

CLIMATE INVESTMENT FUNDS

CTF/TFC.4/7
October 13, 2009

Meeting of the CTF Trust Fund Committee
Washington, D.C.
October 27, 2009

CLEAN TECHNOLOGY FUND DISTINGUISHING AND TRACKING CONTRIBUTIONS AS NEW AND ADDITIONAL ODA RESOURCES

Proposed Decision of Meeting of CTF Trust Fund Committee

The meeting reviewed document CTF /TFC.4/7 *Clean Technology Fund - Distinguishing and Tracking Contributions as New and Additional ODA Resources* and recommends that the CIF Administrative Unit, in collaboration with the UNFCCC and OECD, keep under review work carried out to define and track climate financing and to determine how systems developed in those fora may be applied to the CTF.

The CTF Trust Fund Committee requests the CIF Administrative Unit to prepare a progress report for discussion at its October 2010 meeting.

INTRODUCTION

1. At its meeting in May 2009, the CTF Trust Fund Committee considered the issue of “ODA eligibility of CTF financing” and agreed to the following:
 - a) The Trust Fund Committee reviewed document CTF/TFC.3/4, *Eligibility of Guarantees Financed from the Clean Development Fund for Scoring as Official Development Assistance*, and notes the conclusion that donor contributions to the CTF should qualify as overseas development assistance (ODA) since such funds meet the ODA criteria.
 - b) The Committee agrees that the Trust Fund Committee member from Sweden will work with the OECD/DAC Working Party on Statistics to have a code established for the CTF under the World Bank Group so that contributions to the CTF can be reported as ODA.
 - c) The Committee requests the Administrative Unit, in consultation with the MBD Committee, to work with OECD/DAC to prepare a report for review at the next Committee meeting on progress towards distinguishing and tracking contributions to the CTF as new and additional ODA resources.
2. This paper responds specifically to decision c) above. In particular, it reviews current practice and plans by OECD/DAC to track climate financing and summarizes further actions that would need to be taken in order to better distinguish such financing as new and additional ODA resources.

Background

3. The *UN Framework Convention on Climate Change* (UNFCCC) calls for developed countries to support developing countries in their efforts to address climate change. Specifically, Article 4.3 calls for developed countries listed in Annex II of the Convention to provide “new and additional” financial resources to meet the “agreed incremental cost” of developing country implementation of measures under Article 4.1 of the Convention.
4. The *Bali Action Plan* calls for enhanced national/international action on mitigation of climate changes, including, *inter alia*, consideration of “...nationally appropriate mitigation actions by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a *measurable, reportable and verifiable* manner” (emphasis added).
5. The *Governance Framework of the Clean Technology Fund* provides that “contributor countries will ensure that their contributions to the CTF are new and additional resources supplementing existing ODA flows otherwise available for developing countries.”

OECD and measurement of ODA

6. Since its inception, one of the main functions of the Development Assistance Committee (DAC) of the OECD has been to collect and publish statistics on aid flow. In 1969, the DAC's members agreed on criteria for calculating their aid contributions. They called the resulting measure of aid contributions Official Development Assistance (ODA). It has become widely used by other organizations, and scholars, as a general measure of aid. The DAC computes ODA from data submitted by its member states. Only aid to countries on the DAC List of ODA Recipients counts as ODA. The current list (2007) includes all countries with per capita Gross National Income (GNI) less than \$11,455, except that it excludes countries that are members of the G8, or the European Union (EU), or that have a firm accession date for EU membership.

7. ODA is currently defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions on the condition that they are:

- (a) provided by official agencies, including state and local governments, or by their executing agencies; and
- (b) each transaction of which
 - i. is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
 - ii. Is concessional in character and conveys a grant element of at least 25% (calculated at a discount rate of 10%).

8. Since 1998, the DAC has monitored aid targeting the objectives of the Convention on Biological Diversity, the UNFCCC, and the Convention to Combat Desertification through its "Creditor Reporting System" (CRS) and the so-called "Rio Markers".

