

# FIRST STEPS TOWARD A QUALITY OF CLIMATE FINANCE SCORECARD (QUODA-CF):

Creating a Comparative Index to Assess  
International Climate Finance Contributions

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# EXECUTIVE SUMMARY

Are climate finance contributor countries, multilateral aid agencies and specialized funds using widely accepted best practices in foreign assistance? How is it possible to measure and compare international climate finance contributions when there are as yet no established metrics or agreed definitions of the quality of climate finance? As a subjective metric, quality can mean different things to different stakeholders, while of donor countries, recipients and institutional actors may place quality across a broad spectrum of objectives. This subjectivity makes the assessment of the quality of climate finance contributions a useful and necessary exercise, but one that has many challenges.

This work seeks to enhance the development of common definitions and metrics of the quality of climate finance, to understand what we can about those areas where climate finance information is available and shine a light on the areas where there is a severe dearth of data. Allowing for comparisons of the use of best practices across fund-

ing institutions in the climate sector could begin a process of benchmarking performance, fostering learning across institutions and driving improvements when incorporated in internal evaluation protocols of those institutions. In the medium term, this kind of benchmarking and transparency could support fundraising in contributor countries and help build trust with recipient countries.

As a feasibility study, this paper attempts to outline the importance of assessing international climate finance contributions while describing the difficulties in arriving at universally agreed measurements and indicators for assessment. In many cases, data are neither readily available nor complete, and there is no consensus on what should be included. A number of indicators are proposed in this study as a starting point with which to analyze voluntary contributions, but in some cases their methodologies are not complete, and further research is required for a robust measurement tool to be created.

# 1. INTRODUCTION

In Copenhagen and Cancun, developed countries pledged to jointly mobilize, by 2020, a collective amount “approaching \$100 billion” per year to help developing countries finance a green energy transition and adapt to climate impacts. These pledges were seen as a way to express the willingness of the contributor countries to address the seriousness of the issue, broaden the range of countries making climate change a priority and build trust. The first installment of this climate finance pledge was \$30 billion of so-called “Fast Start Finance (FSF),” delivered between 2010 and 2012.<sup>1</sup> The Fast Start period has just ended, and now the “mid-term finance” period towards the major 2020 goal has begun. This is a critical moment to consider how to assess the quality of climate finance efforts.

To date, assessing progress toward meeting these goals has been difficult. Indeed, the landscape of climate finance is very complex and is made up of a dense web of public and private flows being channelled through over 75 bilateral and multilateral institutions. In the current fragmented arena of climate finance, each contributor and agency has its own allocation priorities, means of disbursement, means of engaging with recipient nations and procedures for monitoring flows, and evaluating impacts.<sup>2</sup> As a result, understanding the nature of these flows has proven very challenging. More challenging still will be understanding whether the emerging climate finance architecture is delivering these funds effectively.<sup>3</sup>

While making the distinction that climate finance is different from development assistance, this paper asks wheth-

er some contributor nations and agencies that channel climate finance do a better job than others at incorporating the widely accepted best practices learned over 60 years of development assistance. While there have been a number of efforts to measure the *quantity* of climate finance and whether contributor nations are meeting the promises they made at the pivotal Copenhagen climate negotiations in 2009,<sup>4</sup> a Quality of Climate Finance (QuODA-CF) scorecard would mark the first attempt to assess the *quality* of public climate finance fund management. The idea of assessing the *quality* of climate finance is somewhat abstract, but it can include various dimensions such as: ability to leverage additional funds; reduction of greenhouse gas emissions or enhanced climate resilience; and achievement of “transformational” impacts or acceleration of results. As experience is gained in funding mitigation and adaptation activities, the features of “quality funding” should change as well.

Assessment of data pertaining to the landscape or *quantity* of climate finance has been undertaken by the international community in recent years. Best practices have originated in the development community. For overall Official Development Assistance (ODA),<sup>5</sup> there were high-level meetings in Paris in 2005 and Accra in 2008. These meetings led to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action<sup>6</sup> which provide a basis for the assessment of ODA quality. There are as yet no established metrics or agreed definitions on what defines the *quality* of climate finance.

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1. At Copenhagen, developed countries agreed to jointly provide \$30 billion in new and additional “Fast Start Finance” over the years 2010-2012 (see: UNFCCC, 2011; FastStartFinance.net, 2011; ClimateFinanceOptions.org, 2013). The Fast Start funding was expected to be largely public and provided as grants, especially for adaptation to climate change. The second part of the pledge was to “scale up” the funding to \$100 billion per year by 2020, including grants, loans, and private and public funding.

2. Buchner et al., 2011.

3. For a more complete discussion on the effectiveness of climate finance, see EDF/CPI/ODI/Brookings, 2011.

4. For example, see Cipler et al., 2012; Oxfam, 2012; and WRI, 2012.

5. Official Development Assistance (ODA) refers to “flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries (“bilateral ODA”) and to multilateral institutions. ODA recipients comprise disbursements by bilateral donors and multilateral institutions” (OECD, 2003).

6. OECD, 2005/2008.

This paper sets out an initial feasibility study of whether it is possible now to collect a set of indicators to benchmark the quality of different public climate finance channels (private flows will need to be addressed in a later initiative). Such a benchmark could be useful, given the complex nature of climate finance flows and the need to raise funds and satisfy contributors. Agreeing on criteria for best practices clarifies expectations among both contributors and recipients, potentially allowing trust to be built among these Parties.

