promotes the

development of international climate finance mechanisms and works closely with other donors, multi-lateral organizations and REDD+ countries to reach its goals.

In 2011, Norway disbursed approximately 336 mill US dollars (2.019 billion NOK) to REDD+ related activities. NICFI worked closely with committed developing forest countries and multilateral REDD+ initiatives, such as the Forest Carbon Partnership Facility (FCPF), the UN-REDD programme, the Forest Investment Programme (FIP) and the Congo Basin Forest Fund (CBFF) to finance REDD+ activities.

### *Bilateral partnerships*

In August 2008, Norway's Prime Minister Jens Stoltenberg announced that Norway will contribute 1 billion USD to Brazil's Amazon Fund if Brazil reduces deforestation in its Amazon region. Norway's contributions are results-based, in line with the Amazon Fund's incentive structure. The Amazon Fund finances projects that contribute to implementing Brazil's plans to reduce deforestation. The record low deforestation results achieved in 2010 prompted a Norwegian contribution of 1 billion NOK (167 million USD) in 2011. To date, Norway's contribution to the Amazon Fund is 2.55 billion NOK (425 million USD).

In November 2009, Norway and Guyana signed a Memorandum of Understanding declaring the two countries' determination to provide a working example of how partnerships between developed and developing countries can reduce deforestation and forest degradation also in countries with minor deforestation. Norway contributed approximately USD 35 million to support Guyana's REDD+ Investment Fund in 2011.

In May 2010, Norway and Indonesia agreed to enter into a partnership to support Indonesia's efforts to reduce emissions from deforestation and degradation of forests and peat lands. Indonesia will take immediate and decisive action to reduce its forest and peat related greenhouse gas emissions. Norway intends to support those efforts with up to USD one billion over a number of years.

Through a Memorandum of Understanding signed in May 2010, Mexico and Norway agreed to work together on climate, forests and environment. Norway supported Mexico with approximately USD 7.5 million in 2011 to reinforce REDD+ readiness in Mexico and enabling south-south cooperation.

In December 2011, Ethiopia, Norway and the UK presented a joint initiative to support the implementation of Ethiopia's Climate Resilient Green Economy (CRGE) strategy. Norway will contribute up to USD 60 million annually in results-based financing to support Ethiopia's aim of becoming a middle-income country before 2030, without

increasing its greenhouse gas emissions. One third of these contributions, or up to USD 20 million per year, will be earmarked for REDD+ activities.

Norway's collaboration with Brazil (the Amazon Fund), Guyana, Tanzania, Indonesia, Mexico and Ethiopia should have profound effects and produce fast results, demonstrating that reducing emissions from deforestation and forest degradation in developing countries is possible. The collaboration with Brazil, Guyana, Indonesia and Ethiopia are examples of bilateral partnerships where payments are made for results in reduction of CO<sub>2</sub> emissions from deforestation and forest degradation on a national scale.

### *Multilateral collaboration and support to civil society*

The Forest Investment Program (FIP), a part of the Climate Investment Funds, provides financing at scale to a limited number of pilot countries to support the implementation of their national REDD+ strategies. Over time, the intention is to help countries access larger and more sustainable results-based REDD+ payments. FIP has selected eight pilot countries. In 2011 Norway contributed USD 58.3 million to the FIP.

The UN-REDD Programme is a collaborative partnership bringing together the expertise of the UN Food and Agricultural Organization (FAO), the UN Development Program (UNDP) and the UN Environment Program (UNEP). The Programme has 35 member countries. UN-REDD contributes to the development of methodology and building of capacity within areas such as REDD+ governance, MRV, biodiversity and green economic development through its global activities. In 2011 Norway contributed USD 20 million to the UN-REDD Programme.

In May 2010, the interim REDD+ Partnership was established at the Oslo Climate and Forest Conference. The Partnership, now comprised of 75 countries, has contributed to closer cooperation among tropical forest countries and donors to reduce deforestation and forest degradation. The partnership has provided an important forum for dialogue among parties involved in the UNFCCC process. It has also promoted transparency around REDD+ financing through the development of the Voluntary REDD+ Database (VRD) to track fast-start finance for REDD+ and carrying out gap analysis of financing for REDD+ activities.

Strategic partnerships have also been set up with selected NGOs and research institutions. These are intended to promote innovation and to encourage systematic knowledge dissemination and debate on the need for a new climate regime that includes deforestation and forest degradation. In 2011, USD 30 million was channelled

through the Norwegian Agency for Development Cooperation (Norad) for such activities.

