UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Technical and statistical report

Beyond creative accounting

Restoring trust in the climate finance regime

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Abbreviations

AFDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
ADB	Asian Development Bank
CAF	Development Bank of Latin America and the Caribbean
CGD	Center for Global Development
COP	Conference of the Parties
CRDF	Climate-Related Development Finance
CRS	Creditor Reporting System
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
EEA	Exchange Equalisation Account
EIB	European Investment Bank
GHG	Greenhouse Gas
GNI	Gross National Income
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IDRC	In-Donor Refugee Costs
IFC	International Finance Corporation
IFMIP	Training Institute for Pharmaceutical Industry Professions (Institut de Formation aux Métiers de l'Industrie Pharmaceutique)
IGD	Delegated Management Training Institute (Institut à Gestion Déléguée)
IMF	International Monetary Fund
INGOs	International Non-Governmental Organizations
KPIs	Key Performance Indicators
MDBs	Multilateral Development Banks
NCQG	New Collective Quantified Goal
NDC	Nationally Determined Contribution
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OOF	Other Official Flows
PRGT	Poverty Reduction and Growth Trust
RST	Resilience and Sustainability Trust
SCF	Standing Committee on Finance
SDGs	Sustainable Development Goals
SDRs	Special Drawing Rights
tCO2eq	Tonnes of carbon dioxide equivalent
UNCTAD	United Nations Conference on Trade and Development
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
UESF	Ukraine Energy Support Fund

Table of contents

List of Figures

Executive Summary

In 2024, Parties adopted a new collective quantified goal on climate finance (NCQG) for developing countries, setting a minimum target of $300 billion annually by 2035 with developed countries taking the lead, and an aspirational target of $1.3 trillion from all sources.[1] While this marks important progress, concerns persist about the integrity, transparency, and additionality of climate finance, particularly in relation to official development assistance (ODA), resulting in fears that these targets may be met not by additional fiscal effort, but through creative accounting and expensive financing instruments. Indeed, without substantial efforts to respond to the learnings from the previous $100 billion target, there is a risk that the NCQG could accelerate a race-to-the-bottom on the quality of climate finance and have negative impacts on other sustainable development needs. To this end, Parties at COP 30 in Belém agreed to establish a two-year work programme on climate finance, including on Article 9.1 of the Paris Agreement which states that developed countries 'shall provide' climate finance.[2]

This report explores the evolving relationship between climate finance, ODA and broader development finance flows[3] since 2009, the year the $100 billion climate finance goal was agreed, and offers recommendations to improve transparency, accountability, and effectiveness in climate finance delivery. While headline figures often suggest progress on increasing climate finance flows, deeper analysis reveals that much of the reported increase is not additional. Furthermore, analysis suggests that climate finance may be coming at the expense of traditional ODA priorities and may have limited impact on climate goals themselves.

Without clearer definitions, robust accounting standards, and a commitment to transparency, the credibility of both climate and development finance is at risk. To meet the ambitions of the Paris Agreement and the Sustainable Development Goals, Parties must move beyond creative accounting when delivering the NCQG, and toward a system that delivers real, measurable and effective support to developing countries.

Key Findings

- **Climate finance is largely not additional**. Only a fraction of climate finance is additional to existing ODA commitments. The most rigorous definition of climate finance –that provided over and above the 0.7 per cent Gross National Income (GNI) ODA target– is met by very few countries.
- **Double-counting is the norm**. In the absence of common accounting standards to distinguish climate finance and ODA, donors often classify the same projects as both climate finance and ODA, inflating figures without increasing actual support.

1 UNFCCC (2024). Decision 1/CMA.6 New collective quantified goal on climate finance.
2 Draft decision -/CMA.7. Available at: https://unfccc.int/sites/default/files/resource/cma2025_L24_adv.pdf
3 ODA is one part of total development finance flows which also includes non-concessional financing and instruments. While much climate finance can be considered development finance because it contributes to development objectives, not all climate finance can count towards ODA, primarily because of ODA standards on concessionality. Furthermore, the discussion in this paper focuses on Article 9 climate finance flows, that is, those attributable to the obligation of developed country Parties to provide and mobilize financial resources to assist developing country Parties with respect to both mitigation and adaptation.

- **Non-climate ODA is stagnating relative to GNI**. While total ODA has increased in dollar terms, non-climate ODA[4] as a share of donor GNI has declined from 0.31 per cent in 2009 to 0.25 per cent in 2023.[5]
- **Accounting changes appear to drive increases**. Much of the rise in climate finance in recent years appears to stem from changes in accounting practices, such as broader use of Rio-markers and reclassification of existing projects, rather than genuine shifts in priorities or increased fiscal effort.
- **ODA cuts could intensify negative trends**. As well as having an impact on total finance available for climate, ODA reductions will create additional pressure to count finance towards both ODA and climate goals.
- **Multilateral development banks (MDBs) can do more on climate finance transparency.** MDBs have significantly increased the share of their commitments classified as climate finance, but more can be done to show climate impact and connection to recipients' priorities.
- **Transparency and impact measurement are lacking**. Donors rarely publish expected climate or development impacts of projects, making it difficult to assess effectiveness or justify classifications, while case study analysis reveals widespread mislabeling.

Recommendations

- **End double-counting**. All Parties should work together on a lasting solution to prevent the same financial flows being counted towards both ODA and climate finance targets, for example with the help of a taxonomy that can distinguish what can count towards climate finance and by proportionally allocating dual-purpose projects.
- **Improve standardization of accounting practices**. Adopt consistent definitions and methodologies for climate finance accounting across donors to reduce ambiguity, improve transparency and build trust between all Parties.
- **Prioritize development-climate win-wins**. Support projects with strong co-benefits for climate and development, rather than making marginal adjustments to fit criteria.
- **Publish impact metrics**. All climate finance providers should publish expected climate and development impacts for funded projects using standardized indicators and frameworks to ensure comparability, accountability and effectiveness.
- **Meet ODA and NCQG targets**. Increase overall financial commitments to meet both ODA (0.7 per cent GNI) and climate (NCQG) targets and avoid downward pressure on the quality of both.
- **Channel more finance through UNFCCC climate funds**. Meet and exceed the commitment to triple finance going to multilateral climate funds to improve additionality and strengthen climate finance transparency.
- **Explore non-ODA instruments.** Explore tools like guarantees, SDR rechannelling, and reserve-based financing to expand climate finance without impacting ODA budgets, while ensuring a focus on affordability for recipient countries.
- **Reform MDBs' governance.** Enhance representation of developing countries in MDBs' decision-making to better align financing with recipient needs and priorities.

4 ODA that does not have a Rio-marker and is therefore not counted towards climate finance contributions.
5 Excluding support for Ukraine and in-donor country refugee costs (IDRC).

Introduction

At the 29th Conference of the Parties (COP 29) to the United Nations Framework Convention on Climate Change (UNFCCC) in Baku, Azerbaijan, Parties to the Paris Agreement adopted Decision 1/CMA.6 for a New collective quantified goal on climate finance (NCQG) for developing countries, setting a minimum floor of $300 billion per year by 2035 with developed countries taking the lead, and an aspirational goal of $1.3 trillion annually from all sources.[6] **This was met by criticism from some countries for lacking in ambition given the scale of the climate crises already facing them, with human and economic losses from climate disasters and slow onset impacts mounting and many countries plunged into debt distress following the fiscal response to such events.**[7]

However, there are problems that go beyond the target itself. Not only is there a lack of agreement on what should count as climate finance, but lax reporting standards also mean that much of this finance may come at the expense of more traditional development priorities.[8] There are concerns that Annex II countries[9] have not provided climate finance by expanding the overall financing envelope, but by either diverting development finance or reclassifying existing projects.

The first concern is that climate finance may divert official development assistance (ODA) away from poverty reduction to tackle a global problem that has emerged since the 0.7 per cent target was agreed.[10] Climate finance has certainly increased as a priority among donors of all types in recent years, with many multilateral development banks (MDBs) increasing total commitments dedicated to climate,[11] and bilateral providers setting targets that appear incommensurate with trends in their finance provision. ODA provision was already insufficient to tackle all of the problems it was supposed to alleviate, and with poverty, conflict and humanitarian needs increasing alongside climate change pressures, diverting ODA away from these challenges could have dire consequences.

The second concern is that this increase in climate finance may be illusory. Developed countries agreed to climate finance goals, but without mustering political mandates

6 UNFCCC (2024). Decision 1/CMA.6 New collective quantified goal on climate finance.
7 UNCTAD (2025). Sovereign debt vulnerabilities in developing countries.
8 Understood here to mean the original ODA objectives of economic development and welfare of developing countries prior to knowledge and understanding of global warming, though of course, these issues are now inseparable from climate change.
9 Annex II Parties consist of Australia, Austria, Belgium, Canada, Denmark, European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States of America. They are required to provide financial resources to enable developing countries to undertake emissions reduction activities under the Convention and to help them adapt to adverse effects of climate change.
10 Kenny C (2020). On Aid and Climate, Don't Make the Poor Pay Twice. Center for Global Development. Available at: https://www.cgdev.org/blog/aid-and-climate-dont-make-poor-pay-twice
11 See for example World Bank (2024) Climate Finance Factsheet, available at: https://www.worldbank.org/en/news/factsheet/2024/11/12/climate-finance

for significant increases in overseas support, and without agreeing standards that could limit what donors can count as climate finance. This therefore creates the opportunity to reclassify existing projects as both ODA and climate finance.

This report explores the relationship between climate finance and ODA by reviewing how they have evolved since 2009 – the year in which the goal to deliver $100 billion in climate finance was agreed. Section 1 provides a background on both ODA and climate finance measurement and discusses implications of the extent to which ODA and climate finance are 'double-counted' and whether climate finance is additional. Section 2 analyses trends in climate finance and ODA provision, finding that there have been substantial increases in dollar terms, but that relative to donor gross national income (GNI), ODA provision has fallen while climate finance appears to increase. It also explores evidence that the increase in climate finance has been exaggerated, and that the second problem outlined in this introduction is more prevalent: climate finance is not achieving what it should because it is largely not defined with climate priorities in mind. Section 3 discusses options to tackle this problem, outlining possible recommendations.

Section 1: Distinguishing official development assistance and climate finance

A background to official development assistance and climate finance

ODA is a measure of foreign aid for economic and social development, produced by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). Discussions around aid targets had been galvanised during the first and second Conferences of UNCTAD in 1964 and 1968,[12] leading to the 1969 report of the Pearson Commission, which called for donor countries to allocate 0.7 per cent of their GNI to ODA; a target endorsed by the United Nations in 1970.[13] The rationale was explicitly to promote economic development and welfare in developing countries, and these goals remain a part of ODA's definition.

Both the measurement of ODA, and its definition, are governed by the DAC, which is the committee within the OECD that has primary responsibility for dealing with cooperation with developing countries. The DAC objective, as currently stated, is to "promote development co-operation and other relevant policies so as to contribute to implementation of the 2030 Agenda for Sustainable Development."[14] Its members are also OECD members and are required to have appropriate strategies and institutions to deliver development cooperation programmes (including for monitoring and evaluating such programmes).

The official definition for ODA is that it measures "grants and loans to the official sector of countries and territories on the DAC List of ODA Recipients, International Non-Governmental Organizations (INGOs) and multilateral development institutions." These grants and loans are provided by the official sector of the member states with the intention of "promoting economic development and welfare of developing countries as its main objective" and are concessional in character (with concessionality defined differently depending on a recipient's income group, as of 2014). This definition has evolved over time.

This apparently clear definition is not always a good guide to what is included in ODA. Not all ODA is in the form of grants or loans, as it can also include capital transfers and has been expanded to include private sector instruments which are generally not concessional and many transactions arguably do not promote economic growth or welfare in developing countries as their main objective. Nevertheless, the existence of a clearly stated definition, and a history of scrutiny and debate around ODA expenditure has determined the boundaries of ODA.[15]

12 UNCTAD (1964). Proceedings of the United Nations Conference on Trade and Development, Geneva, 23 March –16 June 1964, Volume I, Final Act and Report, Annex A.IV.2, Section III.4, p. 44; and UNCTAD (1968). Proceedings of the United Nations Conference on Trade and Development, Second Session, New Delhi, 1 February – 29 March 1968, Volume I, Report and Annexes, Agenda item 12, Section 27 (II), paragraph 7, p. 39.

13 UN General Assembly resolution 2626 (xxv), paragraph 43, November 19, 1970.

14 OECD (2022). Resolution of the Council Concerning the Mandate of the Development Assistance Committee. Available at: https://oecdgroups.oecd.org/Bodies/ShowBodyView.aspx?BodyID=869&BodyPID=15814

15 There is much more that can be said about the overall erosion of ODA in recent years, but this report will specifically focus on the relationship with climate finance.

In stark contrast, climate finance has no universally agreed definition.[16] Serious attempts to measure climate finance specifically date back to 2009, when it was agreed at the COP in Copenhagen that developed countries would mobilize and provide $100 billion in finance to support developing countries in their mitigation and adaptation efforts.[17] Despite the goal, no measurement framework, definition or baseline was established at the time against which to measure progress. This omission has caused controversy around exact volumes of climate finance provided and mobilized ever since.

