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The Distorting Effects of Bilateral Climate Finance for Mitigation on ODA

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Abstract

Since there is only one climate, reducing greenhouse gas (GHG) emissions can qualify as a perfect global public good. As the benefits are global, climate change mitigation cannot be administered solely with the promotion of the economic development and welfare of developing countries as the main objective, a core eligibility criterion of Official Development Assistance (ODA). Consequently, this puts a question mark on the ODA-eligibility of climate change mitigation. Building on ODA reporting by member countries of the Development Assistance Committee (DAC), the annual total of climate finance sourced from ODA that aimed at climate change mitigation reached approximately USD 30 billion in 2022-2023, representing 20% of their allocable ODA. .../...

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Introduction

Official Development Assistance (ODA) is an essential source of financing for sustainable development with concessional terms across the donor community. The growing number of challenges faced by developing countries are a constant reminder of how scarce ODA is. Although ODA levels have durably grown, the yearly increases are largely related to its ever-expanding definition and measurement. ODA is no longer limited to concrete resource flows to low- and middle-income countries as it also encompasses various expenditures in high-income countries, such as costs of basic sustenance of refugees and asylum seekers or support to some global public goods. However necessary, such expenditures bear a considerable opportunity cost for they are tapped from ODA budgets.

Action on climate change has grown intertwined with development finance. The 2030 Agenda of the United Nations (UN) invites the implementation of the UN Framework Convention on Climate Change (UNFCCC) in the context of sustainable development as part of the 13th global goal. This integration also concerns ODA. The mandates of many traditional development agencies pursue climate objectives, weather adaptation to the impacts of climate change or reduction of greenhouse gas (GHG) emissions. Similarly, donor contributions to typical international climate finance mechanisms, such as Green Climate Fund, Global Environment Facility and Adaptation Fund count fully in ODA. The IDA-IFC-MIGA Private Sector Window (IDA18 Replenishment), fully ODA-eligible, explicitly aims at climate change mitigation in developing countries and even core support to the UNFCCC Secretariat can in part enter donors' ODA reports. This mutual integration of climate and development finance, however, raises the question whether ODA in its current form can continue adequately responding to the growing needs of developing countries that go well beyond climate change.

While there is little doubt that climate change adaptation is an integral part of development, the place of climate change mitigation in the traditional development discourse is less clear. As long as GHG emissions affect the entire world, their reduction *anywhere* could be seen as a global public good. Consequently, exploring Total Official Support for Sustainable Development (TOSSD), Serge Tomasi suggests that resources for climate change mitigation in developing countries could be classified under the second TOSSD pillar (regional and global expenditures). The first pilar (cross-border resource flows), on the contrary, would be reserved to direct support to developing countries for their development. Such a conceptual shift could make climate finance additional to development finance, and reinforce trust in ODA and the credibility of climate commitments.[1]

This note expands this argument. It focuses on the main characteristics of bilateral allocable ODA that is used for reducing GHG emissions in developing countries and assess its overall impact on ODA allocations. It first explores the volumes of ODA resources used for climate change mitigation and main channels of delivery and financial instruments used, to then analyse their geographic and sectoral allocation. It reveals that this subset of ODA is mostly allocated to more advanced and relatively wealthier developing countries with smaller vulnerabilities, mostly to finance economic infrastructure through debt. This is in striking contrast to the remaining part of ODA indeed.

This paper is part of FERDI's work on allocation of aid, contributing to the on-going discussions on the future of ODA, additionality of climate finance as well as the role of the new statistical measure on Total Official Support for Sustainable Development (TOSSD).

[1] Tomasi S. (2024) "Public Funding for Development and Global Public Goods: How Can They Be Measured?", FERDI Report, 60 p, https://ferdi.fr/en/publications/public-funding-for-development-and-global-public-goods-how-can-they-be-measured.

Main characteristics of bilateral ODA-related climate finance for mitigation

This section examines bilateral climate finance for mitigation sourced from ODA that is allocable to developing countries. It estimates the volume of such financing, analyses its key allocation characteristics and compares it with the remaining portion of allocable ODA.

To facilitate this analysis, it establishes the concept of ODA-related bilateral allocable climate finance for mitigation, further referred to as ODA-related CFM. As a subset of ODA, it consists of ODA-eligible flows (grants, ODA loans to the public sector and certain private sector instruments) that are allocable to ODA recipients and sectors (excluding core contributions to multilateral organisations and in-donor costs) and targeting climate change mitigation as principal or significant objective, using the DAC Rio marker system. Annex B presents the methodology used to calculate donors' ODA-related CFM.

Commitments are used instead of disbursements because they provide a more comprehensive reflection of climate relevance of individual activities and since they align better with the ex-ante nature of assessing policy objectives, including in the context of Rio conventions.

The analysis of ODA-related CFM does not include outflows from multilateral organisations. Still, to facilitate comparison, the main characteristics of concessional climate finance for mitigation sourced from the core budgets of multilateral organisations are presented in **Box 1**.

Volume

Climate finance for mitigation (CFM) that was sourced from or overlapped with ODA amounted to USD 28.1 billion in 2022-23 per year on average (see **Figure 1**). This amount corresponds to 20% of donors' bilateral allocable ODA.[2] In 2022, ODA-related CFM amounted USD 24 billion, representing 18% of total bilateral allocable commitments while it was USD 32.2 billion (22%) in 2023.

These volumes of bilateral ODA-related CFM align closely with bilateral climate finance for mitigation presented in the latest OECD report on climate finance and the USD 100 billion goal.[3] Although the exact figure on bilateral climate finance for mitigation was not presented in the report, it is estimated at around USD 30 billion in 2022. Bilateral climate finance provided to developing countries (mitigation, adaptation or cross-cutting) totalled USD 41 billion. At the same time, the share of mitigation in total climate finance provided and mobilised was approximately 72% in 2021 and 2022. Projecting this percentage to total bilateral climate finance gives a little less than USD 30 billion for mitigation.

