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Climate finance reporting in Belgium: towards a more comprehensive reporting system

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Content

List of acronyms

Abbreviation	Explanation
AF	Adaptation Fund
AWAC	Agence Wallonne de l'Air et du Climat
AWEX	Wallonia Foreign Trade and Investment and Agency
BE	Belgian
BIO	Belgian Investment Company for Developing Countries
BTC	Belgian Development Agency
BRs	Biennial Reports
CF	Climate Finance
CTF	Common Tabular Format
DGD	Directorate General for Development and Cooperation and Humanitarian Aid
DD	Delcredere-Ducroire (= Credendo)
GCF	Green Climate Fund
ECA	Export Credit agency
DAC	Development Assistance Committee
DGD	Directorate General for Development and Cooperation
EIN	European Investment Bank
FIT	Flanders Investment and Trade
FPS	Federal Public Service
FWO	Vlaams fonds voor Wetenschappelijk Onderzoek (Flemish research fund)
GCF	Green Climate Fund
GE	Grant Equivalent
LCR	Low Carbon Climate Resilient
LNE	Environment Nature and Energy
MDB	Multilateral Development Bank
NCs	National Communications
ODA	Official Development Assistance
OOF	Other Official Flows
PA	Paris Agreement
PMV	Participatiemaatschappij Vlaanderen
UNFCCC	United Nations Framework Convention on Climate Change
WBI	Wallonia Brussels International

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Abstract

There is currently no agreed comprehensive methodology on how to track and report on public climate finance. As a result, national actors need to agree on their own methodologies. In this working paper, we report on the result of the support the researchers offered to the Belgian actors that are (or could be) active in the provision of public climate finance to developing countries.

In a second part of the working paper, the results are described of the process of supporting one Belgian actor, Credendo, on a more in-depth level. Recommendations are made for future reporting processes, both for Credendo and for the whole of the Belgian stakeholders active in this field.

JEL Classification: F35, Q56

Keywords: Public climate finance, private climate finance, Credendo, Rio markers, tracking climate finance, developing countries, UNFCCC

1 | Introduction

1.1 Background

In the past few years, and especially since 2011 when the first Fast-Start finance Reports were issued, significant improvements have been made in promoting a more transparent and robust framework for the reporting of financial resources provided to developing countries by developed countries. Current UNFCCC modalities include National Communications (NCs) (every four years) and Biennial Reports (BRs) (every two years) for developed country Parties (esp. Annex II Parties); and Biennial Update Reports (BURs) for developing country Parties. Developed countries also need to report financial information on their official development assistance (ODA) for climate purposes yearly to the OECD Development Assistance Committee (DAC). In the EU, Members States also report information via the EU Monitoring Mechanism Regulation.

Reporting guidelines and parties' reporting practices have also markedly improved over time. National Communications' guidelines (FCCC/CP/1999/7) require developed country Parties to report information on measures taken to fulfil their commitments under Article 4 of the Convention, including a definition of what counts as "new and additional" resources. The Biennial reporting process reinforced existing modalities by providing a Common Tabular Format (CTF) (See Decision 19/CP.18) which requires parties to provide even more detailed information on their financial support, including information on the definitions and methodologies selected during the reporting process.

The Paris Agreement, in its Article 9, strengthens developed country parties' obligation to provide financial support to developing countries, and encourages advanced developing countries to start providing such resources and communicate related information. The agreement also provides for revised CTF (Decision 9/CP.21) which compels Annex II parties to provide more detailed and specific information on climate finance provided and to report information on the private climate finance mobilised by a variety of public interventions. Note that all country Parties to the UNFCCC are currently involved in setting up new modalities for the accounting of financial resources provided and mobilised in accordance with article 9, paragraph 7 of the Paris Agreement.[1]

Despite continuing efforts, both under and outside the Convention, to improve existing procedures and modalities, data on public climate finance still lacks the desirable level of consistency, accuracy, and transparency. Many gaps and challenges remain, chief among them, the persisting lack of common understanding of key definitions and methodologies that are crucial to a comprehensive reporting process (i.e. climate finance, new and additional,

[1] For the authentic text of the Paris Agreement see: http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

concessionality). In addition, OECD members tend to apply the Rio Marker methodology differently using differing weighting methods in the tracking of their climate-relevant flows. On the whole, the lack of common methods and definitions has led to a variety of accounting systems that differ in terms of points of measurement, data coverage, recipient definitions, format of data reported, tracking and quantification methods, thereby significantly hampering the comparability and usefulness of the data reported. Information gaps do persist as well, especially in regard to public bilateral climate finance embedded in multilateral institutions and in regard to multilateral climate flows more generally. Finally, the current system cannot ensure a coherent tracking and measuring of private climate finance mobilised through public interventions. Despite relevant methodological work undertaken by the OECD Research Collaborative, parties are still investigating how to effectively and adequately track their efforts to mobilise private climate finance in developing countries.[2]

Overall, these concerns have led to the increasing recognition even among developed countries, of the importance of an improved tracking and representation of data on climate finance provided and mobilised. However and in the persisting absence at the international level of commonly agreed accounting and reporting modalities, substantial efforts should be directed toward improving the clarity, transparency, and comprehensiveness of climate finance measuring, tracking and reporting at the national level. This is of particular importance for those developed country Parties that have a relatively complex and highly diverse landscape of relevant climate finance providers. Such is the situation in Belgium, a country featuring various public actors with relevant climate finance flows, operating in different sectors (e.g. development cooperation, environment and climate and, investment and export) and at different levels of governments (federal and regional). The main challenge with such a varied and multileveled institutional structure is that it can easily map out onto a climate finance reporting system that lacks consistency, transparency, and common definitions and methodologies.

1.2 Objectives and structure of the study

This study was conducted in the context of the Belgian Policy Research Group on Financing for Development (BeFinD). It presents a number of key recommendations on how to improve the comprehensiveness of the climate finance reporting system in Belgium. This collaborative work directly follows up on a previous BeFinD study (2026) co-authored by Lize Van Dyck and Kris Bachus on Public Climate Finance in Belgium which provided a comprehensive overview of all official climate-related development finance in Belgium for the years 2013-2014. It also, albeit less directly, builds on a Trinomics study (2015) which assessed which actors in Belgium are potentially relevant for the mobilisation of private climate finance to developing countries and

[2] In regard to mobilised private climate finance, relevant methodological work is currently being undertaken within the framework of The Research Collaborative on Tracking Private Climate Finance. This research group is a OECD-hosted consortium of experts from international financial institutions, the private sector, governments, and non-governmental organizations that is working to develop tools for more accurately tracking mobilized private climate finance. See the Research Collaborative's website for further information: https://www.oecd.org/env/researchcollaborative.

which provided a preliminary quantitative assessment of Belgium's public climate finance and mobilised private climate finance for the years 2013-2014.

In their findings and recommendations, the two studies both emphasise the need to provide further guidance and support to Belgian actors on how to provide more transparent, comparable and accurate information on their climate-relevant flows in the future. Essentially, achieving a more comprehensive and transparent reporting system at both national and regional levels can serve as the basis for conducting proper analysis and assessments on the progress made by Belgium towards achieving its international climate finance commitments to developing countries.

Note that as agreed with DGD (the Belgian Directorate General for Development and Cooperation), which is the commissioner of this study, the recommendations provided here mainly focus on the reporting of climate finance provided (i.e. public climate finance), and not on mobilised private climate finance through public interventions. However, and for reasons related to the private nature of some climate flows, the case study on Delcredere|Ducroire (Credendo), Belgium's export credit agency, focuses principally on the organisation's role in mobilising private climate finance in developing countries.

It is crucial to note that three main issues have guided our analytical approach. The first one is the need to promote at the national level common and conservative definitions, methodologies and reporting practices at both the national and regional levels. Achieving greater consistency and commonality among all Belgian actors is key to ensure adequate comparability and accountability of the data provided. In this regard, a cautious and conservative approach should be adopted in order to minimise the risks of over-estimation of flows and double-counting, taking into account the lack of agreed definitions and methodologies on the international. The second concern has to do with improving the transparency and accountability of the Belgian climate finance reporting system. While progress has been made in recent years by the Flemish actors in particular to increase the transparency of their climate-relevant data, all Belgian actors need to provide more explicit and accessible explanations or justifications on what they decide to count and report as climate finance. A third issue has to do with providing adequate opportunities for cooperation and/or coordination and sharing on experiences among Belgian actors on various issues related to public climate finance reporting. In the absence of common definitions and methodologies, it is important that Belgian actors have the opportunities to share experiences and practices, and learn from each other's challenges and successes.

