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Imputed multilateral climate shares methodology

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This paper presents the revised methodology used to build the multilateral climate imputed shares. The methodology was discussed at the WP-STAT meeting in October 2023 and it is here presented in revised form to take into account members' feedback.

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Imputed multilateral climate shares methodology

1. Objective

1. **The Secretariat produces every year a statistical table called ‘imputed multilateral climate shares’¹.** The table presents, for select multilateral institutions, the share of their total spending allocated to climate mitigation and adaptation. These shares are then used to build the ‘provider country perspective’ of climate-related statistics which aim at presenting the providers’ support for climate change adaptation and mitigation through various channels, including both bilateral development co-operation activities and the shares of countries’ core contributions to multilateral institutions that can be attributed to climate objectives.
2. **The imputed multilateral shares have become a practical tool used in the reporting and analysis of climate-related development finance data.** The table puts together in one single page the shares of climate-related outflows for over 30 multilateral institutions and funds. Starting from 2021 data, the Secretariat has been able to compile more granular data per objective (mitigation, adaptation, cross-cutting) as requested by members.
3. **The tables are based on data on climate-related outflows that multilateral institutions provide to the Secretariat.** Most multilateral institutions reporting on climate to the OECD do so through the climate components of their individual activities, while some apply the Rio markers. Currently, when calculating the imputed multilateral climate shares, the two reporting methodologies are treated the same way.
4. **The paper presents an updated methodology to build the multilateral climate imputed shares.** The paper first explains the current methodology (section 2) and the rationale for revising it (section 3). It then presents a new methodology with different parameter options and assesses its impact on the resulting data (section 4). Finally, this revised version of the paper includes the summary of members’ feedback on the previous version (DCD/DAC/STAT(2023)32) presented at the WP-STAT plenary meeting of 4-6 October 2023 and concludes with the new methodology that will be used moving forward (section 5).

2. Current methodology to build climate imputed multilateral shares

5. **The Secretariat has been computing the ‘imputed multilateral climate shares’ starting with 2013 data.** In that year the climate-related multilateral outflows amounted to less than USD 20 billion and

¹ Available here: <https://www.oecd.org/development/financing-sustainable-development/development-finance-topics/climate-change.htm>

related to 24 institutions. In 2021, such outflows surpassed USD 50 billion and related to 32 institutions, and separate shares are now available for adaptation, mitigation and cross-cutting, in all but three cases.

6. The methodology consists of two major steps:

- First – the climate share for each multilateral institution is calculated. This is essentially the share of climate-related outflows over total outflows, based on activities reported by each multilateral institution to the CRS. Climate-related outflows are the total face value of activities marked with the principal/significant score or the portion indicated by the climate components, depending on the reporting method (Box 1 – first formula).
- Second – the multilateral climate shares are applied to donors' core contributions to the multilateral organisations concerned, derived from the donors' reporting to the CRS (Box 1 – second formula).

BOX 1

1. Formula for calculating the multilateral climate share of an international organisation (IO)

$$(Average\ Climate\ Share\ of\ IO)_{year\ Y} = \frac{(IO\ climate - related\ development\ finance)_{year\ Y, Y-1}}{(IO\ total\ development\ finance)_{year\ Y, Y-1}}$$

$$= \frac{(IO\ climate - related\ development\ finance)_{year\ Y} + (IO\ climate - related\ development\ finance)_{year\ Y-1}}{(IO\ total\ development\ finance)_{year\ Y} + (IO\ total\ development\ finance)_{year\ Y-1}}$$

2. Formula for imputing climate-related contribution from a bilateral provider (BP) to an international organisation (IO)

$$(Imputed\ multilateral\ climate\ core\ contribution) = (BP's\ core\ contribution\ to\ IO)_{year\ Y} \times (Average\ Climate\ Share\ of\ IO)_{year\ Y}$$

7. The methodology to calculate bilateral providers' contributions to international organisations (inflows) is based on gross 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 (unless data are not available). Importantly all climate-related multilateral outflows recorded in the CRS (either Rio marker principal, significant or climate components) are treated the same when calculating the imputed shares.

8. The methodology for imputing multilateral flows is only an approximation. Inflows to an international organisation in a certain year do not directly correspond to the outflows of the international organisation for the same year. Multilateral institutions are able to raise their own resources on financial markets for sums that might greatly surpass the amounts received as core contributions.

3. Rationale for revising the methodology

9. **The first step of the current methodology takes into account the outflows of multilateral institutions, without distinguishing between the activities marked with the Rio markers as principal or significant, and the MDBs climate components.** While the climate components are assimilable to the activities identified with a score principal, the activities marked as significant have distinct characteristics and represent the mainstreaming of climate considerations alongside other main objectives. The Statistical Directives [DCD/DAC/STAT(2023)9/FINAL, paragraph 548] warn against adding up activities marked as principal and significant, and call this sum as the ‘upper bound’ of aid towards the policy objective, in comparison to a ‘lower bound’ composed by activities marked principal only.

10. **The current methodology introduces a bias towards the activities marked significant, and the institutions that report them.** Counting with the same weight the activities marked principal, significant, and the climate components introduces a bias in the figures for institutions that have a large share of activities marked significant. For example, one dollar in core contributions to an institution that reports 60% of its outflows marked significant is counted exactly the same way as one dollar in core contributions to another institution that has 60% of its outflows marked with a principal objective. The two institutions can have however very different profiles and climate focus.

