



## Climate Financing by Norway

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## **2010 reporting<sup>1</sup>**

### **1. Provision of ‘new and additional’ financial resources**

There is no internationally agreed definition of what constitutes “new and additional” resources under Article 4.3 of the Convention. Norwegian official development assistance (ODA) has been increasing steadily over the period under review and is now at approximately 1 per cent of gross national income (GNI). Funding for climate change actions has been increased considerably over the last few years; by any definition these can therefore be classified as “new and additional”.

#### **GEF Trust Fund**

The Norwegian government’s contribution to the Global Environment Facility for the period 2004-2008 was approximately NOK 57 million per year. Norway reported 77 per cent of the contributions to the GEF Trust Fund as ODA. Total commitment to GEF IV is approximately NOK 57 million per year. Approximately one third of total GEF Trust Fund funding is for the climate change focal area.

#### **Funds under the UNFCCC**

From the start in 2005 and as per November 2009, total Norwegian contributions to the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) under the UNFCCC were NOK 53 million and NOK 121 million, respectively.

#### **Adaptation Fund**

Norway contributed NOK 1 million to the costs associated with starting up this fund.

#### **UNFCCC Secretariat**

Norway has contributed substantial voluntary funds to the Secretariat for activities not covered by the core budget and for developing country participation in the process. Over the last few years, Norway has been the biggest contributor in absolute figures. Actual contributions were as follows:

2005: NOK 7.1 million

2006: NOK 17.35 million

2007: NOK 17.0 million

2008: NOK 52.0 million

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<sup>1</sup> Norway (2009). Norway’s Fifth National Communication under the Framework Convention on Climate Change, Status report as of December 2009, Norwegian Ministry of Environment, 112 pp.

2009: NOK 20.0 million

#### **Prototype Carbon Fund (PCF, World Bank)**

Norway was among the early movers in carbon finance and joined the PCF in 2000, with a commitment to pay in USD 10 million over the life-time of the fund (non ODA). As per November 2009, approximately one half of the capital has been called up. The PCF finances projects that reduce greenhouse gas emissions in developing countries for the purposes of the Kyoto Protocol.

#### **Carbon Partnership Facility (CPF, World Bank)**

As a contribution to incentivise both private and public sector engagement in clean energy and clean technology investment in developing countries, Norway supported the establishment of the World Bank's new carbon fund for the post-2012 period, Carbon Partnership Facility. The partnership consists of future private and public buyers and sellers of carbon credits in developing countries. Norway supported the capacity building part of the CPF to the tune of EUR 18 million in 2008 (ODA), and is considering entering the buying part with EUR 35 million (non-ODA).

#### **Climate Investment Funds (CIF, World Bank)**

Norway was active in the design and consultation process leading up to the establishment in 2008 of the umbrella framework for climate funds, the Climate Investment Funds (CIF) in the World Bank. The CIF is governed through a new and innovative structure, by which the Board consists of equal representation from recipients and contributors, and observers from, amongst others the UN, NGOs and the private sector. Norway has so far joined the Pilot Program for Climate Resilience (PPCR) (NOK 45 million in 2009), the Forest Investment Program (Norway has pledged USD 150 million for 2010 - 2012) and the SREP (Scaling up Renewable Energy in Low Income Countries (NOK 150 million over 3 years, including NOK 50 million to Energy for the Poor).

#### **Forest Carbon Partnership Facility (World Bank)**

The Forest Carbon Partnership Facility (FCPF) is designed to assist developing countries to develop and carry out REDD programs. It consists of two funds: Readiness Fund and Carbon Fund. In 2009, Norway contributed NOK 169 million to the FCPF. For 2010, USD 10 million for the Readiness Fund and USD 10 million for the Carbon Fund are expected to be contributed.

#### **Multi donor fund for sustainable development and environment (World Bank)**

Theme 2009: Adaptation to climate change. Contribution NOK 80 million.

Theme 2010: Climate change impacts and responses and food insecurity, financial shocks and vulnerability. Contribution NOK 30 million.

#### **Clean Energy Financing Partnership Facility (Asian Development Bank)**

Clean energy and energy efficiency investment in projects in poor member countries. Norwegian contribution 2007 – 2009: NOK 30 million.

### **Renewable Energy and Energy Efficiency Partnership (REEEP)**

Norway has supported the Renewable Energy and Energy Efficiency Partnership (REEEP) from 2006 to 2009 with NOK 30 million. This contribution made Norway the second biggest donor for this three year period. Norway intends to support REEEP for a new three year period – from 2010 to 2012. The support is planned to remain at the same level, NOK 30 million. Norway also intends to earmark extra support to strengthen REEEP's regional secretariat in Johannesburg with one person, which would imply an additional EUR 175 000 of our support to REEEP. Norway's support will be subject to political approval.

