Second biennial communication pursuant to Article 9.5 of the Paris Agreement

Submission by Norway

1. Introduction

Decision 12/CMA.1 reiterates that developed country Parties shall biennially communicate indicative quantitative and qualitative information related to Article 9, paragraphs 1 and 3, of the Paris Agreement, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties. Norway is pleased to submit our second biennial communication in accordance with the annex to this decision. We have covered the different elements in the annex, however for ease of reading and to avoid duplication we have not followed the list chronologically. In order to give a full picture of our priorities, we will also address some of the broader development priorities and programmes of which our climate finance is a substantial part.

Norwegian climate finance includes earmarked funds through bilateral and multilateral climate channels as well as the climate component of the core support provided to multilateral organizations. It includes climate-related official development assistance (ODA) and other official flows (OOF). The OOF activities are interventions by Norfund providing equity, loans and guarantees to companies operating in challenging markets in developing countries.

Norway welcomes this opportunity to provide ex-ante information on our climate finance and deems this as an important tool to build trust and cooperation between Parties.

1.1 Highlights

- Norway has made a commitment to double our total annual climate finance to NOK (Norwegian Krone) 14 billion by 2026 compared to NOK 7 billion in 2020, and as part of this to at least triple our adaptation finance.
- The Norwegian Government's Climate Investment Fund became operational in 2022. The fund is managed by Norfund and will be capitalised with NOK 2 billion each year in the period 2022-2026.
- The ODA budget for 2023 represents an increase of NOK 2.9 billion since 2022. The Government will continue to increase aid in the coming years with a target to use 1 % of GNI for international efforts to achieve the Sustainable Development Goals (SDGs).
- The Norwegian International Climate and Forest Initiative (NICFI) is presently the largest single element in Norway's public climate finance. The Government has decided to extend the initiative to 2030. The budget allocation for 2023 to NICFI is NOK 3.1 billion.
- Renewable Energy is one of the main priority sectors of Norwegian climate finance. The budget for 2023 includes grant financing and capital to Norfund and

the Climate Investment Fund, opening for further climate mitigation investments in the energy sector in the years to come.

- Norway has made a contribution to The Green Climate Fund (GCF) of NOK 3.2 billion in the period 2020-2023.
- Norway has committed to contribute NOK 300 million to the Adaptation Fund in the period 2021-2024.
- Norway's total commitment to The Global Environment Facility (GEF) is NOK 780 million in the period 2022 – 2026 (GEF 8).
- Norway has launched a strategy for climate change adaptation, disaster risk reduction and the fight against hunger. We plan to increase ODA for climate adaptation and resilience through both bilateral and multilateral channels.

1.2 National circumstances and limitations relevant to the provision of ex-ante information

Norwegian climate finance is an integral part of our ODA engagement for achieving the SDGs. The ODA budget for 2023 represents an increase of NOK 2.9 billion since 2022. The growth in the estimated gross national income (GNI) was high in 2022, and despite the increase in the ODA budget, the Government's official development aid will not amount to 1 % of estimated GNI. The Government will continue to increase aid in the coming years with a target to use 1 % of GNI for international efforts to achieve the SDGs.

In Norway the annual budgets of the Government have to be approved by the Parliament. All public multiyear programmes and projects, both planned and ongoing, can thus only be secured on an annual basis. Allocations to specific projects or programmes may also be subject to change within the calendar year. Financial information beyond the annual budget allocations for 2023 covers approved plans and programmes. These are usually limited to a 3-5-year time span. In addition, we have a few long-term commitments, such as the Norwegian International Climate and Forest Initiative (NICFI) and contributions for multi-year replenishments in multilateral funds, such as The Green Climate Fund (GCF) and The Global Environment Facility (GEF) and multilateral development banks (MDBs).

2. Policies and priorities

2.1 Types of climate finance support

The thematic split of Norwegian climate finance in 2021 was 11 % adaptation only, 81 % mitigation only and 9 % cross-cutting. These figures include earmarked aid through bilateral and multilateral channels. The thematic split of climate-specific core contributions to multilateral institutions are not available and therefore not included in the percentages.

The numbers conceal the positive effect on climate adaptation and resilience of reduced deforestation and forest degradation. As NICFI started off as a mitigation initiative, this funding is reported as mitigation, with a few exceptions of activities reported as both mitigation and adaptation. However, we recognize that forest management and protection may also have significant positive contributions to climate adaptation. For more information on NICFI, see chapter 3.1. Renewable energy is the other key part of our allocation for climate mitigation, see chapter 3.2. In addition, climate mitigation and adaptation are integral parts of our Ocean initiatives, see chapter 3.4.

