

# METHODOLOGICAL NOTE ON THE OECD-DAC CLIMATE-RELATED DEVELOPMENT FINANCE DATABASES

OECD-DAC statistics capture an integrated picture of both **bilateral** and **multilateral climate-related development finance flows**. The objective of collecting and publishing detailed activity-level information is to increase transparency, avoid double counting, and support consistency and robustness through the use of a statistical system with standardised definitions and bases of measurement.

The following note describes the **methodology** supporting the climate-related development finance databases available on the [OECD-DAC Climate Change webpage](#).

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## **I. Treatment of bilateral and multilateral climate-related development finance flows in DAC statistics**

The DAC statistical system allows for development finance flows to be analysed from two different **perspectives**:

- The **recipient** perspective captures development finance to developing countries from both bilateral and multilateral providers.
- The **provider** perspective is a measure of bilateral providers' effort comprising their bilateral contributions as well as their contributions to international organisations<sup>1</sup>.

These two perspectives also apply when analysing **climate-related development finance**:

- Under the **recipient perspective**, data include bilateral activities targeting climate change objectives identified using the Rio markers (see section II) and **climate-related multilateral activities (outflows)** collected from multilateral providers active in the climate field identified using the Rio markers or Climate Components methodologies (see section III). This corresponds to the situation **A + C** in Figure 1.
- Under the **provider perspective**, data include bilateral activities targeting climate change objectives identified using the Rio markers (see section II) and the **climate share of core contributions (inflows) to international organisations** estimated by calculating "imputed multilateral contributions" (see section IV).

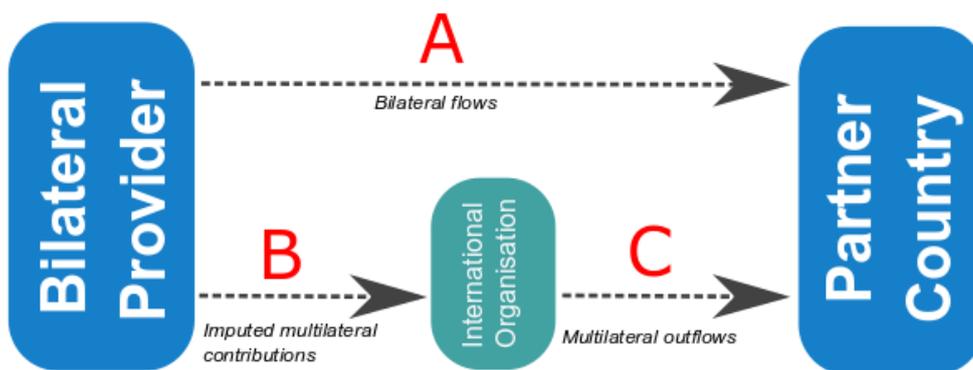
This corresponds to the situation **A + B** in Figure 1.

While development finance flows are collected on both commitment and disbursement basis, the climate-related development finance database is currently **only available on a commitment basis**.

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<sup>1</sup> In DAC statistics, "international organisations" also cover international financial institutions such as multilateral development banks.

**Figure 1: The two perspectives when analysing climate-related development finance**



## **II. Data collection from bilateral providers.**

Since 1998, the DAC Secretariat has been collecting data on development finance flows targeting the objectives of the Rio Convention on climate change in the CRS using the so-called “**Rio markers**”. The Rio markers were originally designed to help members with the preparation of their National Communications or National Reports to the Rio Conventions<sup>2</sup>, by identifying activities that mainstream the Conventions’ objectives into development co-operation.

DAC members are requested to indicate for each development finance activity if the activity targets climate change objectives (adaptation or mitigation). The Rio marker on climate change mitigation was introduced in 1998, and the marker on climate change adaptation in 2010.

Rio markers should be applied to **all bilateral ODA<sup>3</sup> and Other Official Flows (OOF)**, excluding general budget support, imputed student costs, debt relief (except debt swaps), administrative costs, development awareness and refugees in donor countries.

For more information on the Rio markers methodology please consult the OECD-DAC Rio Markers for Climate [handbook](#).

## **III. Data collection from international organisations**

The DAC Secretariat has been collaborating with relevant multilateral institutions 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 comprehensive picture of total climate-related development finance flows**.

Multilateral flows are integrated differently in the climate-related development finance databases based on the **perspective** which is being taken.

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<sup>2</sup> On climate change, biodiversity and desertification.

<sup>3</sup> Core contributions to international organisations should not be marked by bilateral providers, instead imputed shares are calculated (see section IV).

### a. Integration of multilateral flows in the “recipient perspective” database

To avoid double-counting with contributions already reported in DAC statistics, only activities financed out of multilateral providers’ **own resources (core or un-earmarked resources)** are collected. Climate-related development finance data are reported by multilateral providers either in their standard CRS reporting (“converged reporting”) or in a stand-alone file only listing climate projects without the possibility to link these with their standard CRS reporting (“non-converged reporting”).