The set of recommendations that follows concerns different components of the reporting of public climate finance. They result from two interrelated research activities conducted from September to December 2016.

(1) A policy workshop on Public Climate Finance Reporting in Belgium.

On September 27th, 2016, the HIVA Research Institute on Work and Society, the Leuven Centre for Global Governance Studies (GGS) and the Belgian Directorate General for Development Cooperation (DGD) jointly organised a one-day workshop on climate finance reporting in Belgium. The workshop provided an opportunity for the relevant climate finance providers in

Belgium to share experiences, challenges, and lessons learnt so to improve climate finance reporting at the institutional, regional, and national levels. This event also enabled to more clearly identify common and specific challenges and needs of Belgian actors to be addressed through joint action and/or tailor-made support and guidance. See Annex 1 for a description of climate finance providers in Belgium.

(2) The provision of tailor-made advice and guidance to representatives of Delcredere |Ducroire, especially in the identification of their climate-relevant flows, accounting method(s), and the use of the Rio marker methodology.

2 | Public Climate Finance reporting in Belgium: challenges and recommendations

2.1 Policy workshop on climate finance reporting by Belgian actors: key lessons learned

The following key suggestions were made during the September 2016 Policy Workshop on Public Climate Finance Reporting in Belgium. Actors with relevant climate-finance flows:

- Need to start reporting on private climate finance mobilised through various public interventions; relatedly, there is a need to adapt current databases to include private climate finance data.
- Need to take into consideration the principle of additionality despite the absence of a common baseline and current conditions of decreasing ODA flows.
- Better to focus on the disbursement level than on the commitment level in order to avoid risks of double counting and improve international comparability.
- Need to inform BE actors about how to better use the Rio Marker methodology especially for the ‘tagging’ of flows and specific projects that do not have a clear climate change objective.
- The need is felt for more coordination of tracking and reporting activities at the Walloon level (potential role for AWAC?).
- No need for more (formal) national coordination. However, a need to encourage the sharing of reporting experiences and challenges among BE actors through -for example- the organization of a yearly workshop/reporting exercise where BE actors can communicate their figures, verify their data, share their challenges, and learn from each other’s experiences.
- The adoption of a common methodology or a common baseline for additionality is not an urgent matter and might be very challenging. This however, may become necessary when the regions will have greater financial responsibilities from 2020 onwards.

We note that the conservative approach we put forward as a guiding principle for Belgian climate finance reporting (see section 1.2), was shared (and already implemented) by all actors present on the workshop.

2.2 Public climate finance reporting and the principle of ‘new and additional financing’

- **Challenge: difficulty of defining what constitutes new and additional financing**

Many concerns were raised during the workshop about the difficulties of applying the principle of additionality especially under conditions of decreased ODA flows. Moreover, in the absence of a common baseline, it is very difficult to put the principle into practice. Currently, developed countries use different definitions of what constitutes new and additional climate funding which makes it almost impossible to compare national efforts.

An interesting point noted by the latest BeFinD paper (2016) is that different interpretations of the principle of “new and additional” have led to different practices by some BE actors. The study found that in contrast to the Flemish and federal organisations, which report their public climate finance contributions to the Adaptation Fund (AF) as ODA, both the Walloon Region, and Brussels Capital Region have marked their climate resources extended to the AF as OOF (i.e. € 250.000 contribution by the Walloon Region to the Adaptation Fund and € 500.000 contribution by the Brussels Capital Region to the Adaptation Fund) and this mainly because of the additionality requirement (p. 53/54). For other actors, such as FIT and FWO, the BeFinD researchers marked their flows as OOF not because of the additionality requirement but simply because their funding does not have the economic welfare and development of the targeted developing countries as their primary objective. Note as well that these different interpretations of what counts as OOF or as "new and additional" might become even more salient when BIO and Delcredere start reporting their climate-relevant flows.

- **Recommendation: While it remains difficult to adopt a common BE baseline, BE actors need to acknowledge the importance of the principle of "new and additional" financing in their reporting process.**

Notwithstanding the difficulties of determining what may constitute new and additional finance in the BE context, it was recommended to take the principle of 'new and additional financing' into consideration in the context of future reporting efforts and this for a few reasons: first, the principle is very important for developing countries which often use it as a tactical tool during international negotiations. Second, and as noted by a representative of DGD, international reviewers pay particular attention to how the principle has been applied in the NCs and the BRs and BE has been quite heavily criticised in the past for not adequately demonstrating the new and additional nature of the climate finance provided to developing countries. Last but not least, continuing efforts to establish a common/single baseline for this principle is of crucial importance for the comparability of national contributions towards the 100bn goal. Current UNFCCC work on establishing new accounting and reporting modalities under the Paris Agreement (PA) could soon provide us with a common baseline. As well known, most developing countries have long favoured the definition that refers to funds in excess of the 0.7% of Gross National Income contribution to ODA (Dutschke and Michaelowa 2006; Oxfam 2009; Stadelmann et al. 2010). Other commonly referenced definitions include: funds in excess of ODA levels from a specified baseline year; funds in excess of projected future ODA levels; or finance that focuses on climate change but is not reported as ODA.[3]

2.3 Public climate finance and the requirement of concessionality

- **Challenge: no agreed definition of concessionality under the UNFCCC**

The current accounting modalities under the UNFCCC require parties to report whether finance is "concessional" or "non-concessional". There is, however, no agreed definition of "concessionality" under the UNFCCC, which makes it possible for parties to use different

[3] For a summary of the information on "new and additional" definitions used by developed countries in their first Biennial Reports (2014), see UNFCCC SCF (2014, p. 57-58).

definitions of the concessional level of finance provided. In addition, while some Annex II parties only report concessional public climate flows (ODA), other parties also report non-concessional finance (OOF). In a table summarising the diversity of approaches used by Annex II Parties in accounting and reporting climate finance for the years 2013-2014, Weikmans (2015) for instance shows that while some countries including Austria, Belgium, France, Italy, Germany, Japan, Luxembourg, Portugal, Spain and the United States reported both ODA and OOF climate-related flows, while other parties only reported ODA-related climate finance.[4]

- **BE actors should agree on a common method to calculate the concessionality of public climate finance**

It is recommended that BE actors in their reporting efforts clearly explain how they have identified finance as concessional or non-concessional. The unwritten rule in BE is to count as public climate finance, finance that is provided to developing countries with a minimum grant equivalence of above 0% (or clearly at more generous terms than prevailing market terms). Note that under the new OECD DAC reporting system, the calculation of the grant equivalent, which measures the concessionality of ODA loans is now based on differentiated discount rates and concessionality requirements for lower and middle countries in an effort to better reflect the donor's borrowing costs and risks of providing finance to different country groups.[5] This modernisation helps to capture the "actual" economic value of a loan in ODA more accurately. Moreover, it provides a more realistic comparison of loans and grants and incentivises the use of grants, which have a higher degree of concessionality than loans.

2.4 Tracking climate finance and the Rio marker methodology

- **Main challenge: difficulties in using the Rio marker methodology**

The Rio marker methodology has proved very useful in tracking and weighting the climate-relevance of funded projects. It has been used by most Annex I-countries for their Biennial reports (OECD 2015). The method is described in details in previous BeFinD studies (Bachus et al. 2015, Van Dyck and Bachus 2016, see Box 1).

Box 1: The Rio Marker methodology and the weighting options in BE: (modified from Van Dyck and Bachus 2016).

The OECD-DAC has developed 2 markers for evaluating the climate-relevance of financial flows, i.e. the adaptation and the mitigation markers and three scoring components: 0, 1, or 2. If a project has no climate-related objectives, then a score of 0 will be attributed. If a project has

[4] These countries include: Canada, Denmark, Finland, Greece, Iceland, Ireland, Netherlands, New Zealand, Norway, Sweden, Switzerland and the United Kingdom. See Weikmans 2015, p. 14. The table provided by the author is modified from OECD-CPI 2015, p. 43; 45-46.

[5] See OECD 2014a and b. Note that before the 2014 DAC's overhauled treatment of loans in ODA, the entire amount of the loan (with a grant element of at least 25% calculated on the basis of a fixed 10% benchmark discount rate) was counted as ODA (the whole loan was counted as ODA not only the grant element).

climate adaptation and/or mitigation as its principal objective, a score of two will be granted. It will be marked as 1 when climate adaptation or mitigation are not the principal aim of the project but are still significant. Note that the Rio marker methodology was not developed for quantification reasons. It was developed primarily to assess whether (ODA) projects should be marked as climate-relevant or not (Bachus et al. 2015).