Unlike ODA, which is primarily limited to concessional transactions from official sources, Article 9 of the Paris Agreement which outlines the obligations of Annex II Parties in relation to climate finance acknowledges a 'wide variety of sources' as contributing towards climate finance.[18] The Copenhagen Accord in which the $100 billion goal was formally adopted states that "funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance."[19] No mention is made of concessionality, or of the cost to developed countries of providing the finance: loans at market rates contributed equally to the $100 billion goal as grants, unlike ODA which adopted a 'grant equivalent' measurement basis in 2017 in an attempt to capture relative fiscal effort. The emphasis for the target is also on the finance that developing countries *receive*, rather than solely what developed countries *provide,* as with the 0.7 per cent of GNI ODA target. As a continuation of the $100 billion goal, the $300 billion target contained in the NCQG is similarly expected to come from a wide range of sources, while the $1.3 trillion goal calls on all public and private sources.[20]

Double-counted by definition

While there are compelling reasons to count climate finance and ODA separately, separation is rarely achieved in practice. So long as the specific instruments used are eligible (that is, grants or concessional, provided by the official sector and with at least a partial development purpose), climate finance projects will meet the definition for ODA and can be counted both towards climate finance goals and the 0.7 per cent target. In other words, most climate finance is double-counted by definition: the only way to ensure that projects are not double-counted would be to make them ODA-ineligible, which generally means non-concessional finance.

As a result, there is far greater focus on the concept of 'additionality', generally interpreted to mean whether climate finance is provided over and above ODA that would otherwise have been provided.

Additionality has been a key demand of developing countries and is seen as one of the most important principles in climate finance provision, with the requirement that climate finance be 'new and additional' dating back to wording in the Convention.[21] In recent submissions to the UNFCCC Standing Committee on Finance (SCF) on the definition of climate finance, the need for it to be additional was specified in all submissions by developing countries except one, while most climate finance providers did not mention 'new and additional'.[22]

16 The UNFCCC has an operational definition as follows: "Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases, and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts." For a discussion on different definitions in operation, please see: UNFCCC Standing Committee on Finance (2023). Report on clustering types of climate finance definitions in use. Technical Report.
17 Decision 2/CP.15
18 UNFCCC (2015). The Paris Agreement.
19 Decision 2/CP.15
20 Decision 1/CMA.6 New collective quantified goal on climate finance.
21 UNFCCC (1992). United Nations Framework Convention on Climate Change.
22 Ritchie E and Bekele M (2024). Do we need a common definition of climate finance? It depends who you ask. Development Initiatives. Available at: https://devinit.org/blog/do-we-need-common-definition-climate-finance/

However, this topic has proved to be contentious, and as with climate finance overall, there is no agreed definition of what additionality means. Climate finance providers have therefore assumed a range of definitions,[23] many of which have drawn criticism for being essentially tautological. For example, Germany considers that "all newly committed funding and disbursed funding in the reporting year falls within the category 'new and additional,'" that is, all climate finance is 'new and additional' by definition.[24] This definition is used by 14 Parties according to a recent summary by the UNFCCC SCF.[25]

The second most common definition among Annex II countries is for climate finance to be in excess of "previous commitments on development finance"[26] (generally with reference to 2009). Three countries use a third definition where climate finance is the amount provided in excess of the 0.7 per cent of GNI target. Lastly, Portugal defines 'new and additional finance' as coming from a separate fund dedicated to climate and environmental objectives.

A recent paper from an NGO analysing climate finance additionality uses a 'strong' and a 'weak' definition of additionality.[27] The strong definition corresponds to definition 3 above, stating that climate finance is additional if it is provided over and above the DAC commitment to spend 0.7 per cent of GNI on ODA. This definition implies that very little of the current climate finance is additional, met only by a fraction of the climate finance provided by Luxembourg, Norway and Sweden at the time of their analysis. Their weak definition corresponds to definition 2: climate finance is additional if it is provided over and above the level of ODA that was contributed in 2009 – a substantially lower bar. Nevertheless, CARE found that only 52 per cent of climate finance was additional by this weaker definition.

The Center for Global Development (CGD) use definition 2 to analyse total development finance flows attributable to developed countries and arrive at an upper bound for what *could* be additional with reference to provision in 2009 (that is, if finance has increased by $X billion dollars, then it cannot be said that more than $X billion has been additional).[28] They found that by 2018, total development finance (including non-concessional flows) had only increased by around $44 billion. Therefore, that was the maximum that could be considered additional, while figures reported to the OECD calculated climate finance of almost $79 billion in that year. This corresponds to an overestimation of 80 per cent.

In principle, the surest way to guarantee that climate finance is additional would be to stipulate that finance counting as climate finance *cannot* be counted as ODA, and vice versa. This would certainly create some arbitrary distinctions – given that similar projects could be funded out of each 'pot'– but it would make clear the extent to which climate finance was coming at the expense of existing ODA.[29]

23 Calleja R (2021). How Do Development Agencies Support Climate Action? Center for Global Development.
24 German Government (2023). Eighth National Communication and fifth Biennial Report of the Federal Republic of Germany under the United Nations Framework Convention on Climate Change. Federal Ministry for Economic Affairs and Climate Action. Available at: https://unfccc.int/documents/626516
25 UNFCCC (2024). Report on common practices regarding climate finance definitions, reporting and accounting methods. Technical Report. Standing Committee on Finance. Available at: https://unfccc.int/sites/default/files/resource/Common_Practices_Technical_Report.pdf
26 Consisting of ODA, multilateral contributions, and less-concessional finance including export credits.
27 Hattle A (2023). Seeing Double: Decoding the 'additionality' of climate finance. CARE Denmark. Available at: https://careclimatechange.org/seeing-double-decoding-the-additionality-of-climate-finance/
28 Mitchell I, Ritchie E and Tahmasebi A (2021). Is Climate Finance Towards $100 Billion "New and Additional"? Center for Global Development.
29 Or at least, clearer. In practice, the counterfactual is unobservable: a country that had already been planning to reduce ODA might appear to have provided climate finance at the expense of ODA, whereas in fact that climate finance was provided in addition to existing plans.

Other challenges when comparing official development assistance and climate finance

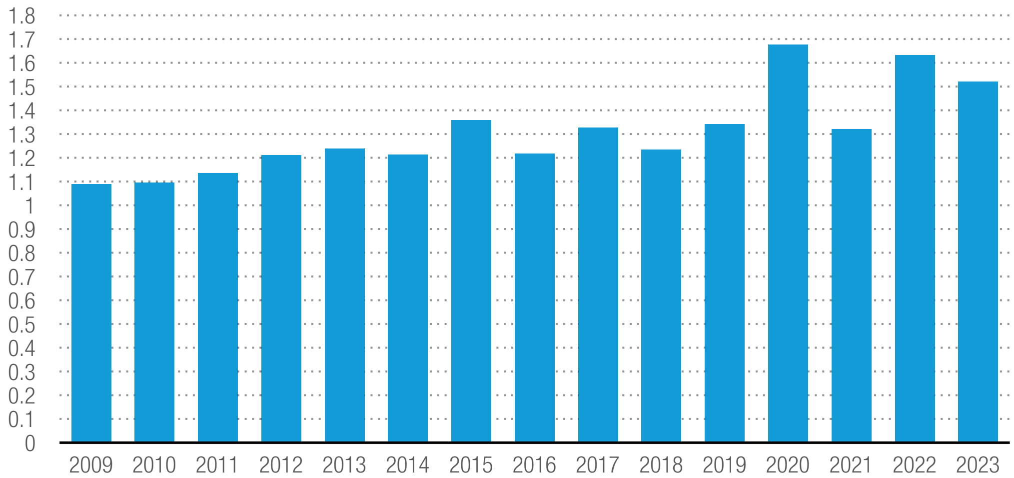
What is received is not equal to what is provided

In contrast to the ODA GNI target, climate finance goals refer to what developing countries should receive, rather than what developed countries should provide. But these two figures can diverge for many reasons, first of which is the major role played by MDBs in climate finance.[30] MDBs are able to provide finance far in excess of what is pledged to them by developed countries for three reasons. Firstly, they are able to leverage the contributions they receive by raising additional finance on international capital markets, allowing them to disburse much greater volumes of finance than donors contributions.

Secondly, MDB resources are supplemented by repayments of previously disbursed loans. While the capital for these loans was ultimately provided by developed countries, these contributions have accumulated over decades, since before climate change was even an acknowledged concern. Finally, MDBs also receive contributions from non-Annex II Parties, who are not obliged to provide or mobilize climate finance under the Convention and Paris Agreement.

These three factors make a substantial difference. The ratio between ODA outflows from multilaterals and DAC contributions to multilaterals increased from 1.1 in 2009 (ODA outflows of $40.2 billion and $36.9 billion in core multilateral contributions) to 1.5 in 2023 ($93.9 billion in ODA outflows to $61.8 billion in core contributions), as can be seen in figure 1.[31,32] Similarly, when considering all outflows (including non-concessional) the ratio between outflows and inflows increased from 2.4 to 3.1 over the same period.

Figure 1
MDBs are improving their leveraging to deliver more aid
Ratio between ODA outflows from multilateral and DAC core contributions to multilaterals, 2009-2023



Source: UNCTAD, based on OECD DAC1,[33] OECD CRS.[34]

30 While there are other reasons for differences in what is provided and received in ODA whereby what is received is *less* than what is stated in donor budgets (such as high administrative costs in donor countries and other cost items and conventions), the focus of this discussion is on the opposite trend in climate finance accounting as a result of leveraging and attributed mobilization.
31 OECD (2025). DAC1: Flows by provider. OECD Data Explorer. Accessed July 2025.
32 OECD (2025). Creditor Reporting System. Accessed July 2025.
33 Idem.
34 OECD (2025). DAC1: Flows by provider. OECD Data Explorer. Accessed July 2025.

Many analyses examine donor contributions *to* multilaterals which is the relevant flow from the point of view of ODA. However, what matters for climate goals is the finance *received* by developing countries. This is a key issue with defining additionality in reference to 0.7 per cent target. In principle, a country could increase provision of climate finance in line with their definition of additionality without taking any action, just as a result of multilaterals increasing leverage ratios and disbursing the additional finance on climate. While this would appear to make progress towards climate finance goals without impeding existing development spending, it also highlights the disconnect between prevailing definitions of additionality and fiscal effort.

Other official flows and comparability

The wording of the various references to climate finance in UNFCCC and Paris Agreement documents indicates that a wider range of sources are relevant, not just ODA. For example, roughly 18 per cent of climate finance in 2020 came from other official flows (OOF); defined as finance provided by developed countries that is either not concessional enough to be considered ODA or is not intended to be developmental in nature.[35] Little is known about these flows – in part because little attention is paid to them – but for countries such as France and Japan, they constitute a significant share of climate finance (around 22 per cent and 14 per cent respectively in 2020 according to UNFCCC data).[36,37] According to the UNFCCC, climate-marked OOF attained an annual average volume of $3.7 billion in 2021-2022, more than double the 2019-2020 commitments.[38]

These flows are unambiguously additional to ODA in the sense that they are not *eligible* to be included as such. But there are other concerns about such flows. For example, comparing climate finance provision of different countries is misleading, because two countries with similar headline numbers might be incurring vastly different levels of fiscal effort. For example, only 14 per cent of Japan's climate finance in 2020 was in the form of grants, whereas the figure was 80 per cent for the United Kingdom.[39]

There are also concerns about the extent to which climate finance is being provided in the form of loans and thereby triggering or exacerbating debt crises in recipient countries.[40] This is particularly important in the case of non-concessional loans where repayment is frontloaded and interest charged is relatively higher. In addition to OOF, around 20 per cent of climate finance received by developing countries attributable to Annex II countries comes in the form of 'mobilized private finance', which is also ineligible to be counted as ODA in totality, although the original investments that mobilize these flows can be.[41]

Conclusion

The types of activities funded by climate finance and ODA are similar enough that making a clear distinction between them is next to impossible, even if both have very different motivations and underlying principles. This implies that some level of

35 Taken from the Common Tabular Format of the Fifth Biennial Reports of Annex I countries. Available at: https://unfccc.int/BR5
36 Government of France (2023). France's 5th biennial report. Ministère de la Transition Energétique.
37 Government of Japan (2022). Fifth Biennial Reporting Common Tabular Format (BR-CTF). BR-CTF 5.
38 UNFCCC (2024). Sixth Biennial Assessment and Overview of Climate Finance Flows. UNFCCC Standing Committee on Finance.
39 Government of Japan (2022). Fifth Biennial Reporting Common Tabular Format (BR-CTF). BR-CTF 5.
40 For more details, see chapter V in UNCTAD (2025). *Trade and Development Report 2025: On the brink: Trade, finance and the reshaping of the global economy* (United Nations publication. Sales No. E.25.II.D.37. Geneva).
41 OECD (2024). Climate Finance Provided and Mobilised by Developed Countries in 2013-2022. Climate Finance and the USD 100 Billion Goal. OECD Publishing, Paris. https://doi.org/10.1787/19150727-en

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double-counting is inevitable. Nevertheless, as climate change has increased financing needs, climate finance should be additional and demonstrate a marked increase on former flows. Coming to a clear measurement of this additionality is challenging: definitions of additionality vary and tend to be overly generous to providers; climate finance targets focus on what is received rather than provided in terms of fiscal effort; and substantial flows counting towards climate finance goals are non-concessional but count the same as grants. In the current approach, the only sure way to prevent climate finance displacing ODA budgets is to provide it in forms that are not eligible to be counted as ODA, for example, non-concessional loans, or increasing the share coming from mobilised private finance. But neither is attractive, as they risk leaving substantial gaps in provision, particularly for adaptation, and exacerbating debt distress.

While these challenges make it difficult to ascertain the exact overlap between ODA and climate finance, it is clear that the majority of climate finance is *not* additional, that climate finance provision has not kept pace with need, and that at least some has been diverted from other priorities.

Section 2: Trends in official development assistance and climate finance

Analysing trends in climate finance is challenging for several reasons. Firstly, the lack of an agreed definition means that different countries do not necessarily class the same projects as climate finance. There are multiple examples of donors approaching the same projects differently. For example, one country counted some donations of excess COVID-19 vaccinations as adaptation finance, a practice not followed by other countries.[42] Core contributions to some agencies – which are identical regardless of which donor provides them – are often treated as having a 'principal' climate objective by some, and no climate objective by others. It is important to bear in mind these inconsistencies when assessing the trends outlined below.