In 2016, **8 multilateral providers**<sup>4</sup> reported project-level data on their climate-related development finance to the OECD-DAC following the **climate components methodology (i.e. identifying climate components within projects)**<sup>5</sup>. **7 other multilateral providers**<sup>6</sup> also reported using the **Rio marker system**.

Project-level reporting is not yet occurring from a range of international organisations (in particular UN agencies) and the Secretariat is engaging with relevant actors to increase the coverage.

### b. Integration of multilateral flows in the “provider perspective” database

The provider perspective presents a **measure** of bilateral providers’ effort beyond bilateral commitments by also capturing **bilateral contributions to multilateral institutions**. These climate-related inflows to eligible international organisations<sup>7</sup> are counted in DAC statistics as follows:

- contributions from bilateral providers channelled through international organisations and **earmarked for climate purposes** are included in bilateral figures, where they can be Rio-marked;
- **core (non-earmarked) contributions** to some multilateral climate funds are counted in their totality as multilateral contributions for climate purposes<sup>8</sup>; and
- **core (non-earmarked) contributions** to international organisations partly active in the climate field<sup>9</sup> are included in multilateral ODA but **should not** be Rio-marked (since this would raise comparability issues with different providers 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 bilateral providers (see section IV).

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<sup>4</sup> They are all MDBs: AIIB, AfDB, AsDB, EBRD, EIB, IADB, IFC, and WB.

<sup>5</sup> Based on the MDB-IDFC common principles for climate finance tracking.

<sup>6</sup> Adaptation Fund, CIF, GCF, GEF, GGGI, IFAD, and NDF.

<sup>7</sup> I.e. on the List of ODA-eligible international organisations (Annex 2 of the DAC Statistical Reporting Directives).

<sup>8</sup> In 2016, these include Adaptation Fund, CIF Clean Technology Fund, CIF Strategic Climate Fund, GEF Least Developed Countries Trust Fund, GEF Special Climate Change Trust Fund, and the Nordic Development Fund which report 100% of their outflows as climate related. Contributions to multilateral climate funds (i.e. entirely dedicated to climate) are also counted de facto in their totality as multilateral contributions for climate purposes. These include the Green Climate Fund, the Intergovernmental Panel on Climate Change, the Multilateral Fund for the Implementation of the Montreal Protocol, and the United Nations Framework Convention on Climate Change.

<sup>9</sup> In 2016: AIIB, AfDB, AsDB, EBRD, EIB, GEF General Trust Fund, GGGI, IADB, IFAD, and WB.

#### IV. Imputed multilateral contributions for climate

Imputed multilateral contributions<sup>10</sup> are calculated by estimating, per international organisation, the **climate-related share within its portfolio and attributing it back to bilateral providers**, based on their core contributions (disbursements) to the organisation in a given year. The data for multilateral contributions are derived from bilateral providers' reporting to the CRS, and the climate-related share are derived from outflows reported by international organisations to the Secretariat.

##### **Box 1. Formula for imputing a contribution from a bilateral provider (P) to an international organisation (IO)**

The formula is:

$$(P \text{ core contribution to IO})_{year Y} \times (\text{share of IO portfolio addressing climate})_{year Y}$$

Which can also be written as:

$$(P \text{ core contribution to IO})_{year Y} \times \frac{(\text{IO climate – related development finance})_{year Y}}{(\text{IO total development finance})_{year Y}}$$

*The methodology to estimate bilateral providers' contributions to international organisations (inflows) is based on disbursements, as commitments would introduce large fluctuations due to multi-year agreements. Note also that to further counter annual fluctuations, the share of portfolio addressing climate is calculated on a 2-year moving average basis.*

It is important to note that the methodology for imputing multilateral flows is only an **approximation**. Indeed, inflows to an international organisation in a certain year do not directly link to the international organisation outflows for the same year<sup>11</sup>. Therefore, multilateral outflows in a given year are not **exactly imputable** to bilateral providers' contributions in that year.

The quality of this approximation depends not only on the accuracy of the data on the **portfolio addressing climate** reported by the multilateral institutions, but also on correct reporting by bilateral providers of their core **multilateral contributions**. The Secretariat regularly conducts quality reviews of this aspect of DAC members' reporting<sup>12</sup>.

Imputed multilateral shares calculations are available [online](#) on the Climate Change [webpage](#).

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<sup>10</sup> The methodology for calculating imputed multilateral contributions in ODA has been used by the DAC Secretariat for many years. The core methodology is explained [here](#).

<sup>11</sup> Outflows can be significantly greater than inflows into the organisation since additional financing is mobilised by international organisations 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.

<sup>12</sup> Several anomalies that affect the calculation of the imputed multilateral contributions have been detected in the past (anomalies in reporting related both to erroneous classification of contributions as bilateral versus multilateral as well as errors in the attribution of the channel of delivery). When anomalies are identified by the OECD-DAC Secretariat statistical collection team, providers are informed and corrections are suggested.