Main donors

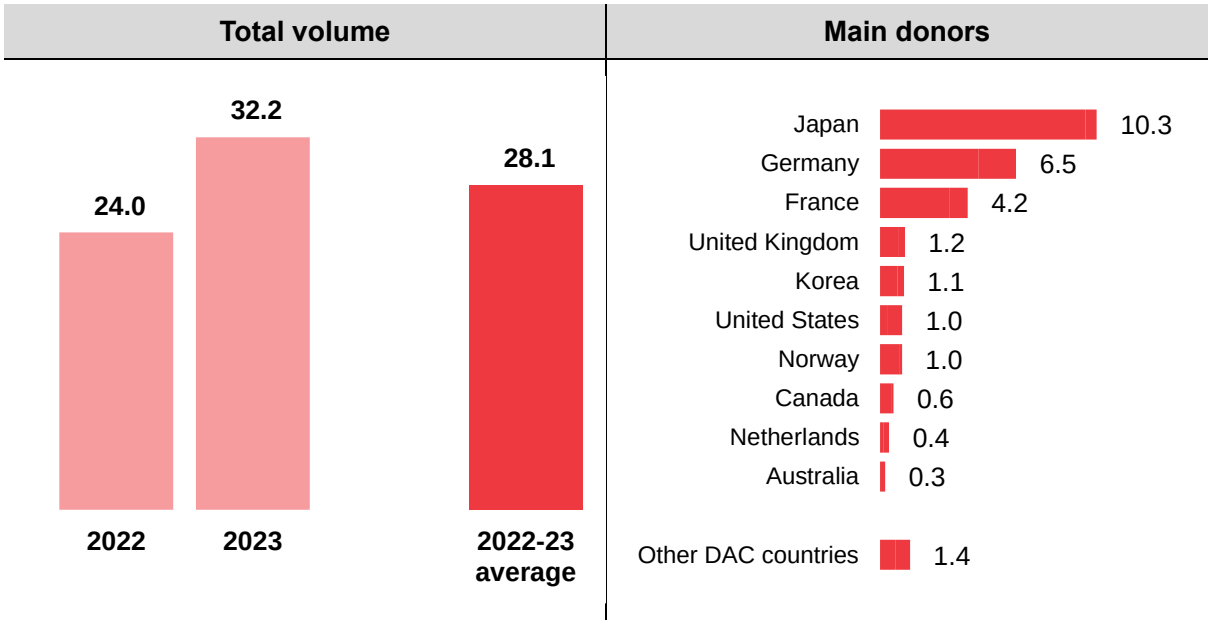
In 2022-23, most bilateral ODA-related CFM was committed by a handful of donors. G7 countries provided 85% of this financing, in particular Japan (37%), Germany (23%) and France (15%), see

[2] The methodology behind this calculation is further explained in the Annex B of this note.

[3] The exact figure on bilateral climate finance for mitigation is not presented in the OECD report. OECD (2024), Climate Finance Provided and Mobilised by Developed Countries in 2013-2022, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, https://doi.org/10.1787/19150727-en.

Figure 1. Japan and France focused the largest shares of their ODA to reducing GHG emissions, with their CFM accounting respectively for 48% and 35% of total allocable ODA. Bilateral ODA-related CFM by the United States, the prime ODA provider, amounted to USD 1 billion, representing 2% of its total allocable ODA commitments, the lowest share among the ten largest providers. See Annex A for more details on France's ODA-related CFM.

Figure 1. Bilateral ODA-related CFM, 2022-23 average, USD billion



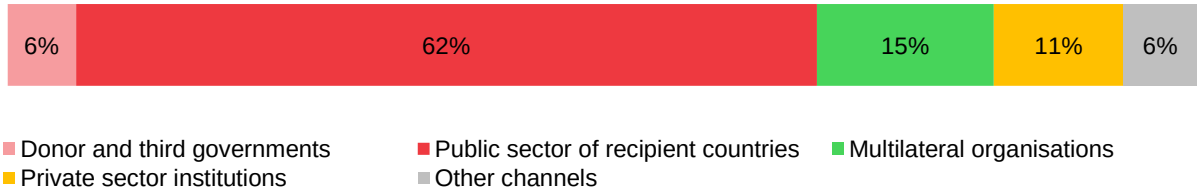
Channels of delivery and financial instruments

The concept of channel of delivery describes the first institutional recipient of the provided resources. It includes the public sector, multilateral organisations, non-governmental organisations and civil society, networks, public-private partnerships and the private sector (for profit).

In 2022-23, ODA-related CFM was mostly provided to the public sector of the recipient countries (62%), followed by multilateral organisations (non-core)[4] and the private sector (see **Figure 2**). Among multilateral organisations, the World Bank Group (WBG) and United Nations (UN) entities were the main channel groups employed to deliver ODA-related CFM (non-core), each accounting 25% of the multilateral total. The most significant UN channels included the UNDP, UNEP and FAO. Further, Multilateral Development Banks (MDBs) beyond the WBG represented 19% of the multilateral total, mostly driven by EBRD and the IADB Group.

[4] Non-core funding includes financial contributions earmarked to projects, trust funds or programmes administered by multilateral organisations.

Figure 2. Bilateral ODA-related CFM by channel of delivery, 2022-23



Concerning financial instruments, a majority (70%) of ODA-related CFM was provided in the form of debt instruments (see **Figure 3**). Grants represented around a quarter of this financing. As shown in **Figure 4**, loans were by far the most utilised financial instrument in the context of bilateral ODA-related CFM to the public sector of recipient countries, representing 95% of all ODA-related CFM to this channel group. The picture was more nuanced in the context of financing channelled through multilateral organisations. Grants and debt instruments each represented nearly a half of bilateral ODA-related CFM through multilateral entities (non-core).

Figure 3. Bilateral ODA-related CFM by financial instrument, 2022-23

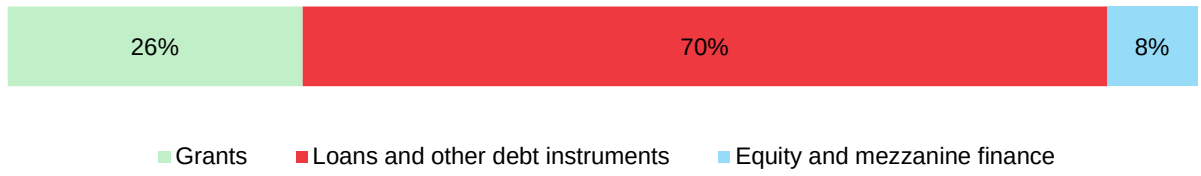
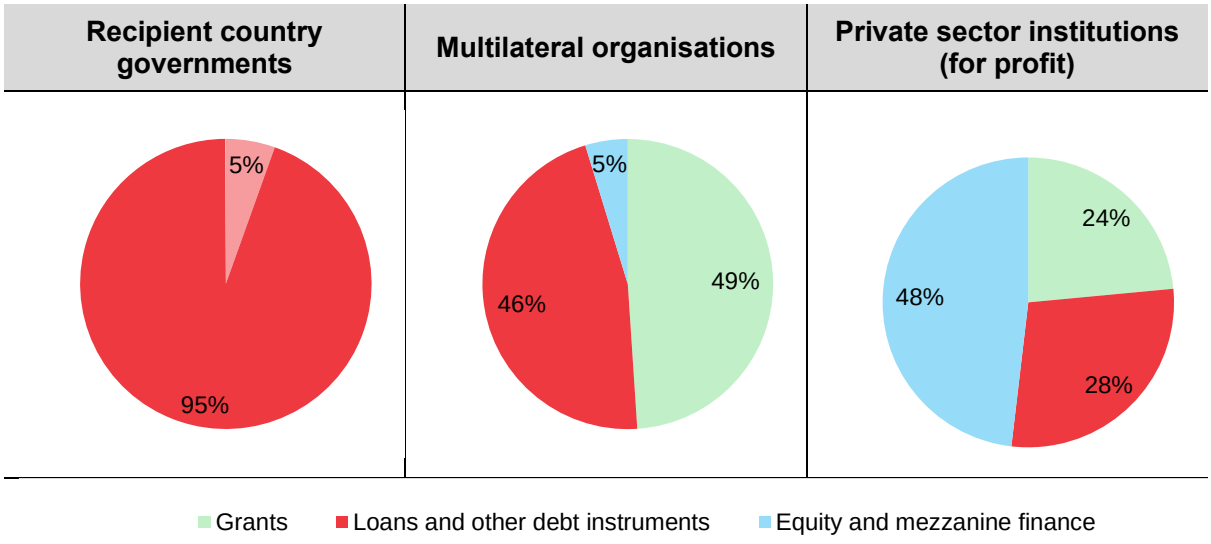