*First Steps Toward a Quality Of Climate Finance Scorecard (QuODA-CF)* attempts to assess and compare the practices of different climate finance agencies—whether finance is delivered via specialized funds under the United Nations Framework Convention on Climate Change (UNFCCC) or parallel flows through other bilateral and multilateral channels. QuODA-CF builds upon and is modeled after the *Quality of Official Development Assistance (QuODA)* index developed by the Center for Global Development and the Brookings Institution.<sup>7</sup> As mentioned above, QuODA is in turn based upon substantial practitioner and scholarly literature on development aid effectiveness as well as on the results of the major international meetings that led to the 2005 Paris Declaration on Aid Effectiveness, the 2007 Accra Agenda for Action and, more recently, the 2011 Busan Partnership for Effective Development Cooperation.<sup>8</sup>

QuODA-CF begins by selecting from QuODA a number of critical indicators from the development aid effectiveness literature that are also judged to be pertinent in measuring the quality of climate finance. Next, QuODA-CF adds new measures that address the particular expectations flow-

ing from the nature of the climate challenge as agreed in the UNFCCC negotiations. In its construction, QuODA-CF thus seeks to include criteria that are aligned with the expectations from both recipient and contributor countries. Section 4 reviews all the 32 indicators proposed, their weighting, and their link to the dimensions the paper seeks to quantify (details of each indicator's sources and computations are reserved for Annex 1). After these descriptions, the paper discusses gaps in the data and methodology, difficulties of uncovering robust cross-national data by which such an index might be established, and some very initial diagnostic findings. The paper concludes with suggestions for further research.

It is important to point out that the scorecard cannot be all things to all people. It is a first step in assessing the extent to which climate finance managing agencies utilize best practices broadly. It is not able to measure the impacts of these contributions on mitigation and adaptation goals on the ground. A climate finance scorecard must therefore be seen as only part of broader efforts to characterize and improve climate change finance and the transparency of those flows, and as an exercise in revealing gaps in climate finance data.

The goal is that this effort should help create a useful tool to inform future climate finance flows. Expectations have been raised, starting in Copenhagen, that future flows will reach hundreds of billions of dollars. This paper is the first step in creating that tool and seeks to encourage debate on the indicators chosen and on how to fill data and methodological gaps.

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7. Brookings Institution and the Center for Global Development, 2012.

8. QuODA results have received the most attention and been most useful to official bilateral aid agency staff that have used it in discussions about the quality of aid and have used its results to improve their performance, particularly as a comparative tool. The data has also been used by World Bank staff during the recent International Development Association (IDA) replenishment, as well as in an independent review of Australian aid (Australian Government, 2011) and the U.K. Department for International Development multilateral aid review (DFID, 2011). The OECD has also referred to QuODA in its Development Assistance Committee (DAC) discussions, and in the health sector some of the civil society organizations that fundraise for global health (The Foundation for AISA Research—AMFAR and Global Advocacy for HIV Prevention—AVAC) have also used the QuODA report to talk about the advantages of multilateral funding streams over bilateral ones.

## 2. WHAT IS QUODA?

QuODA, Quality of Official Development Assistance, is an assessment of the development aid provided by 23 countries and multilateral agencies, which allows comparison of contributing countries of different bilateral programs in countries with many delivery channels. In all, more than 100 aid agencies are included in the assessment.

Aid quality is assessed in QuODA using 31 indicators grouped in four dimensions that attempt to reflect the international consensus of what constitutes high quality aid. The indicators were grouped around four themes: maximizing efficiency, fostering institutions, reducing the burden on recipients, and transparency and learning. While not identical to the Paris principles, the indicators attempt to capture donor adherence to the Paris and Accra commitments (Figure 1).

Rankings of donors can be viewed in separate indices and in the Quality of Aid Diamond (Figure 2), which makes it possible to quickly compare contributing countries and

agencies across all four dimensions. The diamond illustrates how different institutions compare to one another as ranked by the chosen indicators. The importance of each indicator differs from user to user.

Annual reports of the QuODA Index allow users to assess change in donors' performance over time. QuODA inputs are displayed transparently in an open source tool, which then allows researchers to make their own assumptions, drop indicators or add weights. It has also been adapted by the Center for Global Development to provide sector-specific scorecards for aid in the health and agriculture sectors.<sup>9</sup> Identifying data shortfalls is one of the biggest values of QuODA. QuODA has been used to highlight areas in need of measurement but that are not possible given the existing data (e.g., donors' use of results-based aid or innovative finance, quality of evaluation practices, etc). QuODA is currently undergoing its second update.

