

# Annex C: Evolution of mitigation portfolio financing, 2013-2018

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## 1. Scope and data aggregation

The portfolio review aims to provide a broad characterisation of Danish support for climate change mitigation in 2013 to 2018. The available data are commitments to spend, supplied by the MFA in November 2020 (but not independently verified), and totalling DKK 6.087 billion for the period in review. The dataset builds on a summary prepared by the Danish Institute for International Studies (DIIS) in collaboration with the UNEP-DTU Partnership (Pedersen *et al.*, 2019), which was extensively re-worked using internal MFA information systems. The analysis is financial since the dataset does not identify project activity, and being based on commitments it cannot provide insights into impact. These are explored in Chapters 4 and 5 of the Main Report for a large sample of Danish-funded interventions over the same approximate timeframe.

There are also abundant issues of a more general nature with the management of information surrounding climate-relevant and mitigation-relevant expenditure. This has been subject to recent inspection by Denmark's National Audit Office (NAO)<sup>1</sup>, which found it unsatisfactory that MFA and MCEU "have not sufficiently ensured an accurate statement of how much money Denmark spends on climate aid to developing countries and has not sufficiently targeted climate aid at creating the greatest possible effect". The NAO also found that climate aid has been overestimated in country programmes and NGO initiatives where climate is not a main purpose, but only one of several purposes. Based on these findings, the Danish Climate Change Council called for greater accuracy in reporting climate

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<sup>1</sup> *Rigsrevisionen: Climate assistance to developing countries*. NAO report to the Folketing with the State Auditors' remarks, January 2021, cited in the Danish Council on Climate Change's Background note on global climate action to the 2021 status report (<https://klimaraadet.dk/en/nyheder/new-report-assesses-governments-climate-effort-and-provides-recommendations-how-meet-70>).

assistance, both financially and in terms of the results of previous efforts in relation to climate status and climate projections.

Against this background of data uncertainty, the approach used here is to consider that the period 2013-2018 spans a mid-point marked by three significant events, any of which might have influenced mitigation commitments by Denmark:

- at the global level, the Paris Agreement was signed at UNFCCC CoP 21 in December 2015, which galvanised the international climate response;
- at the domestic level, in June 2015 a government was elected whose development strategy gave reduced prominence to environmental and climate change issues; and
- at the technical level, a new strategic framework for spending Danish climate funds arose from an evaluation and publication of the *Guiding Principles* for the CE.

With 31 December 2015 as the 'watershed' between two eras marked by all three changes, therefore, the dataset is summarised in two three-year periods: 2013 to 2015 and 2016 to 2018, which are then compared. The following analysis of the MFA dataset complements and contextualises this detail, and is built around the search for answers to five questions:

- Did the level of commitments to fund climate change mitigation change between the two time periods?
- What was the most used delivery pathway – bilateral or multilateral support?
- How significant was the CE to the total committed amount?
- Was the main objective of committed expenditure focused on climate mitigation?
- Which countries received bilateral funding, and what was the proportion going to least-developed and middle-income countries?

## **2. Commitment to fund climate change mitigation**

Total commitments to climate change mitigation in 2016 to 2018 were much lower than in 2013 to 2015 (Table 1). This is a significant change, considering the commitments made in and around the Paris Agreement. It is possible that it was at least partly an artefact of a relatively small portfolio being affected by some exceptionally large commitments in one period but not in another (and several such examples are known, both within and outside the survey period, including those to Uganda, the GCF, and Ethiopia). A more likely explanation, however, may lie in the altered spending priorities of the new Danish government from 2015.

Table 1: Danish mitigation commitments by total volume and size

	Years	2013-2015	2016-2018
<b>Total commitments (DKK)</b>		4.278 billion	1.809 billion
<b>Number of commitments</b>	Total	211	119
	> DKK 100 million	8	2
	DKK 10-99 million	69	46
	DKK 1-9 million	101	48
	< DKK 1 million	33	23

### 3. Diverse commitment pathways

Most commitments over the whole period were made through the bilateral government-to-government channel, but a large number of other commitments were also made, including to multilateral/international institutions and Danish CSO/NGOs<sup>2</sup>. All were affected by the overall decline in mitigation commitments noted above (Table 2, Figure 1), with the total volume declining most drastically among commitments to Danish CSO/NGOs.

