

# TREATMENT OF CLIMATE-RELATED MULTILATERAL FLOWS IN DAC STATISTICS & STATUS OF REPORTING

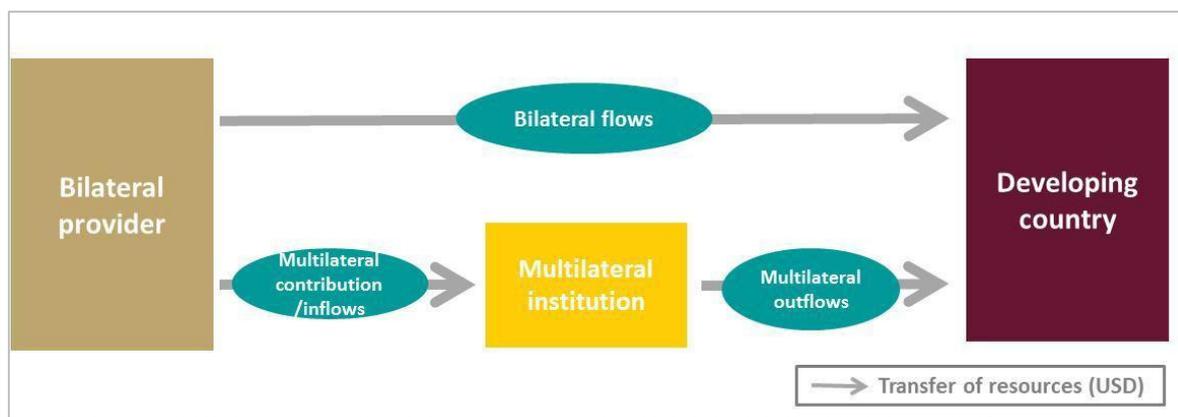
Prepared for the Joint ENVIRONET and WP-STAT Task Team on OECD Rio markers, environment and development finance statistics - as of November 2015.

This note: i) describes the treatment of climate-related multilateral flows in DAC statistics to allow analyses from two perspectives – provider and recipient; ii) provides an overview of the status of the data collection from Multilateral Development Banks (MDBs) and climate funds; and iii) explains the calculation of imputed multilateral contributions (one of the elements of the provider perspective).

## I. Treatment of multilateral climate finance flows in DAC statistics

The DAC statistical system allows for development finance to be analysed from two perspectives: the **provider** and **recipient** perspectives. In brief, the recipient perspective refers to resources towards developing countries,<sup>1</sup> provided by bilateral providers and multilateral institutions (through their outflows, reflecting that MDBs mobilise additional resources drawing on retained earnings and leveraging money from global capital markets on the basis of their capital). The provider perspective is instead a measure of the effort by a bilateral provider in a given year.

### Types of flows collected in DAC statistics



Recipient perspective = bilateral flows + multilateral outflows

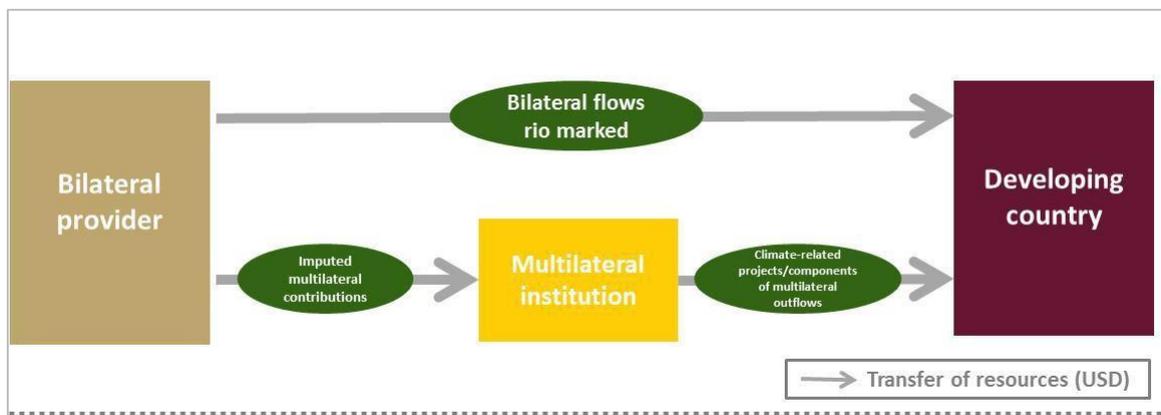
Provider perspective = bilateral flows + multilateral contributions/inflows

<sup>1</sup> Including cross-border flows and in-donor costs in support of development co-operation activities.

