

OECD comments on the CIS Working Paper 56, 2010 – Coding Error or Statistical Embellishment? The Political Economy of Reporting Climate Aid

Comments provided to the authors (A. Michaelowa and K. Michaelowa) on 21 December 2010

First of all, we are pleased to see that the CRS climate-change-marker data are being used for analyses of aid flows in this field. The CRS marker system is the only source for standardised statistics on climate-change-related aid; we know about its caveats and welcome all efforts to improve the quality of the data. We do feel, however, that your study – as well as the one published by T. Roberts in 2008 – exaggerate the problems.

You have assessed the “*actual climate-change-related content*” of aid activities reported to the CRS since 1995 and have concluded that “*only about one-fourth of all projects with Rio marker are actually relevant for mitigation (2798 out of 10414)*”. *The remaining three quarters would be over-coded.* Your paper further states that “*if we add projects relevant for adaptation (1277), the share of over-coded projects is reduced below 60%. Obviously this share is still very high.*”

- As regards “**over-coding**”, if we have understood correctly, you have done an exercise to see if the descriptions of aid activities reported as climate-change-related provide some evidence that these funds are actually targeted to climate change mitigation (or adaptation). In your paper you explain that you have used keywords for this, in order to screen a large number of transactions in limited time. We would like to make a few comments on this.
 - First, there is nothing wrong with **keywords** as such – our data analysts are using similar techniques from time to time – but one has to be very careful when drawing conclusions on that basis. As you note in your paper, not all descriptions are clear enough, but the fact that mitigation or climate change is not mentioned in a project description does not necessarily mean it could not be climate-change-related.
 - Using keywords is particularly delicate with marker data. Markers aim to flag policy objectives pursued by the donor in a project. Mere screening to make sure that a project does no harm to a particular policy objective is not enough to justify allocating a marker, but a change in the design of the activity to meet the policy concern in question could legitimately lead to the allocation of a marker. This means that the title and main purpose of a project may not be an adequate basis on which to assess whether a marker has been legitimately allocated: you also have to know how the project was done, and in particular, whether concern about the policy objective changed how the project would otherwise have been done. Decisions on energy use and transport options within projects may have been considered by a donor as sufficient to justify awarding a “significant” score against meeting mitigation concerns, but whether this was justified would only be apparent from a close knowledge of the project: you could not normally assess it based simply on a title or brief description.
 - Our second point is about the **size of the transactions**. The CRS database covers all ODA – there are approximately 170 000 transactions reported to the CRS per year and this number is growing – these vary from large infrastructure projects costing hundreds of millions of dollars to small technical co-operation type activities costing a few hundreds of thousands, or even less. In your analysis all transactions, large and small, are treated

in the same way, and you conclude that the majority of the transactions reported as climate-change-related have been “over-coded”. In our view, the amount of aid reported should also be taken into account in the analysis.

- You state for example that “for about one third of projects (3226 projects in total), the bilateral donors’ coding is clearly inappropriate, i.e. projects were coded as climate change relevant while they are not (not even when including adaptation along with mitigation)”. We think you should do the same calculation based on the “amounts committed” and state that percentage too. You will find a big difference. This is due to the fact that the descriptive information and the coding of small transactions are not verified as thoroughly as those of the larger projects, neither in donors’ internal systems nor at the OECD. This explains why you have been able to find some “curiosities” in the database; thank you for pointing these out as they should obviously be corrected.
- To illustrate the point about the size of transactions, we have reviewed the transactions that you had identified as “over-coded” in the data for 2008 (available in the online Appendix to your study) and calculated how large a share they represented of total climate-change-related aid in 2008: we came up with a figure of less than 10%.
- We are not saying there are no problems with the marker data – it is exactly for this reason that we undertook a special data quality review last year. There are large variations in data quality between donors, and we need to follow up these questions with some of them. But all in all, we think your paper exaggerates and distorts the problem. We need to bear in mind that the CRS is a statistical system established for the purpose of analysing aid allocations and trends; it is an international reporting system; it is not and can never be an accounting system.
- A second observation that we would like to make on your paper has to do with the **time period covered in the research**. We understand that you have wanted to select as long a period as possible, so that your regression analysis would be statistically meaningful. There is a problem with this approach, however, given that the Rio markers have been part of the standard CRS reporting system only since 2007 (reporting on 2006 flows). To us this would have been a logical starting point.
 - If you examine the documentation available on the DAC Rio Conventions webpage, you will see that the data collection for 1998-2000 was carried out through a pilot study and these data have not been fully incorporated in the online database.
 - Data for 2001 and 2005 were reported on a more or less voluntary basis, which explains the gaps in the database for certain donors for certain years, which we think should be noted in your analysis. [In our view should have excluded the US entirely from your analysis. We doubt there is over-coding for the US because their marker data have been very partial in recent years.]
 - As from 2006 flows onwards reporting on the Rio markers is mandatory; this means also the DAC Secretariat can pursue data collection from donors in a more efficient manner.
- As regards **marking adaptation-related activities with the climate change marker**, we note that a separate marker for climate change adaptation was defined only last year and will be applied for the

first time on 2010 flows. The original climate change marker did focus on mitigation aspects, but did not exclude adaptation: one eligibility criterion could easily be understood to cover adaptation measures as well (“integration of climate change concerns with the recipient countries’ development objectives”). As from next year the picture will be clearer. Also, we think it is very easy to understand why donors have used the marker to track adaptation activities. There has been great demand for data on climate-change-related aid flows – for mitigation and adaptation – in recent years. Aid agencies have made use of the climate change marker to keep track of both, pending the implementation of the adaptation marker in OECD/DAC statistical databases and their internal systems as from next year.

- These three observations – about over-coding, the time period covered and adaptation – relate only to the data aspects of your research. We do not wish to make detailed comments on the latter part of your paper which discusses a possible link between over-coding and politics, but note nevertheless that the relation of the political indicators (the selection of which is arbitrary) to any deliberate attempt at statistical “embellishment” is not established. If you choose enough independent variables to regress against the observed use of the markers, then you are bound to find that some variables have a “significant” correlation with the marker scores. But that does not prove that any of these political-situation variables had a causal effect on the marker scoring, let alone that this causal effect was one of deliberate statistical embellishment to make government policy look more progressive to a progressive electorate. Admittedly these suggestions are somewhat qualified in the paper, but there is really no basis for making them in the first place. Should you pursue research of this nature in future, we would suggest there is a need to find some concrete evidence of statistical embellishment, such as admissions by those responsible for coding, instructions to embellish the data, or at least public statements that put the donor in an unjustly favourable light based on incorrect (“embellished”) figures.

Our final observation is about **PLAID/AidData and similar initiatives**. AidData and initiatives contributing to it are largely trying to address a specific problem in the CRS which is the rather limited activity descriptions. Donors have made a lot of progress in the reporting of descriptive information in recent years, but we still find many cases where the CRS transaction does not give you a good idea of what exactly the activity is about and where it is taking place. Employing university students to look for publicly available information, e.g. project documents, may provide some useful additional information, but in some cases the projects have also been re-classified, without indicating which data have been added or modified. This can lead to confusion in attributing information to donors themselves as you have understandably done in your study, since what shows in AidData may not be what donors reported to the CRS. (For your information, the OECD itself does not modify the reporting without consent from the donors; if we find errors in the reporting we get back to the donors and ask whether they agree to revise the data as we suggest.) We are currently working on this problem with AidData; this should be resolved shortly.