Aside from such inconsistencies, there are also gaps in understanding, for example with MDB data which has limited project-level information, cannot generally be disaggregated and is not measured in a consistent way with bilateral donors (who use the Rio-marker system).[43] For ODA specifically, there is an added complication arising from the change in measurement basis of official figures in 2017, when the DAC started measuring ODA on a 'grant equivalent' basis, rather than net disbursements.

For the purposes of this report, the focus is on gross disbursements,[44] partly to avoid problems with consistency over time, but also because this is more similar to the basis on which climate finance is measured and allows greater comparability considering the grant-equivalence measurement of ODA. With these caveats in mind, this section analyses trends in the relationship between climate finance and ODA.[45]

Approach to measuring climate finance

To estimate climate finance from bilateral providers, the report uses the Rio-markers from the OECD Creditor Reporting System (CRS) dataset. These markers are commonly used by countries to denote whether projects have a climate objective. Originally, they were not intended to be used quantitatively, but to track progress in mainstreaming the Rio Conventions considerations into ODA programming. However, given the lack of framework

42 Euan Ritchie (2024). Climate finance: Earning trust through consistent reporting. Development Initiatives.
43 Rio-markers are commonly used by countries in their reporting to denote whether projects have a climate objective.
44 Except for the section on trends in multilaterals, since the dataset used only provides data in commitments.
45 To note, figures here include DAC countries contributing ODA, some of whom are not Annex II countries, in order to have the fullest picture of trends. While this means some countries contributing to ODA are not counted in the climate finance figures, their contributions are small in the context of overall trends.

with which to measure climate finance, the Rio-markers were adopted by most countries to fill this gap. The markers allow donors to denote whether projects have one of two 'levels' of climate focus:

1. **Significant:** Projects with a significant climate objective (Rio-marker equal to 1) are those for which the climate objective is explicitly stated and has been formulated or adjusted to meet those objectives, but for which they are not fundamental to the design of that project.
2. **Principal:** Projects with a principal climate objective (Rio-marker equal to 2) are those for which the climate objective *is* fundamental to the design of the project, and that would not have been funded if not for that objective.

For projects that only have a significant climate marker, countries generally count only a percentage of disbursements as climate finance. This share is fixed for most countries, and reported to the OECD (for example, Austria, Denmark and Germany all count 50 per cent of all significant projects).[46] However, for countries that do not count a constant share, there is generally no way of obtaining accurate climate finance information, as the project-by-project share is not reported. For these countries, it is assumed that 40 per cent of significant-marked projects count as climate finance as this is the modal share among other countries.[47] There also remains a portion of ODA that is not screened with Rio-markers, and for the purposes of this paper, is not considered climate finance.

While the UNFCCC Biennial Report submissions are the most authoritative source of information on bilateral climate finance contributions from Annex II countries, this dataset has a number of limitations. First, data is currently only available up until 2020, compared to 2023 for DAC data. Second, there is considerable inconsistency in reporting, such as whether commitments or transactions are reported. Third, there is generally very little information available on the projects recorded, which makes detailed analysis difficult. Most countries use the Rio-markers to denote which projects will ultimately be reported to the UNFCCC, and therefore there should be a high degree of correspondence between UNFCCC and CRS data. This is generally the case, however, even when allowing for known differences, there are still countries whose data diverges considerably.

For multilateral climate finance, the report uses the OECD Climate-Related Development Finance (CRDF) dataset. This only provides data in commitments, but is the only project level dataset for all multilaterals.

Key trends in official development assistance

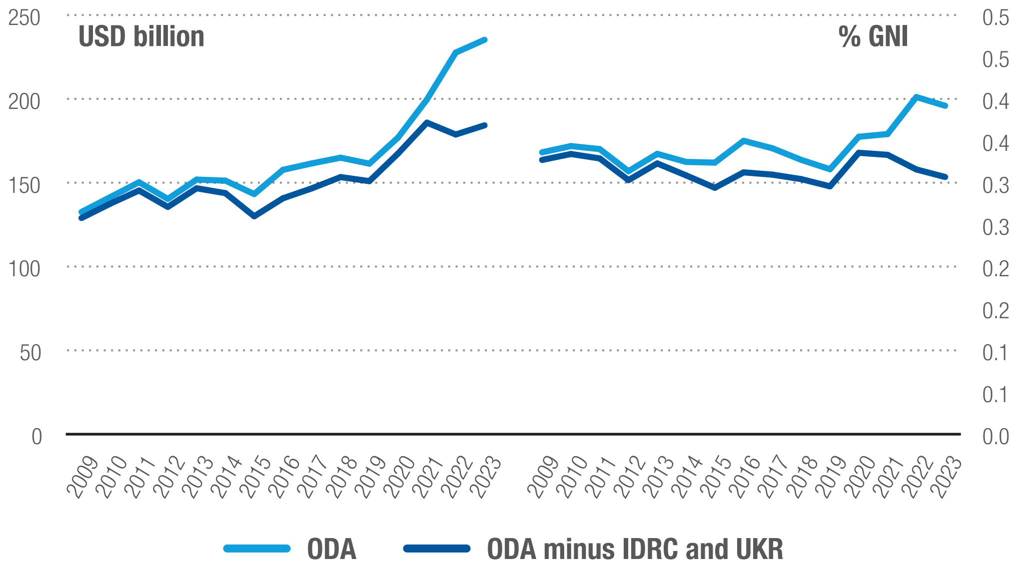
Headline ODA figures suggest a substantial increase in ODA over recent years, both in absolute terms and as a share of gross national income (GNI) (figure 2). Between 2009 and 2023 ODA increased from $133 billion to $235 billion, an increase of 77 per cent, and from 0.34 per cent to 0.39 per cent of GNI. Most of this increase came since 2019.

46 OECD (2024). Results of the survey on the coefficients applied to Climate Change Rio marker data when reporting to the UNFCCC. DAC Working Party on Development Finance Statistics.

47 The United Kingdom is an exception: information on the share of projects that count as climate finance is available through the International Aid Transparency Initiative (IATI) as well as the United Kingdom's International Climate Finance (ICF) results page. This data is therefore used to calculate bilateral climate finance from the United Kingdom.

Figure 2
Growing headline aid figures conceal a shrinking GNI share getting to developing countries

DAC ODA disbursements, bilateral and multilateral, (USD billion)



Source: UNCTAD, based on OECD DAC1 and DAC2a.[48]

However, these numbers need to be heavily caveated. The majority of the increase since 2019 can be explained first by the response to COVID-19 in 2020/2021 (including the inclusion of excess vaccine donations in ODA),[49] and then by the fallout from the war in Ukraine, which triggered a huge aid response from DAC countries (denoted by UKR in figures), and a dramatic increase in expenditure on in-donor country refugee costs (IDRC). This latter category accounted for $33 billion in 2023. When these categories are removed, ODA still increased in absolute terms between 2009 and 2023, from $129 billion to $184 billion, but fell as a percent of GNI (from 0.33 per cent to 0.30 per cent) (figure 2). If all flows for 'unspecified' recipients[50] are removed, counting only ODA disbursements specified for developing countries, then the decrease is even steeper.[51] It is therefore reasonable to conclude that since 2009 when the initial climate finance target was agreed, DAC generosity has stagnated, despite the cascading crises and mounting challenges over this period.

48 OECD (2025). DAC1: Flows by provider. OECD Data Explorer. DAC2A: Aid (ODA) disbursements to countries and regions. Accessed July 2025.

49 Dissanayake (2021). What's the Right Price for Surplus COVID-19 Vaccines? The Answer Is Closer to Zero Than You Might Think. Center for Global Development. Available at: https://www.cgdev.org/blog/whats-right-price-surplus-covid-19-vaccines-answer-closer-zero-you-might-think

50 ODA to unspecified recipients can benefit several regions or cannot be assigned to specific recipient countries or regions, such as ODA for refugees in donor countries, infectious disease control, research institutions, or administrative costs.

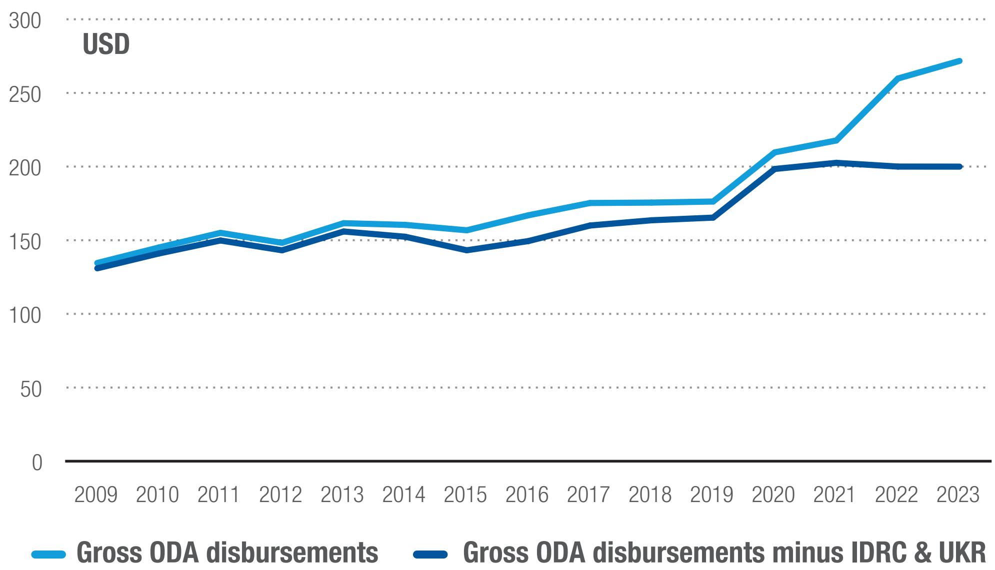
51 UNCTAD (2025). Aid at the crossroads: Trends in official development assistance. https://unctad.org/publication/aid-crossroads-trends-official-development-assistance

As noted in the previous section, there is a distinction between the ODA that is provided by DAC members, and the finance ultimately received by partner countries, primarily because of the gap between multilateral inflows and outflows. To this end, when including multilateral ODA outflows attributable[52] to DAC members (rather than their contributions *to* multilaterals), total ODA disbursements increased from $206 billion to $268 billion between 2020 and 2023 (up from $133 billion in 2009). However, excluding support for Ukraine and IDRC, the increase was negligible, from $195 billion to $196 billion over the same period (figure 3). Considering inflationary pressures in recent years, this means that real ODA flows received by developing countries have actually been decreasing.

Figure 3

Total aid flows from developed countries have recently stagnated

Gross ODA disbursements attributable to the DAC, including multilateral outflows, 2009-2023 (USD billion)



Source: UNCTAD, based on OECD CRS,[53] OECD (2024).[54]
Notes: The figures include multilateral ODA disbursements weighted by the share attributable to developed countries calculated by the OECD.

[52] When considering multilateral climate finance, not all outflows are attributable to DAC countries: especially in recent years, contributions have been growing from non-DAC countries. For example, non-DAC contributions to IDA increased from 2 per cent to 11 per cent between the thirteenth and twentieth replenishments. To account for this trend, multilateral outflows are weighted by the shares that are attributable to 'developed countries' calculated by the OECD in their 'Climate Finance Provided and Mobilised by Developed Countries in 2013-2022' report, although it should be noted that this is an approximation. These shares have only been calculated at intervals since 2015, so the most recent figure available for each year has been used, and the 2015 share is used for all prior years. In addition, the OECD has not calculated shares for all multilaterals. For the remainder, it is assumed that all multilateral outflows are attributable to the DAC. This may exaggerate the DAC's contribution, but only applies to around 15 per cent of multilateral disbursements, and therefore the difference will be marginal. Another complication is that the OECD define 'developed' countries according to the UNFCCC Annex II list, which doesn't include several DAC members. However, multilateral contributions from these are small and so the OECD calculated shares are a good proxy.

[53] OECD (2025). Creditor Reporting System. Accessed July 2025.

[54] OECD (2024). Climate Finance Provided and Mobilised by Developed Countries in 2013-2022.

While the increase in ODA outflows since 2009 is $135 billion, more than enough for climate finance provided over that period to be additional, much of that additional spending is clearly unrelated to climate.[55] Excluding support for Ukraine and IDRC, ODA disbursements from DAC and multilaterals only increased by around $66 billion between 2009 and 2023.