The same two perspectives apply when analysing **climate-related development finance**:

- Under the recipient perspective, bilateral contributions targeting climate change objectives are identified through Rio markers and **multilateral outflows** are collected from the seven main MDBs (based on climate-related projects/components) and also from climate-specific and -related funds and other multilateral institutions through the Rio markers (to date this includes the Adaptation Fund, Climate Investment Funds (CIFs), Global Environment Facility (GEF), International Fund for Agricultural Development (IFAD), Islamic Development Bank, and the Nordic Development Fund).
- Under the provider perspective, bilateral contributions targeting climate change objectives are identified through Rio markers and **multilateral contributions (inflows)** for climate are estimated through the calculation of “imputed multilateral contributions” (see section III).

**Two perspectives for analyses of climate-related development finance**



Recipient perspective = bilateral flows Rio marked + climate-related projects identified in multilateral outflows

Provider perspective = bilateral flows Rio marked + Imputed multilateral contributions (inflows)

**II. Status of the data collection from MDBs and International Organisations to the OECD DAC (multilateral outflows targeting climate change)**

**a. Recipient perspective**

The DAC Secretariat and multilateral and regional development banks have been collaborating over a number of years to increasingly identify and reconcile climate-related multilateral flows within the DAC statistical system in order to present a more complete picture of total climate-related development finance flows.

As of November 2015, the six main MDBs<sup>2</sup> are reporting project-level data on their climate-related

<sup>2</sup> The African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IADB), the World Bank Group, (the World Bank (WB) and the International Finance Corporation (IFC)).

development finance to the OECD DAC through the identification of climate components within projects. Data are also available, based on the Rio markers, for the Adaptation Fund, Climate Investment Funds (CIFs), Global Environment Facility (GEF), International Fund for Agricultural Development (IFAD), Islamic Development Bank, and the Nordic Development Fund.

To avoid double-counting with contributions already reported in DAC statistics (e.g. as bilateral, or from other international funds), only outflows financed out of MDB own resources are collected (i.e. excluding external resources). Climate-related development finance data are reported by MDBs, either through three additional fields of data (on finance to mitigation, adaptation and overlapping objectives if any) reported as part of their overall reporting into the CRS (“standard” type of data), or in a stand-alone file only listing climate projects (“non-standard”). In the case of non-standard reporting, it is not always feasible to identify the projects reported as climate-related within the general CRS database and thus assign standardised information on recipient, sector, type of finance, etc.

MDBs do not all report in the same way on projects that target both mitigation and adaptation (the “overlap”). In the case of the World Bank (WB), a project can target both mitigation (e.g. 17% of total commitment) and adaptation (e.g. 12% of total commitment) but the exact overlap is not recorded. To identify the overlap, a conservative approach is applied, as recommended by the WB, and the maximum possible overlap is retained (*i.e.* 12% in this example).

The point of measurement – commitment or board approvals – also varies among institutions. The majority of international organisations report on a commitment basis, and for MDBs the reporting of climate components can then be perfectly reconciled with their standard CRS reporting on a commitment basis (as this is the CRS point of measurement). Exceptions do however exist - the African Development Bank reports on Board approvals, and thus it is not possible to reconcile climate projects with the CRS.

MDB reporting includes in some instances the reporting of guarantees, which are at present excluded from the regular data collection of the DAC (as the DAC system is flow based) and from climate-related development finance presentations at present.

Data collected is publically available in an online database featuring the two perspectives of analyses, provided in an excel file at <http://www.oecd.org/dac/stats/climate-change.htm>

## **b. Provider perspective**

The provider perspective presents a broader measure of provider effort beyond bilateral commitments through also capturing contributions to multilateral institutions in a given year. Climate-related inflows to multilaterals are counted in DAC statistics as follows:

- i. contributions from donors channelled through multilateral organisations and earmarked for climate purposes are included in bilateral figures, where they are Rio-marked;
- ii. contributions to multilateral climate funds are counted in their totality as multilateral contributions for climate purposes<sup>3</sup>; and

<sup>3</sup> Multilateral climate funds (i.e. entirely dedicated to climate) - on the List of ODA-eligible international organisations (Annex 2 of the DAC Statistical Reporting Directives) and whose contributions are counted in their totality as multilateral contributions for climate purposes - include: CIFs (Clean Technology Fund and Strategic Climate Fund), GEF’s LDCF and SCCF, Adaptation Fund,

- iii. core contributions to agencies partly active in the climate field are included in multilateral ODA but not Rio-marked, since this would raise comparability issues with different donors scoring contributions to the same multilateral institution differently, and could lead to over-estimation. Instead, “**imputed multilateral contributions**” are calculated to estimate the climate-related share of these contributions which can be attributed back to donors (see section III).

