

# Tracking aid in support of climate change mitigation and adaptation in developing countries



## Background

Since 1998 the DAC has monitored aid targeting the objectives of the Rio Conventions through its Creditor Reporting System (CRS) using the so-called “Rio markers”. The **Rio marker on climate change mitigation** was established by the DAC in close collaboration with the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) to track aid flows that support the implementation of the Convention.

In December 2009 the DAC approved a new marker to also track aid in support of **climate change adaptation**. This complements the climate change mitigation marker, and thus allows the presentation of a more complete picture of climate-change-related aid. First data on the new marker, relating to 2010 flows, will become available at the end of 2011.

Work is ongoing to extend the coverage of DAC statistics on climate finance to bilateral non-concessional flows and multilateral flows. See The box on page 6 for more information on the DAC statistical framework for measuring climate finance.

At COP-15 in Copenhagen in 2009, developed countries agreed to provide “new and additional resources” for adaptation and mitigation “approaching USD 30 billion for the period 2010-12”. For the longer term, developed countries committed to “a goal of mobilising jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries” through a “wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance”. The DAC helps monitor the implementation of these commitments by making available aggregate statistics on climate change-related aid as illustrated in this note. Information on the underlying projects can be accessed in the DAC’s online database.

## Definitions (see Annex for full definitions, eligibility criteria, and examples of typical activities)



### Aid in support of Climate Change Mitigation

**Climate change mitigation-related aid** is defined as activities that contribute “to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration” (Article 2 of the UNFCCC).



### Aid in support of Climate Change Adaptation

**Climate change adaptation-related aid** is defined as activities that aim “to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience”.

### What markers can and cannot do

Markers indicate donors’ policy objectives in relation to each aid activity. Activities marked as having a “principal” climate objective (mitigation or adaptation) would not have been funded but for that objective; activities marked “significant” have other prime objectives but have been formulated or adjusted to help meet climate concerns.

The markers allow an approximate quantification of aid flows that target climate objectives. In marker data presentations the figures for principal and significant objectives should be shown separately and the sum referred to as the “estimate” or “upper bound” of climate-change-related aid.

There is no internationally agreed methodology for assessing the exact share of aid activity expenditure that contributes to climate change adaptation or mitigation although some donors compile for their internal purposes more detailed data based on project budgets.

When analysing policy marker data, it is necessary to verify the coverage of donors’ reporting. Donors are requested to screen each aid activity reported to the CRS, though data gaps still exist for some donors.

## Statistical overview

### Aid in support of Climate Change Mitigation

Table 1 shows that in 2008-09 members of the OECD's Development Assistance Committee (DAC) provided an **estimated USD 9.4 billion per year in bilateral Official Development Assistance (ODA)** to help developing countries reduce their own emissions, enhance greenhouse gas sinks or integrate climate change concerns in their development objectives. Mitigation was the primary objective of two-thirds of these projects; in the other projects, mitigation was a significant objective.

Climate change mitigation-related aid represented **7.4 percent of DAC members' total bilateral ODA** commitments in 2008-09. The largest donors were Japan (USD 3.8 billion), Germany (USD 1.3 billion) and France (USD 0.9 billion).

In addition to undertaking bilateral aid activities, DAC members also contribute to multilateral agencies active in the field of climate. In order to provide a more complete picture of the total ODA effort a donor makes in respect of climate change mitigation, it is therefore necessary to estimate the share of its **contributions through the multilateral system** [multilateral development banks (MDBs), UNFCCC, GEF, and UN agencies]. Table 1 presents data available at present for the GEF, the Montreal Protocol, and IDA. DAC donors' contributions to climate change mitigation through these three international agencies amounted to USD 429 million per year in 2008-09. In addition, contributions to the Intergovernmental Panel on Climate Change amounted to USD 1.7 million. The DAC Secretariat is working on the climate change markers with other MDBs and multilateral agencies to complement these data.