**Figure 1: QuODA Assesses Aid Quality Using 30 Indicators Grouped in 4 Dimensions**

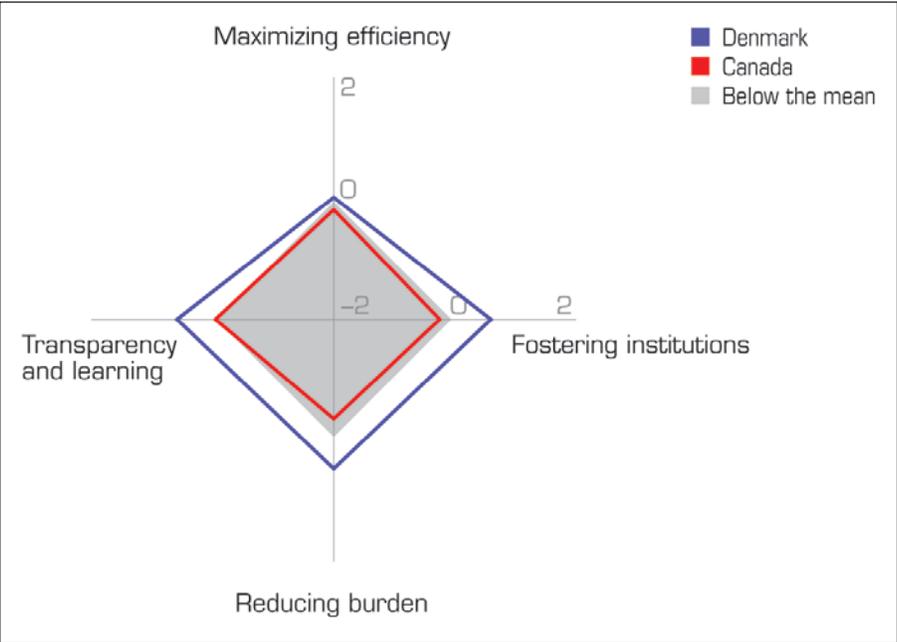
Maximizing efficiency	Fostering institutions	Reducing burden	Transparency and learning
Share of allocation to poor countries	Share of aid to recipients' top development priorities	Significance of aid relationships	Member of International Aid Transparency Initiative
Share of allocation to well-governed countries	Avoidance of project implementation units	Fragmentation across agencies	Recording of project title and descriptions
Low administrative unit costs	Share of aid recorded in recipient budgets	Median project size	Detail of project descriptions
High country programmable aid share	Share of aid to partners with good operational strategies	Contribution to multilaterals	Reporting of aid delivery channel
Focus/specialization by recipient country	Use of recipient country systems	Coordinated missions	Share of projects reporting disbursements
Focus/specialization by sector	Coordination of technical cooperation	Coordinated analytical work	Completeness of project-level commitment data
Support of select global public good facilities	Share of scheduled aid recorded as received by recipients	Use of programmatic aid	Aid to partners with good monitoring and evaluation frameworks
Share of untied aid	Coverage of forward spending plans/aid predicability		

Source: Birdsall and Kharas, 2010.

9. For more information on CGD scorecards for the health and agriculture sectors, see Elliott and Collins, 2012 and Duran and Glassman, 2012.

**Figure 2: The QuODA Quality of Aid Diamond**

This figure shows an example of the Quality of Aid Diamond, showing the outcome on each of the four dimensions for Denmark, one of the better performing countries in aid quality, compared with Canada, one of the less well-performing countries, with both compared with the “average” performance in the shaded background area.



Source: Birdsall and Kharas, 2010.

## 3. QUODA FOR CLIMATE

### Learning from development aid effectiveness

QuODA-CF uses the QuODA methodology as a starting point, given the relevance of many of the QuODA parameters in understanding the effectiveness of climate finance. We refer readers to the 2011 EDF/CPI/ODI/Brookings review of existing literature and practice focused on key lessons for improving the effectiveness of climate finance.<sup>10</sup> That review made the link between climate finance and the agreed-upon principles for promoting enhanced development aid practice. Despite this guidance,

**Figure 3: The Paris Declaration on Aid Effectiveness—Key Principles**

The Paris Declaration (2005) lays out a practical, action-oriented roadmap to improve the quality of aid and its impact on development. It puts in place a series of specific implementation measures and establishes a monitoring system to assess progress and ensure that donors and recipients hold each other accountable for their commitments. The Paris Declaration outlines the following five fundamental principles for making aid more effective:

- 1. Ownership:** Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
- 2. Alignment:** Donor countries align behind these objectives and use local systems.
- 3. Harmonisation:** Donor countries coordinate, simplify procedures and share information to avoid duplication.
- 4. Results:** Developing countries and donors shift focus to development results and results get measured.
- 5. Mutual accountability:** Donors and partners are accountable for development results.

*Source: OECD, 2005/2008.*

there are disputes on how to characterize climate finance: for example, many developing countries see climate finance as compensation for damages caused by climate change problems largely created by developed nations and expect climate funds to be “new and additional” to existing ODA. Moreover, there is no international agreement on what constitutes climate finance and even less so on what it means for climate finance to be “effective.” Meanwhile, many contributing countries continue to label their climate mitigation and adaptation support as part of their (voluntary) aid portfolio, which in reality is not “new and additional” climate finance, but is part of ODA. Nonetheless, the Paris-Accra principles (shown in Figure 3), along with the norms, disciplines and expectations for contributor and recipient behavior are highly applicable to many elements of climate finance.<sup>11</sup>

These principles are not static. Concerns since the 2008 financial crisis and more recent economic crisis in Europe placed a high premium on “value for money” in foreign assistance, a focus on results and on transparency to promote accountability. This has also led to an increasing focus on leveraging private sector financing to complement the reduction in ODA flows. The 2011 EDF/CPI/ODI/Brookings review highlighted interest in general budget support as a way to align climate finance with national prioritization systems in recipient countries. The review also noted the difficulties in assessing impacts of budget support, which is mixed with national revenue streams. Currently, most climate finance is being delivered on a project basis, while much of the broader development community is moving to programmatic approaches in most cases. Results-based approaches are being tested to demonstrate clearer value for money by tying disbursements to performance. These approaches are still relatively new and untested in the climate field. The EDF/CPI/ODI/Brookings review also noted the importance of ensuring that projects and programs are accompanied by policy and institutional reforms and implemented in ways that ensure broad-based national ownership. Finally, the

10. EDF/CPI/ODI/Brookings, 2011.

11. OECD, 2010a.

## Figure 4: Quality of Climate Finance Can Be Maximized When...

- It promotes clear objectives that are shared among key stakeholders.
- It supports activities that have a powerful transformative or demonstration effect.
- It ensures the most effective balance between public and private capital.
- The actions it funds incorporate a results-based approach.
- It considers cost-effectiveness—that is, actions with a larger “climate return on investment” per dollar allocated (for mitigation projects)—as one of its guiding principles.
- It supports actions that are nationally owned and aligned with local and national priorities.
- Funding is predictable, coordinated and less fragmented.
- It is administered transparently, with flows and results shared to promote accountability and effective prioritization, and is supported by strong “real-time” systems to measure progress, draw early lessons, and allow modification.