Figure 4. Bilateral ODA-related CFM through main channels by financial instrument, 2022-23

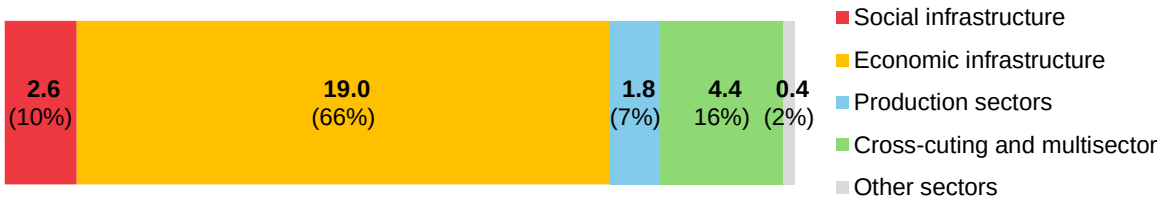


Equities were primarily used for engaging with the private sector. Almost a half of financing channelled through private sector institutions (for profit) took the form of equity investments, while 28% were investment-oriented loans, bonds and other debt instruments. Nearly a quarter (24%) of ODA-related CFM was provided in the form of standard grants, including service payments and early technology subsidies.

Sectoral distribution

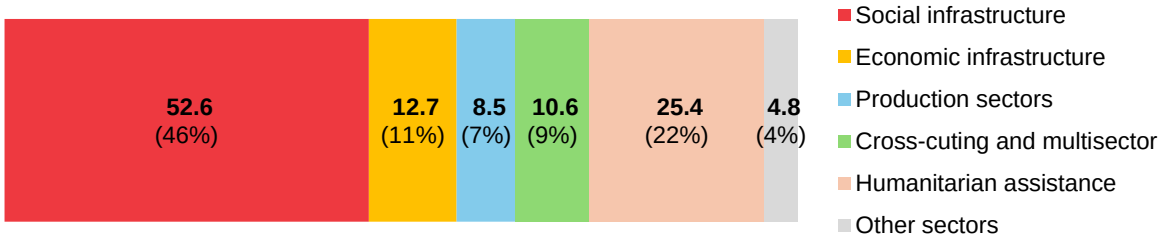
Bilateral ODA-related CFM in 2022-23 was highly concentrated in economic infrastructure and services, accounting for two-thirds of ODA-related CFM in 2022-23 (see **Figure 5**). Transport and storage alone accounted for 37%, followed by energy (25%) and banking, financial and business services (5%). Bilateral ODA-related CFM to social infrastructure totalled USD 2.6 billion. Financing for cross-cutting or multisectoral activities, such as general environmental protection and urban development totalled USD 4.4billion (16%).

Figure 5. Sectoral distribution of bilateral ODA-related CFM, 2022-23 average, USD billion



For reference, in 2022-23, approximately two-thirds of bilateral allocable ODA beyond ODA-related CFM (further called other bilateral allocable ODA)[5] was used for social sectors and humanitarian assistance (see **Figure 6**). Support to the government and civil society alone accounted for 17%, followed by health and population sector (12%). In contrast, financing to economic infrastructure was smaller than in the case of ODA-related CFM, both in absolute and relative terms.

Figure 6. Sectoral distribution of other bilateral allocable ODA, 2022-23 average, USD billion



It is noted that the impact of increased aid to Ukraine is mostly to find in ODA beyond climate finance for social sectors, most notably support to the government and civil society, and humanitarian assistance.

[5] ODA-related CFM and other bilateral allocable ODA are mutually exclusive. Their sum gives total allocable ODA.

Box 1. Concessional climate finance for mitigation by multilateral organisations (core resources) in 2022

This box presents a brief comparison between ODA-related CFM and concessional climate finance for mitigation sourced from core budgets of multilateral organisations. Although the definitions of concessionality differ between the ODA and multilateral outflows, they can be considered good proxies in the absence of unified concessionality criteria (see Annex B for more details).

Overall, multilateral organisations allocated less of their concessional resources to climate change mitigation than donors, both in absolute and relative terms. Further, compared to ODA-related CFM, in relative terms, concessional multilateral climate finance for mitigation was distributed across a broader range of recipient countries and socioeconomic sectors, and more through grants:

- In 2022, concessional multilateral climate finance for mitigation amounted to USD 11.4 billion, representing 11% of total concessional commitments by multilateral organisations.[6] Over a half of this financing came from the International Development Association (IDA) of the World Bank Group (53%), followed by the European Union (EU) Institutions (28%) and Green Climate Fund (8%).
- Grants represented 53% of concessional multilateral climate finance for mitigation while 45% was provided in the form of debt instruments. The remaining 2% refers to equities.
- Alike ODA-related CFM, economic sectors were targeted the largest portion of concessional multilateral climate finance for mitigation (42%), most notably energy and transport and storage. Nearly a quarter of these resources was allocated to social sectors and 16% to agriculture, forestry, fishing and other production sectors.
- Contrary to ODA-related CFM, over a half of concessional multilateral climate finance for mitigation was allocated to Africa. Eight of 10 main recipients were countries in Sub-Saharan Africa, while Asian countries were allocated 14% of this multilateral climate finance.
- 38% of concessional multilateral climate finance for mitigation was allocated to LICs, 56% to LDCs, 27% to LLDCs and 5% to SIDS. Similarly, countries assessed with above-average vulnerability scores (more vulnerable), were allocated 48% of concessional multilateral climate finance for mitigation. All these percentages are significantly higher than in the case of ODA-eligible flows.