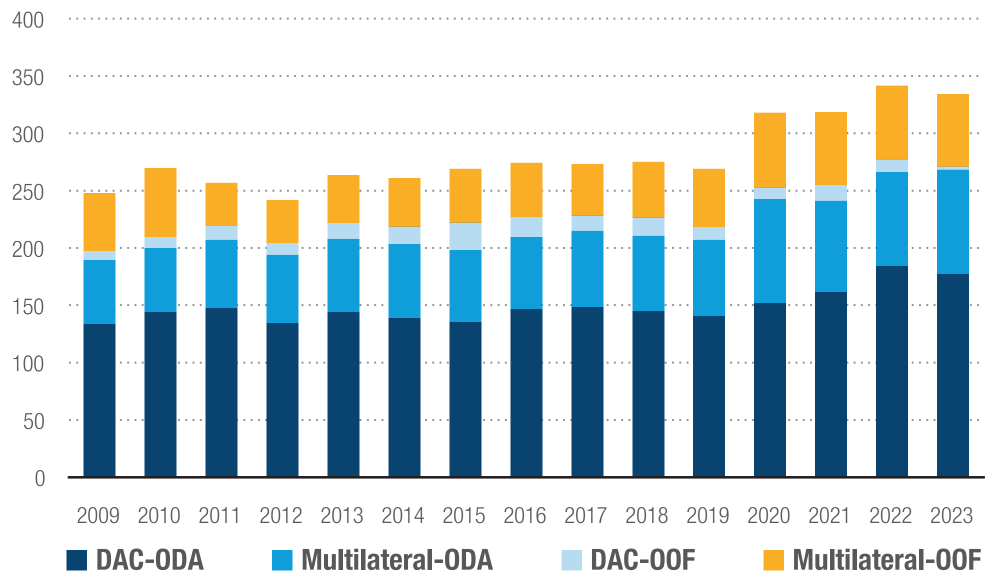
A large share of climate finance comes from OOF – those which are not sufficiently concessional to be classed as ODA. These flows are particularly important for multilaterals, but the boundary between concessional and non-concessional is less clear. Whereas for bilateral lending there are thresholds and assumptions for assessing concessionality based on loan terms, loans from some multilaterals are assumed to be non-concessional by convention whether or not they meet those thresholds.[56] According to the OECD CRDF, 69 per cent of climate finance from multilaterals has been from non-concessional sources.[57]

Including these flows, development finance (again, weighting multilateral outflows by the share attributable to developed countries) increased from $174 billion in 2009 to $334 billion in 2023, an increase of $160 billion. However, when adjusted for inflation, the increase is only $86 billion, as can be seen in figure 4. When IDRC and aid to Ukraine are excluded, the increase is only around $13 billion from 2009 to 2023.

Figure 4

When adjusted for inflation, development finance increases are less impressive

Total gross outflows of development finance (ODA and OOF) attributable to the DAC, 2009-2023, (USD billion adjusted for inflation, base year 2023)



Source: UNCTAD, based on OECD CRS,[58] OECD (2024).[59]
Notes: This includes multilateral ODA disbursements weighted by the share attributable to developed countries calculated by the OECD.

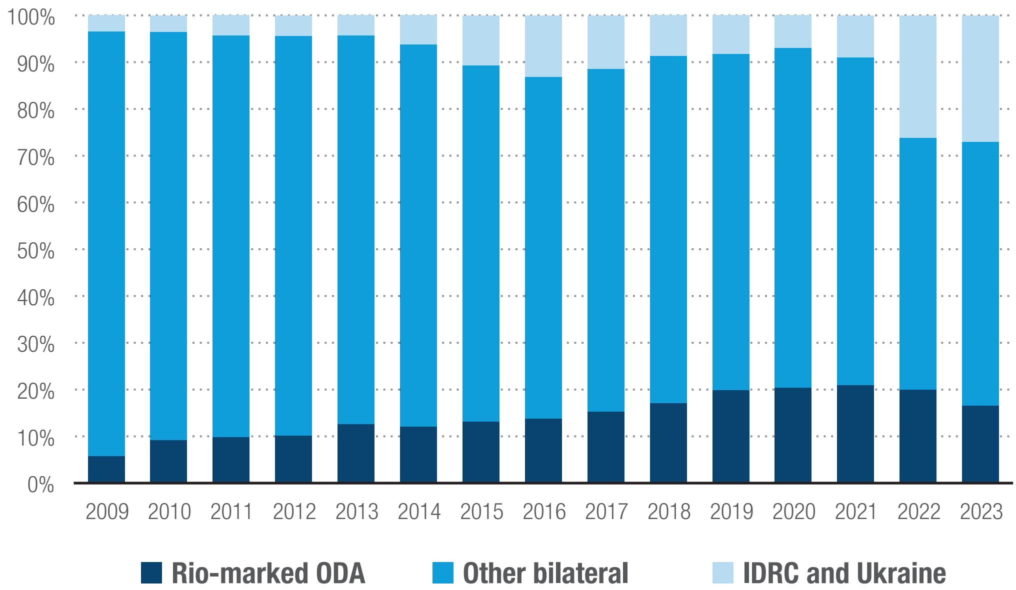
55 Although it should be mentioned that some countries have classed both aid to Ukraine and Covid-19 as climate finance.
56 For example, IBRD loans are all classed as non-concessional, but in practice, many IBRD loans have had more lenient terms than some French or German loans that have been counted as ODA.
57 OECD (2025). Climate-Related Development Finance dataset. Accessed July 2025.
58 OECD (2025). Creditor Reporting System. Accessed July 2025.
59 OECD (2024). Climate Finance Provided and Mobilised by Developed Countries in 2013-2022.

Bilateral climate finance

Bilateral ODA that has a Rio-marker attached has increased from $5.7 billion to $27.7 billion between 2009 and 2023,[60] a 386 per cent increase, compared to an increase of 39 per cent in total DAC ODA disbursements excluding support for Ukraine and IDRC over the same period. The share of bilateral ODA with a significant or principal Rio-marker increased from 6 per cent to almost 16 per cent over this period. While other forms of ODA appeared to decrease to accommodate the dramatic rise in aid to Ukraine and IDRC, aid with a climate focus has continued to rise (figure 5).

Figure 5
Traditional aid appears to decrease in relation to climate, in-donor refugee costs and support for Ukraine

Structure of gross bilateral ODA from DAC, based on whether Rio-marked, for Ukraine and IDRC, or otherwise (percentage)



Source: UNCTAD, based on OECD CRS.[61]
Notes: A small amount of recent aid to Ukraine had a Rio-marker applied. This has been excluded from the Rio-marked ODA to avoid double-counting.

These figures include both significant and principal marked projects. Using the estimate of climate finance that applies the coefficients reported in the OECD survey[62] to the significant marker suggests that bilateral climate finance from DAC countries increased from around $4.8 billion in 2009 to $19.2 billion in 2023 (although this is down from a peak of $25.6 billion in 2022), an increase of around $14.3 billion. As a share of bilateral ODA this represents an increase from 5 per cent to 11 per cent (down from 14 per cent in 2022). But this share is understated because

60 Although, 2023 data has a much larger share of projects that have not been screened for impact on climate, and so this figure is likely an underestimate and should be treated cautiously.
61 OECD (2025). Creditor Reporting System. Accessed July 2025.
62 OECD DAC (2024). Results of the survey on the coefficients applied to Climate Change Rio marker data when reporting to the UNFCCC. DCD/DAC/STAT(2024)28/REV1. For some countries, the coefficients have changed between surveys and so the most recent response is used for consistency.

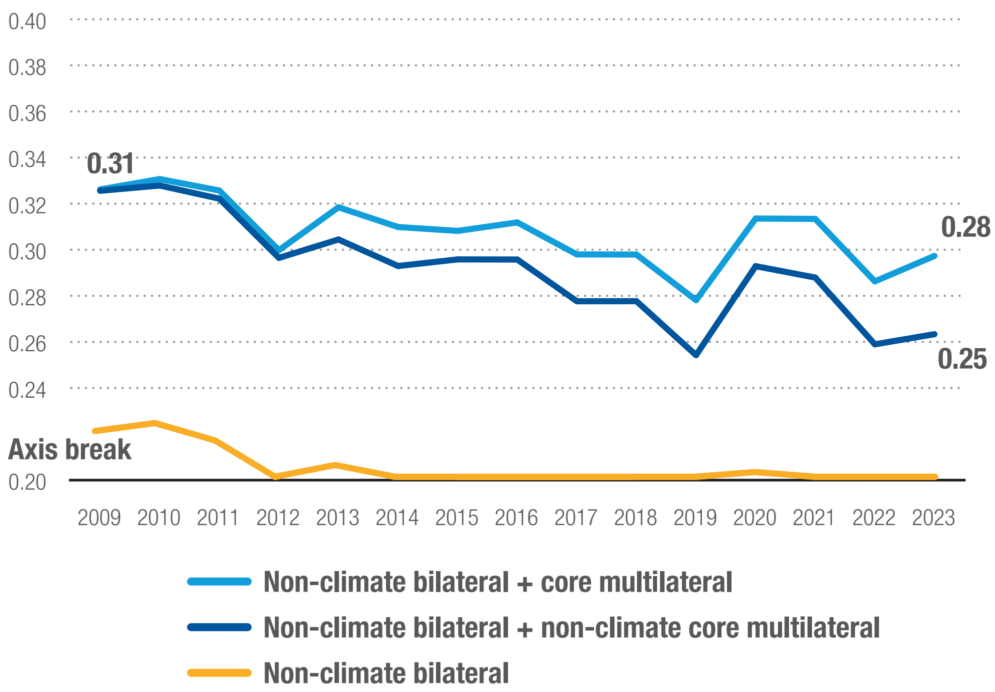
of the sharp increase in IDRC and aid to Ukraine. Excluding this expenditure, the share increased from 5 per cent to 15 per cent (down from 20 per cent in 2022).

However, while non-climate bilateral aid has increased in dollar terms, it has not kept pace with donor GNI, as can be seen in figure 6. Excluding IDRC and support for Ukraine, non-climate bilateral aid fell from 0.22 per cent to 0.18 per cent of GNI between 2009 and 2023. Even if multilateral aid is included and all assumed to be non-climate (which is not the case as explored later in this section) non-climate aid would have fallen from 0.31 per cent to 0.28 per cent of GNI. Taking into account the increase in the climate share of multilateral commitments (explored in the next section), the decline is even sharper, as multilaterals have pivoted towards climate to a greater extent than bilateral donors. If core contributions are adjusted for the share of multilateral commitments with a climate focus, non-climate ODA as a percentage of GNI fell from 0.31 per cent to 0.25 per cent.

Figure 6

Non-climate bilateral aid has not kept pace with GNI

Non-climate ODA as % of GNI, excluding IDRC and UKR, 2009-2023 (percentage)



Sources: UNCTAD, based on OECD CRS,[63] OECD CRDF,[64] OECD DAC1.[65]
Notes: 'Non-climate core multilateral' refers to core multilateral contributions weighted by the share of multilateral commitments for non-climate projects. The 2023 share has been linearly projected based on the share in previous years, and is therefore only an estimate.

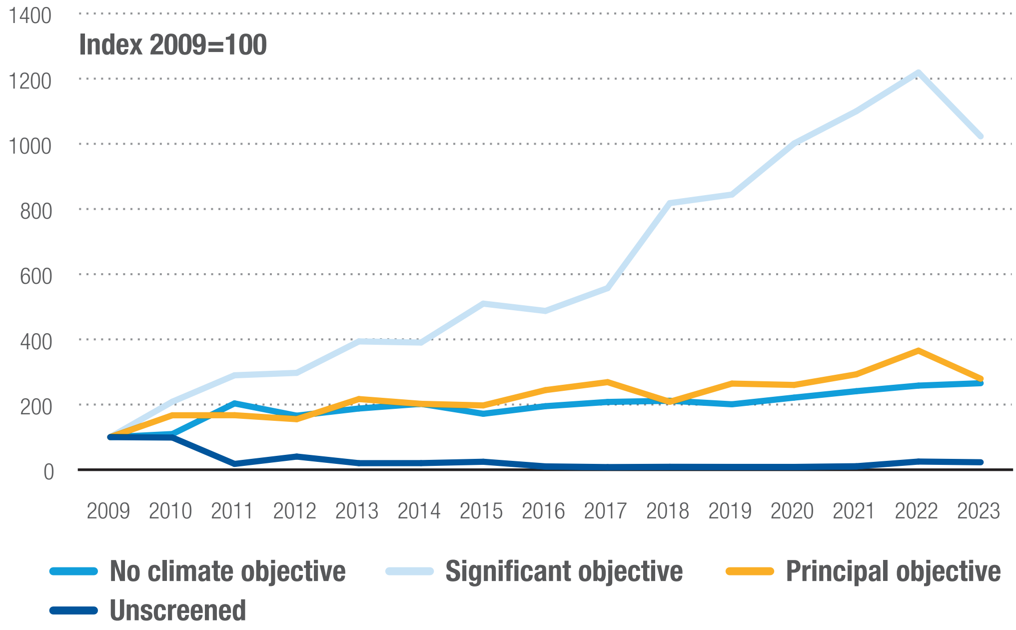
63 OECD (2025). Creditor Reporting System. Accessed July 2025.
64 OECD (2025). Climate-Related Development Finance dataset. Accessed July 2025.
65 OECD (2025). DAC1: Flows by provider. OECD Data Explorer. DAC2A: Aid (ODA) disbursements to countries and regions. Accessed July 2025.

Inconsistent use of markers over time

While the above analysis suggests a shift towards climate objectives within bilateral aid budgets, there are reasons to suspect that some of this reflects changes in accounting standards.

Most of the increase in aid with a climate focus since 2009 has come from aid with a significant Rio-marker, rather than a principal, suggesting that most climate finance comes from projects that have been amended to reflect climate goals, but for which those goals are not fundamental (figure 7). Since 2009, bilateral ODA disbursements with a significant marker have increased ten-fold. Principal-marked ODA has nearly tripled, but this is roughly the same increase recorded in bilateral ODA with no climate objective (increases of 179 per cent and 165 per cent respectively). However, in 2023 the use of Rio-markers sharply declined, which will possibly be revised in future data releases.

Figure 7
A rising share of aid reports climate as a secondary objective
Change in Rio-marker use relative to 2009, (2009-2023)



Source: UNCTAD, based on OECD CRS[66] and Ritchie (2024).[67]
Notes: For each project, the maximum marker value is used (i.e. a project with a significant mitigation marker but principal adaptation marker would be included as a project with a principal climate objective). The fall in unscreened ODA between 2009 and 2011 is partly a result of the introduction of the adaptation marker. This chart excludes categories for which it is not appropriate to screen ODA for climate focus: general budget support, imputed student costs, debt relief, administrative costs not elsewhere classified, promotion of development awareness and in-donor refugee costs.