### III. Imputed multilateral contributions for climate

Imputed multilateral contributions are calculated by estimating, per international organisation, the climate-related share within their portfolio and attributing this back to DAC members, based on a pro-rata share of their core multilateral ODA disbursements in a given year.

#### Box 1. Formula for imputed multilateral contribution

[Country X’s **multilateral ODA contribution** to international organisation Y]  
*multiplied by* [the organisation Y’s **share of portfolio** addressing climate<sup>4</sup>]

The data for multilateral ODA contributions are derived from members’ reporting to the CRS. See the organisations’ shares used in the calculation in Table 1 at the end of this note, and overall results for 2013 in Table 3 in the [statistical brochure](#).

The methodology for imputing multilateral flows is an approximation, as multilateral outflows in a given year are not exactly imputable to donors’ contributions (inflows) in that year. The methodology to estimate donor contributions is based on donor disbursements into an international organisation as donor commitments to international organisations would introduce large fluctuations due to multi-year agreements.

The imputed multilateral contributions reflect only the estimated climate-related share of multilateral ODA contributions (inflows) by DAC members in a given year (*i.e.* for 2013). These estimates do not aggregate to MDBs total outflows, and do not attempt to attribute these outflows between developed and developing economies on the basis of their paid in contributions or shares in MDBs capital (See Box 2).

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Nordic Development Fund, UNFCCC, Montreal Protocol, and the Intergovernmental Panel on Climate Change (IPCC).

<sup>4</sup> Based on commitments. An exception to this is the Asian Development Bank: in order to be in line with the data they use in the MDB Joint Report – based on board approvals - they requested that the share for the imputed multilateral calculation be based on approval.

**Box 2. Attribution of MDB outflows to estimate mobilised climate finance by MDBs**

Additional financing is mobilised by the MDBs drawing on retained earnings and leveraging money from global capital markets on the basis of their capital, which is typically composed of “paid-in”, and “callable” capital as well as “reserves” built up over the years. As such, outflows from MDBs are significantly greater than inflows paid into the MDBs, and it is these outflows that are captured in the DAC statistics “recipient perspective”.

The MDBs receive finance from both developed and developing country contributions. The approach followed by the recent OECD report “[Climate Finance in 2013-14 and the USD 100 billion goal](#)”, in collaboration with CPI, estimated progress towards the UNFCCC USD 100 billion goal. The study applied an attribution methodology to ensure that only multilateral climate finance flows attributed to developed country efforts were counted, following the methodology developed by a group of 19 bilateral climate finance providers<sup>5</sup>.

See [Technical annex on the attribution of multilateral flows](#) for further details.

In order to counter annual fluctuations the calculation of imputed multilateral contributions, given available data to date, is based on a two-year weighted average of climate-related shares derived from MDB data for 2013-2014.

The quality of this approximation depends not only on the accuracy of the **share of portfolio addressing climate** reported by the multilateral institutions, but also on correct reporting by DAC members of their **multilateral ODA contributions**. The Secretariat recently conducted a thorough quality review of this aspect of members’ reporting and noted several anomalies that affect the calculation of the imputed multilateral contributions.

Anomalies in reporting relate both to erroneous classification of contributions as bilateral *versus* multilateral and errors in the attribution of the channel of delivery. When identified through the OECD Secretariat’s processing and quality assurance stages, members are informed and corrections are suggested. For example:

- A 2013 contribution to CIF-CTF reported as bilateral. Now that the DAC also collects outflows from the CIFs, reporting a core contribution to the CIF as bilateral results in double counting the inflow to the CIF and its outflows when viewing the “recipient perspective” dataset. It also means that the contribution is excluded from the calculation of imputed multilateral contributions.
- A multilateral contribution to the GEF reported with channel code 47129 (GEF-LDCF) instead of 47044 (GEF). This leads to an overestimation of the imputed multilateral contribution, as 100% of the contribution is included for GEF-LDCF while only 55% should be accounted for the GEF Trust Fund. The opposite – i.e. a GEF-LDCF contribution coded as GEF – is also a common error, leading to an underestimation.
- A multilateral contribution to the GEF-LDCF reported with the generic World Bank’s channel

<sup>5</sup> Technical Working Group (2015), “Accounting for mobilized private climate finance: input to the OECD-CPI Report”, September 2015. <http://www.bafu.admin.ch/dokumentation/medieninformation/00962/index.html?lang=en&msg-id=58589>

code (44000). In theory, the totality of this contribution should be included in the imputed multilateral contribution, as the share for GEF-LDCF is 100%. However, due to the use of the World Bank's channel code (instead of GEF-LDCF's - 47129), this contribution would be excluded from the calculation.