Source: EDF/CPI/ODI/Brookings, 2011.

study warned that the proliferation of global programs is a concern, risking fragmentation and distortions if global programs do not link up well with a partner country’s own programs and processes.

### Developing a valuable indicator

Based on these insights, the EDF/CPI/ODI/Brookings review looked at the particular characteristics of climate fi-

nance and arrived at a set of principles that emerged from both the aid effectiveness and climate finance literature and practice (Figure 4). Several of these inform QuODA-CF indicators.

### Modifying QuODA-CF to meet the goals of climate finance

Development of a QuODA-CF tool also aims to learn from best practices in index design, such as those incorporated into the QuODA and other indices such as the Worldwide Governance Indicators (WGI).<sup>12</sup> These practices include: balancing comprehensiveness with simplicity; using criteria that are intuitive and easy to understand by a broad base of policymakers (not just climate insiders); and relying on transparent third-party data sources. Adaptations have been made using these criteria to inform the following areas that make up the parameters of this study:

- **The selection of indicators:** QuODA-CF selects the most relevant QuODA criteria that align with the those outlined in Figure 4, while building new indicators that are most pertinent to the climate debate (explained in further detail in Section 4). This latter group includes those linked to “climate return on investment” and leverage. Where appropriate, given the purpose of the indicator and availability of data, an index value reflects the climate portfolio of the examined agency or fund, rather than all of its aid (which were the basis of QuODA indicators). To select projects to calculate our indicators, we utilized the OECD’s Creditor Reporting System’s “Rio Markers” for climate mitigation and adaptation<sup>13</sup> that tags projects as unrelated or having climate as a “primary” goal or “secondary” goal. For instance, a project might have mitigation as a primary goal but be unrelated to adaptation (following contributor countries’ reports to the OECD/DAC Rio Marker system).<sup>14</sup> QuODA-CF seeks to keep the number of indicators in the same range as QuODA, with the intention of balancing

12. Personal communication between the authors and Homi Kharas and Daniel Kaufmann, 2012.

13. This working paper recognizes that the OECD’s Rio Markers have important difficulties (see Michaelowa and Michaelowa 2011 and Junghans and Harmeling, 2012) and are not able to provide the exact amount of aid specifically directed for mitigation and adaptation in developing countries. However, they are the only screening tool currently available for the bulk of public climate finance and as such provide the only common reporting rules and standards to allow for comparability at the international level.

14. More information on the OECD/DAC Rio Marker system can be found at OECD, 2011b.

comprehensiveness with simplicity. Figure 6 provides a table outlining the QuODA-CF approach, displaying indicators that are adopted directly from QuODA (the top three rows), those that build on QuODA but recalculate figures based on a contributor's portfolio of climate projects only (the middle rows), and those that are entirely new and have been created for QuODA-CF (the bottom rows). While ideally all indicators would be computed on the climate-only portfolio, we often lack sufficient data to do so. As such, we compute the indicator on the entity or its portfolio as a whole to proxy for the appropriate indicator. As in QuODA, the indicators are organized into thematic categories, the first four of which are retained from QuODA: maximizing efficiency, fostering institutions, reducing burden, and transparency and learning. Mitigation and adaptation categories were added specifically for QuODA-CF.

- **The raw data:** QuODA-CF aims to rely on third-party sources. The authors are not equipped to collect data, but instead depend on data collected or generated by third parties and aggregate them in a new way. These types of data include indicators designed by other researchers and/or collected by official sources such as the UNFCCC measurement, reporting and verification (MRV) systems, the OECD/DAC, AidData and the International Institute for Environment and Development (IIED). In this way, QuODA is able to draw on relatively comprehensive and well established sets of data, which have been built over years as part of the movement to strengthen aid transparency and effectiveness. As described in the next sections, this type of comprehensiveness will not be possible for all of the indicators that would be included in the QuODA-CF. As such, some indicators were not able to be calculated at this time, but instead will be discussed to garner input on ways that such data can be developed cost effectively with existing or foreseeable resources. Data sources for each indicator are discussed in Annex 1.

- **The funding universe:** We sought to capture as wide a range of funders of climate change-related foreign assistance as possible, so the universe of bilateral and multilateral agencies and funds examined will be modified from those included in QuODA. Those funds that do not have immediate relevancy to climate-related portfolios, but may in the future (such as the Global Fund to Fight Aids, Tuberculosis and Malaria), were not included in this QuODA-CF scorecard. Where data is available, climate- and environment-specific funds that were not included under QuODA were added. These include funds utilized under the UNFCCC; otherwise linked to U.N. processes (the Adaptation Fund, Green Climate Fund or the Global Environment Facility); operating as significant channels of funding (for example, the World Bank-administered Climate Investment Funds and recipient national trust funds); or introduced within the menu of bilateral funding mechanisms (such as the U.K.'s International Climate Fund). QuODA-CF does not assess carbon finance under the Clean Development Mechanism because, although bilateral agencies have contributed to some carbon funds, carbon finance investments are carried out by private actors and certificates of emissions reductions are purchased, in contrast to public foreign assistance. A number of the specialized funds that belong on this scorecard do not, unfortunately, provide reports to the OECD/DAC systems, although they are captured in similar civil society-initiated databases (i.e., ODI's [climatefundsupdate.org](http://climatefundsupdate.org)) and could be incorporated in QuODA-CF calculations in the future. Inability to include these specialized funds therefore results in substantial missing data, especially for the newest funds. The full list of bilateral, multilateral agencies and specialized funds we believe should ideally be included in a QuODA-CF are listed in Annexes 2 and 3, and a brief description of the stakeholders is shown in Figure 5 on page 12.

