



**September 2000**

## **AID TARGETING THE RIO CONVENTIONS** **First results of the pilot study**

**A contribution by the DAC Secretariat for the information of participants at the session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) of the UNFCCC in Lyon in September 2000.**

This paper treats collection of data on financial resources extended to developing countries with the purpose of assisting them in the implementation of the three Rio Conventions:

- Framework Convention on Climate Change (FCCC);
- Convention to Combat Desertification (CCD); and
- Convention on Biological Diversity (CBD).

It presents the first results of a pilot data collection, undertaken by the DAC Secretariat in collaboration with the DAC Working Party on Statistics<sup>1</sup> and its network of statistical correspondents, the DAC Working Party on Environment and Development and the Convention secretariats between March 1999 and April 2000. For the sake of brevity only climate-change-related aid is covered but similar data could be presented also on desertification and biodiversity related aid activities.

Further information can be obtained from the DAC Secretariat. (Please send e-mail to [dac.contact@oecd.org](mailto:dac.contact@oecd.org)).

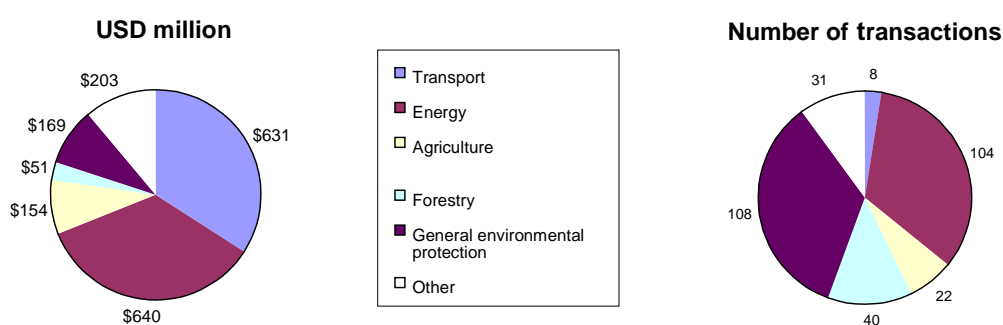
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1 . The Working Party on Statistics is a subsidiary body of the DAC. Its mandate includes, among other things, proposing improvements in the statistical reporting, ensuring the fullest possible comparability of reporting and promoting the wide use of the data in international institutions, developing countries and DAC Member countries.

## The pilot study on “climate change-related aid” indicated that...

Climate-change-related aid has a strong sectoral focus. Close to 90% of the reported climate-change-related activities were in the sectors of energy, transport, agriculture and forestry, and general environmental protection (Chart 1). In value terms, over two-thirds of climate-change-related aid was reported in the transport and energy sectors. Agriculture, water supply and sanitation, and general environmental protection were the other significant sectors with some 20% of total climate-change-related aid.

**Chart 1. Sectors targeting Climate Change Convention in 1998**



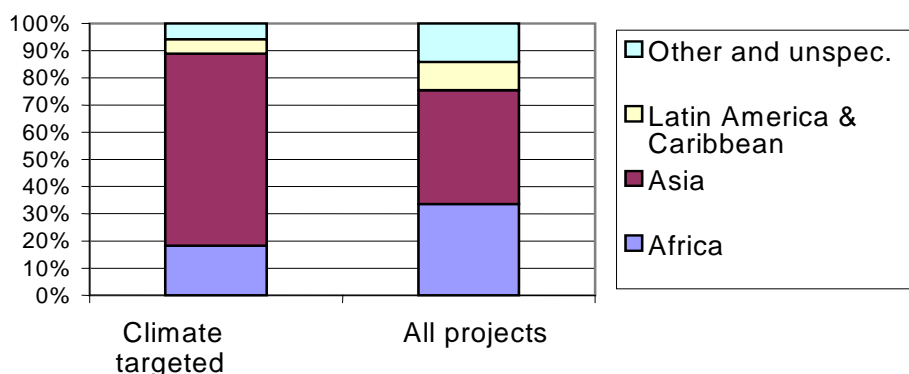
Aggregate data of this kind can, however, give a distorted picture of donors’ approaches. Aid to transport and energy is mostly given in the form of investment projects. Their average size is much larger than that of activities in the other sectors and occasionally projects worth over USD 100 million are reported. Aggregate figures are “biased” also in the sense that they reflect first and foremost the large donors’ programmes. Chart 1 therefore presents the same sectoral breakdown based on the number of projects reported. Energy remains as a main sector of activity, whereas the share of transport drops, as its 35% share by value is accounted for by just 8 projects. General environmental protection activities which account for only 9% of the total value of climate-change-related aid represent over one-third of the number of interventions. Similarly, forestry appears lower in value than in number.

**Most donors’ aid to energy and general environmental protection seems to address climate change.** Several donors reported climate-change-related activities in forestry. By contrast, activities in water supply, transport, agriculture and rural development relate to only a few donors, and those in all other sectors (economic development planning, industry, fishery development, privatisation, multisector aid) to one or two donors only.

