<table>
<tr><td>Short title</td><td>ICF KPI 11: Volume of public finance mobilised for climate change purposes as a result of ICF funding

Please note that this methodology had some minor changes made to it in August 2016. These are largely clarification points around definitions for commitments and climate-relevance, in line with the Technical Working Group (2015) common understanding of the scope of mobilised climate finance and developments at the OECD DAC and other international organisations.</td></tr>
<tr><td>Type of indicator</td><td>Cumulative (individual years summed to total): report annual in-year totals only i.e. the amount legally committed in that year, summed at the end of the results template (logframe) to give a cumulative total for the current spending review period, the life of the programme and where results will occur outside the life of the programme for total programme benefits.</td></tr>
<tr><td>Key reporting requirements</td><td>Below is a list of key reporting requirements to keep in mind when making your returns. Further details are available in the text below:

<table>
<tr><th>Requirement</th><th>Summary</th></tr>
<tr><td>Is this a DRF indicator?</td><td>No</td></tr>
<tr><td>Available for reporting?</td><td>Yes</td></tr>
<tr><td>Methodology changes?</td><td>Yes</td></tr>
<tr><td>Units</td><td>£ legally committed in the 12 month period</td></tr>
<tr><td>Attribution</td><td>Pro-rata share of public funding</td></tr>
<tr><td>Disaggregation to be reported in results templates</td><td>• Origin of finance (i.e. donor/multilateral/developed country finance, vs partner country/developing country finance)</td></tr>
</table></td></tr>
<tr><td>Technical Definition / Methodological summary</td><td><u>Definition of public finance?</u>

Public finance transactions are defined as those from official (i.e. government) sources outside of the UK. This could include finance from other donors and partner governments, UN agencies and multilateral or regional development banks and investment agencies such as CDC or DEG. It excludes Sovereign Wealth Funds, private banks and other private finance defined in the note on Mobilising Private Finance.

The exact classification should be based on the OECD DAC definition: Official transactions are those undertaken by central, state or local government agencies at their own risk and responsibility, regardless of whether these agencies have raised the funds through taxation or through borrowing from the private sector. This includes transactions by public corporations i.e. corporations over which the government secures control by owning more than half of the voting equity securities or otherwise controlling more than half of the equity holders' voting power; or through special legislation empowering the government to determine corporate policy or to appoint directors. Private transactions are those undertaken by firms and individuals resident in the reporting country from their own private funds[1].</td></tr>
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[1] OECD DAC (2013), "Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire", OECD. Paragraph 13.

	Basis of measurement: When should finance be reported? Public finance should be reported at the point at which it is **committed, in the calendar year**. This should be based on the OECD DAC definition of a commitment: *A commitment is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency. Commitments are considered to be made at the date a loan or grant agreement is signed or the obligation is otherwise made known to the recipient (e.g. in the case of budgetary allocations to overseas territories, the final vote of the budget should be taken as the date of commitment)[2].* **Origin of public climate finance?** (i.e. definition of donor/multilateral/developed country finance, vs partner country/developing country finance). Public finance can be from both donor/ developed country organisations, multilateral organisations, and also partner/ developing country institutions. The UK government considers it important to mobilise all sources of climate finance, however it is also valuable to understand from which origin and to which recipient finance is flowing. For this reason, we request you disaggregate the information into the four classifications below (and also provide more disaggregated information, as noted in the section below). International reporting on development finance to the OECD DAC has clear definitions, which also apply for this KPI: • Donor finance = OECD DAC bilateral finance providers (based on OECD DAC membership[3]), • Multilateral finance = OECD DAC multilateral finance (based on ODA eligible international organisations[4]), • Developing country finance = ODA eligible countries (based on the OECD DAC list[5], which is periodically reviewed). • Non-DAC donors = other finance providers, excluded from the definitions above. **Recipient of public climate finance?**

www.oecd.org/dac/stats/documentupload/DCD-DAC(2013)15-FINAL-ENG.pdf

[2] OECD DAC (2013), "Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire", OECD. Paragraph 90. www.oecd.org/dac/stats/documentupload/DCD-DAC(2013)15-FINAL-ENG.pdf