REEEP's objectives largely coincide with the aims of the Norwegian Action Plan for Environment in Development Cooperation. The plan, which is operational until 2015, sets out ambitious goals for reducing poverty and promoting sustainable ecological, economic and social development.

### **The Global Energy Efficiency and Renewable Energy Fund (GEEREF)**

Norway has contributed to the establishment of GEEREF together with the European Commission and Germany. Norway will support GEEREF with NOK 80 million during a four year period (2008-2011).

GEEREF represents a promising innovative mechanism for raising risk capital in developing countries and economies in transition. GEEREF will accelerate the transfer, development and deployment of environmentally sound technologies and thereby help to bring secure energy supplies to people in poorer regions in the world. The private sector has a vital role to play in efforts to address climate change and ensure access to clean energy. The transition to a low-emission world will not be possible without the involvement of the private sector. Norway sees the GEEREF as a promising model for this.

### **Carbon Capture and Storage Capacity Building Trust Fund (World Bank)**

Norway will support carbon capture and storage capacity building activities through a CCS Capacity building Trust Fund in the World Bank with about NOK 35 million (approx. USD 6 million). The Kyoto Protocol encourages carbon capture and storage (CCS) projects. CCS is one of many mitigation technologies needed to cut global emissions of greenhouse gases. Both developed and developing countries must take part in the development and deployment of CCS. Developing countries cannot bear the costs of importing CCS technology. The World Bank has an important role to play in carbon capture and storage capacity building.

The Trust fund will run to 2013 and support strengthening of capacity and knowledge sharing, create opportunities for Member Countries to explore CCS potential, access carbon markets and realize benefits of domestic CCS technology development. Furthermore, it will facilitate inclusion of CCS options into low-carbon growth strategies and policies developed by national institutions and supported by WBG interventions.

## **NEFCO**

In the period 2004 – 2008, Norway contributed NOK 3.2 million per annum to the Nordic Environment Finance Corporation, which is a risk capital institution financing environmentally beneficial projects in Central and Eastern Europe. Its purpose is to facilitate the implementation of such projects, including climate change related projects.

## **Global Gas Flaring Reduction Partnership**

Global Gas Flaring Reduction Partnership is a partnership between oil companies, producing countries' authorities and donors, who cooperate in order to reduce gas flaring in connection with oil drilling. Norwegian contribution was USD 400,000 for 2004 – 2006, and for 2007 – 2009. A binding pledge of USD 390,000 has been given for 2010 – 2012.

## **Activities Implemented Jointly (AIJ)**

All projects financed by Norway under this heading have been successfully completed.

## **OECD**

Support has been provided to the OECD Annex I Expert group, including for seminars with non-Annex I countries.

## **IPCC**

Norway has consistently supported the work of the IPCC and developing country participation therein. For 2009, NOK 3 million were transferred for this purpose.

## **Other**

Norway has also supported international initiatives seeking to present models for the post-2012 climate change regime. This includes contributions to WWF International, Centre for Clean Air Policy (CCAP), International Institute for Sustainable Development (IIED), World Resources Institute (WRI) and support for the CRI Common Fund.

## **2. Assistance to developing country Parties that are particularly vulnerable to climate change**

There is no internationally agreed definition of which developing country parties are “particularly vulnerable”, nor is there any likelihood that such a definition will be agreed in the foreseeable future. In Article 4.8 of the Convention, few if any developing countries will fall outside the groups listed. Hence, the definition of which countries are most vulnerable is up to each country. In practice, this is not a major problem.

## **Adaptation**

Development aid and climate change adaptation are interlinked in complicated manners. We have no clear criteria for when a specific development aid project should be accounted also as an adaptation project, although much effort is being put into work on this. Hence, it is difficult to provide a comprehensive overview on assistance for climate change adaptation. Statistically, there are still some gaps that make it difficult to provide correct data for support to adaptation.

Sustainable development that takes the environment, poverty reduction and economic development into account is also the best way to adapt to a changing climate. Hence, adaptation efforts should to the greatest extent possible be integrated into the development process.

Norway's support for adaptation activities of developing countries is mainly channeled through the general contributions to multilateral development institutions, including through the UNDP and international financing institutions. Contributions to the two Convention adaptation funds have been among the highest on a per capita basis.