An overview of disbursements for 2011 is given below:

<b>Projects</b>	<b>2010</b>	<b>2011</b>
	<b>Disbursed*</b> <b>(USD)</b>	<b>Disbursed*</b> <b>(USD)</b>
UN-REDD Programme	33 mill	20 mill
Forest Carbon Partnership Facility (readiness)	9.3 mill	-
Forest Investment Programme	48 mill	58.3 mill
Congo Basin Forest Fund	26.6 mill	
Support to Civil society (Norad)	27 mill	30 mill
Brazil (BNDES) set aside on promissory note	236 mill	166.6 mill
Mexico	-	7,5 mill
Guyana (World Bank)	29.4 mill	36.4 mill
Indonesia	30.7 mill	0.9 mill
Tanzania	7.3 mill	9.7 mill
Other projects	2.8 mill	6.3 mill
<b>Total (approximately)</b>	<b>450.1 mill</b>	<b>336.1 mill</b>

\*Figures are based on an average exchange rate of 1 USD = 6 NOK

A detailed breakdown of Norwegian Fast-start Finance for REDD+ may be found at the Voluntary REDD+ Database website (<https://reddplusdatabase.org>).

### **3. The numbers**

The report covers our bilateral (including support to non-governmental organisations) and multilateral support for climate change action in developing countries. It should be noted that the information, as with last year's report, is based on the OECD/DAC reporting system, which uses markers for climate change mitigation and adaptation.

The markers indicate degree of relevance only. Consequently, the figures should be interpreted with caution.

It should also be noted that the term “bilateral” also includes multi-bilateral assistance, which means bilateral assistance carried out through multilateral channels/organisations/funds. This applies to agreements with multilateral organisations where the contributions are “earmarked” for climate change activities. Only core support to such organisations is counted as “multilateral” in the system.

### **3.1. Bilateral climate financing**

The table below shows total bilateral financing directed at climate change to be USD 734 million, compared to USD 676 million in 2010. The increase is even higher as the support through the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) are no longer included in this list, as Norway started to report these contributions as multilateral assistance in 2011. The reason for this is that they both became multilateral organisations last year.

A large share of bilateral climate financing is going to REDD+ and renewable energy, which is defined as climate change mitigation. Efforts have been made the past years to scale up assistance for adaptation. However, the reported figures for adaptation are lower than the actual figures, since not all assistance for disaster risk reduction is included. It is also very difficult to single out assistance for climate change adaptation from the more general development assistance, which contributes to making countries more resilient towards climate change impacts. We are working on more consistent use of the adaptation marker in this area, but there is clearly a need for better guidance on what to include under adaptation.

The following table, and the one below, also include contributions through some multilateral channels like for example, the Climate Investment Funds (the Strategic Climate Funds SREP, PPCR and FIP), GEEREF, REEEP, etc.

## Norwegian bilateral assistance directed at climate change mitigation and adaptation in 2011<sup>1</sup>

		<b>2010 (mill.USD)</b>	<b>2011 (mill. USD)</b>
Climate change mitigation (only)	Main objective	531	490
	Significant objective	54	108
<b>Total mitigation<sup>2</sup></b>		<b>585</b>	<b>598</b>
Climate change adaptation (only)	Main objective	24	24
	Significant objective	40	53
<b>Total adaptation</b>		<b>64</b>	<b>76</b>
Both climate change mitigation and adaptation		<b>27</b>	60
<b>Total bilateral assistance directed at climate chan</b>		<b>676</b>	<b>734</b>

### 3.2. Regional distribution of bilateral climate financing

The table below presents the above figures distributed by region. It shows that more than 60 per cent (up from one third in 2010) of the adaptation assistance that can be tracked geographically was allocated to Africa, being directed at the most vulnerable countries.

## Norwegian bilateral assistance directed at climate change mitigation and adaptation by region, 2011<sup>1,2</sup>

	<b>Main Region</b>	<b>2010 (mill. USD)</b>	<b>2011 (mill. USD)</b>
<b>Mitigation (only)</b>	Africa	66 503	77 896
	America	286 630	290 116
	Asia	77 107	47 473
	Europe	7 210	6 934
	Not geographically allocated	147 205	175 338
	Oceania	165	54
	The Middle East	-	80
	<b>Total mitigation</b>	<b>584 820</b>	<b>597 890</b>
<b>Adaptation (only)</b>	Africa	22 068	48 092
	America	3 713	3 813
	Asia	11 858	10 868
	Europe	-	11
	Not geographically allocated	26 340	13 714
	<b>Total adaptation</b>	<b>63 979</b>	<b>76 499</b>

<b>Mitigation and adaptation</b>	Africa	4 293	39 573
	America	-	74
	Asia	5 748	6 679
	Europe	1 092	9
	Not geographically allocated	15 695	13 422
	The Middle East	9	-
	<b>Total mitigation and adaptation</b>	<b>26 837</b>	<b>59 757</b>
	<b>Total climate change related bilateral assistance</b>	<b>675 637</b>	<b>734 146</b>

- 1) Based on Norwegian aid agreements marked with the OECD/DAC policy-markers climate change mitigation and climate change adaptation. The markers do not necessarily imply that the whole amount is spent on climate change actions, rather that the agreements also are directed at such actions.
- 2) The amounts are assigned over the Norwegian budget, which is in Norwegian local currency NOK. Amount in dollar is based on average currency rates and may slightly deviate from the exact amount

### 3.3. Core support to multilateral institutions

Core Support to multilateral institutions partly or fully targeting climate change in 2010 and 2011 is presented in the table below, but without estimates on the share of these grants targeted to climate change in general, and to adaptation and mitigation in particular.