Percentages in a given year may slightly change in the following years. This was the case for the 2013 imputed shares for several organisations. Reasons for these changes include: corrections in project amounts, missing 2013 projects (climate-related or not) reported in 2015 that can affect the numerator or denominator, a same project reported on an approval basis in 2013 and on a commitment basis in 2014 (to avoid double-counting, projects were included in 2014 and deleted from 2013, thus affecting the numerator of the 2013 share).

The methodology for calculating imputed multilateral contributions has been used by the DAC for approximately 30 years for the attribution by recipient, and for more than 10 years for the attribution by sector. The core methodology is explained [here](#). On climate-related flows, a video tutorial is available at <http://www.oecd.org/dac/stats/climate-change.htm>.

#### **Specific notes related to MDB data and shares**

- From 2014, **ODA** multilateral contributions to the AsDB, AfDB, IBRD and IFC are included in the imputed multilateral calculation.
- EBRD and EIB do not benefit from multilateral ODA contributions. As such, there is no imputed multilateral ODA for these organisations, hence no specific need to calculate a share of portfolio addressing climate. However, project-level data from these institutions are collected as to provide a comprehensive picture of climate outflows from a recipient perspective.
- GEF has for the first time reported on the Rio markers, and used the Rio marked data in their Annual Monitoring Review, which resulted in consistent figures among both sources. This is a methodological improvement.
- IFAD reported on the Rio markers, 2013 and 2014 rio marked data are available.
- The AsDB has included climate components in their regular CRS reporting. While last year only the Fund's climate-related data were available, this year both the Fund's and Bank's climate components are available for 2013 and 2014. This is a coverage improvement.
- We are working to incorporate historical data received from the World Bank, the EIB and the IDB into our system.

#### **IV. Next steps**

Data gaps remain in DAC statistics. Project-level reporting is not yet occurring from a range of UN agencies.

To date, no MDBs are reporting to the DAC on biodiversity, desertification or environment-related finance flows, however this has been identified as a priority with Task Team members. Going forward the MDBs, led by EIB, are developing a joint approach for the reporting of biodiversity finance, with the aim to agree a joint methodology in 2016 and provide initial estimates of total MBD biodiversity finance in 2017.

**Table 1: Status of MDBs and International Organisations' reporting to OECD DAC, as of November 2015**

Institution	Period covered by data <sup>6</sup>	Share for imputed multilateral contribution (2013-14 weighted average)		Type of data	Climate finance in 2014 (USD, millions)		Methodology		Main differences with the MDB report <sup>7</sup>
		Concessional arm	Non-concessional arm		In DAC data	In MDB report (MDB own resources)	MDB Joint Approach	Rio markers	
African Development Bank	2013-14	31%	20%	Non-standard	1 527	1 548	✓		
Asian Development Bank	2011-14	25%	18%	Standard	2 109	2 376	✓		Data reported to the DAC is based on commitments, while data reported to the MDB report is based on Board Approvals.
European Bank for Reconstruction and Development	2009-14	-	34%	Standard	2 711	3 948	✓		Country coverage
European Investment Bank	2013-14	-	7%	Non-standard	2 759	4 991	✓		Country coverage
Inter-American Development Bank	2008-14	7%	12%	Standard	1 999	2 074	✓		
International Finance Corporation	2013-14	-	20%	Standard	1 845	2 473	✓		Country coverage
World Bank(IDA/IBRD)	2012-14	20%	19%	Standard	8 839	8 334	✓		
Islamic Development Bank	2011-14	-	10%	Standard	101	Not applicable		✓	Not applicable
International Fund for Agricultural Development (IFAD)	2013-4	46%	-	Standard	453			✓	
Global Environment Facility (including LDCF & SCCF)	2013-14	100% for LDCF & SCCF; 55% for GEF Trust Fund	-	Standard	645			✓	
Adaptation Fund	2012-14	100%	-	Standard	65			✓	
Climate Investment Funds	2012-14	100%	-	Standard	1 221			✓	
Nordic Development Fund	2013-14	100%	-	Standard	51			✓	

<sup>6</sup> Treatment of historical data from MDBs in progress. Data available online as of November 2015 includes climate-related flows from multilateral institutions for 2013 and 2014, available here: <http://oe.cd/climateDACstats>

<sup>7</sup> Fiscal vs. Calendar year. A difference between the MDB report and data reported to the DAC for all MDBs is that the MDB report uses the fiscal year, while data reported to the DAC refers to the calendar year. Another difference that applies to several institutions is the fact that guarantees are excluded from DAC statistics, and included in the MDB Joint Report.