Climate adaptation and resilience will be given high priority in Norwegian ODA in the years to come. The strategy “Climate, hunger and vulnerability: Strategy for climate adaptation, prevention of climate-related disasters and fight against hunger” builds on Norway's follow-up of the Paris Agreement and seeks to lay the foundation for reinforced Norwegian efforts to enable climate-vulnerable societies to adapt to a changing climate. It is directed towards countries receiving Norwegian development assistance, with a special focus on partner countries and Sub-Saharan Africa, and identifies priorities for action and measures to strengthen climate adaptation, including prevention of climate-related disasters and fight against hunger. The government also has a new strategy on food security in Norway's development policy titled: “Combining forces against hunger – a policy to improve food self-sufficiency. Norway’s strategy for promoting food security in development policy”. Through this stratgey we will contribute to lifting increased local and national food security through a focus on small-scale food producers, their value chains and a climate resilient development.

Transfer of technology and capacity building is an important and integrated part of our programming and, in particular, a key focus of the Energy for Development programme. Strengthening technical cooperation and knowledge transfer with partner countries, especially through this programme, will be essential in coming years.

2.2 Paris Agreement alignment and greening of ODA

Norad - the Norwegian Agency for Development Cooperation - has an environmental action plan and related goals committing the organisation to strengthening the integration of climate and environment across its work. All sections managing grants shall emphasise climate and environment in the cooperation with selected partners, in calls for contributions and within focus areas of their work with a particular potential to enhance contributions to climate adaptation, low emissions development or biodiversity. Norad works to improve data on reduced/avoided emissions resulting from Norwegian development assistance to climate mitigation. Norad also works systematically to reduce its own environmental footprint.

2.3 Regions and Geography

Norwegian ODA has a set of priority bilateral partner countries. The Government will prioritise 17 partner countries in Norwegian ODA: ten for long term development and seven for stabilization and conflict prevention. The selection was based on established bilateral partnerships, the partner countries' own priorities and an assessment of where Norway can make the best possible contribution. Since predictability is deemed important in ODA, efforts are made to maintain the levels of allocations over several years. The partners for long-term cooperation include Ethiopia, Ghana, Malawi, Mozambique, Tanzania, Uganda, Indonesia, Myanmar, Nepal and Colombia. The level of climate finance varies in the Norwegian ODA to these countries, but is significant in the programmes for Colombia, Ethiopia and Indonesia, as they in addition are partner countries of NICFI (see chapter 3.1 for more information). At COP27 in November 2022 Norway and Tanzania announced that the two countries will strengthen bilateral climate cooperation. Furthermore, NICFI also has other key partner countries: Brazil, Guyana, Ecuador, Peru, DR Congo, Gabon, Congo and Liberia. In the selection of NICFI-partner countries emphasis has also been placed on the potential for emission reductions, sustainable land management and the testing of different approaches and involvement of private sector.

Norway also provide climate financing beyond the countries listed above. Norwegian ODA for climate adaptation and disaster risk reduction supports a wider group of developing countries and regions. The partner countries in sub-Saharan Africa will continue to be important, but small island developmet states (SIDS) and other regions, as well as global initiatives are also included. Our allocations to renewable energy will continue to have a specific focus on sub-Saharan Africa. Norwegian ODA channelled through Norwegian and international NGOs are also covering a wider group of partner countries.

2.4 Main beneficiaries

Norwegian climate finance that is financed through ODA has to follow the overall objectives, rules and regulations of Norwegian ODA. The overall objective of Norwegian ODA is to fight poverty, save lives and alleviate suffering. Gender, human rights, anti-corruption and climate and environment are cross cutting issues that have to be taken into account in all Norwegian ODA. Women and girls, youth, minority groups and indigenous and local communities are given priority.

2.5 Addressing needs and priorities of developing countries

Implementation of the Paris Agreement and support to developing countries' National Determined Contributions (NDC) and development plans are key considerations for Norway's climate finance. Our climate finance aims to support transformative actions.

All Norwegian ODA, including climate finance, shall be demand-driven, addressing the needs and priorities of partner countries. Dialogues with the authorities, as well as with the stakeholders are important. Following a stronger focus on the SDGs, and the need to solve the climate- and nature crisis together with poverty alleviation, the countries NDCs and National Adaptation Plans (NAPs) have to be revisited together with the National Biodiversity Strategies and Action Plans (NBSAPs), development plans and sectoral strategies.

2.6 New and Additional Finance

There is no internationally agreed definition of what constitutes “new and additional” resources. The volume of the Norwegian ODA budget has steadily increased as the economy has been growing. The strong inter-linkages between climate change and development are emphasised in the Norwegian international development policies. Hence, the budget for climate change adaptation and mitigation has increased over the years. In 2021, 18 % of total earmarked ODA had climate as a main or significant objective.

Norway will continue to scale up climate finance in the years to come in accordance with the commitment from Glasgow to double our climate finance to NOK 14 billion by 2026 compared to NOK 7 billion in 2020, and as part of this to at least triple our adaptation finance.

3. Specific programmes and budget allocations

3.1 Norwegian International Climate and Forest initiative (NICFI)

The overarching goal of NICFI is that reduced and reversed loss of tropical forests contributes to a stable climate, protects biodiversity and enhances sustainable development. NICFI has bilateral partnerships with tropical forest countries in the tropical forest basins: The Amazon, the Congo Basin and Indonesia. NICFI pays for verified emission reductions from REDD+ in partner countries, finances efforts to build up global and national REDD+ frameworks, supports and creates incentives for deforestation free supply chains, invests in infrastructure for publicly available data on the forest, and supports civil society and indigenous peoples around the world.