[3] OECD DAC members: http://www.oecd.org/dac/dacmembers.htm

[4] OECD DAC Annex 2 List of ODA-eligible international organisations: http://www.oecd.org/dac/stats/annex2.htm

[5] OECD DAC ODA eligible international organisations: http://www.oecd.org/dac/stats/annex2.htm

	Developing country recipients of public fiannce are definied as ODA eligible countries (based on the OECD DAC list, which is periodically reviewed[5]). [6] **<u>Climate definition: What do we mean by 'for climate change purposes'?</u>** Finance is defined as climate change-related based on the OECD DAC Rio Markers definitions for climate change adaptation and mitigation. All ODA spend is qualitatively assessed and 'tagged' under these definitions for ODA reporting, and these headline definitions are internationally recognised and drawn on by many other organisations and parties in their reporting on climate finance. • **OECD DAC definition of climate change mitigation:** An activity that… contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration. • **OECD DAC definition of climate change adaptation:** An activity that… intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience. This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions. For further information on the OECD DAC definition, eligibility criteria and indicative guidance please see the references noted below. Definitions and eligibility criteria from other relevant international organisations (e.g. Joint MDB Typology of Mitigation Activities, and the Intergovernmental Panel on Climate Change (IPCC), may also be appropriate to apply. In addition, climate finance should exclude finance for coal-related power generation, except if related to Carbon Capture and Storage and/or Carbon Capture and Use (based on TWG, 2015). **<u>Quantification: How should public finance be quantified?</u>** All financial instruments are accounted for at cash face value, i.e. the full cash value of a loan committed (based on TWG, 2015). In terms of the amount of finance reported you should exclude any part of the project which is easy severable and not related to climate change e.g. if the project is working with SMEs around

[6] Note – whilst the classification of "developed" and "developing" countries is unclear in the context of the UNFCCC 100bn goal, however most donors, including the UK to date have for the prupose of their individual reporting to UNFCCC defined developing countries as ODA eligible countries.

improving their practices generally to achieve cost-savings but some of that includes energy efficiency then you should include that part which relates to energy efficiency.

In addition other finance from individual countries and organisation's may have their own approaches to quantifying the climate-specific volume of an activity, i.e. in line with individual party reporting to the UNFCCC and the joint MDBs' climate component approach, which should be followed.

<u>Definition of "mobilised"?</u>

Mobilised is often also referred to as leverage. It is 'the process which occurs when the use of specified resources for a given objective causes more financial resources to be applied for that objective than would otherwise have been the case'.

This definition requires that mobilised funds are either **additional** funds or are existing **funds diverted from another (more fossil-fuel intensive) use** to this objective.

Mobilised resources could be:

- Upfront co-financing below the point of UK investment i.e. resources committed to the project from other donors or partner governments <u>at the time of project approval</u>. See attribution section for details.
- <u>Subsequent co-financing</u> below the point of UK investment i.e. resources mobilised after the project has been operating e.g. where early success encourages others to contribute.

<u>What about projects which HMG has indirectly influenced e.g. replication projects?</u>

These are too remote to claim to have mobilised. They will be captured via other indicators e.g. the International Climate Fund "influence" indicator.

<u>Additionality: What do we mean by 'as a result of DFID/HMG funding'?</u>

We need to demonstrate that the public funding would not have been provided in the absence of HMG funding. This assessment of **additionality** will require the judgement of the project/programme officer.

HMG will be more likely to be able to claim additionality if it designed and led the project.

<u>Which currency exchange rate to use?</u>

Most project financing plans and data sources currently report international finance flows in USD ($). Finance is to be reported in GBP (£) for this KPI.