**Table 1. Climate change mitigation-related aid by DAC member**  
2008-09 annual average USD million, constant 2009 prices

	Bilateral contributions marker-based statistics, commitments, USD million			Multilateral contributions members' contributions (disbursements) to international organisations multiplied by the share of outflows targeting climate change, USD million		
	Principal objective (a)	Significant objective (b)	(a+b) as a share of total bilateral ODA %	Montreal protocol (100%)	GEF (32%)	IDA (2.3%)
Australia	54.9	129.7	6.0	22.3	4.7	3.0
Austria	13.2	16.7	3.4	1.5	2.6	3.2
Belgium	9.6	95.3	5.7	1.9	7.7	4.7
Canada	6.4	48.7	1.5	8.9	9.6	6.8
Denmark	59.6	189.0	14.3	1.2	4.5	2.4
Finland	37.2	118.3	14.4	0.9	3.4	1.0
France	490.5	416.5	9.7	11.5	15.1	12.3
Germany	801.5	463.9	11.6	9.7	26.1	16.6
Greece	2.6	5.6	2.7	2.1	0.0	0.8
Ireland	1.5	8.4	1.3	0.6	0.6	0.7
Italy	17.2	40.2	3.3	0.0	0.0	8.6
Japan	3352.1	511.0	24.7	0.7	27.8	29.2
Korea	42.7	88.8	9.5	0.1	0.5	1.5
Luxembourg	..	..	..	..	0.7	0.3
Netherlands	54.0	178.3	4.3	2.3	4.3	4.2
New Zealand	0.2	1.3	0.5	0.3	0.4	0.2
Norway	232.2	135.3	10.2	1.1	2.2	3.1
Portugal	0.2	1.8	0.7	0.4	0.6	0.4
Spain	248.0	175.4	9.6	4.4	0.0	6.4
Sweden	20.9	169.5	6.7	1.5	0.0	6.9
Switzerland	16.6	14.4	1.8	2.2	8.5	4.5
United Kingdom	295.3	13.0	3.5	9.9	17.1	18.7
United States	46.9	11.9	0.2	20.0	30.4	23.4
EU Institutions	288.4	434.5	4.4	..	..	..
<b>Grand Total</b>	<b>6091.5</b>	<b>3267.3</b>	<b>7.4</b>	<b>103.4</b>	<b>166.8</b>	<b>159.0</b>

Notes: 1. Data for EU Institutions, which are treated as multilateral bodies in DAC statistics, refer only to their direct ("bilateral") contributions to developing countries.

2. The share of IDA's outflows targeted at climate change (2.3% for the period 2008-09) was applied to members' contributions to IDA. This share is based on World Bank's reporting to the CRS on their climate change theme. Data will be revised upon the implementation of the Bank's new system to track projects with climate co-benefits.

3. The share of the GEF's outflows targeted at climate change (32% for the period 2008-09) was applied to members' contributions to the GEF. This share is based on GEF data available at [www.gefonline.org](http://www.gefonline.org) (climate change focal area and prorated portion of multifocal area).

Donor countries' contributions to **specific climate funds** such as those listed below are recorded as bilateral contributions in DAC statistics, and therefore included under column (a) in Table 1:

- *Climate Investment Funds (CIFs)*: USD 27.7 million per year in 2008-09 with Australia as the main contributor;
- *Forest Carbon Partnership*: USD 42.4 million; main contributors were Australia, Finland and Norway;
- *UN Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD)*: USD 24.2 million with Norway as the main contributor.

**Chart 1. Trends in climate change mitigation-related aid**  
2006-09, bilateral commitments, USD million, constant 2009 prices