Since NICFI was established in 2008, the initiative's main focus has been on bilateral partnerships. NICFI has gradually expanded its efforts to also include the global driving forces behind deforestation. Ultimately, it is improved policies in the tropical forest countries that will make it possible to reduce deforestation. A major challenge, however, is that the global commodity markets and finance institutions are not to the degree necessary incorporating risks and costs related to deforestation and other unsustainable land use into their operations. If we manage to turn the market to demand deforestation-free products, this will make it easier for governments to improve policies related to land-use. Both significantly improved land management and a transformation of the world's food and commodity production systems are crucial in order to halt and reverse deforestation and forest degradation, and the two processes are highly interlinked.

Furthermore, support for civil society actors is a key part of Norwegian ODA, and NICFI in particular. Civil society organizations act as watchdogs, as an anchor across political divides, and as knowledge producers and communicators. In 2021, NICFI entered into new agreements on support for civil society actors for the period 2021–2025 under a dedicated Grant Scheme for Civil Society. The focus area for the support is indigenous peoples, deforestation-free supply chains and financial markets, efforts towards forest crime and increased transparency, in addition to higher climate ambitions and forest-friendly land-use policy. In 2023 NICFI will continue to support organizations and indigenous peoples in Brazil working to protect the rainforest in the country.

Below we highlight some of our bilateral partnerships. In 2019, the climate and forest cooperation between Colombia, Norway, Germany and the UK was extended. The donor countries have promised to support Colombia's ambitious goal of halving deforestation nationally by 2025 with up to NOK 3.3 billion in the period 2020 to 2025. Norway's share is up to NOK 400 million annually for reduced climate emissions until 2025, if Colombia succeeds in reducing deforestation nationally. In addition, Norway has promised up to NOK 470 million up to and including 2022 as payment for completed reforms and other measures. Norway has pledged to contribute with NOK 6 billion to REDD+ in Indonesia , of which 1.5 is disbursed. Indonesia and Norway entered into a new bilateral climate and forest partnership in September 2022. The partnership encompasses a results-based model, where Indonesia sets the strategy and manages the funds, while Norway contributes annual results-based financial contributions for Indonesia’s emission reductions. Norway’s support recognizes

Indonesia's continued efforts to meet its nationally determined contribution (NDC) under the Paris Agreement. In 2014 Peru, Germany and Norway entered into a partnership to support Peru's efforts in reducing greenhouse gas emissions from deforestation and forest degradation in the Peruvian Amazon. In 2021 this collaboration was extended up to 2025, and the USA and the UK joined the partnership. Norway is committed to support Peru's efforts with up to NOK 1.8 billion up to 2025. Of this, up to NOK 1.5 billion are payments for reduced deforestation, certified by the third-party standard Architecture for REDD+ Transactions. The Congo Basin is the world's second largest rainforest. Central African Forest Initiative (CAFI) was established in 2015. CAFI's goals are to recognize and preserve the value of the forests in the region to mitigate climate change, reduce poverty, and contribute to sustainable development. CAFI is the largest international collaboration to protect the Congo Basin. It consists of six Central African countries (DRC, Republic of Congo, Gabon, Cameroon, Equatorial Guinea and the Central African Republic), five donors (UK, France, Germany, EU and Norway) and international organisations (UN and the World Bank). In 2016 CAFI and the Minister of Finance of the DR Congo signed a letter of intent (LOI) for USD 200 million to address deforestation and forest degradation in the country and to promote sustainable development. In 2019 Gabon signed a results-based payment agreement worth USD 150 million USD with CAFI. CAFI is the main channel for Norwegian support to the Congo Basin forests. In the agreement period 2015 – 2021 Norway has channeled NOK 2.6 billion through CAFI. Norway plans to continue working with CAFI. In addition Norway supports civil society organisations and multilateral initiatives that operate in the region.

Beyond these countries Norway has pledged to contribute to REDD + in Guyana (NOK 1.5 billion in total, all of which is disbursed), and Ecuador (up to NOK 300 million, all of which is disbursed). All disbursements depend on the size of verified emission reductions. In addition, Norway has pledged phase II REDD+ financing to Ethiopia (up to USD 20 million a year) and Liberia (up to NOK 1 billion, of which 412 million is disbursed, as of yet nothing for emission reductions).

From 2008-2018 Norway paid for emission reductions from REDD+ in Brazil, a total of NOK 8.3 billion, channelled through the Amazon fund in the Brazilian development bank BNDES. The fund was frozen in 2019 when the Bolsonaro-regime broke the agreement with Norway regarding the fund. The freeze implied no new investment decisions were made. In 2023 the newly elected president Lula da Silva made the rainforest one of its top priorities, and reestablished the Amazon fund agreement. With this the Amazon fund is re-opened, and new investments for the rainforest can be made.