9. The Rio Marker for climate change identifies aid activities that contribute to the objective of the UNFCCC and provides an estimate of corresponding funding.¹ In June 2008 (at the end of a 2005-07 trial period), the OECD/DAC Working Party on Statistics approved the inclusion of the Rio Markers as permanent items of the CRS data collection system. Partial data (see Table) indicate that over the past few years, DAC donors have allocated between US\$3-4 billion for climate-change-related aid or about 3-4% of total ODA.

¹ There are two other similar Rio Markers, one for desertification and one for biodiversity. The marker system emphasizes the policy objective of an intervention – as opposed to a sector code that identifies "the specific area of the recipient's economic or social structure which the transfer is intended to foster." An activity can have more than one policy objective.

Climate-change-related (mitigation) Aid by DAC members

(Annual commitments, current USD million)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	10	15	14	2	3	3	-	20	21	73
Austria	1	..	3	4	3	1	9	13	24	10
Belgium	6	2	5	1	1	0	3	14	23	48
Canada	23	10	22	62	79	65	27	2	42	42
Denmark	18	1	4	85	76	71	100	216	93	191
Finland	38	17	14	7	3	2	..	..	..	39
France	64	10	14	19	5	9	19	200	327	481
Germany	491	847	224	148	202	596	610	870	1,095	..
Greece	..	..	..	..	1	1	1	1	1	12
Ireland	-	-	0	1	1	1	1	..	..	29
Italy	..	..	..	..	..	..	..	..	14	24
Japan	1,373	1,783	1,750	1,087	954	2,293	1,921	2,223	1,407	1,332
Luxembourg	..	..	..	..	..	..	..	..	..	..
Netherlands	46	38	62	153	128	97	265	175	228	..
New Zealand	1	0	0	..	1	1	2	8	13	3
Norway	62	71	42	66	41	57	..	..	..	..
Portugal	-	-	12	0	0	0	40	2	1	1
Spain	2	12	25	6	3	4	..	27	32	93
Sweden	29	18	13	2	7	9	8	3	22	7
Switzerland	4	5	5	5	13	18	..	..	20	33
United Kingdom	106	205	49	-	1	2	-	0	58	51
United States	171	224	168	98	75	119	114	34	31	56
EC	..	..	..	..	..	124	117	150	480	320
Total (partial)	2,444	3,254	2,424	1,745	1,597	3,472	3,236	3,959	3,931	2,844
% of ODA	5%	6%	5%	3%	3%	5%	4%	4%	4%	3%
Total Biodiversity (partial)	1 126.1	1 048.0	890.3	1 432.7	1 476.2	2 085.4	1 963.4	2 561.6	2 834.9	3 127.1
Total Desertification (partial)	953.2	679.8	554.2	912.2	842.7	1 065.3	1 362.8	1 463.6	1 780.5	1 032.3

Note: grey-shaded cells indicate where only partial information is available.

Source: http://www.oecd.org/document/11/0,3343,en_2649_34447_11396811_1_1_1_1,00.html

Improvements needed to distinguish climate finance as new and additional ODA

Data quality

10. Not all DAC members report on the Rio Marker for climate change, leaving some data gaps. Those members who do report to the OECD CRS database, can – on a voluntary basis – also indicate the policy objective of aid activities (in this case, mitigation) and score its relevance with three values: “0 – Not targeted”; “1- Significant objective”; “2- Principal objective.” There is no percentage of aid activity amount associated to these scores: typically, activities marked “significant objectives” do not address mitigation in their entirety. As a result, the Rio Markers may lead to double counting with other development objectives. For those who report, the Rio Marker for climate change provides an upper-bound of mitigation support. OECD has embarked on a process to assess and improve the quality of these markers.²

11. In the meantime, tests with more comprehensive scoring or marking systems by some donor agencies may yield positive results that lead to a further refinement of the Rio Marker system to provide more consistent quantitative data.