Table 2: Danish mitigation commitments by delivery pathway

Modality (pathway)	2013-2015 (DKK billion)	%	2016-2018 (DKK billion)	%
Bilateral	2.344	55	1.069	59
Multilateral/international	1.259	29	0.655	38
Danish civil society	0.580	14	0.085	3
Other (e.g. conferences)	0.096	2	0	0
Total	4.278	100	1.809	100

**Note:** Disbursements to IFU have been placed in the bilateral delivery pathway.

<sup>2</sup> There is uncertainty in the classification of some of them, but in recent years they included around 20 international institutions (IUCN, GCF, 3GF, UNEP-DTU, World Bank/ESMAP, Clean Air Coalition, GGGI, GWP, IEA, NAMA facility, WRI, C40 Cities, 'CSR recipient', GCPF, IADB, IIED, OECD/CIF, OECD/WEF, UNEP, UN-REDD, WMO, and World Bank/WRI), 13 Danish CSO/NGOs (Danish Church Aid, Oxfam/IBIS Global, Red Barnet (Save the Children Denmark), Verdens Skove, 92 group (Climate Action Network International), CISU, IWGIA, WWF/Caritas, Danmission, IUCN, JCLEC, Max Havelaar (Fairtrade), and Transparency International) and four other institutions (CSR Facility, IFU, Vedvarende energi, and Opportunity Africa 2014).

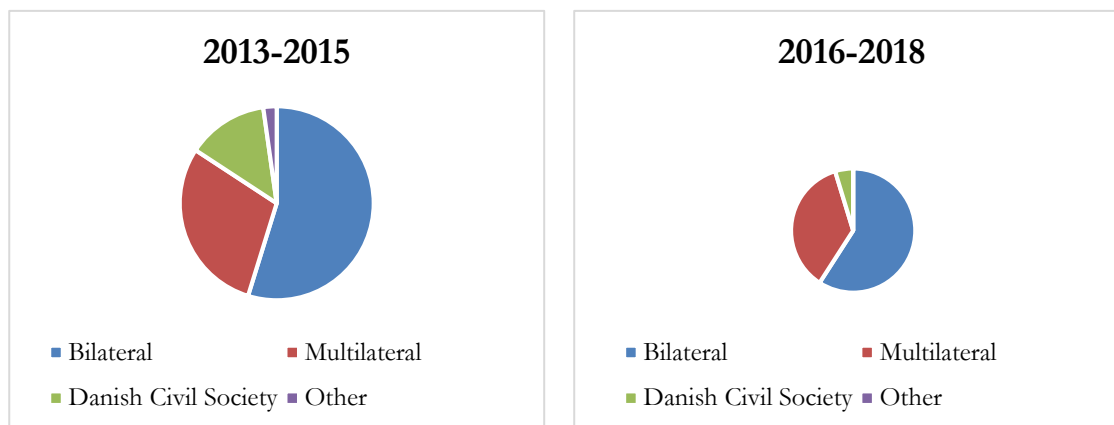


Figure 1: Danish mitigation commitments by delivery pathway

The mitigation effectiveness of all three groups is explored through the sample described in Section 4 (for country portfolios) and 5 (for institutions) of the Main Report. The decline in Danish CSO/NGO funding is an important change, since especially for land-based mitigation efforts in the agriculture and forest sectors, the expertise of Danish CSO/NGOs and their implementation partners is an important resource (see the Verdens Skove example in Section 5.7 of the Main Report, and Annex Q).

#### 4. The Climate Envelope

In 2008, the Danish Government established the Climate Envelope, a mechanism for funding mitigation and adaptation initiatives. In 2012, this was split into two frames: the poverty frame for adaptation and mitigation in low-income countries managed by MFA, and the global frame for emerging economies covering mitigation managed by MCEU. Guiding principles for the Danish Climate Envelope (MFA & MCEU, 2016) were later developed with a theory of change stating that: “The specific impact that is targeted by the Climate Envelope is the following: (i) Reduced greenhouse gas emissions, (ii) Increased climate resilience specifically for vulnerable and marginalised groups”.

In 2008-2012, a total of around DKK 1.5 billion was committed through the Climate Envelope to aid related to mitigation and adaptation, although as LTSI (2015) noted, "In addition, substantial funds have been given outside this Envelope, primarily in Danish priority countries." In 2012-15, this funding was increased to DKK 500 million annually, but subsequently reduced to DKK 270 million in 2016 and DKK 300 million in 2017.