In 2021 Norway launched the LEAF Coalition (Lowering Emissions by Accelerating Forest finance), together with the UK, USA and private companies including Amazon, Airbnb, Bayer, Boston Consulting Group, GSK, McKinsey, Nestlé, Salesforce, and Unilever. In 2022 several new companies have joined the coalition, such as Volkswagen and HM. Participants in the coalition support high-quality emissions reductions from tropical and subtropical forest countries. Through 2022 the coalition has mobilized a total of USD 1.5 billion in financial commitments from donors. LEAF buys carbon credits that are verified according to the Architecture for REDD+ Transactions (ART). ART has developed a new, high integrity standard for REDD+ (TREES), a system for third party verification, and a register of certified credits. Emergent Forest Finance Accelerator (Emergent) facilitates the transactions.

Emergent is a non-profit organization that has been set up to maximize environmental benefits by driving finance towards jurisdictional REDD+. Emergent acts as a middleman to connect private buyers with countries and jurisdictions selling emissions reductions from REDD+ under the TREES standard. To help catalyze a market for forest carbon, Norway provides a floor price guarantee for a limited volume of ART-credits through Emergent, acting as a buyer of last resort. Going forward, NIFCI will seek to use the TREES standard and the market platform Emergent for all new results-based bilateral partnerships. At COP 26 Norway announced a contribution, based on verified emission reductions using the ART-standard, of NOK 200 million to Ecuador and NOK 100 million to Costa Rica.

NICFI supports the UN-REDD program, which has received a total of NOK 2 billion from Norway in the period 2011-2021. Norway plans to continue supporting technical assistance to tropical forest countries through UN-REDD to qualify for payments for emissions reductions, with a specific focus on the ART/TREES standard, provided more donors join in.

In 2020 NIFCI entered into an agreement with Kongsberg Satellite Services (KSAT) and its partners Airbus and Planet to provide universal access to high-resolution satellite monitoring of the tropics in order to support efforts to stop the destruction of the world’s rainforests. The contract is worth up to NOK 400 million and runs until September 2023 with an option for extension until September 2024.

3.2 Renewable energy

Norway has been supporting renewable energy projects in developing countries for decades. The objective for Norway’s cooperation on renewable energy is twofold; access to modern, clean energy and reduced emissions of CO2. The funds allocated to renewable energy are used catalytic to mobilize private investments in renewable energy and to reduce risks to investments by supporting local bottlenecks to investments by strengthening local capacity; reforms, legislation, strengthening of institutions and increased capacity in the energy sector. Furthermore, support will be provided for building transmission and distribution systems, as well as off-grid electricity services, all aiming at access to electricity.

The 2023 budget for renewable energy support channelled through Norad is NOK 816.5 million. Sub-Saharan Africa will continue to be the main cooperation region, with Mozambique and Uganda as key partners, but support will also be provided to selected countries in Asia. In Mozambique, Norway supports a multi-donor Trust Fund for electrification with NOK 165 million from 2018 to 2024. Funding will also be channelled through multilateral channels, both multilateral development banks and the UN system, as well as international organisations, initiatives and funds created for the development of renewable energy in developing countries and through the GCF.

Norway is establishing a bilateral country specific renewable energy management programme called Energy for Development (EfD). Energy access for poverty reduction is the main objective of the programme. This programme aims to strengthen the authorities' competence and capacity for holistic sustainable management of the energy sector in partner countries. Measures to reduce emissions from fossil energy sources, e.g. against flaring and methane emissions, will be considered supported in a transitional phase.

The Norwegian Government's Climate Investment Fund, managed by Norfund, was also established in 2022. The fund's objective is to reduce or avoid GHG emissions by investing in renewable power generation in developing countries with high emissions from fossil fuels, especially from coal. The fund will be capitalized in the period 2022-2026 with a total allocation of NOK 10 billion. 1 billion will be coming from Norfund's surplus capital and 1 billion from the state budget each year. The investments will be made in select ODA-eligible countries in line with their national climate and energy plans. The first investments were made in 2022 when the fund partnered with the private sector to build solar and wind farms in South Africa and India, where each project will have a generating capacity of more than 400MW of energy.

In addition, the Government allocates NOK 1,678 million as the annual capital increase for 2023 to Norfund's ordinary mandate. After an amendment to Norfund's bylaws in 2022, it is now a target that the proportion of investments in renewable energy should be around 60 % of allocated capital. This means that the business area "renewable energy" is given a higher priority than previously. Norfund has seen a substantial capital increase over several years. This is a consequence of the government's priority on renewable energy and private sector development in developing countries.

As mentioned in chapter 3.5, Norway provides substantial core contribution to the World Bank Group, the regional development banks and funds (soft windows of the banks). The banks energy interventions are sizeable, both at national and regional level. Norwegian core funding support these interventions, supplemented by direct Norwegian funding to selected initiatives (i.e. direct support to the Sustainable Fund for Energy in Africa, through the African Development Bank).