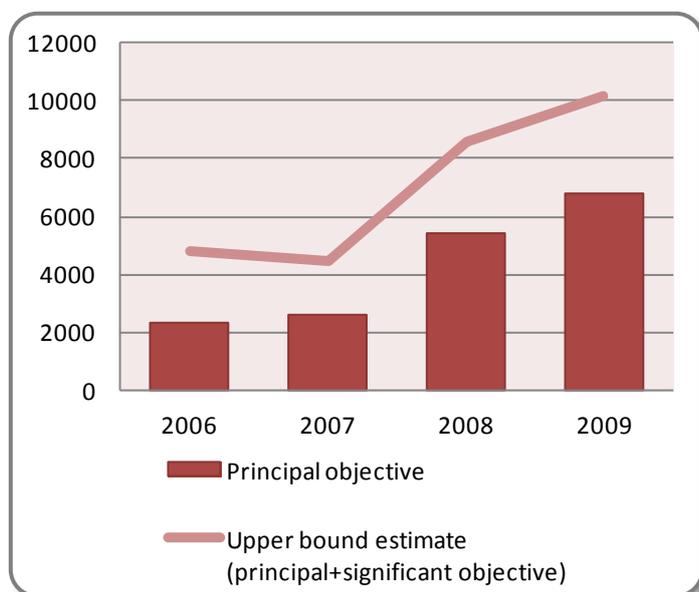


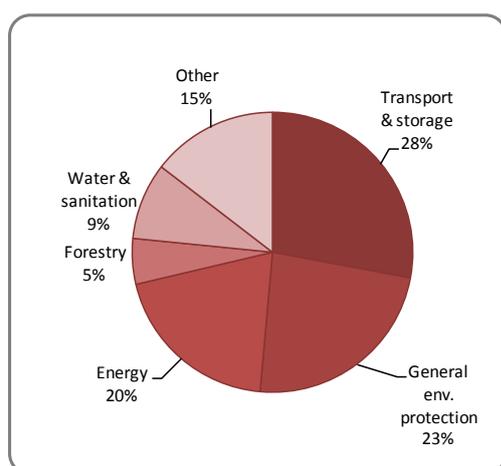
Chart 1 differentiates between principal and significant objectives. In 2008-09, **65% of climate change mitigation-related aid (USD 6 billion) addressed climate change concerns as the principal objective.**

Bilateral aid flows that target climate change mitigation have increased significantly in recent years. The upper bound estimate exceeded **USD 10.2 billion in 2009.**

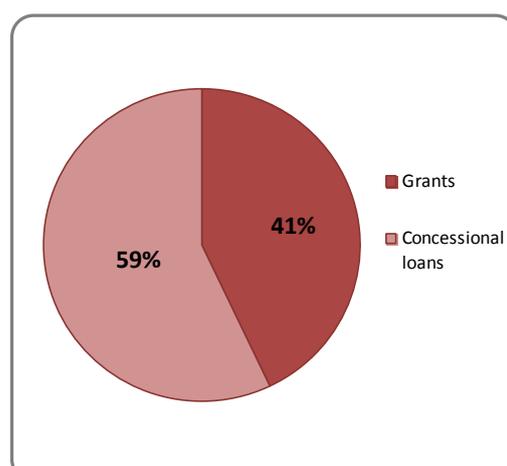
Chart 2 presents the sectoral breakdown of aid activities that members reported as targeting the objective of climate change mitigation. In value terms, more than three-quarters of aid targeting climate change mitigation as a principal or significant objective was reported in the sectors of **transport, general environmental protection, energy, forestry and water**. Activities targeting climate change as a significant objective are found in a more diversified range of sectors, e.g. agriculture and rural development.

**Chart 2. Sector distribution**

2008-09 average commitments, bilateral climate change mitigation-related aid, constant 2009 prices