However, the use of the Rio Markers has one major discussion point, which is related to the weighting of the flows in order to get an aggregated estimate for the total climate flows. For the activities marked '0' or '2', the weighting issue generates no discussion:

- If an activity is marked '2' (principal), climate flows are accounted for 100%, and the whole sum is taken into account for calculating total climate flows.
- If the activity has a marker '0' (not an objective), logically 0% of the flow is labelled as climate finance.

However, for the activities marked '1' (climate is not the principle, but still a significant objective), multiple options are available with regard to the weighting. Although several countries use different practices and weighting methods with regard to the treatment of the '1' markers (see OECD 2015 p. 48-49 for an overview of these different weighting methods), two main options are used within the Belgian context:

Method 1: 0-40-100: The European Commission and the Flemish actors have decided to use the following weighting method:

- 0 % if the activity scores 0 on both the mitigation and adaptation marker
- 40 % if the activity scores 1 on one of the markers
- 100% if the activity scores 2 on one of the markers

If a project marks on "1" for both mitigation and adaptation, only 40% in total is counted as climate finance (20% mitigation and 20% adaptation), to avoid double counting. Flanders does this by categorizing the activity as cross-cutting (both mitigation and adaptation), rather than marking it both on mitigation and adaptation.

Method 2: DGD method: The Federal Development Cooperation administration (DGD) has developed its own weighting method based on sector and subsector codes which are attributed to each project. In total, there are 101 categories. The rationale behind this weighting method 'sui generis' is to avoid overvaluation of the 40% which is attributed to the "1" marker in the Flemish and EU systems. This weighting method has been developed for all Rio Markers (including desertification and biodiversity), in order to avoid double counting. If a project scores 1 on mitigation or adaptation, the sector code will define the percentage of the budget that can be allocated as climate finance. In practice, the total percentage allocated to the total of the two climate-related Rio markers rarely exceeds 40% of the flow. As a result, the DGD method mostly leads to significantly lower total climate flows than method 1.

During the workshop, it was noted that many if not most BE actors have difficulties measuring the climate-relevance of projects that do not have a primary or highly significant objective. This is especially the case for BE actors whose activities have no explicit environmental/climate change agenda like those operating in the financial/investment sector. The weighting of flows appears also difficult for projects with conflicting objectives, such as for projects with both potential beneficial and potential detrimental effects on the environment. In general, many BE actors, despite their willingness to provide climate finance data, are not yet familiar with how to put the Rio marker methodology into practice. Some are also confronted with large administrative burdens in retrieving the relevant data from their databases.

- **Recommendations:**

Use a conservative/cautious approach in using the Rio Marker/and weighting methods so as to minimise the risks of inflated figures.

While the 0-40-100 weighting method is less flexible than the DGD method for the marking of “secondary” flows, it is easier to use, and better suited for international comparison. The choice of the weighting method ultimately depends on the type of data available and their level of detail. In practice indeed, actors using the DGD method might be more inclined to mark a project with a Rio Marker ‘1’ instead of ‘0’ since the method allows for greater flexibility when applying the weighting factors afterwards. When evaluating the climate relevance of projects that have many objectives or potentially different impacts (such as socio-economic, environmental, political) BE actors are advised to focus on the net climate change dimension of the project, and not on the other environmental impacts; and this whether the project has a climate-related objective or not.

Overall, it is recommended that all Belgian actors adopt a **conservative/cautious** approach to reporting, one that favours transparency and avoids the risks of over-reporting flows. After all, any reported flow (including details on the project) will be open for scrutiny, and any doubt on the legitimacy of a reported flow can turn against Belgium and undermine our country’s credibility regarding climate finance and its reporting. In practice, this required transparency on the project level might induce some BE actors who are unsure about the climate-relevance of some of their flows, to limit their climate finance reporting. In some cases, compromises will need to be sought in an attempt to reconcile the principles of completeness, transparency and confidentiality.

Provide training to some public BE actors about the use of the Rio marker methodology

Some BE actors might greatly benefit from receiving some training on how to use the Rio Markers, especially actors that have no explicit environmental/climate change agenda.

Need to ensure transparency on the weighting options used by actors in their reporting efforts

In order to achieve more transparency in the reporting of climate flows, BE actors are advised to explicitly explain which weighting options they used. This has been done already by the Flemish region which provides a detailed description of the 0-40-100 weighting method on their website.[6] Likewise, DGD now provides transparency by agreeing to include their list of weighting coefficients in the annex of the previous BeFinD (2016) paper on public climate finance in BE.

Adoption of a common weighting method (?)

In the near future, and in order to improve the comparability of data provided by all BE actors, it might be advisable to set forth a common weighting methodology (i.e. the DGD or the 0-40-100 method) for all public BE actors. To this end, it may prove useful as a first step, to organise a workshop gathering all relevant climate finance providers in BE to share experience and practices on the application of the Rio marker methodology and the weighting methods and to discuss ideas on the best way forward.

2.5 Points of measurement

Public climate finance can be reported at three distinct points of measurement: when funds are pledged (when there is a verbal or signed indication of intent to provide the funding), at the point of commitment (when it is earmarked and/or transferred from the contributor/investor into the account of the recipient/intermediary) or at the point of disbursement (when the funds have been deposited by the recipient or intermediary). These various points of measurement can lead to double-counting of flows. For instance, the same finance may be reported twice by different actors depending on their perspectives on what these various measurement points might mean in practice.

- **Recommendation: better to focus on the disbursement level than on the commitment level in order to avoid risks of double counting and improve international comparability.**

This recommendation might not be technically feasible for all types of flows. In practice, we suggest BE actors to remain vigilant and exercise due diligence when funds are initially reported as committed. A double "reporting" system could be put in place, one for funds reported at their point of commitment and one that tracks the disbursements that follow up on commitments.

2.6 Accounting methodology (i.e. valuation of public finance instruments)

- **Main challenge: technically difficult to value non-grant instruments**

Public climate finance can be provided via a variety of financial instruments. If the valuation of the funds provided through grants is rather straightforward and easy (i.e. equal to the total sum of the initial finance provided), the valuation of non-grant instruments such as loans, guarantees, mezzanine finance and equity is technically challenging. To date, most developed countries account for all financial instruments at their cash face value, a calculation method which tends to inflate figures related to loans and other non-grant instruments and hence

[6] The detailed list of the efforts of the Government of Flanders on international climate finance since 2013 is available online at: https://docs.google.com/spreadsheets/d/1kypWZ0x6nKicy6V0Ccch4JLTsPhHXQkprXbWE_2nVEM/edit?pref=2&pli=1#gid=0

weakens the validity and reliability of the data. This in this context that there is an increasing recognition of the importance of introducing a grant equivalent (GE) methodology for non-grant instruments. The calculation of the GE of non-grant instruments by representing the concessionality level of the funds provided, better enables to capture the donor effort in providing public climate finance and provides for a more realistic comparison between grant and non-grant instruments. The problem, however, is that this calculation is technically challenging for financial instruments with uncertain or unclear financial terms (i.e. maturity period, interest rates, risk-adjusted rate of returns, expected financial returns/repayments, sovereign and commercial risks). In the previous BeFinD study on public climate finance, it was for this reason not possible to calculate the grant equivalent for the loans we detected. However, the authors of the study still advise to use the grant equivalent method where possible.[7]

- **Recommendations:**

Efforts should be taken to consistently report the actual support effort

(i) Whenever possible, flows should be reported in GE

In order to ensure greater clarity and transparency of the data on climate finance provided (and mobilised), it is recommended to value whenever possible, the net support value of disbursements, expressed by the grant equivalent of what is provided (or mobilised). In the absence of adequate modalities under the UNFCCC for the calculation of the grant equivalent of loans and other financial instruments, BE actors should agree on a common methodology at the national level. To this end, it might be useful to draw on the ongoing work within the OECD DAC. In 2014, at their High Level Meeting, members of the OECD DAC decided to change the measurement of loans from net flows to risk-differentiated grant equivalents.[8] In 2016, they subsequently proposed new measurement methods to improve the representation of the donor effort involved in using other non-grant instruments in external development finance (i.e. guarantees, mezzanine finance, and equity). This modernisation process can be useful for the reporting of climate finance although more research is needed to ensure the technical feasibility and implications of these proposals in the context of public climate finance reporting.[9]

(ii) Or on net cash flows or GE calculated ex post

When the GE calculation cannot be conducted for lack of adequate or reliable data, or because it is too technically challenging, BE actors should at the very least try to report net cash flows whereby disbursements from initial investments are reported as positive climate finance and amounts received from divestments or back flows are later reported as negative climate finance. When the maturity period and the availability of data allows it, it is still preferable to report flows on the basis of the GE calculated ex post (see Bachus and Bécault, 2017).