A few examples of measures and programs that Norway supports and which are relevant to adaptation:

World Bank:

- Pilot Program for Climate Resilience: NOK 45 million/2009.
- Global Fund for Disaster Risk Reduction: NOK 12,5 million/2009.
- Trust Fund for Economic and Social Sustainable Development: NOK 45 million/2009. Increasing emphasis on adaptation.

Africa:

- African Development Bank: New fund for climate adjusted development in Africa (Clim-Dev-Africa): NOK 30 million/planned for 2010.
- African Climate Policy Centre: NOK 8 million/planned for 2010.
- Increased support for conservation agriculture in Eastern Africa (COMESA): Up to NOK 165 million/planned for 2010.

Consultative Group on International Agricultural Research (CGIAR):

- NOK 88 million/2009.

Global Crop Diversity Trust:

- NOK 100 million/2009.

Natural disasters: Total support 2009: NOK 335 million. Disaster risk reduction: NOK 100 million/planned 2010.

The Norwegian proposal in the climate negotiations for international auctioning of AAUs is mainly intended for creating revenue for adaptation purposes in developing countries. Depending on the percentage of AAUs auctioned, and other assumptions, we have estimated this could bring in USD 20-30 billion/year (corresponding to auctioning 2 per cent of the total AAUs).

Norway plans to use NOK 7 billion for purchasing UN certified emission quotas from CDM for the Kyoto period 2008-2012. With 2 per cent of the value of the CERs going to the KP Adaptation Fund, this would mean that a total of NOK 140 million could end up in this fund.

Norway has introduced a program for “climate proofing” of all bilateral development assistance. Through examination of development activities by Norwegian embassies, the aim is to make sure that all assistance takes account of climate change. These examinations are carried out on the basis of OECD’s recent guidelines for integration of climate change adaptation into development assistance.

### **3. Provision of financial resources, including financial resources under Article 11 of the Kyoto Protocol**

On the bilateral side, environment and climate change have high priority in our cooperation with large developing countries like China and India.

China: A Memorandum of Understanding (MOU) on environment cooperation has been signed, and in 2008 a framework agreement on climate change was signed with the National Development and Reform Commission (NDRC). Under these two agreements, a number of projects have been launched in China that are relevant for climate change, including cooperation on development of climate change plans for the provinces. Annual expenditure has in the last few years been in the region of USD 5 – 6 million. In addition, Norway has for more than ten years supported Sino-Norwegian research into different climate change aspects, with annual allocations of approximately USD 0.5 million.

India: The focus in cooperation with India has since 2003 slowly shifted to institutional and technical co-operation.

In 2007, technical co-operation had a budget of NOK 24.5 million. India and Norway have a mutual interest in a number of areas related to sustainable development and climate change. India did also during the course of 2007-2008 start identifying areas where cooperation with Norway is desirable. In June 2008, India launched its National Action Plan for Climate Change (NAPCC). Although the NAPCC was a domestic initiative, the initiatives taken from the Indian side clearly also fall within the priorities of Norway and qualify for collaboration.

One of the lessons learned is that there is great potential for cooperation between government, research community and private sector. Research collaboration has therefore recently taken a prominent place in the cooperation between India and Norway. In 2008 and 2009 more than 80 per cent of the total budget of NOK 35 and 43 million, respectively, were for climate and environment.

In 2009, an MOU was signed on Co-operation in the field of Environment and Clean Development Mechanism (CDM).

Norway has also supported a number of research institutions in Norway, including CICERO, ECON, Fridtjof Nansen's Institute, and international institutions like Chatham House and Wilton Park (UK) and Teri (India) on various issues relating to climate change. Likewise, considerable research and other climate change activities are being supported in the Arctic region.

### **Capacity building (bilateral)**

Examples:

- Studies to improve CDM capacity in Africa (Angola, Mozambique, Uganda and Tanzania) and Bangladesh, Bhutan, Nepal and Sri Lanka.
- Supporting individual CDM projects. For example, in South Africa assistance has been given to a state owned company for investments in various carbon projects whose objective are to provide advisory, financial and operational services within CDM project management, in order to promote CDM in South Africa and Africa generally.

### **The European Economic Space Agreement:**

The aim of the EEA and Norway Grants is to contribute to economic and social development in 15 beneficiary states in Central and Southern Europe. In the period 2004-2009, the contribution amounts to EUR 1.23 billion. Around one fourth of the funds contribute to environmental protection. More than EUR 86 million is allocated to 129 projects in the areas of renewable energy, energy efficiency, and greenhouse gas emission reduction.