The appropriate exchange rate to apply depends on the

	information available. As such, we propose the following hierarchy: 1) Use the exchange rate for the specific transaction, converting the currency on the rate at the time the finance was committed, if formalised/known; or, 2) Use the OECD exchange rate: The basis of measurement in DAC statistics is the US dollar. Data reported to the OECD DAC in other currencies are converted to dollars by the Secretariat. The list of exchange rates is published[7] annually and represents an average of the yearly exchange rates. These are however only for donor currencies, therefore, for other currencies; 3) Use the HMRC Average Annual spot rates for the year[8].
Rationale	On its own, ICF/HMG public finance will be insufficient to deliver our climate change objectives. This will require substantial amounts of public and private finance from other sources. This indicator seeks to measure the amount of 'other' (i.e. non ICF/HMG) public money 'mobilised' or catalysed for climate change as a result of HMG funding. Mobilisation of *private* finance will be assessed using a separate indicator.
Country office role	This will need to be done by country offices and other central departments e.g. PSD department and Regional Department programmes.
Data sources	Some data will be available directly from DFID programme data e.g. other donor contributions to programmes. However, this data will need to come from DFID project/programme officers: ARIES allows us to record other donor finance for joint funded programmes but not whether this is public or private. ARIES may also fail to record any subsequent co-financing. This information will need to be kept up to date by liaising with programme managers. In addition, the project/programme officer will need to make an assessment of the extent to which DFID finance has encouraged others to contribute/increase their contributions. We cannot automatically assume that all other public finance contributions are mobilised by DFID money. Partner country expenditure can be sourced from government systems (e.g. ministry of finance, ministry of environment).
Reporting organisation	DFID.
Formula/Data calculation	1. Identify HMG finance contribution 2. Identify total committed public co-finance and its origin (i.e.

[7] http://www.oecd.org/dac/stats/data.htm (under Data Tables)

[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/518917/average_spot_rates_310316.csv/preview

(including attribution rule)	other DAC donor/multilateral/international organisation/non-DAC or partner government finance) 3. Identify proportion of total public co-finance that would have been provided in the absence of DFID funding. The remainder provides an estimate of mobilised public finance. Count only public finance if it is truly additional or diverted to climate from other sources. See example 3 below. Where HMG are only funding part of the project with other donors who also came on board initially then it needs to share the public sector leverage claim (see Worked example 4 below). **Fund-level attribution** (i.e. at point of UK investment) should be applied for reporting expected and actual results and headline results/figures used in Business Cases (to ensure all projects can report on a consistent basis). This method involves sharing results across all donors that contribute to a fund. All results are attributable to the relevant fund (e.g. CIFs, CP3, GAP) regardless of whether these funds blend with other sources of finance in implementing projects at levels below the point of UK investment. For example, if the UK invests £25m into a fund that totals £100m of public money, the UK would claim 25% of the results from that investment. This applies to all results. The long term ambition is to develop the data availability to enable all projects to use the lowest/most direct level of attribution possible in the future (i.e. project level). Therefore, advisers should be working to develop sufficient data to calculate project level results reports, and where possible, provide this information now alongside headline Fund level results. To note, the distinction between attribution at the project level and at the Fund level (or at point of UK investment) is only an issue where the UK is investing in funds where there are multiple investment levels.
Worked example	1. DFID agree to match partner government funding for a programme to distribute efficient lightbulbs. Without the DFID contribution, the programme would not go ahead (a key element here is whether DFID designed and led the programme). In this example, a £10m DFID contribution leverages £10m additional public funding from the partner government. 2. A solar power station costing \$550m is being considered as an alternative to a coal-fired power station costing \$200m which the Government would have co-financed providing the same amount of power. The remainder of the finance is from the private sector. The local Government is putting in \$100m to the solar power plant. In this example, a \$50m DFID grant mobilised \$100m of local Government finance as we can demonstrate that the extra \$100m would otherwise have been spent on a non-climate use and would not have occurred without DFID's \$50m.