Considering the MFA data on the whole mitigation-related portfolio, which includes MFA and MCEU commitments through the Climate Envelope and other development assistance, the present evaluation found that most expenditure that is recorded as being related to mitigation does not in fact come through the Envelope (Table 3).

The broad pattern seen here confirms and further quantifies the findings of a preliminary study (Lindegaard *et al.*, 2021), that most mitigation interventions in 2016 to 2018 were made outside the Climate Envelope, so the MCEU may not have had sight of them. No evidence was found in this study, from the projects and programmes in the four focal countries, to support the hypothesis that projects funded through the Climate Envelope differed consistently from those funded in other ways.

Table 3: Danish mitigation commitments by funding channel

Origin of funds	2013-2015 (DKK billion)	%	2016-2018 (DKK billion)	%
Non-Climate Envelope	3.071	72	1.251	69
Climate Envelope	1.208	28	0.558	31
Total	4.278	100	1.809	100

## 5. Mitigation relevance of commitments

At least half of the mitigation portfolio was formed of development initiatives that had multiple aims, in which “the activity has other prime objectives, but it has been formulated or adjusted to help meet the relevant climate concerns”<sup>3</sup> (Table 4). This reflects the fact that most commitments reported as mitigation-relevant lie in the development cooperation portfolio managed by MFA. In contrast to the GCF’s four mitigation ‘results areas’ that identify where carbon emission reductions are being sought (see Section 5.2 in the Main Report), Denmark has no similar categorisation for its mitigation portfolio. Hence, for example, it is not possible to identify the balance between ‘mitigation technology’ and ‘mitigation ecology’ commitments without undertaking a project-by-project review. The percentage changes between the two periods in the ‘significant’ and ‘climate specific’ categories may indicate the shift in implementing partners away from Danish CSOs to multilateral agencies.

Table 4: Danish commitments by objective of expenditure, 2013-2015 and 2016-2018

Mitigation objective	2013-2015 (DKK billion)	%	2016-2018 (DKK billion)	%
Principal	1.197	28	0.564	31
Significant	2.152	50	0.708	39
Climate specific	0.929	22	0.538	30
Total	4.278	100	1.809	100

**Notes:** (a) principal tagged commitments reflect where the primary objective of the bilateral commitment is climate mitigation; (b) significant tagged commitments indicate a secondary objective for climate mitigation (for both bilateral and multilateral commitments); (c) the climate specific category applies to multilateral commitments only.

## 6. Country focus of bilateral commitments

Over the whole six-year period, approximately two-thirds of bilateral mitigation commitments were made to LDCs (Figure 2). This finding was heavily influenced by large commitments to a small number of LDCs, but the number of countries supported did not change much – 21 in 2013 to 2105 and 22 in 2016 to 2018. Several countries saw significant falls in resources committed to them, reflecting the overall reduction in commitments between the two periods. Yet, six received increased commitments (Burkina Faso, China, Egypt, Georgia, Ghana and Ukraine), and five received commitments for the first time in 2016 to 2018 (Brazil, Ethiopia, India, Mongolia and Myanmar). This continuing wide

<sup>3</sup> [https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook\\_FINAL.pdf](https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf)

geographical spread in mitigation effort seems to run counter to the 2016 *Guiding Principles*, which stated (at least for CE funds) that “Mitigation activities will mainly be focused in the emerging economies where mitigation purposes are most cost efficient and potentially most impactful” (MFA, 2016: 5).

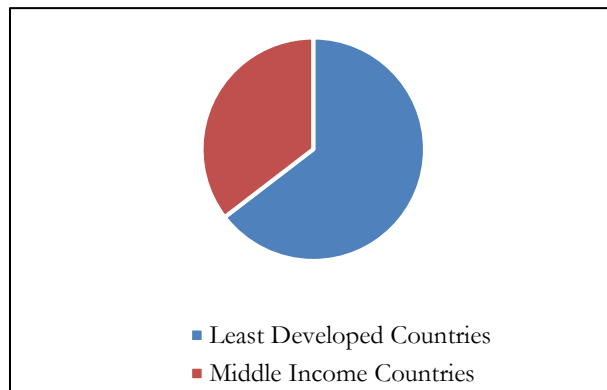


Figure 2: Commitments for climate change mitigation by country grouping, 2013-2018