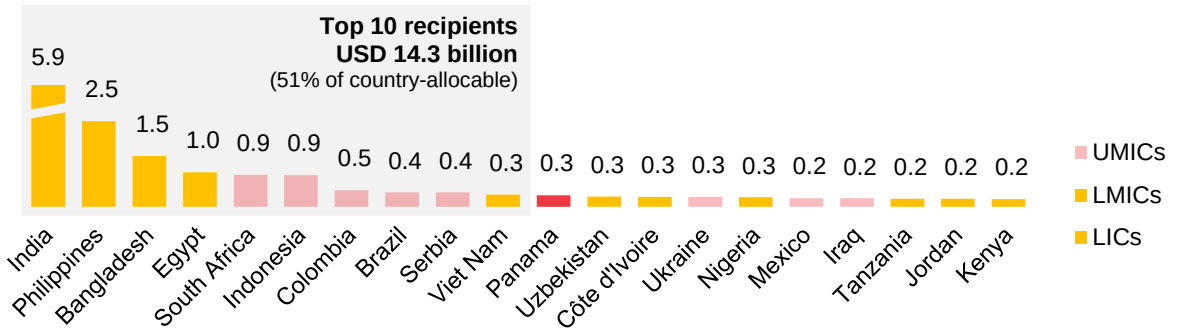
Overall, compared to ODA-related CFM, multilateral organisations allocated greater shares of their concessional climate finance for mitigation to countries that need it the most, production and social sectors. Still, these trends are largely influenced by policies of IDA and EU Institutions, given the prominent role both providers play in concessional multilateral finance for climate change mitigation.

Geographic and income allocation

Bilateral ODA-related CFM in 2022-23 was focused on a handful of middle-income countries in Asia. India was by far the main recipient, alone accounting for 21% of the two-year total. All top 10 recipients combined represented a half of bilateral ODA-related CFM, noting that merely one of these countries was in Sub-Saharan Africa (see **Figure 7**).

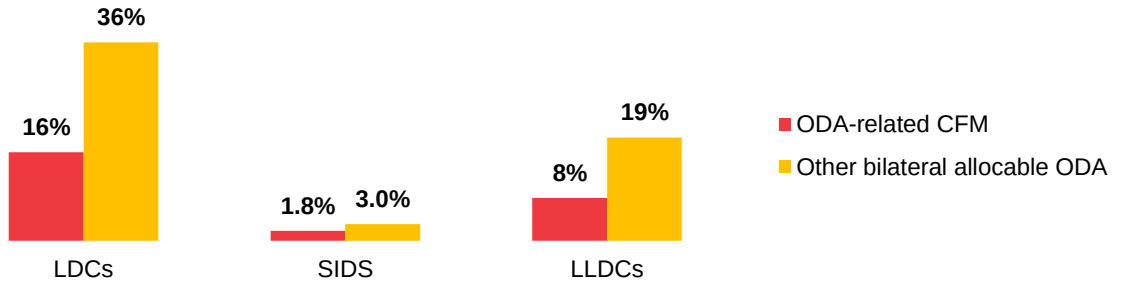
[6] This analysis is based on concessional commitments by multilateral organisations in 2022. Data on climate finance by multilateral organisations in 2023 were not available when drafting this paper.

Figure 7. Top recipients of bilateral ODA-related CFM, 2022-23 average, USD billion



Overall, recipients in the Sub-Saharan African were allocated USD 4.3 billion per year, thus less than India alone. Asia was the main recipient region, accounting for almost a half of total ODA-related CFM in 2022-23. While Ukraine was the main ODA recipient in both 2022 and 2023, it was the fourteenth recipient of bilateral ODA-related CFM.

Figure 8. Share of LDCs, SIDS and LLDCs in bilateral ODA-related CFM and other bilateral allocable ODA in 2022-23, country-allocable



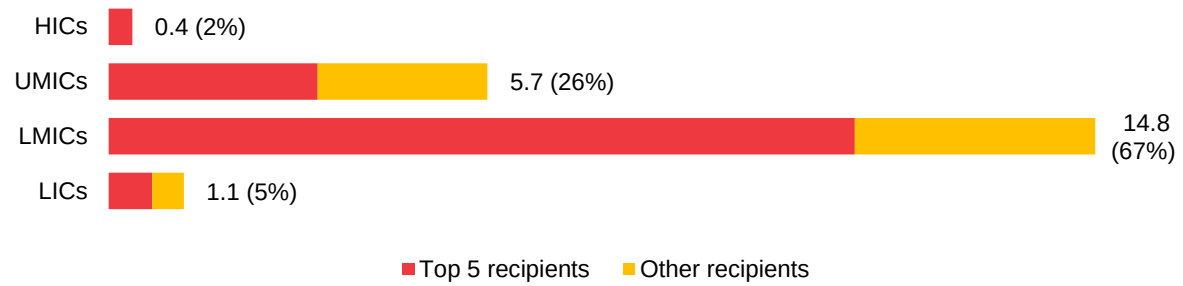
Note: Financing allocated to regions is excluded from the calculation of shares.

Furthermore, only 16% of bilateral ODA-related CFM allocated to concrete recipient countries was provided to Least Developed Countries (LDCs) and 8% to Landlocked Developing Countries (LLDCs) in 2022-23 per year. Bilateral ODA-related CFM to Small Island Developing States (SIDS) amounted to USD 0.4 billion (1.8%).[7] All these values are in striking contrast with the remaining parts of ODA. In comparison with other bilateral allocable ODA, the respective shares for LDCs and LLDCs are more than double for ODA-related CFM (see **Figure 8**).

Low-income countries (LICs) were allocated only a small portion of ODA-related CFM in 2022-23. Financing to lower middle-income countries (LMICs) totalled USD 14.8 billion per year, representing two-thirds of ODA-related CFM allocated to concrete countries (see **Figure 9**). Low-income countries were merely allocated USD 1.1 billion (5%). Within each of the income groups, top five recipients were allocated more than a half of the group total. Aside from the HICs, this was the most significant in the LMIC group (76%). Indeed, as shown in **Figure 7**, four of the first five recipients of bilateral ODA-related CFM were LMICs.

[7] Since these country groupings are not mutually exclusive, the presented figures should not be added up.

Figure 9. Income group allocation of bilateral ODA-related CFM, 2022-23 average, country-allocable, USD billion



Note: HICs stand for high-income countries, UMICs for upper middle-income countries, LMICs for lower middle-income countries and LICs for low-income countries. Montserrat, Niue, Tokelau, Saint Helena, Wallis and Futuna are not included on the World Bank list of Country and Lending Groups and are not included in this analysis. Financing allocated to regions is excluded from the calculation of shares.