An independent assessment report prepared in 2008 concluded that as a result of the energy efficiency projects in Poland, the average saving in 300 schools and health institutions was more than 50 per cent. In addition, the projects contribute to reduced air pollution, better indoor climate, and new jobs.

#### ***3.1 The Government of Norway's International Climate and Forest Initiative***

Emissions from deforestation and forest degradation in developing countries amount to about 17 per cent of the global greenhouse gas emissions and must be addressed in order to reach the 2 degree Celsius stabilization goal.

Reducing emissions from deforestation and forest degradation in developing countries (REDD) is currently being negotiated as a part of a post-2012 climate regime.

In addition to reduced emissions and enhanced removals, a global REDD mechanism should promote sustainable forest management, contribute to the protection of biodiversity, promote sustainable development and poverty reduction, and secure the rights, involvement and livelihood of local communities and indigenous peoples.

In order to promote early action on REDD, the Government of Norway has launched a comprehensive Climate and Forest Initiative. The initiative was launched by Prime Minister Stoltenberg at the Bali summit in 2007, and will have an annual budget of up to about 3 billion NOK (USD 500 million). In 2008, the initiative was allocated NOK 280 million to REDD activities, increasing to NOK 1.5 billion in 2009. For 2010, the Government of Norway has allocated NOK 2.1 billion to the initiative.

The allocations are mainly channeled through multilateral initiatives but also supporting bilateral cooperation with Brazil and Tanzania, as well as substantial support to analysis and policy development and civil society. With time, as allocations to partner countries become increasingly based on results in reduced emissions from deforestation and forest degradation, funding to some partner countries will be scaled up. In this way, annual allocations will eventually reach up to NOK 3 billion.

The initiative is financed by official development cooperation funds. Promoting sustainable development and poverty reduction is an overriding objective of Norwegian foreign development policy, and thus an inherent but also overriding goal for this effort. The overall responsibility for the initiative lies with the Ministry of Environment, where a project secretariat has been established. The Ministry of Foreign Affairs, supported by Norwegian missions abroad and the Norwegian Agency for Development Cooperation (Norad), is responsible for foreign and development policy related to the initiative, as well as management and disbursement of funds. An interministerial body is established for coordination and, when necessary, preparation of government discussions on issues of relevance to the initiative.

It is an implicit aim of the initiative to encourage rapid learning on approaches for achieving REDD. The objectives of the initiative are stated in the Proposition No. 1 to the Storting 2008-2009:

1. The inclusion of emissions from deforestation and forest degradation in a new international climate convention (post-Kyoto).
2. Early action to achieve cost-effective and verifiable reductions in green house gas emissions.
3. The conservation of natural forests to maintain their carbon storage capacity.

The challenges related to reducing emissions from deforestation and forest degradation in tropical forest countries are reasonably well known. Carbon leakage – which refers to a situation where emission reductions in one part of the world are counteracted by rising emissions elsewhere – is a concern at both national and global level. So is the need to ensure that emission reductions in one year are not counteracted by a rise in emissions the year after. There are major scientific and political challenges involved in measuring carbon emissions from deforestation and degradation, and in setting reference emission levels. Changing the patterns of deforestation and forest degradation in a country is an extremely challenging task for the national authorities in the countries.

In order to address these challenges, Norway's Climate and Forest Initiative supports countries who engage in national, government-led strategies for REDD. Over time, the support would be based on results in form of measurable, reported and verifiable emissions reductions from the forest sector.

The principle of national ownership and preparation of strategies at national level will be of crucial importance for the success of REDD initiatives. A national level approach would be well positioned to safeguards against opportunities to exploit the system, and to hold governments accountable for both emission reductions and negative side-effects. It would also avoid national leakage. To avoid leakage internationally, the mechanism must provide sufficient incentives to motivate most tropical forest countries to join.

The support for reducing deforestation and forest degradation must be truly results based. Credible reference emission levels must be established as soon as possible, and payments must be calculated on the basis of the reductions achieved relative to the reference levels. In an interim period, countries may be rewarded for results based on proxies for emissions reductions. Proxies are simplified and conservative which may be used to measure country's emissions reductions in a period before a solid system for measuring the carbon emissions is established in a country.

The development of national REDD strategies and implementation mechanisms will, in most countries, require substantial time and capacity. An important objective of NCFI is to support capacity development and necessary political reforms that can facilitate future cost effective REDD actions.

### **Support channeled through multilateral initiatives**

UN organizations and the World Bank are major multilateral recipients of NCFI funds.