## Figure 5: Stakeholders Engaged in International Climate Finance

**Recipient countries** expect that financial pledges will be delivered in ways that meet their national priorities with predictability and low transaction costs. They seek direct access to funds, reduced paperwork and faster administrative turnaround, and mechanisms that meet their domestic priorities. They view multilateral funds that link to the UNFCCC processes, like the Adaptation Fund, the Least Developed Countries Fund and the new Green Climate Fund as the gold standard for participation, since they believe that these offer a greater possibility of provision of flows on an equitable basis in line with their development needs. However, these same funds are also often seen as not user-friendly and unresponsive.

**Contributing countries** often expect that funds will have transformative impact, support results on the ground (and not mere central government interests), and get value for their money. They want recipient governments to meet acceptable fiduciary, environmental and social standards, and want funds to be linked to performance, transparency and accountability. They look to use scarce public funds to leverage private investment and utilize a range of financial instruments (loans, guarantees, insurance, etc.). And they expect to be able to use a wide range of funding channels, relying on a broad mix of bilateral investments and multilateral institutions. Contributors will be asking about the efficiency and effectiveness of these alternatives as they decide how best to channel their contributions.

In both developing and developed countries, **civil society** will be looking for transparency, accountability, adequacy, equity and effectiveness of contributions, as well as participation as part of the oversight process.

**Figure 6: Summary of Indicators and their Computability**

	QuODA Indicators				QuODA-CF Indicators	
	Maximizing Efficiency	Fostering Institutions	Reducing Burden	Transparency & Learning	Climate Mitigation	Climate Adaptation
<b>QuODA (Total Portfolio)</b>	ME1: Low administrative unit costs	F11: Use of recipient country systems	RB1: Use of programmatic aid	TL1: IATI signatory		
		F12: Coordination of technical cooperation		TL2: Implementation of IATI		
		F13: Coverage of forward spending plans/ predictability		TL3: Completeness of commitment data		
<b>QuODA (Climate-only Portfolio)</b>	ME2: Allocation to well-governed countries	F14: Aid to countries with good operational strategies	RB2: Significance of aid relationships	TL4: Recording of project title and descriptions		
			RB3: Fragmentation across donor agencies	TL5: Detail of project description		
			RB4: Median project size	TL6: Reporting of aid delivery channel		
				TL7: Support to partners with good monitoring and evaluation frameworks		
<b>New Indicators</b>	ME3: Allocation to countries with high mitigation opportunities	F15: Share of aid to recipients' top climate priorities		TL8: Quality of FSF report	CM1: Commitment to scale	CA1: Allocation to highly vulnerable countries
	ME4: Multiplying impact/co-financing	F16: Supports capacity building in climate mitigation/ adaptation			CM2: Leverage of private funding	CA2: Scale: demonstrated commitment
	ME5: Focus on climate				CM3: Projected emissions reduction	CA3: Adaptation focus
	ME6: Support of select global public goods facilities for climate				CM4: Transparency of allocation criteria	CA4: Implementation of Hyogo Framework

<b>KEY</b>	Computed	Lacking data or definitions
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## 4. THE INDICATORS

This QuODA-CF scorecard is based on four sub-scores, taken from the thematic categories adopted from QuODA. In this section, we provide brief descriptions of our sub-scores for each of the original four dimensions (maximizing efficiency, fostering institutions, reducing burdens, and transparency and learning) and add two more dimensions specific to climate change financing (climate mitigation and climate adaptation). Further details on the methodology behind the computability of each indicator and sources of data can be found in Annex 1.

### Maximizing Efficiency

#### ME1: Low Administrative Unit Costs

High administrative overhead is a classic hallmark of inefficiency, and data that do not account for such costs will overstate the amount of funding actually available to recipients. This indicator attempts to measure what portion of funding goes to administrative costs. While our data are not fine enough to give us costs for climate-specific projects, we use the administrative costs for all projects as a stand-in.

#### ME2: Allocation to Well-Governed Countries

Following the results of Burnside and Dollar (2000), extensive literature links governance and aid effectiveness. Measures of governance, such as the WGI, are used by a number of aid organizations, such as the Millennium Challenge Corporation (MCC), in their allocation formulas. Arguably, the same results hold true for climate finance: There will be greater impact when funding is allocated to countries that can make better use of it. This indicator thus attempts to measure the extent to which the donor's aid is directed to well-governed countries.

#### ME3: Allocation to Countries with High Mitigation Opportunities

There has been much discussion at the international level of where efforts at emission reduction could be most fruitfully directed. Such discussions are made particularly difficult by the connection between economic activity and pollution: The highest polluters (per capita) will also be the richest. In this indicator, we aimed to capture the notion of “low hanging fruit” in emissions reduction.

We thus looked at a simple measure of environmental efficiency, the amount of emissions per dollar of GDP. The idea would be that allocating funds to countries with high emissions would likely lead to low-cost emissions opportunities. This indicator has certain drawbacks: For example, it does not account for future emissions, projected future adaptation needs or the sectoral composition of the economy. Further work on this indicator should include information from more comprehensive studies of mitigation opportunities.