Notes: LDC: [www.un.org/development/desa/dpad/least-developed-country-category/lpcs-at-a-glance.html](http://www.un.org/development/desa/dpad/least-developed-country-category/lpcs-at-a-glance.html); MIC: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

## 7. Multilateral partners

Based on Denmark’s reporting to the UNFCCC and a separate spreadsheet compiled by MFA, it was possible to present the information in Table 5 and Figure 3. This disaggregates climate-specific commitments to multilateral climate funds (MCFs) and specialised UN institutions, but lumps together data on international financial institutions (IFIs) and others such as the Global Green Growth Institute (GGGI), the beneficiary of an especially large Danish commitment, as well as the Organisation for Economic Cooperation and Development (OECD), the International Energy Agency (IEA) and the International Renewable Energy Agency (IRENA).

Major commitments were made to two MCFs in the survey period: one in the first half, which was an unearmarked contribution to the Green Climate Fund (GCF); and one in the second half, which was a contribution to the Strategic Climate Fund of the Clean Investment Funds (CIF), earmarked for the TA Facility for Clean Energy Investment Mobilisation. The overall decline in MCF commitments between 2013 to 2015 and 2016 to 2018 (Table 5) is largely an artefact of the GCF funding cycle, since Denmark committed DKK 400 million in 2014, in response to the GCF's first fund-raising drive, and DKK 800 million in 2019, in response to its second.

The motivation for such large contributions is not clear, since although support for the GCF was written into the CE *Guiding Principles*, it was not specified that it should be at a much larger scale than any other, even though the GCF was the only fund actually named. Meanwhile, climate-specific funding to IFIs and others in the same UNFCCC category was dominated by commitments to the IBRD and IFC at the World Bank Group, with limited support to the Asian, European and African development banks (ADB, EBRD and AfDB respectively), but the Inter-American Development Bank (IADB) received rather more (Figure 3). The commitment to support GGGI as a new international organisation promoting green growth is noteworthy.

Table 5: Climate-specific commitments to international organisations

	2013-2015 (DKK billion)	2016-2018 (DKK billion)
Multilateral climate funds (MCFs)	0.403	0.129
International financial institutions (IFIs) and others (GGGI, IEA, IRENA, OECD)	0.341	0.266
Specialised United Nations bodies	0.186	0.143
<b>Total</b>	<b>0.929</b>	<b>0.538</b>

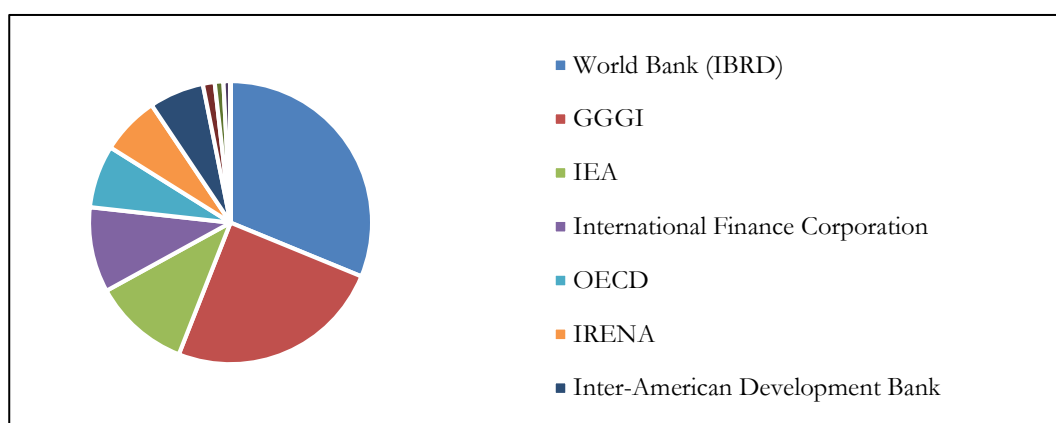
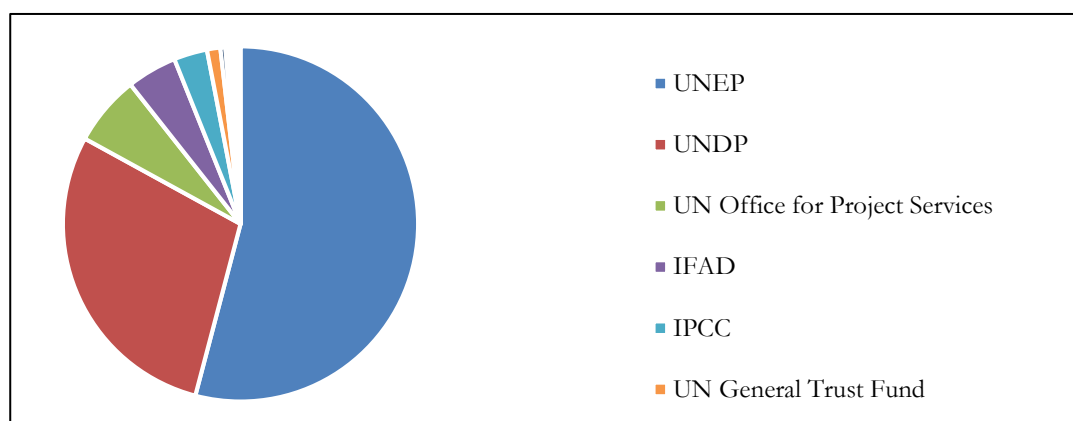