We believe the statistical values as such, and the value of the end product of this exercise, would improve if these percentages were one and the same across countries.

#### Norwegian multilateral core support to organisations that have been classified as climate relevant in 2011<sup>1</sup>

<b>Agreement partner</b>	<b>2010 Sum of Disbursed (mill. USD)</b>	<b>2011 Sum of Disbursed (mill. USD)</b>
UNDP - UN Development Programme	127	137
AFDB - African Development Bank	83	95
WFP - World Food Programme	24	26
CGIAR - Consultative Group on International Agricultural Research	16	20
GEF - Global Environment Facility	17	18
UNEP - UN Environment Programme	9	19
IFAD - International Fund for Agricultural Development	13	14
UN-HABITAT - United Nations Human Settlements Programme	13	14
ASDB - Asian Development Bank	12	13
NDF - Nordic Development Fund	3	10
GEF - LDCF - Least Developed Countries Fund	4	9



IBRD - International Bank for Reconstruction and Development		6
UNFCCC - United Nations Framework Convention on Climate Change	3	4
GEF - SCCF - Special Climate Change Fund	2	3
FAO - Food and Agricultural Organization of the United Nations	2	2
UNIDO - UN Industrial Development Organisation	1	1
UNISDR - UN International Strategy for Disaster Reduction	1	1
IDB - Inter-American Development Bank		1
WMO – World Meteorological Organisation	-	2
<b>Grand Total</b>	<b>332</b>	<b>394</b>

1) The starting point being a list of all core support given to multilateral organisations in 2011, which went through process where the likely climate-relevant organisations were selected and sent to those in charge of the organisations for final decision.

## Annex 1:

### Norwegian bilateral assistance directed at climate change mitigation and adaptation by region and country, 2011<sup>1</sup>

	Main Region	Recipient country	2010	2011
Mitigation (only)	Africa	Zambia	937	19 764
		Uganda	11 090	18 398
		Tanzania	9 704	8 725
		South of Sahara Regional	2 671	7 202
		Malawi	6 127	6 287
		Kenya	98	3 670
		Congo, Dem. Rep.	1 034	3 600
		Africa Regional	27 676	2 329
		Mozambique	1 229	1 908
		South Sudan	-	1 680
		South Africa	-81	1 278
		Liberia	-147	878
		Madagascar	662	766
		Ghana	235	666
		Ethiopia	4 036	456
		Togo	-	171
		Cameroon	-	58
		Nigeria	99	53
		Eritrea	39	5
		Sudan	1 203	-
		Angola	-109	-
	<b>Africa Total</b>		<b>66 503</b>	<b>77 896</b>
	America	Brazil	238 486	243 004
		Guyana	29 230	39 072
		Mexico	-	8 029
		Panama	2 365	6 925

	Nicaragua	3 017	2 039
	Guatemala	156	1 857
	Peru	579	624
	America Regional	414	441
	Cuba	-	128
	St. Vincent & Grenadines	-	125
	Dominican Republic	-	29
	Chile	10 582	-12 159
	Haiti	1 820	-
	North & Central America Regional	-20	-
<b>America Total</b>		<b>286 630</b>	<b>290 116</b>
<b>Asia</b>	China	6 559	10 070
	Philippines	14 272	7 994
	Nepal	12 118	7 150
	Laos	53	6 830
	Indonesia	33 330	3 325
	India	5 755	3 105
	Bhutan	1 635	2 437
	Asia Regional	1 420	1 606
	Tajikistan	19	1 333
	Afghanistan	-	1 249
	Kazakhstan	422	835
	Azerbaijan	-	457
	Bangladesh	205	319
	Georgia	612	268
	Malaysia	-	244
	Armenia	253	74
	Myanmar (Burma)	-	62
	Sri Lanka	49	51
	Viet Nam	69	29
	Kyrgyz Rep.	-	17
	Cambodia	-	17
	Mongolia	165	-
	Central Asia Regional	132	-
	Pakistan	38	-
<b>Asia Total</b>		<b>77 107</b>	<b>47 473</b>
<b>Europe</b>	Ukraine	562	2 771
	Macedonia (Fyrom)	1 401	1 588
	Europe Regional	3 668	1 164
	Kosovo	861	729
	Belarus	491	681
	Bosnia-Herzegovina	208	-
	Albania	11	-
<b>Europe Total</b>		<b>7 210</b>	<b>6 934</b>