#### ME4: Multiplying Impact/Co-financing

Climate change is definitely a global problem. While progress can be made on a country-level basis, the most effective change will come from globally coordinated efforts. Donors can cooperate in a number of ways, but one of the most straightforward ways is through co-financing of projects. To capture each donor's level of coordination, we therefore measure the percent of each donor's climate funding that is cofinanced with other funders.

#### ME5: Focus on Climate

Following the logic in QuODA, we note that donors will be the most effective when they specialize, focusing their efforts on a small number of sectors in which they perform best. For instance, Norway tends to focus its climate finance in the forest sector, which is one in which it has lots of experience. Where a donor spends money, then, reveals something about their comparative advantage in a given sector. In particular, donors focused more on climate may be more effective climate donors. We thus compute the portion of each donor's total aid that goes to climate, treating it as a potential signal of their efficacy.

#### ME6: Support of Select Global Public Goods Facilities for Climate

As noted above in ME4, the global nature of climate change necessitates a global response. Global public goods facilities—multilateral entities that represent and act for many donors—are key components for coordinating efforts. It is thus important that countries participate in such multilateral climate efforts. Further, by coordinating the efforts of multiple countries, multilateral initiatives are

typically better able to focus their aid than the large set of bilateral donors. We measure each country's commitment to a global public goods approach by computing the fraction of its climate ODA to prominent Global Public Goods Facilities for Climate. This variable is only computed for the bilateral (country) donors.

## Fostering Institutions

### **FI1: Use of Recipient Country Systems**

Capacity building is of paramount importance to both development assistance and climate finance. In the long run, recipient countries should develop the necessary systems and institutions to become self-supporting. Donors should assist in this process by making maximum use of existing country systems. We measure their level of assistance through the portion of a donor's portfolio that is given to recipient governments through Public Financial Management (PFM) and procurement systems according to the Paris Declaration principles.

### **FI2: Coordination of Technical Cooperation**

Transfers of technical knowledge—or “technical cooperation”—are only as effective as a recipient's need for that knowledge. Unlike money, knowledge is not fungible. As such, donors should make an effort to coordinate their technical cooperation with recipients, supplying only information that is locally relevant. Since no data are available for climate finance specifically, we measure this indicator using the Paris Monitoring Survey for the portion of technical cooperation which is coordinated.

### **FI3: Coverage of Forward Spending Plans/Predictability**

Climate finance has long-term aims, but the information provided by donors often only covers plans in the short run. Such omissions impede recipients' own planning and ability to make effective use of assistance. We thus rate donors on the percentage of their funding that is committed three years in advance according to the OECD report on aid predictability.

### **FI4: Aid to Countries With Good Operational Strategies**

Because of the long-term nature of climate change, climate finance will be most effective in countries with long-term plans and national strategies for adaptation and mitigation. Donors, all else equal, should operate in countries with solid strategies for their aid or should assist in the development of such strategies. Ideally there would be an independent

agency that could assess the quality of individual country mitigation and adaptation strategies, as is done for poverty reduction strategies (PRSPs). Until such an independent rating of country climate strategies is available, we follow the QuODA methodology here and rate climate funding recipients according to their “operational strategy” score in the Paris Monitoring Survey.

### **FI5: Share of Aid to Recipients' Top Climate Priorities**

As with development assistance, climate financing will be most effective when recipients have ownership. Adapting a similar method in QuODA, we thus calculate the share of climate financing that goes to recipients' top climate priorities, as defined by the country (e.g. maximizing co-benefits), drawing on country mitigation and adaptation strategies, depending on which strategy is being supported. The exact procedure for determining “top priorities” will be left to future work, but should draw from publicly available sources (i.e., reporting requirements under the UNFCCC).

### **FI6: Supports Capacity Building in Climate Mitigation/Adaptation**

Country ownership of projects is widely recognized as key to effective implementation. Projects directed solely by donors will overlook important features of local context and may not be properly fitted to recipients' needs. As such, donors should strive to build capacity in partner countries, ensuring that the latter gain increasing independence in implementing climate-related strategies, policies and projects.

## Reducing Burden

### **RB1: Use of Programmatic Aid**

In contrast to “project-based” aid, which allocates funds to individual, discrete objectives, program-based approaches (PBAs) to aid seek to put those funds toward broader goals. Such an approach often allows for increased country ownership and strategic coherence. We adopt the QuODA methodology here exactly and report the percentage of all climate-related aid that is program-based.

### **RB2: Significance of Aid Relationships**

The costs to a recipient of doing business with a particular donor are significant. Indeed, many recipient countries can be overwhelmed by the need to manage a complex list of priorities and restrictions that come with aid. As in the global health sector, there is a risk that this overburdening becomes an increasing problem with the proliferation of bilat-

eral and multilateral climate funds. As such, donors should strive to focus their bilateral efforts on a few partner countries rather than spreading their efforts widely. Contributing to multilateral funds can also help to channel funds without agency-specific procedural, auditing and reporting requirements. Here we adopt the QuODA method of capturing the “significance” of aid relations with a Herfindahl-Hirschman Index (HHI) based on the Country Programmable Aid (CPA) bilaterally given to each recipient by each donor.