**Chart 3. Grants versus loans**

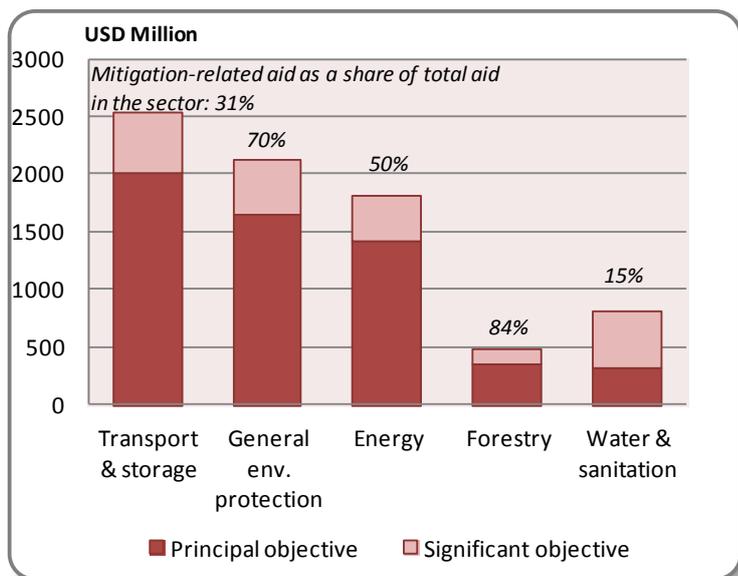


Within ODA, concessional loans are the major instrument for financing climate change mitigation and represent close to 60% of total support in 2008-09 (Chart 3). DAC members extending aid loans are France (96% of its climate change mitigation-related aid), Japan (86%), Korea (74%), Germany (68%), Spain (49%) and Belgium (25%). Other DAC members provide grants only.

DAC donors' ranking based on grants only would show the EU institutions as top donor (USD 723 million per year in 2008-09) followed by Japan (USD 584 million), Germany (USD 456 million), Norway (USD 367 million) and the United Kingdom (USD 308 million).

#### Chart 4. Climate change mitigation focus in selected sectors

2008-09 average commitments, volume and share of climate change mitigation-related aid in each sector, constant 2009 prices



Less than one-third of aid to the transport sector addresses climate change mitigation concerns. However, as amounts involved in this infrastructure sector are large, it still represents the largest share of total climate change mitigation-related aid (Chart 2).

In water and sanitation, the focus on mitigation is low, with only 15% of aid in this sector addressing the objective (it is likely that a stronger focus on adaptation will be observed in this sector).

Unsurprisingly, aid activities recorded under the general environment protection and under forestry have a strong focus on mitigation (70% and 84% respectively).

Charts 5.1 and 5.2 below highlight the geographical distribution of climate change mitigation-related aid. Donors' aid specifically directed to climate change mitigation ("principal objective") is mostly allocated to Asia (64%); this reflects the predominance of Japan as a donor in the field of mitigation. Aid activities contributing to mitigation as a secondary objective ("significant objective") are more evenly distributed across regions, e.g. Sub-Saharan Africa represents 23% of total aid scored "significant".

Chart 6 confirms that Asian countries are the main beneficiaries of climate change mitigation-related aid: **India, Indonesia, Thailand, China and Viet Nam are the top five recipients**, and aid received is mainly in the form of concessional loans. Excluding support received from Japan, these countries (except Thailand) are still ranking among the top twenty recipients.

#### Charts 5.1 and 5.2. Regional distribution

2008-09 average commitments, bilateral climate change mitigation-related aid, constant 2009 prices