For comparison, the share of LICs in other bilateral allocable ODA was 25%, so much higher than in the case of ODA-related CFM, whereas that of LMICs much lower (36%). UMICs received the largest portion of other bilateral allocable ODA (38%) over 2022-23, noting that this trend is largely affected by aid to Ukraine, the foremost UMIC recipient. Had Ukraine not been included in this analysis, the share of LICs would have been higher while those of LMICs, UMICs and HICs lower (see **Table 1**).

Table 1. Bilateral allocable ODA by income group, 2022-23 average

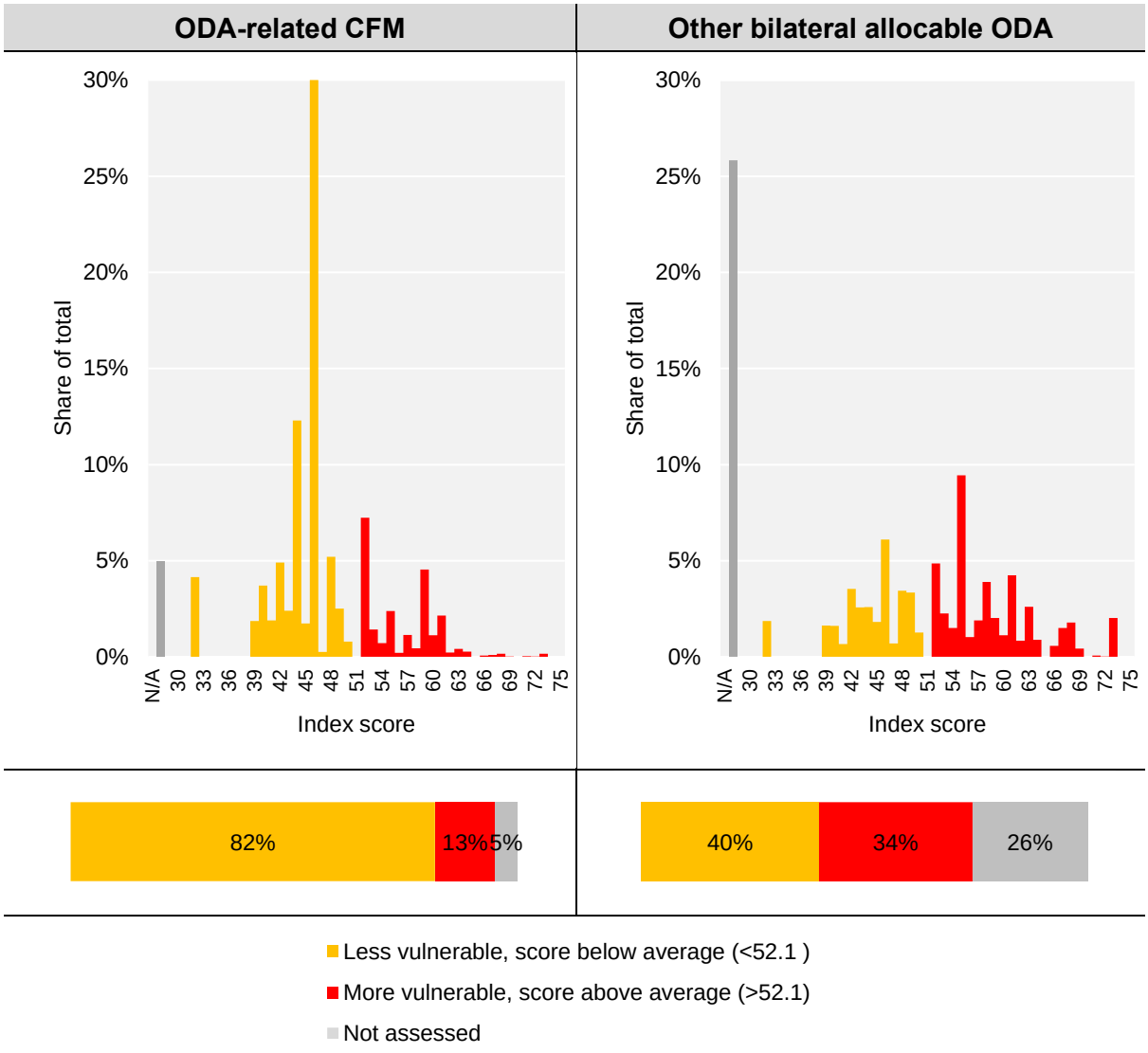
	All recipients			Ukraine excluded		
	ODA-related CFM		Other bilateral allocable ODA	ODA-related CFM		Other bilateral allocable ODA
LICs	**5%**	>>	25%	5%	>>	33%
LMICs	**67%**	<<	36%	68%	<<	47%
UMICs	**26%**	>	38%	26%	<	20%
HICs	**2%**	<	0%	2%	<	0%

As regards vulnerability, ODA-related CFM is predominantly concentrated in countries with lower levels of vulnerability (see **Figure 10**). Using the UN Multidimensional Vulnerability Index (MVI), 82% of country-allocable ODA-related CFM was provided to relatively less vulnerable recipients (i.e., countries with a below-average score) and only 13% to more vulnerable recipients.[8] In contrast, other bilateral allocable ODA was more focused on more vulnerable recipients (34%). Moreover, ten most vulnerable countries were allocated mere 1% of ODA-related CFM while it was 6% in the case of other bilateral allocable ODA.

However, 26% of the other bilateral allocable ODA was allocated to countries that were not assessed on MVI, most notably Ukraine and some other middle-income countries in Europe. Had these recipients been assessed (with any outcomes), the messaging behind the aforementioned tendencies would not have been profoundly different.

[8] The median of all assigned MVI scores is 52.1.

Figure 10. Distribution of bilateral allocable ODA by vulnerability (MVI), 2022-23, USD billion



Note: The following ODA recipients are not assessed under the MVI: Albania, Belarus, Bosnia and Herzegovina, Kosovo, Moldova, Montenegro, Montserrat, Niue, North Macedonia, Saint Helena, Serbia, Tokelau, ***Ukraine***, Wallis and Futuna, and West Bank and Gaza Strip. Furthermore, financing allocated to regions is excluded from the calculation of shares.

Conclusion

This paper analyses the key characteristics of ODA allocated to climate change mitigation. It first estimates the volume of climate finance for this objective that is drawn from ODA to then examine its qualitative aspects and geographic distribution. The analysis is based on commitments for ODA-eligible activities in 2022-23, reported by 31 DAC member countries.