[7] Van Dyck and Bachus 2016

[8] See OECD 2014a and b. Note that before the 2014 DAC's overhauled treatment of loans in ODA, the entire amount of the loan (with a grant element of at least 25% calculated on the basis of a fixed 10% benchmark discount rate) was counted as ODA (the whole loan was counted as ODA not only the grant element).

[9] This point was also mentioned by the authors of the Trinomics study 2015, p. 61.

2.7 Aggregation level of the data

- **Challenge: Aggregated data/lack of detailed information hinders the verifiability and comparability of the data**

The reporting of public climate finance can be done in very different levels of details ranging from the provision of project-level data to the provision of information on only the total amount of funds provided by a specific country, with little information on the beneficiaries or sectors affected. The lack of disaggregated data or details hinders the comprehensiveness, verifiability, accountability, and comparability of the information provided. [Furthermore, since the multilateral assessment process of BRs excludes any questions pertaining financial information, there is no possibility of cross-checking the information presented by developed country Parties in a transparent manner.] Granular, disaggregate information can serve as a counterbalance to the lack of precise definitions in some cases and could enhance comparability and avoid double counting. Also, it has the potential to foster engagement between donor and recipient countries.

Recommendation: Provide project-level information when possible

To enhance the transparency of the data, and to allow the verification and evaluation of finance by recipient countries, communities, researchers, and observers organisations, as well as proper assessment on progress towards meeting their commitments, BE actors should strive to report their flows on a project-by-project level/ or to provide highly disaggregate information on their reports, ideally with project-level data and figures. As noted during the workshop however, the provision of disaggregated date/figures can be difficult for certain BE actors constrained or bound by confidentiality agreements or concerns (e.g. financial/commercial agencies). The provision of project-level data may be costly and time-consuming for actors that provide funds in the form of small subsidies to companies abroad. In such cases, it was suggested that the reporting can take place at the level of the financial instrument or at the aggregate level rather than at the project level.

2.8 Other issues:

Knowledge sharing and cooperation:

The two studies on public climate finance called for improved coordination and cooperation among BE actors on climate finance reporting (provided and mobilised). Since then, two knowledge sharing initiatives have been created:

1) The September 2016 policy workshop on public climate finance reporting in BE gave relevant climate finance providers in BE the opportunity to share experiences and challenges and discuss further avenues for cooperation and coordination.

2) In 2016, an informal working group was created on the federal level by DGD and FPS Environment on the issue of climate finance which met a few times already during 2016. In this process, FPS Environment has emerged as a coordinator of private climate finance reporting by federal actors.

During the policy workshop, participants suggested to focus on improving coordination and cooperation at the Walloon level and to provide a yearly platform where all BE actors can meet to communicate their data and figures, share their experiences and challenges, and learn from each other. Note that 2017 is an important year in terms of climate finance reporting: both the BRs and the NCs are due that year (end of August) and some BE actors have agreed for the first time to try to provide climate-relevant finance data.

Given the already existing coordination initiatives, the creation of additional coordination bodies at the national level was advised against by the BE actors.

Learning-by-doing approach to climate finance reporting: to improve CF reporting by all BE actors even those that are not currently reporting on their flows, it was suggested to adopt a "learning-by-doing" approach. Despite existing data problems and methodological challenges, BE actors are all encouraged to take part in climate finance reporting for the next reporting period (2016 flows, to be reported around August 2017 through BR and NC). They will receive critical feedback from technical expert reviews that can help them improve their measurement and reporting experience over time.

3 | Policy guidance and support on climate finance reporting: case of Delcredere- Ducroire (Credendo)[10]

3.1 Background of the case study

In November 2016, BeFinD researchers met with representatives of Credendo to provide policy guidance and support on their future climate finance reporting efforts. The objective of the meeting was threefold:

1) To gain a better understanding of Delcredere's activities and products relevant to climate financing.

2) To assess Delcredere's specific risks of overestimation and double counting.

3) to support and advise Delcredere on which methods and approaches to use to track and report their climate-relevant flows in ways that best reduce the risks of overestimation and double-counting, taking into account confidentiality constraints.

While the research mandate of this current BeFinD project is limited to the topic of *public* climate finance provided to developing countries by BE actors, BeFinD researchers decided to expand the mandate and focus on Delcredere's role in the mobilisation of private climate finance to developing countries as well. This decision was driven mainly by the fact that on closer examination, Credendo might be solely active in the mobilisation of private finance. In this regard, Credendo could consider reporting its relevant financial information to DGD starting as early as next year (i.e. 2017), when Annex II country parties are expected to provide information on financial resources and transfer of technology both through their NCs and BRs, as well as through their yearly OECD DAC reporting. Note as well that Credendo will soon reform its internal reporting system to better reflect its current financial activities, possibly including their role in the mobilisation of climate-relevant flows in developing countries.

Ms. Karine Boussart and Ms. Aurélie Laurent from Delcredere attended the meeting and provided valuable information about Credendo's main activities, financial products, and climate-relevant projects. Ms. Boussart's main role at Delcredere is to keep up with debates conducted within the framework of the OECD Arrangement on Export Credits so as to ensure Credendo's compliance with the OECD key guiding principles and rules.[11] Ms. Laurent for her part is responsible for assessing the environmental and social risks of projects and transactions for which applications of cover are received.

[10] The name Delcredere (in Dutch) and Ducroire (in French) has been in use since the creation of the organisation in the first half of the 20th century. Recently, it was decided to continue with only the name Credendo. Because most actors and people in Belgium still use the name Delcredere, we will use the old and the new name interchangeably. So whether we write Credendo or Delcredere, we are referring to the same organisation.

[11] As explained in more details in the previous BeFinD study: "Within this arrangement, ECAs aim at providing a level playing field and eliminating subsidies and trade distortions (OECD 2016). Within this arrangement, several export credits sector understandings have been negotiated, including on climate change mitigation and adaptation, renewable energy and water projects. If projects adhere to these categories, the usual (financial) standards of ECA's can be more flexible. Additionally, the sector understanding on coal-fired electricity generation projects (CFSU) forbids ECA's in participating in dirty-coal activities." (see Van Dyck and Bachus 2016, p. 33).

3.2 Reporting export credit insurance/guarantees in the context of climate finance

Before describing Delcredere's potential role in the provision and/or mobilisation of climate finance, it is important to briefly discuss how the instrument of export credit guarantees/insurances – the main financial instruments provided by Delcredere – are currently being treated in international climate finance reporting.

As noted by the authors of a OECD-CPI report (2015, p. 16) in their estimates of international climate finance in 2013 and 2014, not many developed countries have thus far reported the climate-relevant activities of their official export credit agencies (ECAs). For instance, OECD statistics related to export credit activities were not included in the first biennial reports submitted in 2014 for the years 2011-2012. The non-reporting of export credit insurance and guarantees has a fundamental and a practical explanation.

3.2.1 Fundamental discussion

Guarantees were not reported as they do not create north-south financial flows.[12] They are either not paid out (and then there is no flow), or they are paid out (and then the flow goes from north to north and the recovery post hoc creates a south-north flow).

Recently, the debate within the OECD has changed and guarantees will probably be reported in the future; the fact that there is no cash flow is not an exclusion criterion anymore.[13] The reason of this OECD switch is because they want to incentivise the use of non-grant instruments (i.e. guarantees, equity, and mezzanine finance) because of their capacity to mobilise private finance (including private climate finance). In 2015, a group of 19 bilateral climate finance providers including Belgium, declared that their common definition of "mobilised private climate finance" will include the public finance provided by export credit agencies.[14]

The question whether concessionality will be a condition in the future for including guarantees in public climate finance, has not received a clear and consensus answer yet on the international level.

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[12] See OECD 2014b, p.1.

[13] See especially OECD 2014a; 2014b; 2014c, 2015 and 2016.

[14] *Joint Statement on Tracking Progress Towards the $100 billion Goal* by Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Sweden, Switzerland, United Kingdom, United States, and the European Commission (Group of 19 bilateral climate finance providers, 2015). URL: https://www.state.gov/documents/organization/246878.pdf.

3.2.2 Technical difficulties

Public climate finance:

Reporting on export credit insurances/guarantees to the UNFCCC is technically challenging. First, unlike grants or loans, guarantees do not necessarily involve a financial payout or outflow, which make them difficult to measure or value under the dominant cash face value method.