	Not geographically allocated	Global Unspecified	147 205	175 338
	<b>Not geographically allocated Total</b>		<b>147 205</b>	<b>175 338</b>
	Oceania	Papua New Guinea	165	54
	<b>Oceania Total</b>		<b>165</b>	<b>54</b>
	The Middle East	Palestinian Admin. Areas	-	80
	<b>The Middle East Total</b>		<b>-</b>	<b>80</b>
	<b>Total Climate change mitigation (only)</b>		<b>584 820</b>	<b>597 890</b>
<b>Adaptation (only)</b>	<b>Africa</b>	Malawi	9 487	20 692
		Ethiopia	1 804	5 083
		Mali	25	5 073
		South Sudan	-	4 104
		Africa Regional	510	3 404
		South of Sahara Regional	794	2 590
		Mozambique	283	2 284
		Tanzania	682	1 500
		Niger	-	1 469
		Kenya	86	669
		Madagascar	-	376
		Zambia	1 957	285
		Eritrea	533	214
		Uganda	1 589	144
		South Africa	178	109
		Cote D'Ivoire	-	47
		Zimbabwe	-	36
		Congo, Dem. Rep.	2 329	14
		Somalia	1 654	-
		Togo	91	-
		Burundi	62	-
		Botswana	3	-
	<b>Africa Total</b>		<b>22 068</b>	<b>48 092</b>
	<b>America</b>	Nicaragua	3 375	3 235
		Brazil	64	436
		Guatemala	116	143
		Cuba	80	
		North & Central America Regional	41	
		America Regional	37	
	<b>America Total</b>		<b>3 713</b>	<b>3 813</b>
	<b>Asia</b>	Bangladesh	3 530	4 928
		Asia Regional	1 295	2 042
		South Asia Regional	993	1 071
		India	520	869
		Nepal	105	576
		China	658	432
		Pakistan	1 489	408

		Armenia	-	178
		Viet Nam	128	113
		Laos	80	68
		Philippines	59	68
		Thailand	45	59
		Cambodia	3	21
		Bhutan	-	21
		Sri Lanka	38	14
		Myanmar (Burma)	1 654	-
		Indonesia	993	-
		South & Central Asia Regional	194	-
		Georgia	74	-
	<b>Asia Total</b>		<b>11 858</b>	<b>10 868</b>
	Europe	Ukraine	-	11
	<b>Europe Total</b>		<b>-</b>	<b>11</b>
	Not geographically allocated	Global Unspecified	26 340	13 714
	<b>Not geographically allocated Total</b>		<b>26 340</b>	<b>13 714</b>
	<b>Total Climate change adaptation (only)</b>		<b>63 979</b>	<b>76 499</b>
<b>Mitigation and adaptation</b>	<b>Africa</b>	Zambia	-	12 488
		Tanzania	1 398	8 874
		South of Sahara Regional	744	5 836
		Africa Regional	2 151	5 370
		Mozambique	-	4 817
		Malawi	-	1 434
		South Africa	-	491
		Eritrea	-	97
		Ethiopia	-	73
		Mali	-	61
		Uganda	-	32
	<b>Africa Total</b>		<b>4 293</b>	<b>39 573</b>
	America	Haiti	-	74
	<b>America Total</b>		<b>-</b>	<b>74</b>
	<b>Asia</b>	India	3 309	3 576
		Pakistan	-	1 389
		Asia Regional	-	895
		China	728	408
		Bangladesh	-	196
		Viet Nam	1 654	95
		Armenia	-	71
		Indonesia	-	49
		Nepal	57	-
	<b>Asia Total</b>		<b>5 748</b>	<b>6 679</b>
	Europe	Serbia	-	9
		Macedonia (Fyrom)	960	-

		Europe Regional	132	-
	<b>Europe Total</b>		<b>1 092</b>	<b>9</b>
	Not geographically allocated	Global Unspecified	15 695	13 422
	<b>Not geographically allocated Total</b>		<b>15 695</b>	<b>13 422</b>
	<b>Total climate change mitigation and adaptation</b>		<b>26 837</b>	<b>59 757</b>
	<b>Total climate change related bilateral assistance</b>		<b>675 637</b>	<b>734 146</b>

1) Based on Norwegian aid agreements marked with the OECD/DAC policy-markers climate change mitigation and climate change adaptation. The markers do not necessarily imply that the whole amount is spent on climate change actions, rather that the agreements also are directed at such actions.