11. **Most of the multilateral climate-related finance is reported by MDBs, using the climate components.** While the bias towards institutions that report a large share of significant activities has been so far modest in absolute amount (see section 4), the bias could grow considerably if new reporters adopt the Rio markers methodology and are successful in mainstreaming climate objectives in their portfolios. Paradoxically, a greater adoption of the Rio marker methodology and a greater mainstreaming of climate change in the outflows of new multilateral reporters, would render the imputed shares table published by the Secretariat less homogeneous, and result in the ‘provider country perspective’ figures being less credible. Furthermore, there is a growing focus on climate change adaptation in the development space, which is more likely to be embedded in the activities as a significant objective. In perspective, this could be another factor that could increase the bias of the imputed climate shares in the next few years, if the adaptation activities are reported with the Rio markers.

12. **While the current bias is limited, it cannot be ignored, as it can grow in the future and could lead to challenging results.** For these reasons, the Secretariat developed a new methodology to calculate the imputed climate shares, discounting the outflows marked significant with a view to obtaining more comparable data.

4. Proposed revision

13. The proposed revised methodology to calculate the multilateral imputed climate share is based on the following principles:

- Climate-related ‘upper bound’ development finance (i.e. activities marked principal and significant together) cannot be directly compared with climate-specific finance (i.e. the climate components).
- Activities marked as principal could be assimilated to a climate-specific measure, given that their main objective is to contribute to climate change adaptation and/or mitigation, and that they would not have been undertaken without this objective.
- Activities marked significant have climate as a secondary objective, and it is therefore reasonable not to count them at their face value. Applying a discount factor would make their value more comparable to a climate-specific measure.

- Most members already apply a coefficient to their climate-related Rio markers data reported to the OECD when submitting climate-specific figures to the UNFCCC. The coefficients used by most DAC members are in the range 30%-50%² for bilateral activities marked significant.

14. The revised methodology will make climate-specific amounts (reported by IOs that have adopted the MDBs' climate component methodology) more comparable with climate-related data reported with Rio markers by applying a 30%-50% coefficient to the part reported with a significant objective.

15. In most recent data, only seven IOs report activities using the Rio markers, out of 32 multilateral institutions reporting to the OECD. Out of these seven, only four institutions would be impacted by this adjusted method to calculate their multilateral imputed climate shares. The outflows of the other three institutions are 100% scored as principal.

16. The sensitivity analysis (see Table 1) shows that applying a discount to the activities reported would modify the 2021 figures as follows:

- A decrease of the "climate shares" for the four institutions concerned, ranging from marginal to substantial depending on the institution.
- A negligible decrease in the total multilateral outflows accounted as climate-specific (from -0.5% to -0.7%), depending on the coefficients applied on activities marked significant.
- A decrease between -3% and -5% of the imputed climate-related core contributions calculated for DAC members, depending on the coefficient applied on activities marked significant.

² See: DCD/DAC/STAT(2022)24/REV1

Table 1. Sensitivity analysis on applying coefficients to the activities of international organisations reported with a significant score

	Imputed climate share			Climate Outflows (USD million)			Imputed climate-related core contributions to the institutions (provider perspective dataset) (USD million)		
	Current 100% coefficient	with 50% coefficient	with 30% coefficient	Current 100% coefficient	with 50% coefficient	with 30% coefficient	Current 100% coefficient	with 50% coefficient	with 30% coefficient
International organisations reporting with Rio markers									
Council of Europe Development Bank	42%	23%	15%	313	157	94	0.013	0.007	0.005
Food and Agricultural Organization	7%	4%	3%	36	23	18	13	8	7
Global Environment Facility - Least Developed Countries Fund	100%	95%	93%	84	84	84	77	73	72
Global Environment Facility Trust Fund	73%	46%	35%	335	247	212	341	214	163
International organisations reporting with Rio markers - 100% principal									
Adaptation Fund	100%			85			28		
Global Environment Facility - Special Climate Change Fund	100%			0			1		
Nordic Development Fund	100%			75			8		
International organisations reporting with climate components									
Subtotal	-			51,257			3,639		
Total	-			52,186	51,928	51,825	4,107	3,971	3,917
Difference %	-			-	-0.5%	-0.7%	-	-3%	-5%

5. Member's feedback and next steps

17. The Secretariat presented the proposal to update this methodology producing the imputed multilateral climate shares at the WP-STAT plenary meeting of 4-6 October, 2023 and asked for members' feedback. Members welcomed this discussion and expressed overall support for the new methodology with a few varying views. Among the members that expressed views on the coefficients, the majority preferred to use 40% for activities marked as significant, with a few others preferring 30% or 50% (where one member would accept a maximum of 40% and another additionally proposed 100% for activities where both mitigation and adaption are marked as significant). Two members raised questions about this change as it would decrease the overall amounts for climate-related development finance and communicate a false degree of precision. Some members highlighted the importance to increase the data coverage of climate outflows from multilaterals to expand the list of institutions with imputed multilateral shares, which would be important too to improve accounting of the climate-related development finance. The summary record of the discussion at WP-STAT is available on ONE [\[DCD/DAC/STAT/M\(2023\)4/FINAL1\]](#).

18. Improving the coherence of statistics between different climate reporting methods is one of the drivers of the proposed revision of this methodology. While recognising that the choice of a coefficient is arbitrary at this stage, the new methodology would allow for more consistency and better protect the integrity of the system should new reporters start to report considerable sums in activities with a significant climate objective.

19. Given the above considerations and balancing different feedback from members, the Secretariat opted to apply a coefficient of 40% on activities marked as significant for climate mitigation or climate adaption, while continuing to consider activities marked principal at face-value. **The application of this coefficient is limited to the specific scope of the construction of the imputed multilateral shares,** and the new methodology will be applied starting with 2022 data.