### **RB3: Fragmentation Across Donor Agencies**

As noted in RB1, fragmentation between donors is a major source of inefficiency in development assistance generally and with climate finance particularly. However, donor countries do not act as unified entities. In the United States, for example, aid might be given by USAID, the State Department or the MCC, all of which have different goals and philosophies. The problem of fragmentation thus also pertains within donors. As in RB1, we use an HHI index to measure the fragmentation within a donor across its agencies. Adapating the QuODA variable, we focus only on agency fragmentation within each donor’s climate portfolio.

### **RB4: Median Project Size**

Every project carries fixed costs of setup, approval and implementation. As such, donors who choose to fund numerous small projects rather than a few large projects impose greater costs on recipients. Following QuODA, we capture the project size by first grouping all Creditor Reporting System (CRS) entries by country, title and start date. Considering each such group a “project,” we compute the natural log of the median project commitment size, dropping some of the smallest “projects” that are likely to only represent a subpart of a project. We conduct the QuODA procedure on the climate-only portfolio of each donor.

## **Transparency and Learning**

### **TL1: IATI Signatory**

Opacity in aid has negative repercussions in numerous areas. It facilitates corruption, inhibits coordination and impedes recipients’ ability to plan. Such considerations highlight the need for global action to improve transparency, using tools like the International Aid Transparency Initiative (IATI).

Proposed at the 2008 Accra High Level Forum on Aid Effectiveness, IATI aims to create a common standard for reporting information on aid activities. Publish What You Fund’s recent report “Toward Climate Finance Transparency”<sup>15</sup> notes IATI’s usefulness as a model for climate finance, suggesting to us its relevance in measuring the quality of transparency. As per the QuODA method, donors receive a “1” if they are a signatory and a “0” if they are not.

### **TL2: Implementation of IATI**

As noted in TL1, donors’ commitment to transparency initiatives like the IATI is an important signal of their quality of aid. However, signing on to an initiative is only the first step. Donors must also create an organizational structure that allows them to accurately report the data mandated by IATI. Donors here receive a “1” for successful implementation and a “0” otherwise.

### **TL3: Completeness of Commitment Data**

Donors have made public commitments to mobilize climate finance, specifically with Fast Start Finance and the commitment to “mobilize \$100 billion by 2020” for climate finance. In this context the ability of donors to make and follow through on specific commitments is an important measure of their efficacy, particularly for long-term issues such as climate change. However, not all donors report complete, consistent or accurate commitment information to the CRS database.

This indicator attempts to measure the extent to which the information on donors’ aggregated commitments reflects the information they provided on their project-level commitments. Mathematically, it is the fractional error of reported project-level commitments versus aggregated commitments. For example, if total commitments reported at the project-level were either 110 percent or 90 percent of the reported total, the donor’s “error” would be 10 percent. Higher errors are transformed into lower scores.

### **TL4: Recording of Project Title and Descriptions**

Although aid from non-DAC donors has been rapidly expanding in recent years, the DAC’s CRS database is still one of the largest and more comprehensive databases on aid. Thus, for purposes of information and transparency, donors should strive to provide complete information to the CRS. In particular,

15. See Forstater and Rank, 2012.

the three key fields of a project’s “title,” “short description” and “long description” should merit attention, although in practice these fields are often left blank. We adapt the QuODA methodology and measure the portion of these three key fields that are filled in for donors’ climate portfolios (only). In future the UNFCCC common template data may complement this.

#### **TL5: Detail of Project Descriptions**

As noted in the TL4 description, donors should strive to provide as much information as possible to the CRS database. In particular, the long description offers donors the opportunity to provide details on a project that other fields cannot capture. Consequently, we use the average length of the long descriptions as an indicator of donor transparency.

#### **TL6: Reporting of Aid Delivery Channel**

As noted in TL4, DAC donors should strive to provide complete information to the DAC’s CRS aid database. In particular, information on the channel through which aid is delivered—whether an NGO, partner government agencies, multilaterals or others—allows for better tracking of aid flows. Following QuODA’s procedure, we calculate the percentage of aid in which the donor reported a specific channel, excluding vague entries such as “unknown” or “other.” We compute these percentages for each donor on their climate-only portfolio.

#### **TL7: Support to Partners with Good Monitoring and Evaluation Frameworks**

Monitoring and evaluation (M&E) frameworks allow aid to be tracked and assessed. These frameworks are a necessary first step for donors and recipients in evaluating and altering their aid policies. Donors can show their commitment to such systems by focusing their aid on countries with good M&E frameworks.

This indicator attempts to measure the extent to which donors give to countries with good systems for monitoring/evaluating aid. Recipient countries’ ratings come from the Paris Monitoring Survey and are each assigned numerical weights (0, 0.5 or 1) by QuODA. Mathematically, it is the average of the scores of the recipient entities weighted by the amount of money disbursed. As in QuODA, we compute the indicator on Country Programmable Aid (CPA),

as the frameworks are less relevant for other forms of assistance such as humanitarian aid.

#### **TL8: Quality of FSF Report**

Country reports are key to the transparency and effectiveness of the \$30 billion pledged “Fast Start Financing.” However, some countries did not file their reports in a timely manner and, when filed, many reports lack key pieces of information or sufficient explications of their summary claims, lacking full information at the project level that would allow users to verify national totals of climate finance of different types. To rate the quality of a country’s FSF report, we draw from the IIED scorecard that lists scores for eight countries in our donor sample. After the FSF period (which ended in 2012), reporting detail, quality and frequency remain more uncertain. Finally, FSF reports were only produced by 10 countries (including the EU as one) and for two or three years. We entirely lack such data for other bilateral and all multilateral donors.