Most recent baseline	The baseline should reflect the situation prior to ICF funding being provided. For long running programmes the baseline should be taken as 2010, unless otherwise stated.
Good performance	High quantities of mobilised public finance can demonstrate that an initial DFID contribution has encouraged others to contribute (e.g. by reducing risks and/or overcoming barriers or influence).
Return format	Quantity of public finance mobilised (£), with explanatory text justifying assessment of additionality. For further disaggregation information see below.
Data dis-aggregation	<u>Data to be disaggregated and reported in the ICF results template:</u> - Origin of finance i.e. DAC donor/multilateral/international organisation/non-DAC or partner government finance - Theme finance is supporting i.e. adaptation, mitigation or both <u>Data to be disaggregated as part of workings and Quest number provided:</u> Disaggregation of the following variables will not be collected as part of the ICF results template. Please include disaggregated data in your working documents and record the Quest number for these documents in the ICF results template. - Origin of finance, detailed breakdown of origin above i.e. which DAC donor/multilateral/international organisation/non-DAC or partner government finance came from - Type of finance e.g. concessional debt, non-concessional debt, grant funds, equity and guarantees, donor financed climate funds etc.
Data availability	Programme officers should be aware when other donor finance is added to DFID-funded programmes, either directly or via communication with programme managers. Data on partner government contributions should be available at least annually. Data should be reported to the centre when available, or at a minimum, annually but care needs to be taken about not reporting the same public finance more than once.
Time period/ lag	There may be a lag between other donors pledging finance, and finance being committed to the programme. Finance should only be counted as 'mobilised' once it is committed (see OECD DAC definition above).
Quality assurance measures	Programme officers are asked to report on definitions, sources of data and assumptions regarding additionality, to allow central QA to ensure all reporting is consistent with the methodology note. If reporting officers have any concerns about the quality of data or any points that they think CED should be made aware of, then please note this in the ICF (and DRF) results templates. Any comments can usually be added into the free text columns on the far right of each template. Further guidance should be available in the commissioning note.
Data issues	Assessment of **additionality** (i.e. the extent to which DFID money has encouraged others to contribute) will need to be done

	on a case-by-case basis and will require the judgement of the project/programme officer. Need to avoid double-counting, for example the UK should not claim leverage of German money if the Germans are likely to do the same or MDBs' claiming to have mobilised UK money. This may be best done by liaison between donors. This becomes important if these indicators are to be aggregated at EU, OECD DAC or UNFCCC level. It is important to check that two different HMG funded programmes are not claiming to have mobilised the same $ of public finance. If in doubt about this, just make a note in your report of the double reporting risk. ARIES allows us to record other donor finance for joint funded programmes but not whether this is public or private
Additional comments	Key references: OECD DAC (2013c), "Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire – Addendum 2"[9], Annex 18 Rio markers. [NOTE THERE IS EXPECTED TO BE AN UPDATE.. – FOR DFID TO UPDATE] OECD DAC (2016), "Indicative table to guide rio marking by sector/sub-sector: Climate change adaptation and climate change mitigation"[10]. Joint-MDB (2015a), "Common Principles for Climate Mitigation Finance Tracking"[11] Joint-MDB (2015b), "Common Principles for Climate Change Adaptation Finance Tracking"[12] Technical Working Group (2015), "Accounting for mobilized private climate finance: input to the OECD-CPI Report", September 201513.
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[9] www.oecd.org/dac/stats/documentupload/DCD-DAC(2013)15-ADD2-FINAL-ENG.pdf
[10] http://www.oecd.org/dac/environment-development/Indicative%20table%20to%20guide%20Rio%20marking%20by%20sector.pdf
[11]http://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-forclimate-mitigation-finance-tracking.pdf
[12] http://www.eib.org/attachments/documents/mdb_idfc_adaptation_common_principles_en.pdf
[13] http://www.bafu.admin.ch/dokumentation/medieninformation/00962/index.html?lang=en&msg-id=58589