Increasing efforts are currently undertaken at the OECD DAC to adequately quantify/measure the provider effort (grant equivalent) in using private sector instruments such as guarantees, mezzanine finance, and equity (See Bachus and Bécault, 2017). While the provider effort to extend guarantees is not easily quantifiable, some options to measure the effort can include: risk taken by the guarantor, claims eventually paid in case of default, capital subscription to the agency issuing guarantees, or the difference between the guarantee fee charged by the public institution and the guarantee fee charged at market rates (concessionality).[15]

Mobilised private climate finance:

In regard to mobilised private finance, it is clear that guarantees can play a significant mobilisation role. However, under the *UNFCCC* there is currently no agreed methodology on how to value the private climate finance mobilised by such mechanisms. Meanwhile, progress has been made within the *OECD DAC*: the DAC secretariat conducted a number of surveys on guarantee schemes for development and initiated methodological work to measure the amounts mobilised from the private sector by this mechanism (and other instruments such as syndicated loans and shares in collective investment vehicles.)[16] As we will see below, four main valuation methods can be used for assessing the amount of private finance mobilised by a guarantee for a private loan:

(1) The total cost of the project (contract amount);
(2) The entire face value of the loan (credit amount) or amount of the private finance covered by the guarantee irrespective of the percentage covered – this is the attribution method proposed by the OECD DAC;
(3) The amount covered by the guarantee
(4) The amount based on the net exposure of the guarantee, this is an estimate of the value of the risk taken by the guarantor. Overall, investigating how publicly-backed guarantees can be included in mobilised public climate finance requires developing a specific methodology to track the climate-relevance of these instruments and conducting a more detailed investigation on how export credit guarantees (especially co-guarantees) actually mobilise private finance in developing countries.

The options are ordered in descending order of amounts:

Net exposure	<	amount guaranteed	<	credit amount	<	contract amount

[15] See especially Mirabile et al. (2013) which provided a report for the OECD on the use of guarantees in external development finance.

[16] See http://www.oecd.org/dac/stats/guarantees-for-development.htm.

3.3 Explaining Delcredere's activities

Credendo is an autonomous government institution and is Belgium's public export credit agency (ECA); it is also mandated to grant state guarantees. It is operational worldwide, with most of its insured risks being in developing countries. It aims at stable financial returns in compliance with WTO regulations. Delcredere neither has a specific development-related nor an environmentally-related mission. Its mission is to promote international economic relations.

Credendo's main operations can be divided into two sets of activities:

1) **Insuring and providing guarantees**[17] **for** Belgian activities**:** insure Belgian companies and banks against the political and/or commercial risks associated with their foreign commercial transactions, mainly regarding capital goods and industrial projects, as well as contracted works and services. Delcredere can for instance provide an insurance to a bank that finances an exporter's buyer. In this instance, the bank is insured against the risks of non-payment by the foreign client. Some insurance contracts do not involve any bank but only an exporter/service provider that provides a credit (by accepting late payment) to his buyer; the exporter is then insured against the risks of non or late payment. Sometimes, the exporter will build infrastructure in a third country, and the service contract is divided into phases. A new phase will only be started when the previous phase is paid. The non-payment of the due sums and the contract termination can be covered by the Delcredere insurance.

Three types of export credit activities can be distinguished:

a. Export credit insurance is Delcredere's main instrument and the most relevant in the context of climate financing. The provision of a guarantee can indeed help incentivise exporters and banks to execute climate-related projects or exports to developing countries.
b. Investment covers: insure BE exporters against the political risks for foreign investments in host countries. This product makes out a smaller share of Delcredere's activity and is highly volatile.

c. Financial guarantees: provide a guarantee to a bank that grants a loan to a BE company with the ambition to export in the future (the bank is the beneficiary).

In a nutshell, climate finance reporting should target export insurance, being the most used and most relevant product.

2) Market **Window activities** whereby Delcredere works alongside banks through risk sharing schemes.

It was concluded during the interview that only the activities of Delcredere related to Belgian companies are relevant for climate finance. Market Window activities do not play a role in the mobilisation of private finance (the financing being private).

[17] Although technically not entirely identical, in this working paper we use the terms 'guarantees' and 'insurance' interchangeably.

Next to the main instruments of insurance and guarantees, Delcredere also provides direct lending to SMEs.

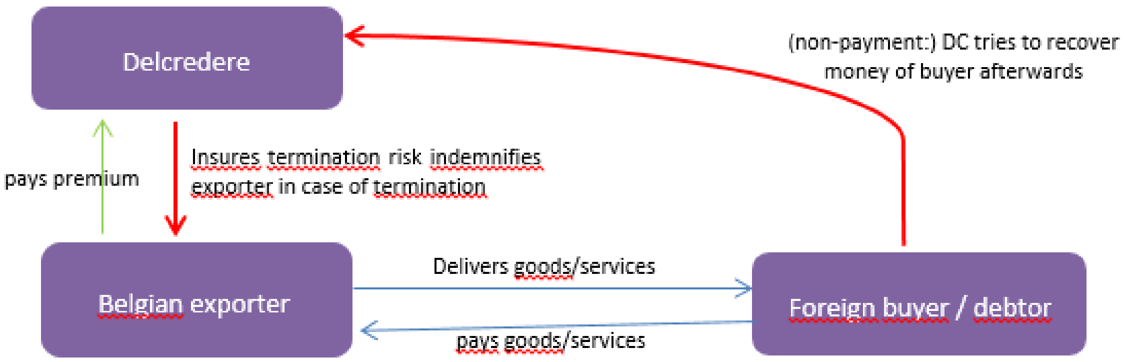
Next to the main instruments of insurance and guarantees, Credendo also offers small amounts for direct lending to SMEs, but much less than many other ECAs such as in the US and or Canada.

Financial flows associated with export credit guarantees[18]

The flowcharts hereunder illustrate the financial flows associated with Credendo's provision of an export credit guarantee. In the financing, either the exporter grants a payment delay to his client (supplier credit) or the bank does (buyer credit).

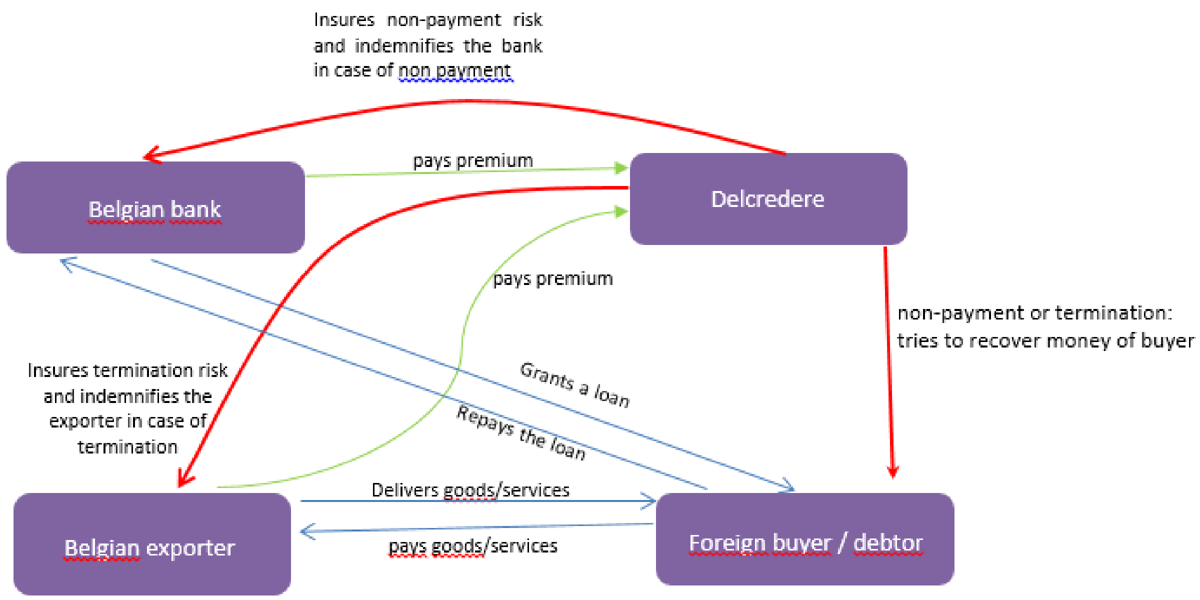
Figure 1 shows the contractual construction without involvement of a bank, and figure 2 with involvement of a bank.

Figure 1. Financial flows associated with the provision of export credit insurance without involvement of a bank



[18] This part is based on an oral presentation provided by representatives of Credendo.