[66] OECD (2025). Creditor Reporting System. Accessed July 2025.
[67] Ritchie E (2024). Climate finance: Earning trust through consistent reporting. Development Initiatives.

Given that the bar for marking projects as having a significant climate focus is much lower than for principal, this trend has raised questions about the extent of 'greenwashing,' namely, making token changes to projects to justify counting them as having a significant focus and thus inflating climate finance numbers. Some studies have found individual projects whose marking changed part way through,[68] while others have found that if past projects were assessed for their climate finance based on 2022 standards, many more of them would have been classed as climate finance based on project descriptions.[69]

Several authors have examined the individual projects to which Rio-markers have been applied and found that in many cases such markings are not warranted. Well known examples include investments in luxury hotels, ice-cream parlours and even coal plants.[70] Toetzke et al (2022)[71] analyse projects using natural language processing tools and found that even for principal-marked projects (those that apparently would not have happened without climate goals) around 32 per cent did not appear to have climate objectives. This is just a snapshot of the many analyses undertaken on the challenges of current reporting standards.[72]

While some of the increase seems to have come from marking projects that have no relevance to climate, it is also likely that greater awareness of climate issues has led to more accurate marking for projects that *are* climate-related. This is apparent from the increase in the share of projects marked as climate within sectors closely linked to climate goals. For example, the share of renewable energy finance classed as mitigation increased from 58 per cent in 2009 to 85 per cent in 2023 (and 91 per cent in 2022). Other research has found that marking projects can often lead to greater administrative burden from development agencies (for example, because of additional reporting requirements) and so prior to the political incentive to meet climate finance targets, climate finance was likely *under*-reported at the bilateral level.[73] Either way, this implies that a large part of the increase in climate finance is a result of changes in accounting standards, rather than a genuine shift in priorities.

This temporal inconsistency means that it is very difficult to ascertain the extent to which climate finance has increased, and the extent to which the apparent increase comes from reclassifying projects that didn't used to count as climate finance. While official figures suggest that bilateral ODA with a climate focus has increased from 6 to 16 per cent, the former figure is almost certainly too low, and the latter too high.

68 Ritchie and Tahmasebi (2020). Coming Out in the Greenwash: How Much Does the Climate Mitigation Marker Tell Us? Center for Global Development. Available at: https://www.cgdev.org/blog/coming-out-greenwash-how-much-does-climate-mitigation-marker-tell-us
69 Ritchie E (2024). Climate finance: Earning trust through consistent reporting. Development Initiatives.
70 Rumney E, Casado Sánchez I, Dowdell J, Nakayama M, Murakami S and Takenaka K (2023). Rich nations say they're spending billions to fight climate change. Some money is going to strange places. Reuters. Available at: https://www.reuters.com/investigates/special-report/climate-change-finance/
71 Toetzke M, Stünzi A & Egli F (2022). Consistent and replicable estimation of bilateral climate finance. Nature Climate Change. 12, 897–900. https://doi.org/10.1038/s41558-022-01482-7
72 For deeper analysis, see Weikmans R and Roberts JT (2019). The international climate finance accounting muddle: is there hope on the horizon? Climate and Development. 11(2), 97–111. https://doi.org/10.1080/17565529.2017.1410087
73 Ritchie E (2024). Climate finance: Earning trust through consistent reporting. Development Initiatives.

BOX 1
Unpacking climate finance integrity: what do these trends look like in practice?

The types of projects that are included as climate finance are diverse. But as discussed in this section, the relevance of many of these projects has been called into question. Even in cases where the climate link appears unambiguous, examining the expected impact of such projects may nevertheless reveal that their contribution to climate objectives is limited, because they have been designed primarily with development objectives in mind. This box explores a handful of case studies that illustrate different issues in climate finance accounting.

Example 1: Management training institute in Morocco

€20 million was provided in loans for the creation of a pharmaceutical training institute in Morocco. Of this, €17.7 million appears to have been counted as climate finance[74] (€5.4 million as adaptation and €12.3 million as mitigation), nearly the whole project value despite it only having 'significant' markers for each objective. This project is described as vocational training, and the description of the project is limited to "Creation of a Delegated Management Training Institute (IGD): Training Institute for Pharmaceutical Industry Professions (IFMIP) in Nouaceur, near Casablanca. Strengthening of the IGD system through technical assistance." In the OECD CRS, it does list climate action as one of the relevant Sustainable Development Goals (SDGs), but only behind quality education, gender equality, decent work and economic growth, and peace, justice and strong institutions (SDGs 4, 5, 8, and 16). With no available project documentation available, it is difficult to clarify how this training institute links to reported climate objectives.

Example 2: Share of humanitarian finance

In 2023, an Annex II climate finance provider announced that it would automatically include 30 per cent of all humanitarian finance in the top 10 per cent most vulnerable countries as climate finance.[75] But just because a project is in a vulnerable country does not mean it addresses their climate vulnerability. Moreover, in previous years, the vast majority of such projects were judged to have climate shares beneath 30 per cent. In the past 10 years, 105 programmes would likely have been captured by the new rule,[76] and only two of those had shares of climate finance spending above 30 per cent; most had no climate finance component.

Example 3: Ukraine Energy Support Fund

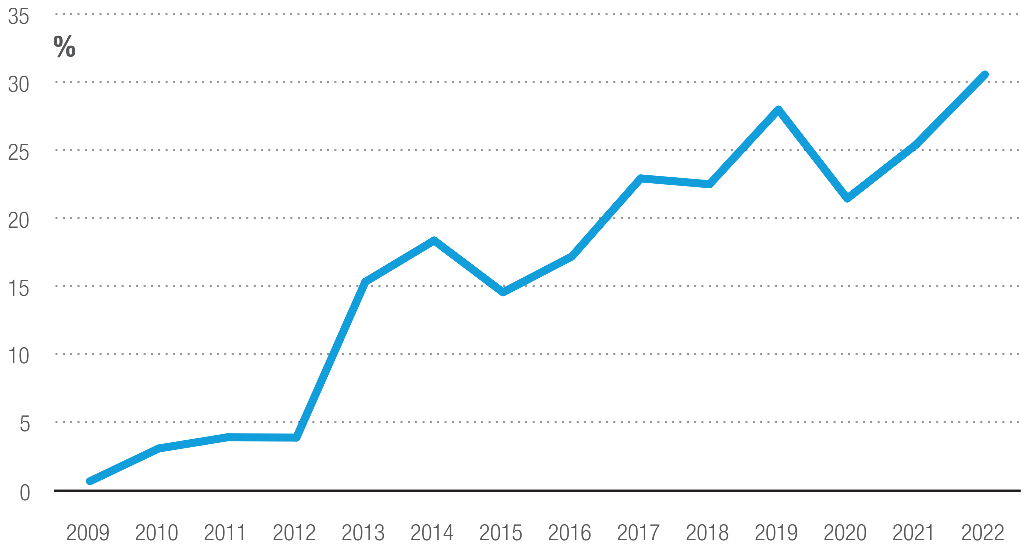
The Ukraine Energy Support Fund (UESF)[77] was established in 2022 to support the Ukrainian energy sector following the onset of the war by procuring fuel and other supplies for energy provision, as well as rebuilding and repairing energy infrastructure. One Annex II country described the business case for its contribution as the potential to "build back better and greener,"[78] allowing Ukraine to move away from its pre-war energy mix, thus justifying counting a share of this expenditure as mitigation finance. However, countries have differed in how they have counted such contributions. Other Annex II countries, for example, have contributed to the fund but not counted any such contributions as climate finance. Furthermore, the fund will ultimately finance some fossil fuel activities as it is not limited to the renewables sector within Ukraine, meaning that it is likely that some climate finance will be funding natural gas, something many find controversial.

74 Government of France. 2024 Biennial Transparency Report (BTR). BTR1. CTF-Support. Available at: https://unfccc.int/reports?f%5B0%5D=document_type%3A4592
75 Gabbatiss J (2023). Analysis: UK 'adds' £450m to its climate-finance spending by changing definition. Carbon Brief. Available at : https://www.carbonbrief.org/analysis-uk-adds-450m-to-its-climate-finance-spending-by-changing-definition/
76 Humanitarian programmes within countries that have ND-GAIN scores in the bottom 10 per cent.
77 Government of Ukraine (2025). Three years of the Ukraine Energy Support Fund: donor contributions reach EUR 1.2 billion. Available at: https://www.kmu.gov.ua/en/news/fondu-pidtrymky-enerhetyky-ukrainy-try-roky-vnesky-donoriv-siahnuly-12-mlrd
78 UK Foreign, Commonwealth Development Office (2025). Ukraine Resilience and Energy Security Programme (URES). Development Tracker. Available at: https://devtracker.fcdo.gov.uk/programme/GB-GOV-1-400024/summary

Multilateral climate finance

In recent years, the share of total commitments[79] from multilateral institutions[80] counting as climate finance has been generally much higher than that of bilateral providers. The exact figures are unclear because of inconsistencies in the numbers reported from different sources. However, comparing total commitment figures and climate finance commitment figures for multilateral institutions from OECD data suggests that between 2009 and 2022, the share of climate finance in total multilateral commitments increased from 1 per cent to 31 per cent (see figure 8).[81] Even excluding the impact of IDRC and aid to Ukraine[82] this is a considerably higher percentage than the equivalent figure for bilateral providers.

Figure 8
Multilaterals have vastly scaled up climate financing since 2009
Share of climate-related development finance in multilateral commitments, 2009-2022 (percentage)



Source: UNCTAD, based on OECD CRS,[83] OECD CRDF.[84]
Notes: This share is calculated using data from both OECD CRS and OECD CRDF datasets. Some multilaterals did not report any climate commitments to the OECD CRDF, so it is assumed that they did not provide any climate finance.

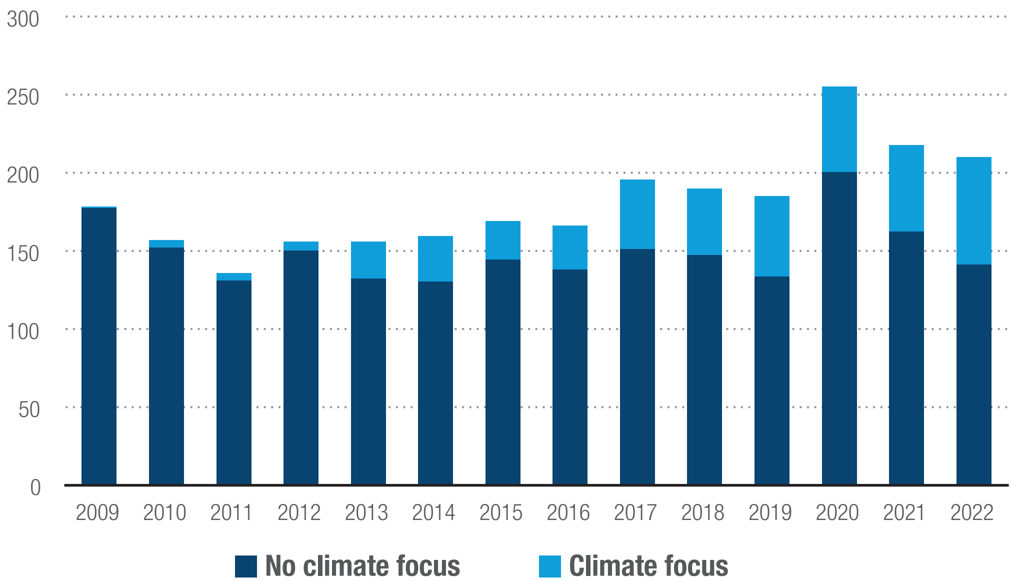
[79] Commitments are used in this section since the OECD Climate-Related Development Finance (CRDF) dataset only provides data in commitments.
[80] Including MDBs, multilateral climate funds, UN entities and other international financial institutions. See Annex for full list of institutions.
[81] The analysis in this section compares multilateral commitments from the OECD CRDF dataset. There are numerous multilateral institutions that report to the CRS but not the CRDF. It is assumed that this is because they do not count any of their commitments as climate finance. When calculating the share of total commitments that pertain to climate finance, such institutions are therefore included in the denominator. The full list of multilateral institutions included in the CRDF dataset is listed in the annex.
[82] This trend also affects multilateral spending – European Union institutions in particular dramatically increased aid to Ukraine.
[83] OECD (2025). Creditor Reporting System. Accessed July 2025.
[84] OECD (2025). Climate-Related Development Finance dataset. Accessed July 2025.

In fact, of the increase in total multilateral commitments of $91.8 billion between 2009 and 2022, climate commitments account for around $68 billion, or 74 per cent. If support to Ukraine is excluded, then total commitments increased by $79.2 billion of which $67.8 billion was from climate commitments (86 per cent). After adjusting for inflation, the increase in total commitments was around $31.6 billion, showing that non-climate commitments had actually decreased by about 21 per cent in real terms over those 13 years (again excluding support to Ukraine). On the face of it, this is a remarkable shift in priorities for multilateral commitments since 2009.

Figure 9

After adjusting for inflation, multilaterals appear to have decreased non-climate commitments

Climate and non-climate commitments from multilaterals, 2009-2022 (USD billions adjusted for inflation, base year 2022)



Source: UNCTAD, based on OECD CRS,[85] OECD CRDF.[86]
Notes: This share is calculated using data from both OECD CRS and OECD CRDF datasets. Some multilaterals did not report any climate commitments to the OECD CRDF, so it is assumed that they did not provide any climate finance.