3.3 Climate Adaptation, including food security

The strategy "Climate change, hunger and vulnerability: Strategy for climate change adaptation, disaster risk reduction and the fight against hunger" will direct Norwegian support to climate adaptation in the years to come. The focus areas of the strategy are: 1. Early warning systems and climate services; 2. Nature-based solutions; 3. Climate-resilient food production; 4. Infrastructure; 5. Innovative financing mechanisms.

The policy guidelines set out in the strategy are to be reflected in budgets, annual work plans and allocation letters, and in the implementation of the associated activities. Relevant departments and sections in the ministries and other government agencies and in the Norwegian diplomatic missions abroad will be responsible for implementing the strategy under their own budgets in their respective areas of responsibility. The strategy also sets the direction for support to civil society efforts and private sector investment.

Funding in 2023 will mainly be allocated through two posts in the Norwegian budget; one post for climate and environment and one for food security. The first post covers grant support for climate and environmental efforts, including measures that contribute to implementation of the Paris Agreement, the sustainable development goals (SDGs), international environmental agreements and processes, and the Sendai Framework for the prevention of climate and natural disasters. The budget allocation for 2023 is NOK 1,794 million, an increase of 230 million NOK. In the allocation of the increase, support to climate adaptation will be prioritised.

Furthermore, climate adaptation is a priority for the budget post for food security, fishery and agriculture. The budget for this target area in 2023 is NOK 1,652 million. The government's new strategy on food security in Norway's development policy will be instrumental for the allocation of funds. Not all of this allocation will have climate objectives or be reported ex-post as climate finance, however, the aim is to engage stronger on climate resilient development within the food sector.

Norway's support to promote climate change adaptation and disaster risk reduction and combat hunger is provided through multilateral, regional and bilateral partners, the private sector, the research and development sector, and civil society organisations. Some of this funding goes towards global normative efforts and some of it is allocated to priority regions or countries, vulnerable groups and local communities. Norway plans to maintain this flexibility and the opportunity it provides to target support strategically. At the same time, Norway's choice of partners will be influenced by the focus on sub-Saharan Africa and SIDS.

The World Food Programme (WFP), the UN Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD), the UN Environment Programme (UNEP), the UN Development Programme (UNDP), the World Meteorological Organization (WMO) and the UN office for Disaster Risk Reduction (UNDRR) are among Norway's most important UN partners in the area. Other important partners include the Green Climate Fund (GCF), Global Environmental Facility (GEF) Adaptation Fund (AF), Global Centre on Adaptation (GCA), the Global Facility for Disaster Reduction and Recovery (GFDRR).

In addition, Norway supports the sustainable development of fisheries and aquaculture sector through the knowledge programme Fish for Development. An important objective for the programme is to use knowledge about the marine ecosystem to improve resource management.

3.4 Sustainable oceans

Norway's ocean related development assistance covers measures to follow up government policy for sustainable use and protection of the ocean and marine resources. Only certain parts of this effort will be reported as climate finance ex-post. Clean, healthy and productive oceans is a precondition to reach Agenda 2030 and the SDGs. Protecting the ocean in light of climate change is essential, but the ocean also holds many of the solutions to reducing emissions and increasing resilience of coastal communities and ecosystems. Our efforts in this field will focus on promoting sustainable ocean management based on science and knowledge and developing ocean based climate solutions such as green shipping, blue forest/blue carbon and aquatic food.

The ocean plays a significant role in climate change mitigation and adaptation. Norway supports a variety of efforts through bilateral and multilateral channels that aim to reduce emissions from ocean activities and to contribute to adaptation through protecting and regenerating coastal ecosystems and nature-based infrastructure. Our ocean-related development assistance portfolio supports efforts to ensure sustainable climate smart aquaculture, conservation of marine ecosystems to ensure jobs, food and biodiversity for small scale fisheries, protecting marine resources to improve climate resilient coastal zones, development of blue carbon markets and mangrove management. Norwegian support is also focused on the decarbonizing of shipping especially through the IMO-Norway project GreenVoyage2050 that helps developing countries in reducing their emissions from ships and pilot technology projects to reduce biofouling and related emissions. FAO, Blue Action Fund, World Wide Fund for Nature (WWF), Grid-Arendal, and Problue - the World Bank's Blue Economy Program, are some of Norway's main partners in this area.

Norway contributes NOK 1,600 million during the period 2019-2024 on a development programme to combat marine litter and microplastics. Although the programme does not have climate objectives as primary priorities, it includes several measures contributing to reducing climate emissions including increased recycling of plastic waste and a circular economy approach.

3.5 Multilateral institutions and Funds

The most important partners for Norway's multilateral climate finance, are the World Bank Group, UNDP, GCF and FCPF. UNEP and the GEF are organizations that also receive support from Norway. The NDC partnership has received Norwegian support from 2021. Norway also gives a core contribution to the UNDP, acknowledging that part of this contribution will be used for climate change activities.

Norway provides core contribution to the World Bank Group, regional development banks and funds. Core contribution is the purchase of ownership shares through capital deposits in development banks, and grants to the respective banks' funds for the poorest countries.