The statistical analysis reveals that ODA-sourced climate finance for mitigation averaged USD 28.1 billion per year in 2022–23, representing 20% of total ODA-eligible commitments that can be allocated to individual countries or sectors. This subset of ODA was primarily:

- Provided by a small group of donors, most notably Japan (37%), Germany (23%), and France (15%);
- Extended to recipient country governments (62%), with smaller shares channelled through multilateral organisations and the private sector;
- Delivered predominantly in the form of debt (70%);
- Allocated to economic infrastructure (66%), particularly transport and energy;
- Focused on populous non-LDC middle-income countries, which tend to have below-average vulnerability levels, particularly India, the Philippines, Bangladesh, Egypt, South Africa, and Indonesia.

These characteristics contrast sharply with other (non-CFM) bilateral allocable ODA, where:

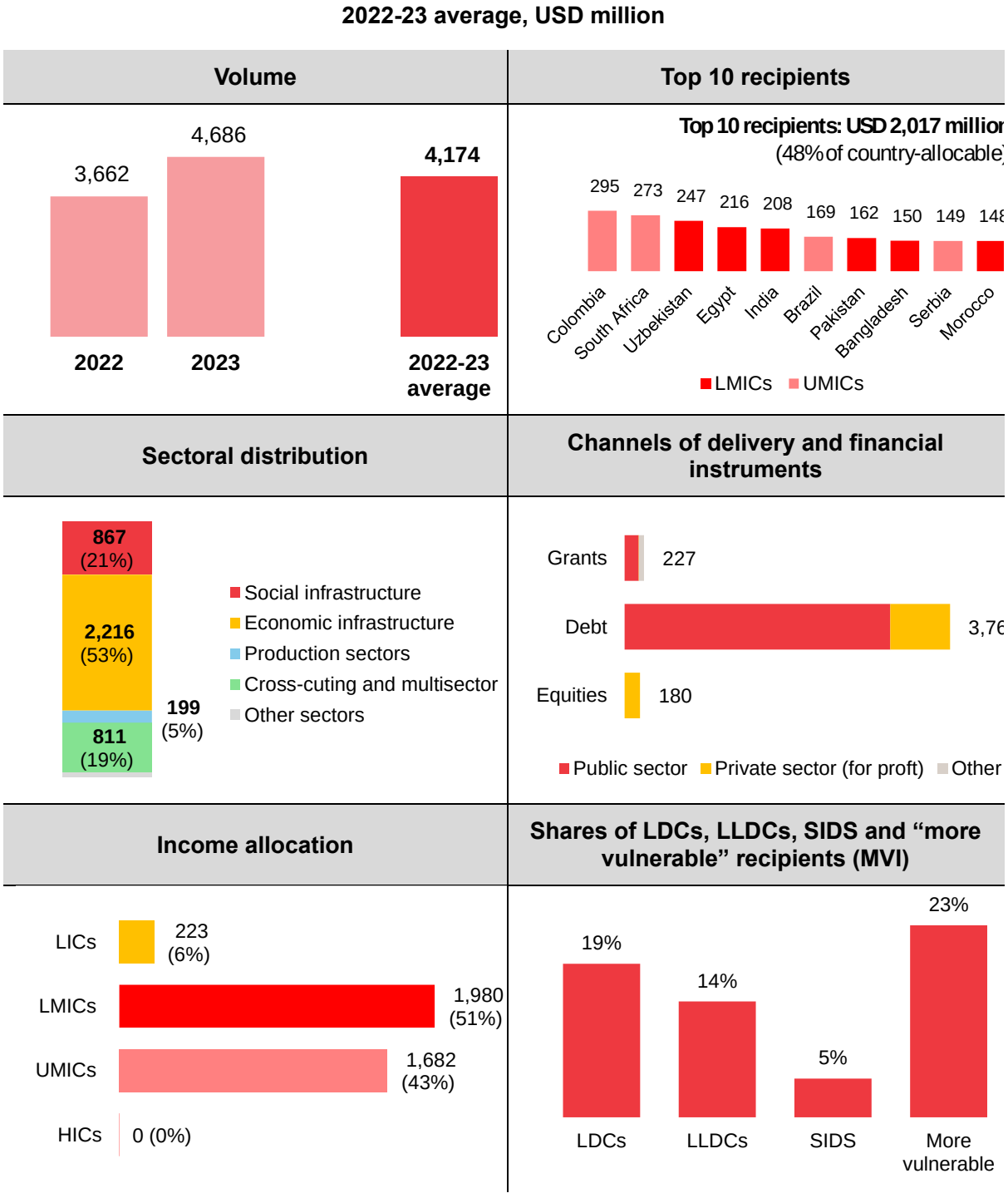
- The United States plays a much larger role,
- Funding is primarily provided in the form of grants for social sectors and humanitarian assistance,
- Significant portions are spent for countries that need it the most: 36% for LDCs, 25% for LICs, and 34% for more vulnerable countries (noting all three categories overlap).

Similarly, multilateral concessional outflows for mitigation, a multilateral proxy of bilateral ODA-related CFM, seem more targeted to countries that need it the most, with a greater share of grant financing and production sectors (see **Box 1**).

Notwithstanding the positive impacts of ODA-related CFM to developing countries, its characteristics highlight the distorting effects of mitigation finance to donor allocations, should ODA be seen as a principal and highly catalytic resource for eradicating extreme poverty, humanitarian relief and similar causes. In the case of France's ODA-related CFM, these effects are even more pronounced. In any case, more evidence is needed to understand the interactions between development and climate finance. TOSSD could serve as a platform for related discussions across traditional or emerging providers of aid or South-South co-operation, both bilateral and multilateral.

The analysis also corroborated the limited additionality of bilateral climate finance vis-à-vis ODA. Therefore, assuming unchanged ODA levels, one could argue that leaving climate change mitigation out of ODA could free up approximately USD 30 billion of concessional resources for countries and sectors with the most pressing needs. This reallocation, which implies independent sources of financing for the mitigation of climate change, could also help address accountability concerns arising from the distortionary effects of climate change mitigation on overall ODA allocations, thereby strengthening the credibility of ODA.

Annex A: ODA-related CFM by France



Note: The analysis of income allocation as well as the shares of LDCs, LLDCs, SIDS and "more vulnerable countries is based on country-allocable activities only. Regionally allocated activities are not considered here.

Annex B: Methodological considerations

Source

This analysis is based on data published by OECD through the Creditor Reporting System (CRS). The dataset was obtained on 15 February 2025. The analysis also benefits from various descriptive classifications and country groupings developed by the United Nations or the World Bank.

Measurement basis

This analysis is based on commitments (and not disbursements or grant equivalents) since information on climate change mitigation is the most complete for commitments.