The initiative has supported the establishment of the UN REDD Programme, aimed at an enhanced and coordinated UN support to developing countries' REDD efforts. The programme comprises FAO, UNDP and UNEP, as its core constituent parts, but will involve other relevant parts of the UN as well. In addition to the support to developing countries strategies for reducing deforestation and forest degradation, the work to engage and raise awareness of REDD amongst national stakeholders, and the improvement of technical and analytical tools for maximizing the contribution of REDD to sustainable development, one main contribution of the UN-REDD Programme is the development of improved guidance on Measurement, Reporting and Verification (MRV) approaches, including consensus on principles and guidelines for MRV and training programmes.

Hosted by the World Bank, the Forest Carbon Partnership Facility (FCPF) has been established with funds from several donor countries to support developing countries' planning of reforms and actions to implement REDD. The Norwegian Government is one of the main donors to this facility.

Contributions have been pledged from the Norwegian Government to the Forest Investment Programme (FIP), a program within the World Bank's Strategic Climate Fund. The FIP's overall objective is to mobilize significantly increased funds to reduce deforestation and forest degradation and to promote sustainable forest management, leading to emission reductions and the protection of carbon reservoirs

Contributions have also been made to the Congo Basin Forest Fund (CBFF), managed by the African Development Bank. The CBFF will support activities to avoid deforestation and contribute to poverty alleviation in the Congo basin forests.

### **Support through country partnerships**

The countries prioritized through direct partnerships in the early phase of the initiative are Brazil, Tanzania and recently Guyana. In Brazil, support to the Brazilian Amazon Fund has been established under an agreement with the Brazilian Development Bank (BNDES).

In Tanzania, a bilateral partnership agreement covers research, capacity building, and the development of a national REDD strategy. Substantial support is allocated to demonstrational projects and civil society organizations. Tanzania is also a participating country in the UN-REDD Programme and the FCPF and has officially launched the Tanzanian national REDD policy process.

In November 2009, Norway and Guyana engaged in a partnership where Norway will compensate Guyana for keeping their deforestation and forest degradation rate low, while strengthening institutions and practices to avoid increased deforestation in the future. Financial support from Norway will be channeled through a new fund, the Guyana REDD+ Investment Fund (GRIF). Guyana's Ministry of Finance will be responsible for the GRIF's operations, and a reputable international financial institution to be selected by Norway and Guyana will act as manager of the fund. This agreement is an important contribution to the REDD agenda, being an agreement to support a developing country for succeeding to maintain its good history of low deforestation rates. Supporting Guyana may prevent regional deforestation leakage. Finally, the efforts of Guyana provides an example of how a national strategy to reduce emissions from the forest sector can be an integral part of country's overall low-carbon developing plan.

Norway's Climate and Forest Initiative also supports non-governmental and research institutions under an application-based mechanism managed by Norad.

Through the Government of Norway's International Climate and Forest Initiative, Norway is providing support to a number of developing countries and thus encouraging them to take early action to achieve cost-effective and verifiable reductions in green house gas emissions. Through its financial and intellectual contributions, the Government of Norway also contributes to the development of standards and guidelines on how REDD can be achieved in a manner that ensures the full and effective participation of all stakeholders in the REDD-processes and the establishment of social and environmental safeguards before large scale payments can be transferred to developing countries as results based compensation for reducing emissions from deforestation and forest degradation. Based on the insights gained from these early efforts of the Government of Norway's International Climate and Forest Initiative, Norway has submitted, to the UNFCCC secretariat, views on the architecture of a future mechanism for reducing emissions from deforestation and forest degradation in developing countries.

## **2012 reporting2**

### **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 organizations 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 USD million 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

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<sup>2</sup> Norway (2012). Norwegian Climate Finance 2011, 13 pp.

been emphasized 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 organizations 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 organization- we have decided to simply present the overall core support to those multilateral organizations 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 CO2 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 channeled through the Norwegian Agency for Development Cooperation (Norad) for such activities.

An overview of disbursements for 2011 is given below (USD):

Projects	2010	2011
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
Total (approximately)	450.1 mill	336.1 mill

\*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 organizations) 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/organizations/funds. This applies to agreements with multilateral organizations where the contributions are "earmarked" for climate change activities. Only core support to such organizations 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 organizations 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 also includes 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

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

### ***3.2. Regional distribution of bilateral climate financing***

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.

### ***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 organizations that have been classified as climate relevant in 2011 (The starting point being a list of all core support given to multilateral organizations in 2011, which went through process where the likely climate-relevant organizations were selected and sent to those in charge of the organizations for final decision)

Agreement partner	2010 Sum of Disbursed (mill. USD)	2011 Sum of Disbursed (mill. USD)
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
Grand Total	332	394