The World Bank Group is the largest financier of climate action in developing countries. The budget for core support to the World Bank Group in 2023 is NOK 1,276 million, covering Norway's commitments to the International Development Association (IDA) and participation in the capital increases in the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC). The 20th replenishment period of IDA (IDA20) runs from 2023 to 2025. Norway's participation in the capital increase in IBRD was adopted in 2018 and will be implemented in the period 2020–2023. The capital increase in the IFC will be implemented in the period 2020-25. The Climate Change Action Plan for 2021-2025 commits to deploying an average of 35 % of total World Bank Group financing in support for climate action. In fiscal year 2022 (covering July 2021-June 30 2022), financing for climate action reached USD 31.7 billion, 36 % of World Bank Group financing. The World Bank Group is committed to aligning its financing flows with the objectives of the Paris Agreement. For IDA and IBRD all new operations will be aligned by July 1, 2023. For IFC and MIGA, 85 % of Board-approved real sector operations will be aligned starting July 2023, and 100 % starting July 2025. Norway will continue to be a driving force for the Bank to achieve its climate goals and for its activities to align with the Paris Agreement.

The regional development banks are among the largest and most important sources of development finance and advice to borrower countries. Regional banks are important in the work of achieving the SDGs, deliver on the international climate commitments and to mobilize larger funds from multiple sources to finance development and climate measures. The African Development Bank (AfDB) has committed to allocate 40 % of its project approvals to climate finance between 2020 and 2025, giving equal weight to adaptation and mitigation. In 2021, the bank achieved this target, with 41 % climate finance and with particular priority to adaptation (67 % adaptation finance). In its updated 2021 climate strategic framework, the AfDB committed to align its new operations with the Paris Agreement between 2023 and 2025. In partnership with the Global Centre for Adaptation, through the Africa Adaptation Acceleration Program (AAAP), the bank aims to mobilize USD 12.5 billion by 2025 to scale up adaptation in Africa. Norway is the 10th largest donor to the African Development Fund in 2023-2025 (ADF16). The ADF is preparing several concrete energy and climate related commitments for 2023-2025 (replenishment negotiations completed in December 2022). At least 40 % of ADF investments in 2023-2025 will be allocated to climate finance, of which at least 50 % as adaptation finance. In addition, to scale up climate financing in low income countries, in particular towards adaptation, several donor countries are supporting the bank in setting up a Climate Action Window in ADF. At the board level and in policy dialogue with the bank's management, Norway continues to collaborate closely with the other Nordic countries for further integration of climate change in the bank's operations as well ensuring targeted resources towards measures that adapt and mitigate damages from climate change. Norway is a shareholder in the Asian Development Bank (ADB) and a donor to the Asian Development Fund (ADF). In 2021, new climate approvals reached USD 3.5 billion (16 percent of approvals), which is below the 2020 number of USD 4.3 billion. The drop is due to reallocation of resources to crisis support to help borrowing countries cope with the repercussions of covid-19 and the ongoing food and energy crisis. ADB is committed to ramping up its climate finance to fulfil its commitment of providing USD 100 billion of climate finance (cumulative) by 2030. ADB will fully align all new sovereign operations with the goals of the Paris Agreement by July 2023. Furthermore, at least 85 % of ADB's non-sovereign operations will be Paris-aligned by July 2023 and 100 % by July 2025.

Norway is a shareholder in The Inter-American Development Bank (IDB). The Climate Change Action Plan progress report for 2021 shows that the IDB reached the 30 % climate financing target in 2021 and currently supports 13 countries in developing or updating their Nationally Determined Contributions and/or Long-Term Strategies. The organization is well positioned to comply with the January 2023 target of Paris Alignment of new projects.

Norway is together with Denmark, Finland, Iceland and Sweden members of the Nordic Development Fund (NDF). A recapitalization was agreed upon in 2020. Norway will be contributing NOK 98.5 million per year in the period 2022-2030. NDF focuses on the nexus between climate change and development in lower-income countries and countries in fragile situations. NDF's financing is provided on concessionary terms in the form of grants, loans and equity. NDF engages in both the public and the private sector, and uses financial instruments flexibly, alone or in various combinations, to match the needs of the project.

4. Catalysing additional finance, including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development

Reaching the goal of the 2015 Paris Agreement of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C" requires rapid and far-reaching transformations in all sectors of the economy. This, in turn, is only possible if investments and financing are aligned with this goal. Making finance flows consistent with such temperature goals, as called for in Article 2.1c of the Paris Agreement requires mobilizing investments and finance for activities that contribute to climate objectives. It also implies shifting investments and finance away from activities that undermine these objectives. Article 2.1c and article 9 of the Paris Agreement are neither interchangeable nor mutually exclusive, but reinforce each other. A range of frameworks are being developed to initiate, implement and monitor actions for climate aligned finance. Below we will highlight some of the approaches taken by Norway.