Figure 2. Financial flows associated with the provision of export credit insurance with involvement of a bank



3.4 Delcredere's role in public climate financing

Because the guarantees provided by Credendo do not generate a flow, the interviewees tend to consider that Credendo is not active in public climate finance. Indeed, up to now guarantees have not been included in public finance reporting because of this reason (see section 3.2). However, the debate on the international level is changing, and export credit insurance and guarantees will probably be tracked as public climate finance in the future. As this debate is not settled yet, it is wise to be cautious and conservative with the reporting for the time being.

In the absence of consensus at the international and national levels, it is up to the reporting states to decide or not to include export credit insurance and guarantees in public climate finance reporting.

At this stage, and as agreed with Credendo experts, we suggest not to include the flows in public climate finance reporting, for the following reasons.

a) Credendo does not have a specific development-related objective;
b) Credendo operates at premium rates for all its activities, so **no concessionality** is present.[19]
c) In most cases a guarantee does not lead to any financial flow. Only when the 'debtor', who is a public or private actor in a developing country, does not pay its

[19] Note that these two criteria (i.e. development objective and concessionality) are of course most relevant in the context of development finance (OECD DAC). As mentioned already earlier, there is under the UNFCCC no clear /common definition of what should constitute public climate finance. As a result, the question whether concessionality is a condition for (especially public) climate finance is not fully sorted out yet.

debt to the (Belgian) bank or the (Belgian) exporter, the guarantee will lead to a flow. But that flow is from Credendo to the Belgian bank or exporter, so **north-north**. And afterwards, Credendo will still claim the money back from the actor in the developing country, which is a **south-north** flow. So no signs of any north-south flow.

d) There is no agreed methodology yet for estimating the value of the donor effort for export credit insurance and guarantees yet.

3.5 Delcredere's role in the mobilisation of private climate finance

3.5.1 Introduction

To estimate the amount of private climate finance mobilised by Credendo, it is necessary to determine how to assess and substantiate how Credendo's provision of export credit insurances actually mobilises private finance in developing countries.

There is at present no internationally agreed methodology for measuring and reporting mobilised private climate finance. Methodological options and choices are however currently being explored especially by the OECD DAC *Research collaborative on Tracking Private Climate Finance* [20] which in recent years has developed and started to apply a methodological framework (the *4-stage framework*) structured around four sequential but interrelated decisional stages:

1. defining public and private climate finance
2. scoping private finance accounting boundaries
3. assessing causality between public and private finance
4. deciding on an attribution method (esp. where multiple actors are involved).

In regard to methodological choices and decisions, Delcredere is prepared to adopt a conservative approach so as to avoid risks of double-counting and overestimations of flows, both in terms of causality assumptions and attribution methods.

Up to now, concessionality is not considered to be a condition for private finance qualification under the UNFCCC framework.

In the remainder of this section, we will apply the four steps of the 4-stage framework to the case of Delcredere.

[20] As mentioned already, this research group is a OECD-hosted consortium of experts from international financial institutions, the private sector, governments, and non-governmental organizations that is working to develop tools for more accurately tracking mobilized private climate finance. See the Research Collaborative's website for further information: https://www.oecd.org/env/researchcollaborative.

3.5.2 Step1: defining public and private climate finance

In classifying what constitutes public vs. private climate finance, actors generally follow the OECD DAC definition, to determine if an entity is private or public. The OECD DAC's definition of public finance ("official flows") for reporting ODA is as follows: "*Official transaction 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. corporation 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*."[21] Although the distinction between public and private entities is sometimes more complex than that, we propose here to follow this OECD definition based on the shareholder structure as a basic rule: if more than 50% of the shareholders are public, the entity is considered public.

3.5.3 Step 2: scoping private finance accounting boundaries

Credendo, in its provision of export credit insurances, can be said to be active in the mobilisation of private climate finance to developing countries. These products indeed allow Belgian companies to invest or export to developing countries with high levels of political risks and both Ms. Boussart and Laurent consider that the export or investment would often not have taken place/not be feasible without the insurance provided by Credendo. Therefore, it can be considered as mobilised.

3.5.4 Step 3: assessing causality between public and private finance

Assessing the causality between public interventions and private finance is a very complex endeavour and there are currently no clear methodological options. The best evidence of causality is the private cofinancing method referring to a situation whereby public and private actors are cofinancing a project from an early stage. In regard to Credendo activities this is mostly the case in the few instances whereby Finexpo together with a commercial bank provides credit to the foreign local government ('the buyer') to support a Belgian company exporting its products and services to a developing country. In Finexpo loans as well, Credendo often guarantees (part of) the payment from the local government in a developing country to the Belgian company, thereby helping to mitigate the political and commercial risks for the exporting company. However, as suggested by Ms. Boussart and Ms. Laurent, not many of Credendo's projects are related to Finexpo (only a few projects in the last three years). But when Finexpo is involved, Credendo tends to have far more information on the type of projects being financed.

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[21] OECD, "Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire", 11 June 2013, p. 7

After deliberation, it was concluded that the fact that Credendo offers a guarantee for a project is to some extent a crucial pre-condition to the realisation of the transaction, although it is not always possible to calculate how big the impact is exactly. In practice, it can be quite complex to demonstrate that private financiers would not been involved without the official intervention of Credendo. At this stage, it was advised not to report on projects where the causal relationship between Credendo and private finance cannot be clearly established. This is a pragmatic approach, not a fundamental one, as more climate-relevant investments by Credendo are likely to have at least some causal impact on the total investment decision. As a result, only for the projects in which Finexpo provides a loan and Credendo provides the guarantee, the causality is considered proven.

3.5.5 Step 4: deciding on an attribution method

In the case of a guarantee to a private loan, the OECD DAC proposes to attribute the amount of private finance (loan, equity) covered by a publicly-backed guarantee as being fully mobilised by the guarantee, irrespectively of the percentage covered.[22] Applying this attribution methodology, however, can have a substantial weighting impact on the mobilisation figures (see box 3). As shown by the Trinomics study (2015), such a method can double or triple the total amount of mobilised private climate finance by Belgium.

In the absence of clear practices for weighting the amount of private finance mobilised by guarantees, Delcredere accepted to value the amount of mobilised private finance on the basis of the **amount covered by their insurance** (i.e. Delcredere's commitment, see box 3 for an example with numbers and section 3.2.2 for more background). Ms. Boussart and Ms. Laurent both agreed that this is a relatively conservative approach (more conservative than the calculation based on the entire face value of the credit (credit amount), or the total cost of the project (contract amount), but less conservative than the calculation based on the net exposure which is not always easy to determine). It is also a method that is easy to calculate.

[22] See OECD-DAC (2016). This is what we called the 'credit amount' in section 3.2.2.

Box 3: Example on how to quantify the private climate finance mobilised by Credendo's provision of an export credit insurance.

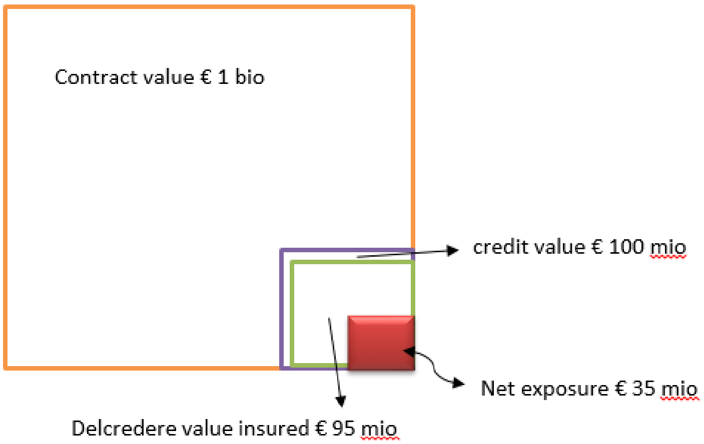
A fictitious project[23] (see figure 3) from a Belgian exporter in Kenya with the Kenyan government as the client, has a total *contract value* of € 1 bio;

The Kenyan government gets a loan from a Belgian bank worth € 100 mio; the other € 900 mio are financed with other means. The *credit value* is € 100 mio.

Credendo grants a guarantee to the Belgian bank for 95% of that loan; i.e. € 95 mio, which is the *value insured*.

Taking into account all the parameters of the insurance, the risk Credendo takes is valued at € 35 mio; this is the *net exposure*.

Figure 3. Valuing Credendo's mobilised private finance



In this example (if climate-relevance is important and causality is established) € 95 mio will be reported as mobilized private climate finance.