Key concepts

ODA-related climate finance for mitigation (CFM)

For the purpose of this analysis, ODA-related CFM refers to bilateral allocable commitments for ODA-eligible flows that target climate change mitigation:

- **ODA-eligible flows** include ODA flows and ODA-eligible private sector instruments (PSI). ODA flows include grants and sovereign loans conveying grant elements of 45% for LDCs and LICs, 15% for LMICs, 10% for UMICs, using rates of discount at 9%, 7% and 6% respectively. For loans to the MDBs, the threshold is at 10%, using discount rate of 5%. ODA-eligible private sector instruments (PSI) flows include loans to the private sector, equities, mezzanine finance instruments and reimbursable grants that are additional and extended by vehicles assessed as ODA-eligible.[9]
- **Bilateral** include all activities except core contributions to multilateral organisations assessed as ODA-eligible fully or partially, including capital subscriptions, replenishments as well as assessed and voluntary core contributions.
- **Country- and sector-allocable flows** include bilateral activities with the following development co-operation modalities: sector budget support[10], core support to NGOs and other bilateral channels, contributions to programmes and funds managed by international organisations, basket funds/pooled funding, projects, technical assistance and scholarships, see **Figure A.2**).
- Activities that target **climate change mitigation** are identified as those with principal or significant objective, using the DAC Rio Marker for climate change mitigation.

Further, individual commitment values are adjusted, applying coefficients that take into account the intensity of the mitigation objective within each activity. Activities bearing climate change mitigation as the principal objective are mostly applied a coefficient 100%, whereas those with mitigation as the significant objective are applied fixed coefficients ranging from 30% to 100%, depending on the donor. The coefficient values are communicated through a regular OECD-DAC survey[11] and summarised, where available, in **Figure A.4** of this Annex.

[9] See paragraph 58-59 of the DAC Reporting Directives, https://one.oecd.org/document/DCD/DAC(2024)40/FINAL/en/pdf and its third Addendum, https://one.oecd.org/document/DCD/DAC(2024)40/ADD3/FINAL/en/pdf.

[10] General budget support is excluded from this concept as, by definition, it cannot be allocated for climate-related objectives (contrary to sector budget support).

[11] See Results of the survey on the coefficients applied to Climate Change Rio marker data when reporting to the UNFCCC https://one.oecd.org/document/DCD/DAC/STAT(2024)28/REV1/en/pdf.

This analysis calculates ODA-related CFM for Korea although it belongs to non-Annex I Parties to UNFCCC that mostly include recipients of climate finance.

Figure A.1. Calculation of ODA-related climate finance, 2022-23 average, USD billion

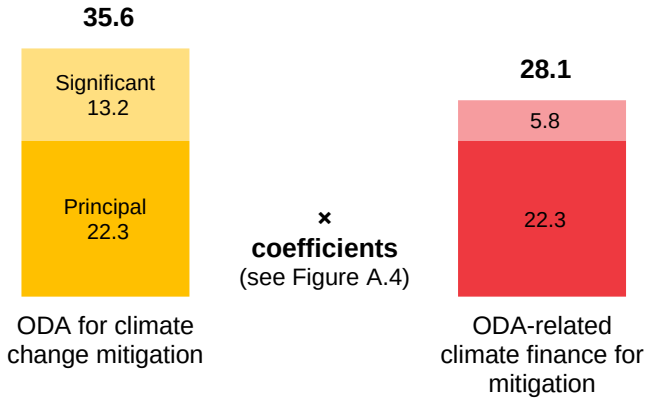


Figure A.2. Co-operation modalities of ODA-related CFM

Modality code	Modality name	ODA flows	ODA-eligible PSI flows	Other PSI flows	Other official flows
A01	General budget support	NO	NO	NO	NO
A02	Sector budget support	YES	YES	NO	NO
B01	Core support to NGOs, other private bodies, PPPs and research institutes	YES	YES	NO	NO
B02	Core contributions to multilateral institutions and global funds	NO	NO	NO	NO
B03	Contributions to specific-purpose programmes and funds managed by international organisations	YES	YES	NO	NO
B04	Basket funds/pooled funding	YES	YES	NO	NO
C01	Project-type interventions	YES	YES	NO	NO
D01	Donor experts	YES	YES	NO	NO
D02	Other technical assistance	YES	YES	NO	NO
E01	Scholarships/training in donor country	YES	YES	NO	NO
E02	Imputed students costs	NO	NO	NO	NO
F01	Debt relief	NO	NO	NO	NO
G01	Administrative costs	NO	NO	NO	NO
H01	Development awareness	NO	NO	NO	NO
H02-H06	Costs related to refugees and asylum seekers in donor countries	NO	NO	NO	NO

Figure A.3. Simplified table of coefficients to calculate climate finance

Provider	Reporting to UNFCCC by donors[12]		In this analysis:	
	Principal	Significant	Principal	Significant
Australia	Case by case	Case by case	**100%**	**40%**
Austria	100%	50%	100%	50%
Belgium	Case by case	Case by case	**100%**	**40%**
Canada	100%	30%	100%	30%
Czechia	100%	100%	100%	100%
Denmark	100%	50%	100%	50%
Estonia	Other	Other	100%	**40%**
Finland	Case by case	Case by case	**100%**	**40%**
France	Case by case	Case by case	**100%**	**40%**
Germany	100%	50%	100%	50%
Greece	100%	40%	100%	40%
Hungary	Other	Other	**100%**	**40%**
Iceland	100%	100%	100%	100%
Ireland	100%	40%	100%	40%
Italy	100%	40%	100%	40%
Japan	100%	50%	100%	50%
Korea	N/A	N/A	**100%**	**40%**
Lithuania	Other	Other	**100%**	**40%**
Luxembourg	N/A	N/A	**100%**	**40%**
Netherlands	100%	40%	100%	40%
New Zealand	100%	30% or 50%	100%	**30%**
Norway	100%	40%	100%	40%
Poland	100%	100%	100%	100%
Portugal	100%	40%	100%	40%
Slovak Republic	Case by case	Case by case	**100%**	**40%**
Slovenia	100%	100%	100%	100%
Spain	100%	50%	100%	50%
Sweden	100%	40%	100%	40%
Switzerland	85%	85% or 50%	85%	**50%**
United Kingdom	Case by case	Case by case	**100%**	**40%**
United States	Other	Other	**100%**	**40%**

Where donors calculate their climate finance on a case-by-case basis or otherwise, not using fixed coefficients, this analysis assumes 100% coefficients for activities reported with a principal objective, and 40% with significant objective. The latter value is consistent with the practice of the largest donors that employ fixed coefficients - the mean of fixed coefficients used by Canada, Germany, Italy and Japan is 42.5% and median is 45%.