However, as with bilateral finance, these numbers potentially suggest a larger change in priorities than is actually the case since some of this shift may result from changes in accounting standards. For example, some analysts have raised questions on the relevance of several World Bank projects to climate goals.[87,88] Recent research has also found that for the World Bank, an increasing share of mitigation finance comes from projects with smaller and smaller mitigation coefficients, implying that

85 OECD (2025). Creditor Reporting System. Accessed July 2025.
86 OECD (2025). Climate-Related Development Finance dataset. Accessed July 2025.
87 Núñez-Mujica G, Ramachandran V and Morris s (2023). What Counts as Climate? Preliminary Evidence from the World Bank's Climate Portfolio. Center for Global Development.
88 Ramachandran V and Morris S (2023). How Does the World Bank Spend Its Climate Money?. Center for Global Development. Available at : https://www.cgdev.org/blog/how-does-world-bank-spend-its-climate-money

mitigation is a marginal goal. Concurrently, the share of mitigation projects tracking impact on GHG emissions as a performance indicator has declined over time.[89]

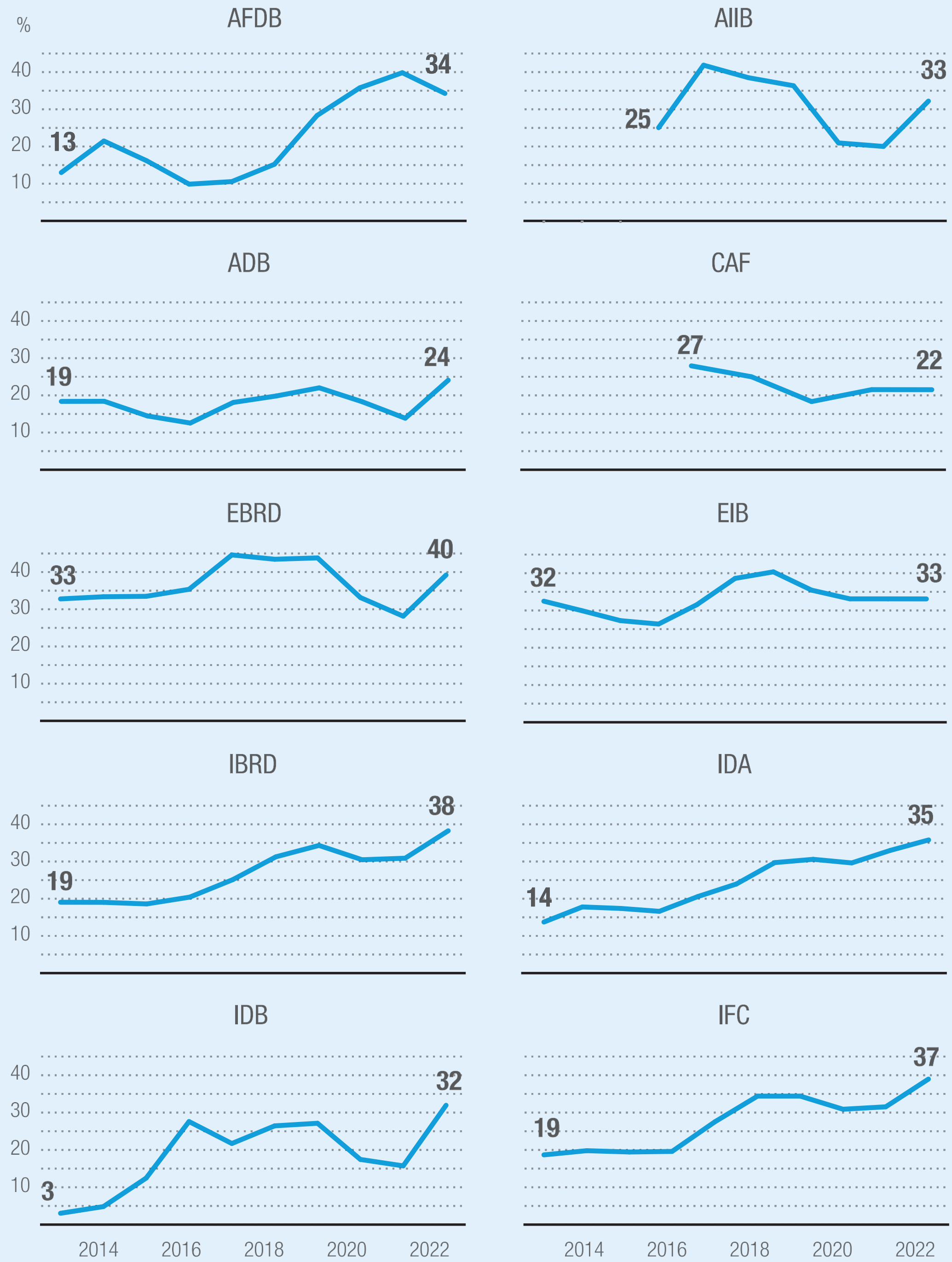
Nevertheless, when looking at MDBs (the largest source of climate finance) the scale of the shift towards climate finance is remarkable. An estimate of the share of outflows from MDBs that are counted as climate finance can be generated by using the "imputed multilateral share of climate finance" table reported to the OECD. This is used by many donors in the estimation of climate finance figures (for example, in 2022, IDA's climate coefficient was 35 per cent, meaning 35 per cent of core contributions to IDA would be counted as climate finance that year).

89 Ritchie E (2025). World Bank Climate Mitigation: What Gets Measured and What Gets Missed. Center for Global Development.

Figure 10

Almost all MDBs have increased the proportion of financing going to climate

Multilateral climate coefficient, (climate-related development finance as % of total) for MDBs with climate commitments over $10 billion



Source: UNCTAD, based on OECD Imputed multilateral shares for climate.[90]
Notes: MDBs are included with total climate commitments greater than $10 billion between 2009 and 2022 according to OECD CRDF. Most non-MDB multilaterals that provide climate finance consistently have a climate share of 100 per cent (such as the Adaptation Fund and Green Climate Fund).

[90] OECD (2025). Imputed multilateral shares for climate. Accessed July 2025. Available at: https://webfs.oecd.org/climate/Imputed_multilateral_shares_climate.xlsx

MDBs – the multilateral institutions that account for most core multilateral contributions from DAC countries – have increased the share of climate finance in total commitments substantially over the past decade. The largest increase has been for the Inter-American Development Bank (IDB), although this institution has a low share of ODA in its disbursements because it operates in a largely middle-income region and so much of its lending is non-concessional: only 15 per cent of IDB disbursements were ODA between 2009 and 2023. However, IDA has also seen one of the largest increases: in 2012/2013, 14 per cent of its commitments were counted as climate finance but this increased to 35 per cent by 2021/2022.

Looking forward

With a 9 per cent decline in ODA in 2024, the OECD projects a drop of 9 to 17 per cent in 2025, bringing net ODA to between USD 186 billion ("lower cut" scenario) and USD 170 billion ("higher cut" scenario).[91] These reductions appear unlikely to be reversed any time soon. The United States is essentially ending its aid programme, having accounted for 29 per cent of all aid from DAC countries in 2023. Further cuts have been announced from the United Kingdom, Germany, France and numerous other countries. It remains unclear what the total impact of these cuts will be on climate finance or ODA budgets (and development finance more generally). According to Donor Tracker, headline, grant equivalent ODA will be 24 per cent lower in 2026 than in 2023.[92] While some of this decline may reflect a fall in IDRC, there is no doubt that aid will be lower in coming years.

[91] OECD (2025). Cuts in official development assistance: OECD projections for 2025 and the near term. *OECD Policy Briefs*, No. 26. OECD Publishing, Paris. https://doi.org/10.1787/8c530629-en.

[92] Laub K, Setiabudi N, Dwyer S, Barter E, Welch Z, Smole E (2025). The Budgets Cuts Tracker. Donor Tracker, an initiative by SEEK Development. Available at: https://donortracker.org/publications/budget-cuts-tracker

Figure 11
Substantial ODA cuts are anticipated across donor countries in the years to come
Projected decrease in headline ODA, top 10 countries, 2023-2026 (per cent)

Source: Laub et al (2025).[93]

[93] Laub K, Setiabudi N, Dwyer S, Barter E, Welch Z, Smole E (2025). The Budgets Cuts Tracker. Donor Tracker, an initiative by SEEK Development. Available at: https://donortracker.org/publications/budget-cuts-tracker

Conclusion

As well as having an impact on total finance available for climate, ODA reductions will likely create additional pressure to count finance towards both ODA and climate goals, a trend already manifesting in national level changes to climate finance measurement.[94] Far from spurring higher ambition on climate finance provision, the NCQG goal therefore could herald in a new race-to-the-bottom on climate finance quality, thereby exacerbating the adverse trends identified in this section. While this might appeal from the perspective of improving the overall appearance of climate finance support, it is a superficial success, which ultimately boils down to real reductions in traditional development assistance and little progress on climate goals.

[94] For example in 2024, the United Kingdom announced that there substantial changes would be made to climate finance measurement which will have the effect of including more expenditure within the definition.

Section 3: Halting the race-to-the-bottom

As discussed in the previous section, the available data suggests that while there appears to have been a substantial increase in climate finance since 2009, a large proportion of this change has come from changes in accounting standards. This has been enabled by the lack of rules about what can be included in climate finance and ODA measurements. However, continuing along this road will neither build trust among Parties nor make meaningful climate progress in developing countries. This section explores potential ways to limit the damage from such double-counting, prevent development and climate priorities from being undermined and establish a higher trust, higher quality climate finance regime.

Options for avoiding double-counting outright

A) Rule-out double-counting

The surest way of avoiding double-counting would be to agree a rule that finance that counts towards development goals (such as the 0.7 per cent of GNI target for ODA) cannot also be counted towards climate finance goals (such as the NCQG) in UNFCCC assessments of progress towards climate finance targets. While there are reasonable fears that this could prevent joint programming of both objectives and leave synergies unexploited, this need not be the case. It is inevitable that many projects will have dual objectives, but how they are programmed can potentially be separated from the accounting: donors could design projects as usual but count a percentage of projects towards each goal, according to the project's balance between development and climate objectives. The exact percentage would be approximate, and different countries may arrive at different splits for similar projects, but this inconsistency would be no worse than the current use of the Rio-marker system. While a definition of climate finance continues to appear out of reach, countries could at the very least work with the UNFCCC SCF to develop a taxonomy with a positive and negative list of what can be counted towards climate finance to protect the integrity of contributions.

A variant of this approach is to provide a much larger portion of climate finance through dedicated multilateral climate funds, including the Green Climate Fund, Adaptation Fund, Global Environment Facility (which also operates the Least Developed Countries Fund and the Special Climate Change Fund), and the recently established Fund for Responding to Loss and Damage. Set up to serve the UNFCCC, Paris Agreement and/or the Kyoto Protocol with balanced and representative governance structures, these institutions were conceived as key actors in financing developing countries' climate change efforts. However, they play a minor role today, disbursing only around $1.6 billion to project implementation

© Julius Mwelu/UN-Habitat. Kalobeyei new site, Turkana County, Kenya 2016

in 2023[95] – less than 1 per cent of total climate finance flows received by developing countries that year.[96] Channeling more climate finance contributions through these institutions would clearly delineate climate finance, standardize tracking and accounting practices, and help to overcome fragmentation of climate finance across the system. In so doing, climate finance would no longer come from ad-hoc adjustments to already-planned projects (potentially with limited impact on emissions and resilience), but from centralized funds that could select the best projects globally with cross-cutting benefits for mitigation, just transition, adaptation and development.

However, such measures would represent such a break from the current paradigm that it would be politically very challenging. Providers have clearly stated that they believe the definition of climate finance should be flexible and that a "multiplicity of definitions from different actors is expected desirable."[97] These changes would challenge existing figures on both ODA and climate finance, upending ongoing tracking and the development of various transparency frameworks. There may also be concerns that such

95 From various sources including Green Climate Fund Annual Report 2023, Adaptation Fund Annual Performance Report 2024 and 2023, and The Global Environment Facility Monitoring Report 2023.
96 CPI (2025). Global Landscape of Climate Finance 2025: Tracking Methodology.
97 Government of the United States of America (2022). Submission of the United States of America: Climate Finance Definitions. Available at: https://unfccc.int/sites/default/files/resource/06-22_Climate%20Finance%20Definitions_USA.pdf

an approach shifts attention away from making all development finance consistent with climate goals. However, multiple frameworks exist to assess the extent to which development finance is 'Paris-aligned' which should mitigate this concern.[98]

B) Expand existing non-ODA eligible instruments

Another way to be sure of avoiding double-counting would be to only use instruments that are not included in ODA: non-concessional loans, guarantees, mobilised private finance, and export credits. According to the OECD's CRDF dataset, this has been the direction of travel: the share of climate-related development finance commitments from DAC and multilaterals that are non-concessional increased from 10 per cent to 40 per cent of total commitments between 2009 and 2022.[99]

Nevertheless, this may be the opposite of what is needed by developing countries;[100] there is an acknowledgement that climate finance has contributed to debt crises because of the predominance of loans, even concessional ones.[101] Multiple submissions to the UNFCCC SCF on climate finance topics explicitly call for climate finance to be provided in the form of grants or highly-concessional loans. The Government of Kenya goes further: in its Nationally Determined Contributions (NDC), it explicitly states that climate finance provided in the form of loans are counted as *domestic* finance, on the basis that it is ultimately the Kenyan government that will repay the capital.[102] Furthermore, such a route would likely exacerbate the existing imbalance between mitigation and adaptation finance flows, since adaptation depends more heavily on grants and concessional financing. In short, despite the trend towards less concessional finance which does reduce the degree of overcounting, this in itself is undesirable.