Chart 5.1 Principal objective

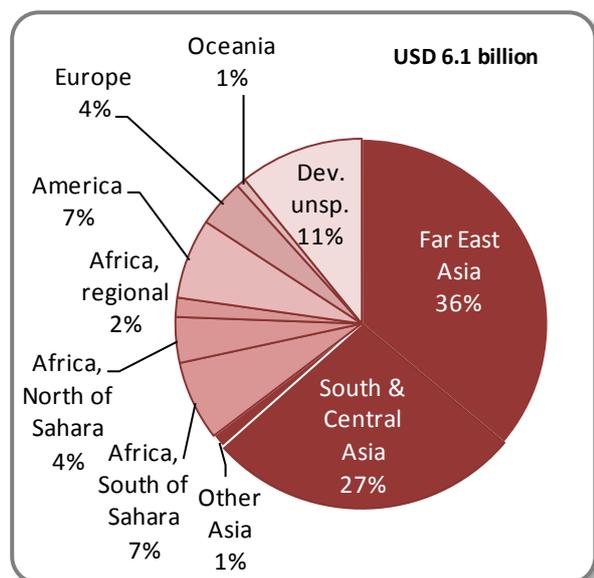
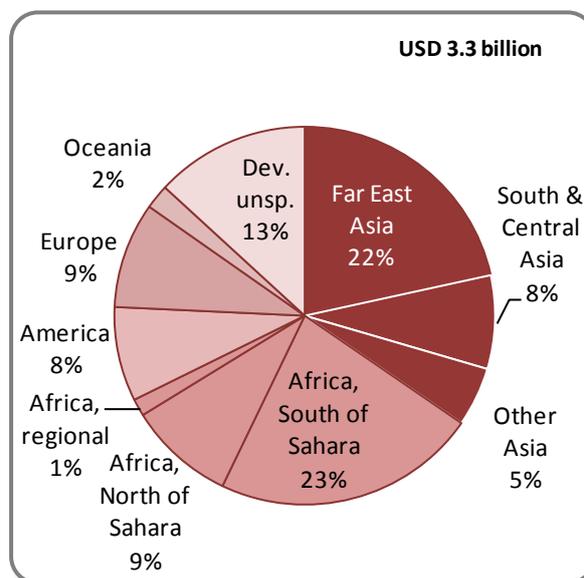
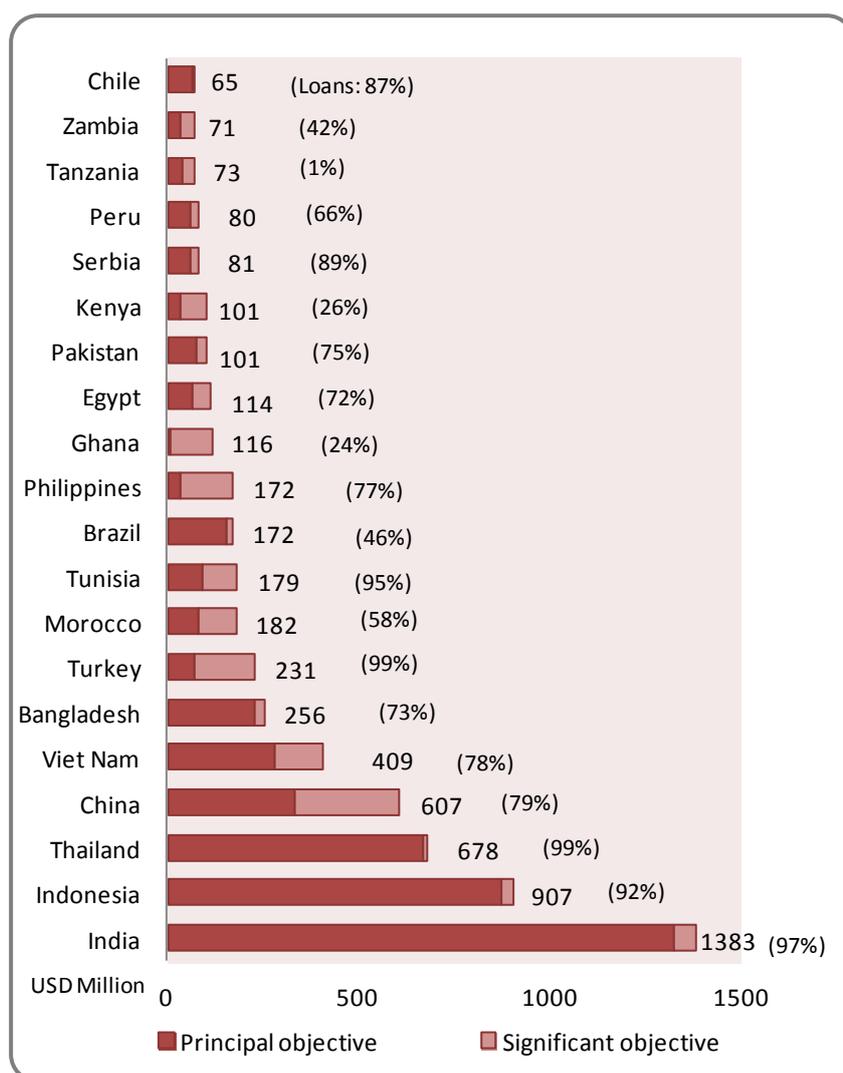


Chart 5.2 Significant objective



**Chart 6. Top 20 recipients of bilateral climate change mitigation-related aid**  
2008-09, average commitments, USD million, constant 2009 prices



### *Aid in support of Climate Change Adaptation*

First data on the new adaptation marker and therefore on bilateral support in this field will become available at the end of 2011.