Figure 3: Spread in climate-specific mitigation commitments to IFIs and others, 2013-2018<sup>4</sup>

Denmark's support for the UN is described as a "cornerstone of Danish foreign policy" but is mainly focused on its efforts concerning "conflict prevention, peacekeeping and peacebuilding, promotion of democracy and human rights, as well as sustainable development and poverty eradication"<sup>5</sup>. This may explain why mitigation support was limited in scale, and mainly through UNEP and UNDP (Figure 4).



<sup>4</sup> Also recorded are small contributions to the Asian Development Bank (AsDB), World Bank Group, European Bank for Reconstruction and Development (EBRD), African Development Bank (AfDB) and World Bank (International Development Association, IDA).

<sup>5</sup> <https://fnnewyork.um.dk/en/denmark/denmarks-engagement-with-the-un/>.

Figure 4: Spread in climate-specific mitigation spend for UN specialist agencies, 2013-2018<sup>6</sup>

## 8. European Union development assistance

Denmark contributes to EU development assistance that supports climate change mitigation. This is channelled through the EC's Directorate-General for International Cooperation and Development (DEVCO), which has a comprehensive climate change mitigation programme. In 2013-2018, DEVCO committed the equivalent of around DKK 3.4 billion to mitigation actions through a range of funding channels<sup>7</sup>. These included:

- dedicated initiatives such as the GCCA, the NAMA Facility, and ESMAP (the latter two also received direct Danish support)<sup>8</sup>;
- sub-national support programmes, such as Urban-LEDS<sup>9</sup>; and
- specialised impact investment facilities that promote electricity access and RE in emerging markets, such as the EFI<sup>10</sup>.

Denmark's direct engagement with these EU mechanisms is unknown, but in 2018 Denmark contributed EUR 2.54 billion to the EU budget of EUR 160.10 billion, from which DEVCO spent EUR 7.55 billion<sup>11</sup>, so there is at least some general shared responsibility if not specific attributability. It is important to note that, in an EU context, any small country with good ideas can exert disproportionate influence, so Denmark has the opportunity to amplify the effect of its mitigation actions by tapping into a broader EU consensus on mitigation.

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<sup>6</sup> Also recorded are small contributions to the UN (unspecified), UN Office of the President, UN Economic Commission for Europe (UNECE), UN Global Compact, UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLS), UN University and World Meteorological Organization (WMO).

<sup>7</sup> Based on project sample listing of mitigation climate actions provided by DEVCO (November 2020).

<sup>8</sup> [www.gcca.eu](http://www.gcca.eu); [www.nama-facility.org](http://www.nama-facility.org); [www.esmap.org](http://www.esmap.org).

<sup>9</sup> [urban-leds.org](http://urban-leds.org).

<sup>10</sup> [www.electrifi.eu](http://www.electrifi.eu).

<sup>11</sup> [europa.eu/european-union/about-eu/countries/member-countries/denmark\\_en](http://europa.eu/european-union/about-eu/countries/member-countries/denmark_en); [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:4334620](http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:4334620); [ec.europa.eu/info/sites/info/files/devco\\_aar\\_2018\\_final.pdf](http://ec.europa.eu/info/sites/info/files/devco_aar_2018_final.pdf).