C) Use novel instruments

A range of instruments can fund climate finance provision and not come from ODA budgets. For example, guarantees could be used to expand concessional lending from multilateral institutions, and in principle could be structured in a way that mean they do not count as ODA. The OECD has recently agreed new rules for inclusion of guarantee instruments in ODA in certain circumstances, highlighting the risk to this approach, as there would be pressure to include such transactions in ODA budgets.[103]

After the major Special Drawing Rights (SDRs) disbursement during the COVID-19 pandemic, there has been an ongoing discussion about re-channelling SDRs and other forms of reserve management[104] that could facilitate greater financing support, including for climate goals. Currently, the main channels for using SDRs in this way are the IMF funds, the Poverty Reduction and Growth Trust (PRGT) and the Resilience and Sustainability Trust (RST). The OECD has recently concluded that using SDRs to capitalize these funds will not count as ODA.[105] However, in principle SDRs can also

98 See for example AFD (2022). Are AFD's Actions Aligned with the Paris Climate Agreement? Available at : https://www.afd.fr/en/actualites/are-afds-actions-aligned-paris-climate-agreement
99 OECD (2025). Climate-Related Development Finance dataset. Accessed July 2025.
100 UNCTAD (2025). Sovereign debt vulnerabilities in developing countries.
101 See for example Sorenson RB and Dejgaard HP (2024). The Hidden Consequences of Climate Finance: Poor Countries Face Rising Debt from World Bank´s Concessional and Non-Concessional Loans to Adapt to Climate Change. CARE International.
102 Republic of Kenya (2025). Kenya's Second Nationally Determined Contribution (2031-2035). Nairobi, Kenya: Ministry of Environment Climate Change and Forestry. Available at: https://unfccc.int/sites/default/files/2025-05/KENYAS%20SECOND%20NATIONALLY%20DETERMINED%20CONTRIBUTION%202031_2035.pdf
103 Sial F and Chandrasekhar CP (2024). Guaranteeing the future? The role of guarantees in development and climate finance. Eurodad.
104 Plant M (2022). Is There a Better Way to Use Global Reserves? Center for Global Development.
105 Other than the subsidy account of the PRGT which is grant funded.

be channelled through MDBs such as the African Development Bank and the IDB, and even multilateral climate funds should they be designated as 'prescribed holders.' There have been multiple calls to rechannel SDRs to such multilateral institutions in a way that could cost donors nothing (and therefore should not affect ODA budgets, which are intended to measure donor effort).[106]

Some examples may be specific to the situation of individual donors. For example, the Finance for Development Lab proposed an innovative use of the United Kingdom's Exchange Equalisation Account (EEA), which would allow the United Kingdom's reserves to be used to expand IDA lending in a fiscally neutral way.[107] This transaction would allow an increase in concessional (albeit loan-based) finance, of which some could be focused on climate.

Relatedly, there has been a great deal of discussion around MDB reforms in recent years, covering the above topics and others such as capital adequacy (making better use of MDB balance sheets to achieve more leverage to allow more lending).[108] All of these interventions have in common the intention to increase the ratio between the contributions that MDBs receive, and what they are able to provide. As discussed in section 2, this can allow for an expansion of climate finance that does not eat into ODA budgets, however again, may not address the need for more grant and highly concessional financing.

While exploring these options may expand the envelope of available, additional climate finance, they also require substantial political will from developed countries, who have so far taken little action to tackle the root causes of double counting. Furthermore, they are not without caveats, whether in complicating equitable access to climate finance or potentially increasing transparency issues.

The surest choice remains a clear, shared, regulatory standard for defining and counting ODA and climate finance, as discussed above.

Taking the sting out of double-counting

As well as better distinguishing ODA and climate finance, other policy options involve trying to reduce the impact double-counting has on outcomes. Such approaches acknowledge that climate and development objectives are intertwined and that some degree of double-counting is inevitable but attempt to reduce the degree of trade-offs between these objectives.

Meet 0.7 and the NCQG targets

Trade-offs are born out of scarcity: if countries had access to sufficient finance to achieve development and climate goals, or even to make a significant dent in current development challenges, concern over the shift in priorities towards climate finance would be alleviated. In a world where decreases in poverty are reversing,[109] conflict has risen,[110] humanitarian needs have nearly tripled since 2016,[111] and natural disasters are set to become more

[106] IMF (2024). Use of SDRs in the Acquisition of Hybrid Capital Instruments of the Prescribed Holders. *Policy Papers* 2024, 026 (2024). https://doi.org/10.5089/9798400275876.007

[107] Paduano S (2025). How the UK Can Plug the ODA Hole: A Modest Proposal for Financial Engineering. Finance for Development Lab.

[108] See for example Humphrey C (2024). The unfinished business of MDB capital adequacy. ODI Global.

[109] Lønborg JH, Viveros M, Castaneda Aguilar RA, Lakner C, Lara Ibarra G, Nguyen MC, Mahler DG (2025). September 2025 global poverty update from the World Bank: New data and regional classifications. World Bank Group. Available at: https://blogs.worldbank.org/en/opendata/september-2025-global-poverty-update-from-the-world-bank--new-da

[110] United Nations (2025). A New Era of Conflict and Violence. Available at: https://www.un.org/en/un75/new-era-conflict-and-violence

[111] OCHA (2025). Humanitarian aid contributions. Financial Tracking Service. Accessed July 2025. Available at: https://fts.unocha.org/home/2025/plans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common,[112] development finance has to increase just to maintain current progress against development goals, let alone make significant leaps forward. Unfortunately, this is not the direction of travel: as discussed in the previous section, most major development finance providers are cutting budgets. Nevertheless, it is still worth making the case for greater levels of overall assistance, exploring options together with a coalition of the willing, and trying to build public support.

Find genuine synergies and 'win-wins'

Climate and development projects can have a wide range of impacts on both development and climate outcomes. For example, researchers have found that

[112] Seneviratne SI, Zhang X, Adnan M, Badi W, Dereczynski C, Di Luca A, Ghosh A, Iskandar A, Kossin J, Lewis S, Otto F, Pinto I, Satoh M, Vicente-Serrano SM, Wehner M, and Zhou B (2021). Weather and Climate Extreme Events in a Changing Climate. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA. doi: 10.1017/9781009157896.013.

estimates of the cost per tCO2eq avoided of different mitigation interventions span several orders of magnitude,[113] and it does not necessarily make sense to treat them in the same way. For projects averting tCO2eq at $ 100 per ton, ten times more mitigation finance is needed than for projects averting tCO2eq at $ 10 per ton for the same impact. Whether or not a project is considered as "climate finance" does not tell you much about its impact on the climate, because it is defined by "intent" rather than impact.[114]

At the same time, those same projects will also have a range of development impacts that need to be taken into account and valued. Donors and recipients should focus on seeking the best combination of climate and development impacts and thus achieving more with existing funds, meaning that additional climate impact does not come at the expense of development impact and vice versa. Donors should make more effort to find and fund such projects rather than make marginal adjustments to projects that may have happened anyway. These may or may not be the best interventions for any one metric, but the key point is that such interventions should be chosen based on the impact that they have on both sets of goals. Double-counting could be less of a problem if more thought was put into how to achieve the biggest impacts on both goals simultaneously.

Greater transparency and reporting on impact metrics

Donors need to enhance transparency on the goals their funded projects are trying to achieve, and the anticipated impact. If projects are genuinely "win-wins" then donors should be able to make that case by demonstrating the impact that projects have on relative metrics. Such opportunities may be limited, in which case trade-offs between whether to focus more on climate or more on development will emerge. But it is challenging to place projects within such a framework without some indication of what impact projects are likely to have, and it is currently not common practice to publish information on expected impact. If a project is to count as climate finance, there should be some estimation of the impact the project is likely to have on climate objectives.[115]

This would also reduce the incentive to overcount climate finance by labelling projects with limited benefit. If a project has opportunistically been classed as climate finance, then this will be apparent in the ex-ante impact estimation: donors would achieve higher climate finance numbers at the expense of lower cost-effectiveness numbers. Reporting on expected impact would force project originators to justify the climate label. If there are genuine reasons for activities such as hotel renovations and ice cream parlours, then it should be possible to articulate that impact; and if not, it will be evident from the unimpressive impact metrics. This would also move the conversation more towards what climate finance is achieving, rather than just what is being provided.

Significant work has gone into developing sets of key performance indicators (KPIs). For example, a group of MDBs recently published the 'Common Approach to Measuring Climate Results', which set out "the first common framework to define, measure, and link global progress on climate mitigation and adaptation with climate results of MDB activities," which was followed by an update providing detail on the indicators underpinning that framework. The United Kingdom has a set of methodologies for measuring 17 climate KPIs, and both the Agence Française de Développement and the Japan International Cooperation

113 Juden M and Mitchell I (2020). Cost-Effectiveness and Synergies for Emissions Mitigation Projects in Developing Countries. Center for Global Development.

114 According to the usage of Rio-markers.

115 This is already the case in some countries, for example, the United Kingdom has a set of ICF key performance indicators, and for a project to be counted as ICF, it is generally the case that they must demonstrate progress against one of these indicators, at risk of losing the ICF label.

Agency occasionally report expected impact on emissions (although not systematically). Such estimates should be a standard part of project appraisals. Instead of fragmentation, they should be internationally consistent and reported publicly.

MDB Shareholder reform

The largest shift in the share of finance provided with a climate focus has come from MDBs, which have significantly scaled up climate finance provision. Such trends and their application may reflect the interests of shareholders, not clients. This has been prominent, for example, where shareholders have pushed for bans on certain types of activities, and targets have been set for large shares of new commitments to be climate-related. In these instances, client countries may have different needs and expectations from MDBs, as reflected in surveys conducted by the World Bank[116] and AidData,[117] which reveal a preference for MDB finance to instead focus on job provision and education. Better representation for developing countries in MDB decision-making and shareholder structures could offer a more balanced approach: it may not necessarily reduce any trade-offs between climate and development objectives, but it would at least mean that they are discussed and addressed in a way which is more representative of all stakeholders.

Key recommendations

End double-counting. With participation from both donor and recipient countries, establish clear rules to prevent the same financial flows from being counted towards both ODA and climate finance targets, for example with the help of a taxonomy involving an exclusion list for what can count towards climate finance and by proportionally allocating dual-purpose projects.

Improve standardization of accounting practices. Adopt consistent definitions and methodologies for climate finance accounting across donors and in cooperation with developing countries to reduce ambiguity, improve transparency and build trust between all Parties.

Prioritize development-climate win-wins. Support projects with strong co-benefits for climate and development that are aligned with country-led plans and national structural transformation objectives.

Publish impact metrics. Publish expected climate and development impacts for funded projects using standardized indicators and frameworks to ensure comparability, accountability and effectiveness.

Meet ODA and NCQG targets. Increase overall financial commitments to meet both development (0.7 per cent GNI) and climate (NCQG) targets and avoid downward pressure on the quality of both.

Channel more finance through UNFCCC climate funds. Meet and exceed the commitment to triple finance going to multilateral climate funds to improve additionality and strengthen climate finance transparency.

Explore non-ODA instruments. Explore tools like guarantees, SDR rechanneling, and reserve-based financing to expand climate finance without impacting ODA budgets, while maintaining a focus on ensuring affordability for recipients.

Reform MDB governance. Enhance representation of developing countries in MDB decision-making to better align financing with recipient needs and priorities.

116 World Bank Group (2025). World Bank Country Opinion Survey Programme. Available at : https://www.worldbank.org/en/programs/world-bank-country-opinion-surveys

117 Custer S, Sethi T, Knight R, Hutchinson A, Choo V, and Cheng M (2021). Listening to Leaders 2021: A report card for development partners in an era of contested cooperation. Williamsburg, VA: AidData at the College of William & Mary.


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Conclusion

ODA and climate finance were established under different frameworks, for different purposes, and related to distinct cooperation principles, but practical and political considerations have led to them coming from the same budgets and counting towards the same targets. In the absence of commonly agreed definitions, standards or baselines, "progress" towards climate finance targets appear driven more by accounting practices than by additional fiscal effort.

Relative to donor GNI, ODA has decreased from 0.33 per cent in 2009 to 0.30 per cent in 2023, and even more steeply for non-climate ODA from 0.31 per cent to 0.25 per cent,[118] suggesting that climate finance targets are putting pressure on already insufficient development assistance. Indeed, since 2009 when the Copenhagen Accord was agreed, development and humanitarian needs have vastly increased on top of the urgency of climate impacts.

Furthermore, while total development finance attributable to developed countries since 2009 has increased more than the total increase in climate finance in nominal terms, analysis may suggest that very little climate finance is truly additional. While more projects are now categorised as climate finance, most are either: projects that have been funded for decades but were not previously counted as climate finance; those that have had minor adjustments made to satisfy national climate finance accounting practices; and others that have been mislabelled. The likely consequence is that climate objectives have gone unmet while much climate finance may be double-counted as both ODA and climate finance by definition. Continuing with this approach is incompatible with a future where developing countries can enact their climate plans while achieving development progress.

In the aftermath of the NCQG and the recommitment from Parties in the Global Mutirão to "urgently advance actions to enable the scaling up of financing for developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035", Parties should use the opportunity of the work programme and high-level ministerial roundtable agreed in Belém to establish the foundations of a higher quality climate finance regime capable of accelerating implementation.[119]

A key place to start is establishing clear accounting rules that prevent the same financial contributions from being counted toward both climate and development finance, thus safeguarding additionality of climate finance. This could involve a multilateral process to establish a common approach to distinguishing climate and development finance, for example with a taxonomy which provides a positive and negative list of what can be counted towards climate finance if a common definition cannot be agreed. This will also help standardize accounting approaches to climate finance across different providers

[118] Excluding support for Ukraine and in-donor country refugee costs (IDRC).
[119] Draft decision -/CMA.7. Available at: https://unfccc.int/sites/default/files/resource/cma2025_L24_adv.pdf

and should include the establishment of impact measurement to make climate finance more accountable to meeting climate objectives. In this process, climate finance providers and recipients should explore ways to maximize development and climate win-wins, seeking true synergies that respond to developing countries' needs.