To avoid risks of double-counting, it was agreed that in case ECAs from other countries are involved, Credendo should not report on mobilised private finance. When information is available and when a few ECAs are involved, a pro-rata approach is ultimately possible. Delcredere should also not report when other public multilateral institutions (such as the EIB) are involved because those are already reporting on their level. In addition, it was agreed that Delcredere can report for both public and private buyers, as long as the activity is taking place in a developing country. Finally, when Finexpo is involved, Finexpo and Delcredere should coordinate their reporting efforts so as to minimize obvious risks of double counting/reporting to DGD and or FPS Environment.

23 In this example, the role of Finexpo is left out to avoid complexity.

3.6 Tracking climate-relevant projects: the Rio Markers

Delcredere | Ducroire conducts an assessment of the environmental and social impacts of all the projects/transactions for which application of cover are received. This impact assessment process is made in accordance with different international standards like the Performance Standards of the International Financial Corporation (IFC) and is grounded in the OECD "Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence" which requires ECA to review projects for their potential environmental and social impacts and to benchmark them against international standards, such as those of the World Bank Group.

Credendo's impact analysis is a multi-step process involving: 1) the screening of applications to check among other things, whether or not the project is taking place in an environmentally sensitive area. If there is no need to classify a transaction, it will be given the code N (No classification). 2) A project classification process which classifies projects according to three main categories:

- Category A: a project is classified as category A if it has the potential the potential to have significant adverse environmental impacts. Category A, in principle, includes projects in sensitive sectors or located in or near sensitive areas.
- Category B: a project is classified as category B if its potential environmental impacts are less adverse than those of category A projects. Typically, these impacts are site-specific, few if any of them are irreversible.
- Category C: a project is classified as category C, if it is likely to have minimal or no adverse environmental impacts.

The evaluation of climate change effects or challenges is part of the Credendo due diligence process, meaning that climate change is just one of many environmental risks evaluated. The approach used by Delcredere focuses on risks rather than on the environmental benefits of projects. During the interview, questions were raised about which approach should be used and whether Credendo should adopt a restrictive vs. broad interpretation of climate relevance:

- report only what they support according to the Renewable sector understanding of the OECD arrangement (very restrictive);
- report what is strictly climate;
- or report based on a larger interpretation of climate change relevance.

We advised Credendo to use the Rio markers handbook which, in its most recent version, usefully provides detailed information about the climate-relevance of specific projects and activities across sectors (i.e. transport, renewable energy, waste management…). Moreover, we advised Credendo to follow the existing unwritten Belgian rule to adopt a conservative attitude when applying the Rio markers, meaning that in case of not fully-convincing arguments or doubts between two Rio Markers, always the lower score will be granted. Finally, we see it as logical if Credendo would follow the federal (i.e. DGD) approach where the weighing method is concerned.

Credendo suggested that they would like to involve their clients, big Belgian industrial companies, in the thinking on climate change and export financing. In this regard, they offered the researchers to join them in organizing a seminar for their clients explaining how they can raise the climate relevance of their exporting projects. We see the proposal for this seminar as a unique opportunity for increasing the climate (finance) awareness of a number of very powerful, very relevant, and (often) very unaware industrial actors. Explorations are currently being done to put the idea for this workshop into practice.

3.7 Anonymity and confidentiality

Anonymity and confidentiality remain important issues for Credendo, and a requirement that needs to be met before they will agree to report. Therefore, we proposed them to only report their climate flows on an aggregate level, meaning that they will probably not deliver project-level lines for the DGD excel database on climate flows, but rather one figure (or a couple) describing the total Credendo climate flows. If this approach is followed, we advise a system of external verification, e.g. by a consultant or an independent expert.

3.8 Summary of findings for Delcredere's climate finance reporting

Scope of climate financing:

Our assessment of Delcredere's role in climate financing shows that Delcredere via its provision of export credit insurances, can be said at this point to be only active in the mobilisation of private climate finance. Guarantees are an effective and attractive instrument to mobilise private climate finance, however there is as yet no agreed methodology on how to report the private finance mobilised by such mechanism.

Causality assessments:

In the absence of adequate methodologies and agreed framework, we advised Credendo to adopt a conservative approach when evaluating the causal impacts of their guarantees and in measuring the amount of private finance mobilised.

Risks of double-counting:

When other ECAs and multilateral institutions such as the European Investment Bank are involved, we advised Delcredere not to report so as to avoid potential risks of double-counting. When Delcredere and Finexpo are both involved in the mobilisation of private finance, Delcredere and Finexpo need to coordinate their reporting efforts to minimise the risks of double counting the same private flow.

Risks of over-estimation of flows:

Over-estimation of private climate finance mobilised by Credendo's guarantees can occur when the attribution method is based on the entire credit amount, the contract amount, or on the total cost of the project. While the calculation based on the net exposure amount is the most conservative method, it is difficult to calculate and can be too restrictive. We proposed at this stage that Credendo report only the amount of private finance insured (covered) by the guarantee.

Tracking the climate-relevance of Delcredere's projects

Delcredere's environmental and social risks assessment approach has a limited focus on climate change. It also tends to focus on risks rather than benefits. Delcredere has no experience yet in applying the Rio markers. In this regard, we advised Delcredere to use the Rio Markers conservatively, and to use the DGD weighting method. It was proposed in the future to incentivise Delcredere's clients in identifying and promoting the climate relevance of their projects.

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Annex 1: Climate finance providers in Belgium

Many public actors/agencies in Belgium have climate-relevant flows. The following tables provide an overview of the actors relevant to this study and how each have been integrated in the two previous studies on public climate finance in Belgium (Van Dyck and Bachus 2016; and Trinomics 2015).

Actors in development cooperation

Table 0.1 - Actors in development cooperation

	Description	Instruments/projects/ actions	Relevance to previous studies on CF in Belgium
DGD	- 100% public - Federal - Main coordinator of climate finance reporting in BE - Under the authority of FSP Foreign affairs, Foreign Trade and Development Minister for Development Cooperation	- Grants, all reported as ODA - Explicit climate change and environmental objective	**- BeFinD (2016):** DGD is currently main provider of the BE climate finance; coordinates climate finance reporting for BE. Provided the full details of the data needed together with the reporting tables that were used during the UNFCCC BR in 2014. **- Trinomics (2015):** Capacity building and policy support. Potential to mobilise private climate finance. Provides finance to NGOs and multilateral institutions that work with the private sector.
BTC[24]	- 100% public - Federal - Under the authority of FPS Foreign Affairs, Foreign Trade and Development, Federal Minister for Development Cooperation.	- Only ODA grants used for capacity building and technical assistance.	**- BeFinD (2016):** Not covered by the study because data is included in the DGD data. **- Trinomics (2015):** Although it may not be an objective, the policy support provided by BTC or some specific policies implemented may lead to future mobilisation of private finance
BIO[25]	- 100% public - Federal -Management contract with the Belgian State	- Non-concessional loans, equity, technical assistance and feasibility studies. The loans are provided at market terms, but in cases where	- **BeFinD (2016):** **Relevance**: In the future, BIO is expected to become an important actor to contribute to the Belgian climate finance reporting, because it has an explicit

[24] Belgian Development Agency

[25] The Belgian Investment Company for Developing Countries. For more information on BIO see: http://www.bio-invest.be/en/about-us/mission.html

		commercial loans are not accessible or available.	development focus and a clear focus on renewable energy projects. **Data**: BIO has provided partial data, mainly on an aggregated level. However, due to time constraints and the current lack of a quick method to extract the climate finance data from their project database, BIO's flows were not included in the database. **- Trinomics (2015):** BIO often co-invests with other public and/or private parties. When it co-invests with private parties, it mobilises private finance directly.
Flemish Department of Foreign Affairs (Internatio-naal Vlaan-deren)	- 100% public - Regional-Flanders - Under the authority of the Minister-President of Flanders	- Grants, all ODA.	**- Befind (2016)** **Relevance**: Internationaal Vlaanderen is already an important actor to contribute to the Belgian climate finance reporting, and this importance may increase further in the near future, as the contributions of the three regions to Belgian climate finance is expected to rise in the future. **Data**: Internationaal Vlaanderen provided full data and also published their whole database on climate finance on their website. - **Trinomics (2015)** Flanders Foreign Affairs' instruments are focussed on capacity building and policy support. It has the potential to mobilise private finance indirectly over time.
Wallonia-Brussels International (WBI)	- 100% public - Regional- Wallonia-Brussels - Under the authority of the Prime Minister of the Federation of Wallonia Brussels	- Grants, Other Official Flows (OOF)	**- Behind (2016)** **Relevance:** as the main organisation responsible for development cooperation policies from the French speaking region, WBI is a relevant climate finance provider. **Data**: Wallonie-Bruxelles International delivered detailed data to the researchers, which were then included in the reporting. It was the first time that this organisation reported its climate finance in such a detailed way. - **Trinomics (2015)** WBI's instruments are focused on local capacity building and development and could directly mobilise private climate finance.