4.1. Mobilising private finance

Many of the efforts undertaken by Norway in the field of climate change are directed at undertaking reforms, phasing out harmful subsidies (e.g. fossil fuels), strengthening technical and institutional capacity to support private sector and commercial investments, often in cooperation with other donors or through programs or funds in multilateral development institutions. We will highlight a few examples below.

Norad has a grant scheme to support project development work in the renewable energy sector in developing countries. The scheme is competitive and aims through risk-reducing/sharing grants to encourage and leverage private sector investment projects within the renewable energy sector in developing countries. Norad also cooperates with the Multilateral Investment Guarantee Agency (MIGA) and Africa Trade Insurance (ATI) that aim to increase the availability and lower the cost of guarantees for commercial investments in renewable energy. Moreover, Norway takes an active part in the public-private partnership Tropical Forest Alliance 2020. In this initiative, supply chain companies, tropical forest countries, investors, development partners and civil society come together to address the gap between commitment and action to halt commodity driven deforestation. To further leverage private investments in deforestation free agriculture, Norway has supported the incorporation and capitalization of the &Green fund. &Green offers concessional loans and risk reduction for co-finance in projects that combines efficient and socially inclusive production with forest protection. Mobilizing private finance is also an important feature of projects and programs supported by the GCF, for mitigation projects. It is also a priority for the BioCarbon fund, to which Norway has contributed.

Norfund remains, however, the key private-sector investment instrument of Norway's development policy and, by co-investing with others, Norfund leverages additional capital from industrial partners and ensures the industrial and local knowledge needed for each investment (see chapter 3.2 above).

Norad is planning a call for proposal for blended finance facilities that invest in renewable energy in developing countries. It is expected to focus on first-loss facilities that de-risk clean energy investments in developing markets and catalyze larger flows of private equity and debt.

4.2 Promoting carbon pricing, fossil fuel subsidy reform and market-based mechanisms

Norway is supporting the development of new market mechanisms under the Paris Agreement. Pilot initiatives can play a critical role in testing and implementing at scale new mechanisms, inform the discussions within the UNFCCC, and contribute to increased global ambition. We would specifically refer to the Transformative Carbon Asset Facility (TCAF), where Norway has committed USD 80 million. TCAF is working to assist countries in raising their ambition through implementation of economy-wide or sectoral policies and programs that create conditions for private sector investments in low-emission solutions. We also take part in a bilateral program through the Global Green Growth Institute, focusing on developing programs with increased ambition and strong government buy-in. Approximately USD 8.5 million is being spent on program development and knowledge sharing in the collaboration with the GGGI. Norway is also supporting the Partnership for Market Implementation, with a commitment of USD 7 million.

Norway has supported fossil fuel subsidy reform through the Energy Sector Management Assistance Program (ESMAP) and Global Subsidies Initiatives (GSI) managed by the International Institute for International Development (IISD) for several years and is a member of the Friends of Fossil Fuel Subsidy Reform (FFFSR). Set up in June 2010, the FFFSR is an informal group of non-G20 countries working to build political consensus on the importance of fossil fuel subsidy reform. The FFFSR advocate that elimination of fossil-fuel subsidies would make a significant contribution to the goals of the Paris Agreement. By keeping prices to consumers artificially low, fossil fuel subsidies encourage wasteful consumption, disadvantage renewable energy and drain scarce public resources that could be better spent on other sustainable developments goals.

Through our participation in these initiatives above and other, Norway supports carbon pricing whereby the polluters pay and investments in low-emission technologies are incentivized. Successful policies for setting a price on GHG emissions are part of a suite of measures that ensure equal opportunities for low emission alternatives and interact with a broader set of climate and non-climate policies.

4.3 Sustainable finance

The Norwegian government has voiced support for the overarching objectives of the European Commission’s strategy for financing the transition to a sustainable economy. In December 2021 the Norwegian Parliament adopted a new sustainable finance act, which incorporates the EU Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation in Norwegian law. The act entered into force 1.1.2023. The Norwegian government expects large undertakings to provide sustainability information in their annual reporting, in line with the requirements of the Norwegian accounting act. The government has also voiced support for the development of new sustainability reporting standards in Europe and internationally, including the development of separate, proportional standards for small and medium-sized enterprises (SMEs). In October 2021 the Ministry of Finance tasked the Norwegian Securities Law Commission with preparing a report on how the proposed EU Corporate Sustainability Reporting Directive can be implemented in Norwegian law.

The market for green bonds has grown considerably in Norway in recent years, and green bonds account for a substantial share of total bonds issued. In the Nordic market, nearly all issuers of green bonds use independent third-party reviews to verify their bonds. The reviews are made public, and issuers are obliged to make their ongoing disclosures through stock exchange statements. The Financial Supervisory Authority of Norway is currently considering how expected new EU rules on green bonds should be implemented in Norwegian law.