**Apart from the sectoral focus, the pilot data did not show evidence of “typical” climate-change-related activities.** For example, some, but not all, renewable energy projects were reported as climate-change-related. The project titles and descriptions sometimes, but not always, referred to “energy efficiency”. This suggests that the descriptive information (project title and description) collected in regular statistical reporting does not, on its own, permit assessment of an activity’s relevance to climate change.

**Climate-change-related aid appears also to be focused geographically.** Chart 2 shows that, in value terms, three-quarters of reported climate-change-related aid was for Asia and 18% for Africa. Examination of the number of transactions reveals that interventions are fairly evenly distributed between Africa, Asia and Latin America. Also, a large number of small-value activities are global in nature (i.e. not extended to any particular recipient, and reported under "LDCs unspecified").

**Chart 2. Regional breakdown of climate change targeted projects - USD amounts - 1998**



**Generally, bilateral ODA activities targeting the objectives of the FCCC are few in number and represent a small share of total bilateral aid.** A total of 313 individual climate-change-related aid activities were reported to the pilot study and their total value amounted to USD 1.8 billion. Members' standard reporting to the Creditor Reporting System in 1998 consisted of 30000 individual activities amounting to over USD 33 billion.

Climate-change-related aid in energy, transport, forestry, general environmental protection and, to a lesser extent, agriculture represent a significant share of total aid to these sectors (24%, 18%, 21%, 20% and 8% respectively). In all other sectors the share is very small. All in all, climate-change-related aid could be described as "a handful of projects" within a few economic sectors.

## But this is not the whole story.

Participants suggested further work to:

- **Refine the definition of climate-change-related aid to ensure that all activities highly relevant to the Convention could be reported with more accuracy.**
- **Assess the share of climate-change-related aid from multilateral agencies or financed by ministries other than the aid agency.** This is necessary to assess the total volume of development assistance related to climate change and whether "new and additional" financial resources have been provided. An extension of the pilot study to multilateral ODA and even to agencies outside the normal DAC reporting network would be required.

**Finally, statistical data are essential but not sufficient for the monitoring of the Convention.** In particular, marker data are better suited for following trends and assessing orders of magnitude rather than estimating the amounts effectively made available. Statistical analyses will need to be supplemented with more qualitative assessments of the implementation.

The DAC will continue to work on these issues in the coming months. Decisions about future reporting will be taken in the course of 2001.

## TECHNICAL BACKGROUND

### The statistical reporting systems of the DAC...

The DAC collects data on aid flows through two reporting systems: the annual aggregate DAC statistics and the activity-specific Creditor Reporting System (CRS). The DAC Statistics provide an overall picture of the geographical or purpose distribution of aid and of the relative importance of each recipient country, region or purpose in the total. The CRS permits examination of the geographical and purpose breakdown simultaneously. Both DAC and CRS data are collected in a standard electronic format and the techniques for disseminating the information are well advanced. (See <http://www.oecd.org/dac/htm/online.htm>.)

**Reporting on the purpose of aid entails classification by sector and by policy objective.** The sector code identifies "the specific area of the recipient's economic or social structure which the transfer is intended to foster". In DAC reporting (as well as in most donors' internal reporting systems), each activity can be assigned only one sector code. For activities cutting across several sectors, either a multisector code or the code corresponding to the largest component of the activity is used. Reporting on the policy objectives of aid - environmental sustainability, gender equality, reduction of poverty and participatory development/good governance - is based on a marking system with three values: "principal objective", "significant objective", and "not targeted to the policy objective"<sup>2</sup>. Each activity can have more than one policy objective.

**Statistics on "aid to environment" are derived from both policy marker and sectoral data.** The environmental sustainability marker ("principal" or "significant" objective) identifies activities that are "intended to produce an improvement in the physical and/or biological environment of the recipient country, area or target group concerned" or "include specific action to integrate environmental concerns with the range of development objectives of the recipient country through institution building and/or capacity development". Environment is also identified as a sector of destination. The sector classification includes a multisector/cross-cutting category for "general environmental protection" to distinguish multisectoral environmental conservation programmes and activities such as environmental policy and administration or environmental education, training and research.

### cover activities in support of the implementation of the Conventions...

**The definition of the environment policy marker covers (but does not specifically mention) the objectives of the Rio Conventions.** Similarly, the sector codes for general environmental protection cover activities in support of the implementation of the Conventions. In both cases, however, they cannot be identified separately from other environmental aid.

### but their separate identification would require a "marker" for each Convention.

The pilot study sought to test the feasibility of refining the reporting as required. For one year's worth of commitments, DAC Members were requested to classify and score individual aid activities against the "climate change", "desertification" and "biodiversity" markers, defined in collaboration with the Convention secretariats.

Seventeen out of 23 DAC Members contributed to the study. Countries that provided the requested data accounted for 96% of total bilateral ODA commitments by DAC bilateral donors in 1998.

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<sup>2</sup> **Principal** policy objectives are those which can be identified as being fundamental in the design and impact of the activity and which are an explicit objective of the activity. They are selected by answering the question "would the activity have been undertaken without this objective?". **Significant** policy objectives are those which, although important, are not one of the principal reasons for undertaking the activity. The score **not targeted** means that the activity has been screened against, but was found not to be targeted to, the policy objective.