Actors in environment and climate change

Table 0.2 - Actors in environment and climate change

	Description	Instruments/projects/ actions	Relevance to previous studies on CF in Belgium

FPS (Federal Public Service) Environment	- 100% public - Federal - Main coordinator of climate finance reporting in BE - Under the authority of Federal Public Service, Food Chain Safety and Environment, Federal Minister for Environment	- Projects, consultancies, Technical Support	**- BeFinD (2016):** **Relevance:** FPS Environment is especially relevant for its role in coordinating and monitoring intra-Belgian Climate action, and in their participation in the international climate negotiations. Their current own climate finance budgets are limited, but they remain an important coordinating actor. **Data:** The FPS has provided data on their climate projects in developing countries, but they were already known and included in current databases. Their own climate finance budgets are quite low. **- Trinomics (2015):** FPS Environment's instruments are focused on policy and the public sector, but could indirectly mobilise private climate finance through multilateral channels.
Environment Nature and Energy (LNE)	- 100 % public - regional (Flanders) - Minister for Environment of Flanders	- Grants (ODA), most is multilateral ODA	**- Befind (2016)** **Relevance:** The International department of LNE is very active in the discussions on accounting and reporting methodologies of climate finance. Moreover, it is a significant provider of climate finance through its current project work and the Partnership for Water for Development. **Data:** The climate finance flows originating from LNE are included in the Flemish database on climate finance. The researchers received additional data on co-financing from other public Belgian actors in the context of the Partnership Water for Development. **- Trinomics (2015)** LNE does not have a private sector objective but could indirectly mobilise private finance through its multilateral channels.
Walloon Agency for Air and Climate (AWAC)	- 100% public - Regional/Wallonia - Under the authority of the Walloon Minister for Energy and Walloon Minister for Environment	- Grants, currently reported as OOF	**- Befind (2016)** **Relevance:** as the main Walloon climate finance provider and responsible administration, AWAC is the main contact point with regard to climate finance in the Walloon region. **Data:** researchers received detailed data from AWAC which was included in research. **-Trinomics (2015)** The AWAC's instruments are focused on policy and the public sector, but could indirectly mobilise private climate finance through multilateral channels.
Brussels Environment	- 100% public - Regional/Brussels	- Grants reported as OOF	**- Befind (2016)** **Relevance:** Their competences on environmental policy make them a relevant actor.

	- Brussels' minister for Environment		**Data:** Brussels Environment provided data on their activities. Apart from the multilateral finance which was already included in the biennial reporting, no new climate relevant flows were reported for the period 2013-2014. **- Trinomics (2015)** Potential of direct mobilisation is limited for now, but could increase in the future through contributions to the Green Climate Fund (GCF) and the Adaptation Fund (AF) as well as bilateral projects with African cities.

Actors in finance, export & investment

Table 0.3 - Actors in finance, export & investment

	Description	Instruments/projects/ actions	Relevance to previous studies on CF in Belgium
FINEXPO	- 100% public - Federal - Minister of Foreign Affairs and Minister of Finance.	Finexpo uses four instruments: (1) state to state loans a) Tied loans which are combined with a commercial credit, those loans are requested by Belgian companies. b) Untied loans requested by developing countries involving an international tendering process. 2. Bonifications: de interests of commercial credits are paid, by Finexpo, mostly in combination with a grant from Finexpo in order a grant element of 35%. 3. Grants granted by Finexpo amounting to 35% of the contract amount of a commercial credit with a maximum of EUR 2,2 million. 4. Stabilizations: the interests of commercial loans are "stabilized" by Finexpo so that companies can benefit	**- BeFinD (2016):** **Relevance:** Finexpo is considered an important actor to contribute to the Belgian climate finance reporting, as their climate flows are already important today. Need some clarifications about their role in future climate finance activities and reporting. **Data:** All activities from FInexpo counts as ODA and they are already included in ODA as well as in the DGD database. However for reasons of confidentiality the data are only provided on an aggregated level. Missing data from Finexpo was the detailed modalities of the loans (type of repayment, interest rate, maturity, grace period, agreed discount rate etc.). For that reason the researchers were not able to calculate the grant equivalent of the loans. **- Trinomics (2015):** Significant direct mobilisation: state-to-state loans are usually coupled with a private loan which in practice provides 41-to 50% of the total finance, and interest subsidies have an estimated leverage rate of 2.86%.
DELCREDERE /DUCROIRE	- 100% public - Federal	- Guarantees (export credit assurance)	**- Befind (2016)** **Relevance:** potentially important actor to contribute to climate finance reporting in Belgium because of the complementary with the Finexpo loans

	- Autonomous body with a State Guarantee.		for which Credendo issues guarantees. Need to approach them in order to clarify their role in future climate finance activities and reporting **- Trinomics (2015)** If Delcredere-Ducroire's instruments are included in the measurements, the amount of mobilised private climate finance by Belgium in 2013-2014 will increase fourfold.
Flanders Investment and Trade (FIT)	- 100% public - Regional – Flanders - Minister of Flanders	- Advisory services, finance, OOF Three subsidy lines are important: - Subsidies for feasibility studies (FIT co finances 50% of feasibility studies by Flemish companies for economic activities abroad. -Subsidies for export of equipment. - Subsidies for international activities: mainly budgeting for international congresses, translation work, and prospection work.	**- Befind (2016)** **Relevance:** Although FIT does not have any development goals, their support mechanisms are expected to include a number of relevant development-related climate flows. FIT is not expected to be a main climate finance provider but could still be a source of climate finance through its funding mechanisms.
Wallonia Foreign Trade and Investment and Agency (AWEX)	- 100 % public - Regional/Wallonia - Under the authority of the Walloon Minister for Foreign Trade	- Grants reported as OOF	**- Befind (2016)** **Relevance:** As for its Flemish counterpart, AWEX could possibly fund climate relevant activities through its instruments. **Data:** Data from AWEX not included due to time constraints. **Trinomics (2015)** Could potentially mobilise private finance directly if it has climate-relevant projects. Not climate objective nor climate marker system in place, data on private finance is confidential.
Brussels Invest and Export	- 100 % public - Regional/Brussels capital - Minister of Economy; foreign trade of the Brussels-Capital Region	- Grants which fall in the category of OOF	**Not covered by Befind (2016) study** **Trinomics (2015)** Brussels Invest and Export supports the private sector in starting up activities in foreign countries, including countries in the South. If it has climate-relevant projects, it could mobilise private finance directly. As the activities of the companies that benefit from B-I&E's instruments are very broad and that B-I&E currently doesn't collect data on this issue, it is very difficult to identify a causal link with private finance mobilised by its instruments.

Other actors

Table 0.4 - Other actors

	Description	Instruments/projects/ actions	Relevance to previous studies on CF in Belgium
Belgian Corporation for international Investment (BMI/SBI)	- Public/Private (63% public)	- Equity, subordinated debt. Both instruments have a maturity of 5 to 6 years. Per investment, BMI-SBI can provide 500,000 to 5 million euros.	**- BeFinD (2016):** **Relevance: BMI-SBI** is a potentially important actor to contribute to Belgian climate finance reporting. **Data:** not provided any climate relevant flows for the period 2013-2014. They could have climate relevant flows in the future. **- Trinomics (2015):** The mobilisation potential of BMI-SBI is substantial. It currently has 25 projects in its portfolio totaling EUR 25 million. Data on co-finance by the Belgian companies is confidential. Does not have any climate relevant investments in its portfolio.
Participatie Maatschappij Vlaanderen (PMV)	Regional, Flanders	PMV collaborates with private partners via funds and public-private partnerships. Particular emphasis is placed on sustainable energy, biotech, clean tech, life sciences and infrastructure. It manages a portfolio of EUR 900 million in assets.	**- BeFind (2016)** PMV provided information on their activities. PMV flows are not currently relevant for climate finance; they are aimed at acquiring certified emission reductions in developing countries. However PMV could be an important actor in the future.
FWO (Research Foundation-Flanders)	- 100% public - regional/Flanders		**- Befind (2016)** FWO could be relevant in providing climate finance through its international activities. Provided data on climate relevant flows.