Other bilateral allocable ODA

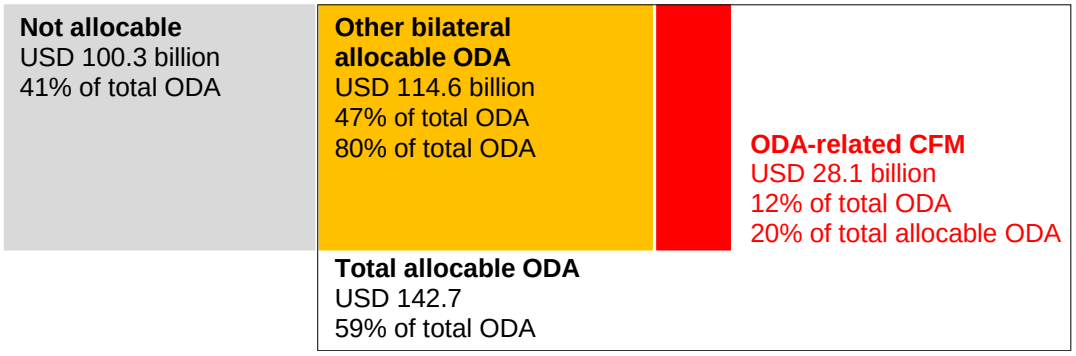
Other bilateral allocable ODA is used to compare ODA-related CFM with the remaining part of ODA. This subset of ODA includes all co-operation modalities like ODA-related CFM (see **Figure A.2**) plus general budget support.

[12] See Results of the survey on the coefficients applied to Climate Change Rio marker data when reporting to the UNFCCC, https://one.oecd.org/document/DCD/DAC/STAT(2024)28/REV1/en/pdf.

Total allocable ODA

The sum of ODA-related CFM and other bilateral allocable ODA gives total allocable ODA (see **Figure A.2**).

Figure A.4. Key concepts



Concessional climate finance for mitigation by multilateral organisations (core resources)

For comparison, **Box 1** presents a brief analysis of concessional outflows from core budgets of multilateral organisations in support of climate change mitigation. This section explains how such activities are identified in the CRS dataset, and how multilateral climate finance for mitigation is calculated for the purpose of this analysis. Furthermore:

Concesional. Multilateral institutions indicate in their data reporting whether an activity is concessional or not, with the following logic:

- Grants are considered concessional by default;
- For loans, organisations are invited to use the IMF definition of concessionality, i.e., using a rate of discount of 5% and concessionality threshold of 35%;
- The concessionality status of equity instruments is determined by individual institutions, using their own rules and definitions.

Climate finance for mitigation. Data on support to climate change mitigation by multilateral organisations are reported to the OECD DAC using two distinct methods:

- Common Principles for Climate Mitigation Finance Tracking[13], mostly used by the MDBs. Each activity is reporting in combination with a percentage indicating the amount specific to climate change mitigation (i.e., climate finance), ranging from 0% to 100% of the commitment amount. For example, a commitment for a loan of USD 10 million reported with a climate change mitigation share of 75% gives climate finance for mitigation of USD 7.5 million. This method is comparable with that used by donors in their reporting on climate finance to UNFCCC.
- DAC Rio markers (see above). To estimate climate finance, the analysis applies the coefficient of 100% to activities reported as targeting climate change mitigation as a principal objective and 40% as a significant objective. This approach is consistent with the method applied in the context of bilateral climate finance (see **Figure A.4**), including in the

[13] World Bank (2023), Common Principles for Climate Mitigation Finance Tracking, Version 4, https://documents1.worldbank.org/curated/en/514141645722484314/pdf/Common-Principles-for-Climate-MitigationFinance-Tracking.pdf.

reporting on climate finance to UNFCCC by a majority of donors. An overview of the use of these methods by multilateral provider can be found in **Figure A.5**.

Core resources refer funds that are pooled so that they lose their identity and become an integral part of the multilateral institutions' financial assets. These mostly include ordinary capital of the MDBs and budgets supported by assessed contributions, core voluntary contributions, capital replenishments and capital subscriptions. Core resources do not include specific-purpose trust funds and programmes, and projects implemented by multilateral organisations.

Figure A.5. Methodology for calculating concessional climate finance for mitigation by multilateral organisations (core resources)

Provider	Methodology for reporting on climate	If Rio markers, coefficients used in this analysis:	
		Principal	Significant
African Development Fund	MDB Common Principles		
Asian Development Bank	MDB Common Principles		
Caribbean Development Bank	MDB Common Principles		
Central American Bank for Economic Integration	MDB Common Principles		
Consultative Group for International Agricultural Research	Rio markers	100%	40%
Climate Investment Funds	MDB Common Principles		
Development Bank of Latin America	MDB Common Principles		
EU Institutions (excl. EIB)[14]	Rio markers	100%	40%
Food and Agriculture Organisation	Rio markers	100%	40%
Global Environment Facility	Rio markers	100%	40%
Green Climate Fund	MDB Common Principles		
Inter-American Development Bank	MDB Common Principles		
International Development Association	MDB Common Principles		
International Fund for Agricultural Development	MDB Common Principles		
Islamic Development Bank	MDB Common Principles		
Nordic Development Fund	MDB Common Principles		

Note: Multilateral organisations that are not included in this table either did not report data on climate change mitigation or did not make commitments on concessional activities.

[14] See Results of the survey on the coefficients applied to Climate Change Rio marker data when reporting to the UNFCCC, https://one.oecd.org/document/DCD/DAC/STAT(2024)28/REV1/en/pdf. Concessionality of EIB loans is currently not assessed on a commitment basis.

.../... Donors may object that their support for mitigation also contributes to development. A solar energy project in a developing country can also contribute to economic development and welfare of that country. However the geographical and sectoral allocation of ODA-related climate finance for mitigation is very different from the rest of ODA. For example, while a majority of ODA-related climate finance for mitigation is targeted to infrastructure projects in middle-income countries, only small shares of these resources are allocated to low income countries, the most vulnerable countries and social sectors. One could therefore wonder how these allocation decisions relate to donors' commitment to poverty eradication, humanitarian assistance and other core values underpinning ODA.

Should climate change mitigation not count as ODA and with the hypothesis of a constant donor effort, donor countries could reallocate approximately USD 30 billion to countries with lower income and greater vulnerabilities, such as LDCs. Mitigation projects could then be funded through alternative sources, such as national climate budgets, export and other trade finance or the private sector, without exhausting aid budgets on global public goods. Redirecting ODA for climate change mitigation to social sectors, urgent humanitarian needs and building resilience to the impacts of climate change could enhance its effectiveness and credibility, as well as equity of international aid. Total Official Support for Sustainable Development (TOSSD) framework could facilitate discussions integrating development and climate finance to uphold transparency and improve global standards beyond ODA.

"Sur quoi la fondera-t-il l'économie du monde qu'il veut gouverner? Sera-ce sur le caprice de chaque particulier? Quelle confusion! Sera-ce sur la justice? Il l'ignore."

Pascal

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