However, improvements to the tracking and accountability of climate finance should also be complemented by efforts to tackle the root causes of double counting. This begins by addressing the scarcity of suitable finance for both development and climate needs. Meeting both the 0.7 per cent GNI target for ODA and the respective NCQG targets of $300 billion and $1.3 trillion requires a significant increase in overall financial commitments, a significant portion of which will need to be provided as grants and highly concessional financing to ensure adequate support for adaptation and loss and damage.[120] To meet the $1.3 trillion target, Parties can explore innovative financing mechanisms that cannot be counted towards ODA but can still be affordable for recipients, such as guarantees, SDR rechanneling, and reserve-based tools, which can expand the total climate finance received by developing countries.

Considering the large and growing role of MDBs in climate financing, transparency efforts should also be extended to their operations. Furthermore, their governance and decision-making structures should better reflect the needs and priorities of their clients in developing countries to ensure that climate and development trade-offs are addressed more equitably and inclusively. Finally, increasing the total proportion of contributions to multilateral climate funds can ensure strategic, additional climate finance while also strengthening the position of these institutions to achieve their original intentions of being the primary engines of climate financing.

The current climate finance regime is not only falling short of targets but may also be undermining development goals as creative accounting stretches diminishing budgets to cover more. By establishing robust, common accounting standards, scaling up total financial commitments, addressing governance imbalances, and prioritizing strategic, synergistic support, the international community can build a climate finance regime that energizes implementation.

[120] While not discussed in depth in this study, this implies exploring new resource generation options, including taxation and levy options that are currently under discussion.

Annex I: Conceptual underpinnings of official development assistance and climate finance

ODA and climate finance have different governance, are relevant for different groups of countries and arose in response to different needs and circumstances. At the same time, climate and development goals are clearly interrelated, and often difficult to target separately. This tension has led to differing views on how their accounting should be treated.

On the one hand, the separate histories, mandates, goals and inclusion criteria for ODA and climate finance warrants regarding them as separate flows. ODA is supposed to have economic development and welfare of developing countries as its main objective. In 1969, when its 0.7 per cent target was established, climate change was not a mainstream concern: the Intergovernmental Panel on Climate Change (IPCC) was established 20 years later. In this context, it is therefore hard to justify spending on climate goals from ODA, other than the extent to which it is the best way to contribute to economic development and welfare.

Many argue that this is true of global public goods (GPGs) more generally, a category in which climate goals are frequently included. Spending on GPGs was absorbed into ODA "rather quietly" and without much justification, despite ODA – being governed and provided by a small selection of wealthy countries – not necessarily being the most appropriate vehicle to tackle GPGs.[121, 122] Tackling global challenges is often lumped together with assisting foreign countries despite being conceptually distinct,[123] and this has led to an encroachment of GPG spending into ODA budgets. Arguably, donors may benefit more directly from using ODA to tackle global challenges which they themselves face, than by promoting economic welfare abroad. This is especially true of tackling climate change, which has occupied an increasing share of ODA and other forms of development finance (explored more below), and is perhaps the most prominent example of a GPG.

The French Development Agency (AFD) also stated that it is "ethically inappropriate to qualify as aid, or subject to the reciprocity principle, international transfers from countries with high greenhouse gas (GHG) emissions to help countries that are victims of climate change but are not themselves emitters."[124] AFD further identifies that for many, the delivery of adaptation funding in particular is rooted in justice and rights and not reciprocity or humanism, and may therefore not be understood as 'traditional' ODA, highlighting again the distinction in both principles and end result between climate and development finance.

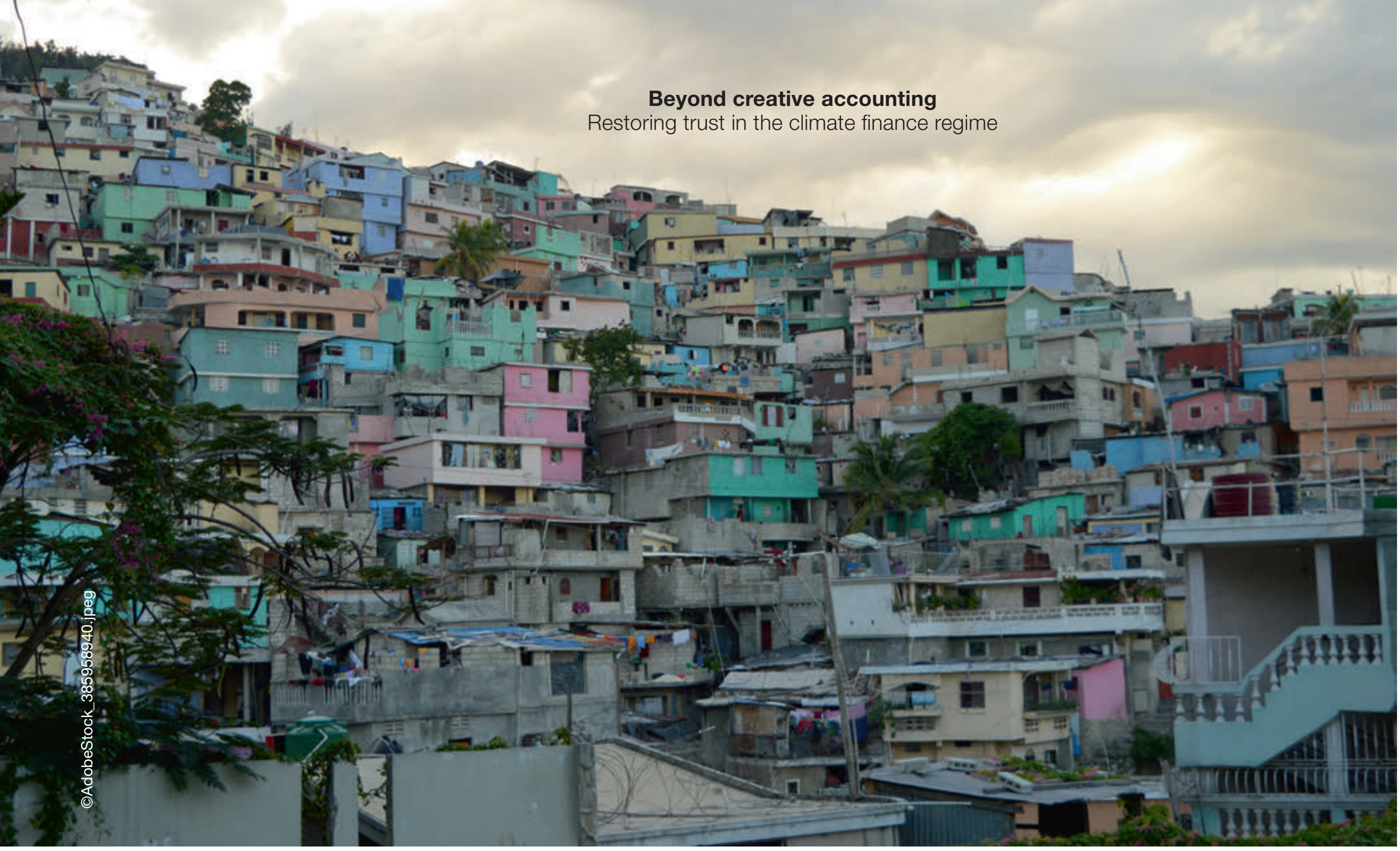
On the other hand, ODA and climate finance are inextricably linked, both because it is often practically impossible to separate

121 Davis R (2015). Something's Gotta Give: Aid and the Financing of Global Public Goods. Too global to fail: the World Bank at the intersection of national and global public policy in 2025. Directions in development; environment and sustainable development. Washington, DC. World Bank Group.

122 Hegertun N (2021). Development Cooperation and Global Investments: What's Next For Development Cooperation? NORAD.

123 Dissanayake R (2021). The Roots of Policy Incoherence: Domestic Policy, Global Public Goods, and International Development. Center for Global Development. Available at: https://www.cgdev.org/publication/roots-policy-incoherence-domestic-policy-global-public-goods-and-international

124 Naudet J, Rioux R, and Melonio T (2022). Official Development Assistance at the Age of Consequences. AFD Policy Paper. AFD.



climate and development goals at the project level, and because achieving development goals will not be possible without addressing climate change and its impacts.

This link is especially apparent in the case of adaptation. Some observers have argued that there is really no distinction between adaptation and development, both because development will be completely undermined if it is not resilient to the impacts of climate change[125] and because the biggest determinant of a country's ability to withstand those impacts is its level of economic development.[126] UNCTAD, for example, emphasized that the only lasting solution to climate change impacts for developing countries is to reduce the dependence on a small number of climate sensitive activities through a process of structural transformation that can establish more resilient economies.[127] Therefore, while climate change has unquestionably given rise to greater adaptation financing needs – which should in principle be met by climate finance – it will usually be legitimate to count these projects as ODA within DAC rules. The motivations may be distinct conceptually, but in practice they cannot be cleanly separated.

When it comes to mitigation, there may be a clearer case for a separation between climate finance and development goals. Mitigation is seen as providing a GPG (or at least, avoiding a global public bad). It does not matter where emissions come from, they affect global warming equally, and so just because emissions are being tackled in developing countries does not mean such interventions benefit these countries.[128]

While this logic is theoretically compelling, it is more complicated when examining actual

[125] Georgieva K, Gaspar V and Pazarbasioglu C (2022). Poor and Vulnerable Countries Need Support to Adapt to Climate Change. IMF. Available at: https://www.imf.org/en/Blogs/Articles/2022/03/23/blog032322-poor-and-vulnerable-countris-need-support-to-adapt-to-climate-change

[126] Nordhaus T, Ramachandran V and Brown P (2022). The Obvious Climate Strategy Nobody Will Talk About. Foreign Policy. Available at: https://foreignpolicy.com/2022/11/06/climate-cop27-emissions-adaptation-development-energy-africa-developing-countries-global-south/

[127] UNCTAD (2021). *Trade and Development Report 2021: From Recovery to Resilience – The Development Dimension*. (United Nations publication. Sales No. E.22.II.D.1. Geneva).

[128] For example, there can be a direct trade-off between the extent to which those countries benefit and the efficiency with which emissions are reduced. See Jayachandran (2023). The inherent trade-off between the environmental and anti-poverty goals of payments for ecosystem services. Environmental Research Lettes. Available at https://iopscience.iop.org/article/10.1088/1748-9326/acb1a7

projects receiving mitigation finance. Short of nascent technologies such as direct air capture, reducing GHG emissions is nearly always funded indirectly, for example, by expanding access to public transport (reducing emissions from traffic) or financing renewable energy (potentially reducing the use of fossil fuels, at least relative to a counterfactual). Such projects are usually providing *development* goods, just in a lower emissions way to the alternatives. In other words, mitigation projects are often targeting development objectives.

Some argue that there are risks to attempting to treat them separately, which could create 'perverse incentives',[129] and prevent funders from seeking synergies and opportunities between different objectives and cross-cutting projects.[130] Similarly, relevant literature highlights the imperative to separate measurement of climate finance and ODA, but argue that the importance of exploiting co-benefits[131] and the degree of complementarity between development and climate goals[132] mean that practically, they need to be addressed together.

In conclusion, the evolving relationship between ODA and climate finance reflects broader shifts in global priorities and the increasing complexity of achieving development progress in a climate-constrained world. While their mandates suggest a need for separate accounting, a more integrated approach appears more attuned to the realities facing climate-resilient development. In practice, however, current approaches to integrated delivery pose larger questions on the effectiveness, adequacy, and transparency of financing flows reaching developing countries.

[129] International Development Committee (2018). Oral Evidence: UK aid for combatting climate change, HC 1432. House of Commons. Available at: https://committees.parliament.uk/oralevidence/8420/html/

[130] In other words, separating adaptation and mitigation projects may perversely mean that mitigation projects are not adapted to anticipating climate changes, and in turn, adaptation projects may not seek lower emissions modalities in delivery. A more synergistic approach, therefore, would be to ensure both objectives were being attended to.

[131] Koch S and Aleksandrova M (2023). The future of climate and development finance: balancing separate accounting with integrated policy responses. German Institute of Development and Sustainability. https://doi.org/10.23661/ipb19.2023.v2.0

[132] Stern (2015). Understanding climate finance for the Paris summit in December 2015 in the context of financing for sustainable development for the Addis Ababa conference in July 2015. Grantham Research Institute on Climate Change and the Environment.

Annex II: Multilateral institutions included in the OECD Climate-Related Development Finance dataset

The table below lists the multilateral climate finance providers included in the OECD's Climate-Related Development Finance (CRDF) dataset. Climate finance commitments from these providers form the numerator for calculations of climate finance commitments as a share of total multilateral commitments.

Adaptation Fund
African Development Bank
African Development Fund
Asian Development Bank
Asian Infrastructure Investment Bank
Black Sea Trade & Development Bank
Caribbean Development Bank
Central American Bank for Economic Integration
CGIAR
Climate Investment Funds – Clean Technology Fund
Climate Investment Funds – Strategic Climate Fund
Council of Europe Development Bank
Development Bank of Latin America
EU institutions (EIB)
European Bank for Reconstruction and Development
Food and Agriculture Organization
Global Environment Facility Least Developed Countries Trust Fund (LDCF)
Global Environment Facility Special Climate Change Trust Fund (SCCF)
Global Environment Facility General Trust Fund
Global Green Growth Institute
Green Climate Fund
IDB Invest
International Monetary Fund Resilience and Sustainability Trust
Inter-American Development Bank
International Bank for Reconstruction and Development
International Development Association
International Finance Corporation
International Fund for Agricultural Development
Islamic Development Bank
Nordic Development Fund

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