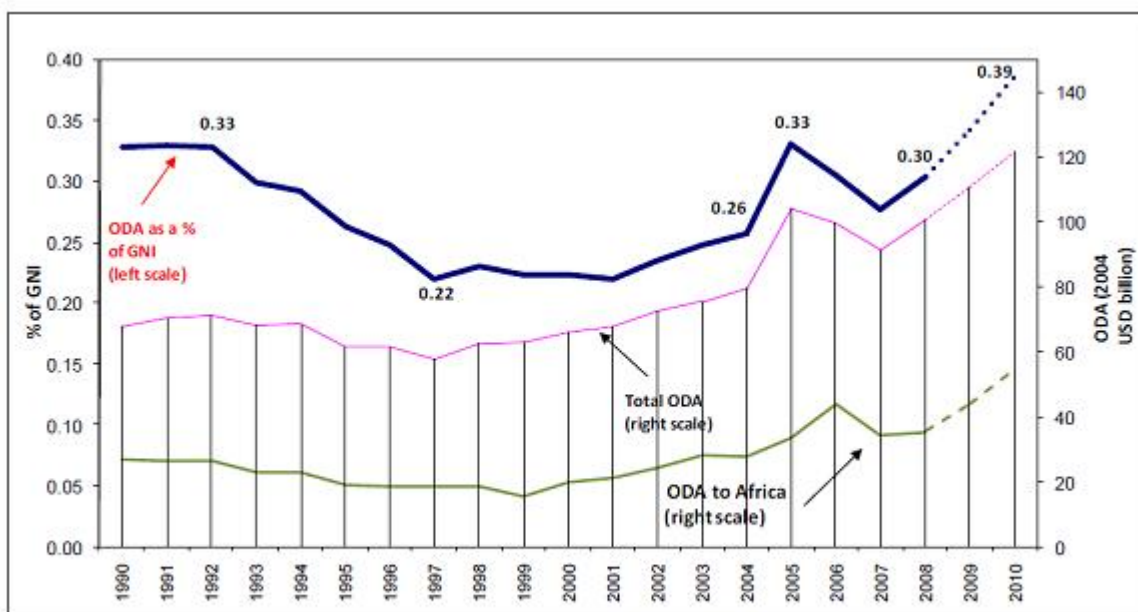
Baselines

12. A key issue to resolve in measuring additionality of climate finance as ODA is establishing a baseline. In particular, a determination will need to be made whether to use the figure of 0.7% of GNI (by 2015) as a baseline, or interim percentages or volume targets that certain countries have adopted. Further analysis is also needed on whether flows for development purposes (as defined in the official definition of ODA) could be called “ODA Classic” and distinguished from “ODA Climate” flows; “ODA Climate” would then be considered new and additional if “ODA Classic” is maintained at an agreed level.

² The Joint OECD/DAC ENVIRONET and WP-STAT Task Team is also in the process of developing a similar marker to track adaptation-related activities in ODA. The draft definition and guidelines will be finalized during 2009 and the Adaptation Markers are likely to be introduced into the 2011 reports. Consequently trends revealed by the applications of these markers cannot be meaningfully measured until 2014-2015.

13. The following figure illustrates how baseline scenarios might be constructed.

DAC Members' Net ODA 1990-2008 and DAC Secretariat Simulations of Net ODA to 2009 and 2010



Source: OECD, 30 March 2009.

Country-level tracking of climate finance

14. In addition to monitoring and reporting on the flows at the global level by OECD/DAC, developing countries could also assess the magnitude of the ODA flows related to climate change. To support developing countries in accessing both climate-specific and core funds available from various multi- and bilateral sources, UNDP and the World Bank are seeking to establish a joint knowledge platform on the internet to complement the UNFCCC-led Financing Platform, to be launched in 2010.

Conclusion

15. To date, the OECD Rio Marker is the most advanced initiative to measure, report and verify financial and investment flows across a range of countries and sectors. Relatively simple and transparent to apply, the mandatory and consistent application of Rio Markers by all OECD countries in reporting their ODA could advance the process of distinguishing and tracking contributions to CTF as new and additional ODA.

16. It is also expected that more work will be on-going under the UNFCCC on how climate financing can be provided in a “measurable, reportable and verifiable” manner.

17. It is recommended that the CTF Trust Fund Committee keep under review work carried out under the UNFCCC and OECD to define and track climate financing and to determine, as information is available, how emerging systems developed in those fora may be applied to the CTF.