Regarding multilateral aid, Table 2 shows contributions to three multilateral funds dedicated to adaptation that DAC members have reported so far.

**Table 2. DAC members' contributions to funds dedicated to adaptation**  
2008-09 average annual USD million, constant 2009 prices

	GEF LDC fund	GEF special climate change fund	Adaptation fund (UNFCCC)
<b>Denmark</b>	1.9	1.2	0.3
<b>Germany</b>	2.1	2.1	0.0
<b>Norway</b>	0.8	2.4	0.0
<b>Switzerland</b>	1.5	0.0	0.1
<b>Total</b>	<b>6.2</b>	<b>5.6</b>	<b>0.4</b>

**Box. DAC statistics: general framework  
and planned developments in relation to tracking climate finance**

**GENERAL DAC STATISTICAL FRAMEWORK**

DAC statistics are collected on both official and private flows, both concessional and non concessional. For official flows the major distinction is between official development assistance (ODA) and other official flows (OOF), while private flows are broken down into flows at market terms and charitable grants.

	Concessional	Non-concessional
Official	<b>Official development assistance (ODA):</b> - grants - concessional loans	<b>Other official flows (OOF):</b> - non-concessional loans e.g. by DFIs - investment-related transactions - export-related transactions
Private	<b>NGO, foundation and other charitable flows</b>	<b>Private flows at market terms:</b> - FDI and portfolio investment - export credits - bonds

**DAC STATISTICS ON CLIMATE FINANCE**

**Current status of data availability**

- **Bilateral ODA for climate change mitigation:** these data are derived from the **climate change mitigation marker**.

**Work in progress**

- **Bilateral ODA for climate change adaptation:** these data will be derived from the **climate change adaptation marker**. First data collection, on 2010 flows, will be completed by end 2011.
- **Other bilateral official (non-export credit) flows for mitigation and adaptation:** in June 2011, DAC members agreed to extend the application of the mitigation and adaptation markers to non-concessional developmental loans.
- **Multilateral ODA for mitigation and adaptation:** donors' contributions to specific multilateral climate funds are already identifiable in DAC statistics; the DAC Secretariat consults with multilateral development banks to obtain estimates of their climate finance in order to impute these amounts to bilateral donors.

**Future prospects on other categories of climate finance**

As part of its work programme to improve the statistics on non-ODA flows, the DAC Secretariat aims at:

- improving the sectoral data on **officially supported export credits** to facilitate identification of those which could potentially mitigate climate change;
- clarifying definitions of various categories of **private flows**; and
- introducing possible new statistical categories for official sector interventions that **leverage private finance**.