Norway takes part in and supports a number of initiatives on sustainable finance, including the International Platform on Sustainable Finance (IPSF). Together, the 19 members of the IPSF represent 55 % of greenhouse gas emissions, 51 % of the world population and 55 % of global GDP. The ultimate objective of the IPSF is to scale up the mobilization of private capital towards environmentally sustainable investments. Norway also takes part in an initiative launched by Switzerland and the Netherlands in 2019 on Alignment of financial Flows with the Paris Agreement. To gain more knowledge about the finance flow's alignment with Article 2.1.c of the Paris Agreement, Norway has over the last few years carried out two studies. The first study, in cooperation with OECD, looked at real economy investments in the industry sector in Norway and linked these investments to the underlying sources of financing. In the second study, financial institutions were invited to test a tool which measures financial portfolios' alignment with various climate scenarios (Paris Agreement Capital Transition Assessment, PACTA).

5. Lesson learned and future planning

Understanding the effectiveness of Norwegian climate finance is crucial to ensure that these investments deliver the maximum impact. It is important for Norway that funds are appropriately and verifiably invested and create maximum impact. It is important for building confidence in international climate action. The Department for Evaluation (Eval) in Norad initiate and conducts independent evaluations and studies around specific topics and themes relevant for Norway's climate finance. Eval is governed under a separate mandate and reports directly to the Secretary Generals of the Norwegian Ministry of Foreign Affairs, and the Norwegian Ministry of Climate and Environment.

In addition to Eval, units responsible for grants for climate financing undertake monitoring and decentralized reviews of Norwegian investments at the project level. Occasionally, the Office of the Auditor General of Norway has also evaluated Norwegian climate finance.

Eval has a total budget of around NOK 16 million, jointly financed by the Ministry of Foreign Affairs (MFA) and the Ministry of Climate and Environment. The Ministry of Climate and Environment contribution is around NOK 3 million that is mainly used for evaluating NICFI initiatives. The rest comes from MFA, a part of which may finance evaluations of initiatives related to environment and climate, as needed. MFA funds also support partnerships with evaluation units of multilateral organizations receiving Norwegian climate finance, of which the ongoing trust-fund-based partnership with the Independent Evaluation Office of the GEF is of particular importance. The GEF partnership is annually budgeted at around NOK 2 million by Eval, however, the total financing under this partnership is higher as the estimate does not include the share of costs borne by the Independent Evaluation Office of the GEF. Sources of funding will be subject to Norad's annual budget and internal allocations in Norad.

For the period of 2022 -24 the following evaluations are relevant for climate and environment:

- Evaluation of support for increased transparency in land use, supply chains and financing through Norway's International Climate and Forest Initiative
- Synthesis study of how Norwegian support to private sector development safeguards environmental considerations
- Evaluation of support to civil society by Norway's international Climate and Forest Initiative
- Evaluation of the sustainability of Norwegian food security aid
- Evaluation of Norwegian fishery support for Africa
- Evaluation of human rights as cross cutting issue in Norwegian development cooperation

In addition, other evaluations may include areas that are relevant for the climate and the environment. The Eval partnership with the GEF has supported evaluations and studies of various GEF initiatives including a comprehensive evaluation of the GEF, an evaluation of the GEF support to sustainable forest management, a study of GEF support to innovation, GEF's engagement with the private sector, interventions addressing land degradation, support to fragile states, support to mainstreaming of biodiversity and evaluation of GEF's Global Clean tech Innovation program. Eval's partnership has also invested in the improvement and use of new evaluation methodologies, including the development of an approach to assessing additionality and use of geospatial analysis for assessing the impacts of GEF investments. Eval and the Evaluation Office of GEF are committed to the continuation of the current partnership. However, funding to continue this partnership is subject to Norad's annual budget and internal allocations in Norad.

The Norwegian Forest and Climate Initiative (NICFI) is the backbone of Norwegian climate finance. NICFI is a complex initiative involving novel approaches and working with a multiplicity of partners seeking to achieve positive outcomes against the backdrop of differing and difficult national circumstances. Several evaluations have found that NICFI's attempt to gain significant support for REDD+ has been slow to materialise, and that Norway until recently has been the main donor to REDD+. The situation has changed the last couple of years, with increasing REDD+ financing. At COP 26 in Glasgow over 140 world leaders committed to "halt and reverse forest loss and land degradation by 2030 while delivering sustainable development and promoting an inclusive rural transformation" in the Glasgow Leaders' Declaration on Forests and Land Use (GLD). This was backed by a financial package of USD 19.2 billion from public donors, philanthropy and private investors. NICFI has also contributed significantly in engaging civil society including indigenous peoples and other forest dependent community organizations in the REDD+ process. This engagement, however, has primarily related to consultative processes, rather than in final decision-making. A performance audit of NICFI in 2018 advised NICFI to strengthen its internal risk management strategy and establish targets and indicators to guide future programming, planning implementation and monitoring of its funds and results associated with the different interventions. A follow up of the audit in 2022 confirmed that the risk management was strengthened, and that the development of a new strategic framework in 2020 does ease monitoring of funds and results. Indicators under the framework are still being developed. A recent evaluation confirms the emerging importance of private sector engagement in the NICFI portfolio.