<p><b>DEFINITION</b> An activity should be classified as climate-change-mitigation related (score Principal or Significant) if:</p> <p><b>CRITERIA FOR ELIGIBILITY</b></p>	<p>It contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.</p> <p>The activity contributes to</p> <p>a) the mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol; <b>or</b></p> <p>b) the protection and/or enhancement of GHG sinks and reservoirs; <b>or</b></p> <p>c) the integration of climate change concerns with the recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; <b>or</b></p> <p>d) developing countries' efforts to meet their obligations under the Convention.</p> <p>The activity will score "<b>principal objective</b>" if it directly and explicitly aims to achieve one or more of the above four criteria.</p>
<p><b>EXAMPLES OF TYPICAL ACTIVITIES</b></p> <p><b>1. Typical activities take place in the sectors of:</b> <i>Water and sanitation</i> <i>Transport</i> <i>Energy</i> <i>Agriculture</i> <i>Forestry</i> <i>Industry</i></p>	<ul style="list-style-type: none"> <li>- GHG emission reductions or stabilisation in the energy, transport, industry and agricultural sectors through application of new and renewable forms of energy, measures to improve the energy efficiency of existing generators, machines and equipment, or demand side management.</li> <li>- Methane emission reductions through waste management or sewage treatment.</li> <li>- Development, transfer and promotion of technologies and know-how as well as building of capacities that control, reduce or prevent anthropogenic emissions of GHGs, in particular in waste management, transport, energy, agriculture and industry.</li> <li>- Protection and enhancement of sinks and reservoirs of GHGs through sustainable forest management, afforestation and reforestation, rehabilitation of areas affected by drought and desertification.</li> </ul>
<p><b>2. Typical non-sector specific activities are:</b> <i>Environmental policy and administrative management</i> <i>Biosphere protection</i> <i>Biodiversity</i> <i>Env. education/training</i> <i>Environmental research</i></p>	<ul style="list-style-type: none"> <li>- Protection and enhancement of sinks and reservoirs through sustainable management and conservation of oceans and other marine and coastal ecosystems, wetlands, wilderness areas and other ecosystems.</li> <li>- Preparation of national inventories of greenhouse gases (emissions by sources and removals by sinks); climate change related policy and economic analysis and instruments, including national plans to mitigate climate change; development of climate-change-related legislation; climate technology needs surveys and assessments; institutional capacity building.</li> <li>- Education, training and public awareness related to climate change.</li> <li>- Climate-change-mitigation related research and monitoring.</li> <li>- Oceanographic and atmospheric research and monitoring.</li> </ul>

## Definition of the climate change adaptation marker

<p><b>DEFINITION</b> An activity should be classified as adaptation-related (score Principal or Significant) if:</p> <p><b>CRITERIA FOR ELIGIBILITY</b> An activity is eligible for the climate change adaptation marker if:</p>	<p>It intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience.</p> <p>This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.</p> <p>a) the climate change adaptation objective is explicitly indicated in the activity documentation; and b) the activity contains specific measures targeting the definition above.</p> <p>Carrying out a climate change adaptation analysis, either separately or as an integral part of agencies' standard procedures, facilitates this approach.</p>
<p><b>EXAMPLES OF TYPICAL ACTIVITIES</b> <b>1. Examples of typical enabling activities for adaptation</b> <b>Environmental policy and administrative management</b> (sector 41010) Environmental education / training (sector 41081) Environmental research (sector 41082)</p>	<p>The list is not exhaustive. The activities may be scored against the objective only if the above criteria for eligibility are fulfilled.</p> <ul style="list-style-type: none"> <li>Supporting the integration of climate change adaptation into national and international policy, plans and programmes.</li> <li>Improving regulations and legislation to provide incentives to adapt.</li> <li>Education, training and public awareness raising related to the causes and impacts of climate change and the role of adaptation.</li> <li>Adaptation-related climate research including meteorological and hydrological observation and forecasting, impact and vulnerability assessments, early warning systems, etc.</li> </ul>
<p><b>2. Examples of typical sectoral activities</b> <b>Health</b> (Sector 120)  Water and sanitation (Sector 140)  Agriculture (Sector 311)  Forestry (Sector 312)  Fishing (Sector 313)  Flood prevention/control (Sector 41050 under Gen. env. protection)  Disaster prevention and preparedness (Sector 740)</p>	<p>Implementing measures to control malaria in areas threatened by increased incidence of diseases due to climate change.</p> <p>Promoting water conservation in areas where enhanced water stress due to climate change is anticipated.</p> <p>Promoting heat and drought resistant crops and water saving irrigation methods to withstand climate change.</p> <p>Promoting a diverse mix of forest management practices and species to provide a buffer against uncertainties of climate change.</p> <p>Promoting changes in fishing practices to adapt to changes in stocks and target species. Introducing flexibility in the gear that is used, the species that are fished, the fishing areas to be managed, and the allocations that are harvested.</p> <p>Implementing measures for flood prevention and management such as watershed management, reforestation or wetland restoration.</p> <p>Developing emergency prevention and preparedness measures including insurance schemes to cope with potential climatic disasters.</p> <p>Implementing measures to respond to glacial lake outburst flood risk, such as the creation or improvement of early warning systems and widening or deepening of glacial lake outlet channels.</p>