### **Climate Mitigation**

#### **CM1: Commitment to Scale**

Mitigating climate change will require economy-wide shifts in many countries, both developed and developing. In this indicator we look specifically at donor country support for international climate finance to support climate action in developing countries. Climate financing in this area must reflect the challenges of achieving economy-wide transformation, aiming for large-scale efforts. We rank donors’ commitment to scale by computing the size of commitments to their CRS mitigation portfolio divided by their GDP. This is an imperfect measure because external funding could support much larger nationally funded projects. External funding also could support policy reform that could stimulate significant low-carbon and climate-resilient investment beyond the scope of funder financing. However, it does reflect the overall size of a donor’s efforts on the issue. Note also that this is an index of commitments: Disbursements come later and often vary significantly from official commitments, but data on disbursements are far more spotty.

#### **CM2: Leverage of Private Funding**

Using scarce public funds to leverage private investment for climate action is a high priority for the international cli-

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16. United Nations, 2010.

mate community.<sup>16</sup> Leverage is just one indicator of the effectiveness of climate finance. As discussed earlier, others include achieving transformational impact, cost per unit of emissions reduced, etc. While there is not an agreed global definition of either climate finance or leverage, the OECD and other international organizations are working to define these terms. An agreed definition of climate finance and leverage will be needed to be able to design an indicator of leverage in climate finance and should be an important component of further development of QuODA-CF.

### **CM3: Projected Emissions Reduction**

One of mitigation financing's primary goals is to invest in projects that will yield the most in emissions reductions for a given amount of money. Like leverage, this is only one dimension of quality. While climate finance programs may also include other goals (co-benefits), from the point of view of the quality of climate finance, the cost efficiency of emissions reduction needs to be one measure of quality. As such, we look at projections for emissions reductions for our donors' projects. This index could be developed into one that considered the scale of emissions reductions (per dollar contributed). Where applicable, it will be useful to take into account generally accepted methodologies such as those used in the clean development mechanism, World Resources Institute greenhouse gas protocol, etc.

### **CM4: Transparency of Allocation Criteria**

In choosing where to allocate their money, donors work from a list of criteria that identify the qualities of a promising project. However, the specificity and clarity of such criteria vary widely. We thus rate the transparency of each donor's criteria. Such an index would need to vary for each different channel of delivery of funds that have different criteria.

In addition to the above climate mitigation indicators, several other important issues need to be examined but are beyond the scope of this study. For instance, assessing the

*leverage of policy impact* in the context of climate change mitigation is an important indicator of how effectively funds are being utilized to contribute to greater change. Mitigation is not only a matter of utilizing new technologies and funding individual projects, but also of policy changes that will increase emissions standards, support renewable energy and promote sustainable development. Climate financing should thus seek to leverage policy changes as well as private money, using funding to achieve country and worldwide change. Similarly, it is important to assess the effectiveness climate finance has on promoting *market transformation through innovation*. While climate change can be mitigated with existing technology, the long-term prospects for reducing our carbon footprint rely on game-changing innovations, particularly in the area of renewable energy sources. Although it is notoriously difficult to identify such ideas, the high benefits of success merit donors' support. Both of these indicators are inherently valuable, yet the tools and data needed to provide a satisfactory monitoring and evaluation framework are not developed as common practice, and further analysis is necessary.

## **Climate Adaptation<sup>17</sup>**

### **CA1: Allocation to Highly Vulnerable Countries**

The impacts of climate change across countries will be anything but homogeneous. Small, developing island nations face threats that affect larger percentages of their populations or have greater economic impact than for countries such as the United States that have a greater capability to adapt to climate impacts. Recognizing this reality, donors should finance adaptation in the areas where it is most needed.<sup>18</sup> To compute each donor's score, we use a measure of each recipient's vulnerability to climate change.<sup>19</sup> Using the CRS database, we then take the average vulnerability score of each donor's recipients, weighted by CPA.

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17. This study recognizes the inherent difficulties in both defining and measuring adaptation. The OECD climate change adaptation marker defines adaptation as "intending 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." Adaptation poses greater challenges than that of mitigation for several reasons: Resilience is a poorly-defined concept and as yet has no agreed form of measurement; adaptation activities are similar to development activities (for example, infrastructure projects), thus confusing aid classification; and results from adaptation funding tend to be measured over a longer timeframe than for mitigation, making a yearly or biennial index difficult to produce. Indeed the OECD climate change adaptation definition is vague on what constitutes adaptation: "[adaptation] encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions" (OECD, 2011b).

18. See Birdsall and de Nevers, 2012.

19. A number of indices already exist and could be used, for example, Wheeler, 2011 or DARA, 2012.

**CA2: Scale: Demonstrated Commitment**

As noted in CM1, the scale of the impact of climate change demands a commensurate scale of commitment from donors. Recognizing the need for scale, donors should attempt to make climate finance a top priority in the context of development assistance or an addition to ODA. Similar to CM1, we measure each donor's commitment to scale by computing the ratio of their adaptation funding to GDP.

**CA3: Adaptation Focus**

Preventing the adverse effects of climate change will necessitate work on both the adaptation and mitigation fronts. To

be most effective, donors must seek to balance the two in their financing. This balance is not linear and will depend on both the recipient country needs and level of vulnerability, as well as donor priorities and overall climate finance portfolio.

**CA4: Implementation of Hyogo Framework**

A changing climate may well cause an increase in the frequency of natural disasters, with which many of poor nations already struggle to cope. While adaptation actions will cover many sectors of the economy, not just disaster relief, it will be important for donors to implement international agreements such as the Hyogo Framework for Action.<sup>20</sup>

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20. The Hyogo Framework for Action (HFA) is the first plan to explain, describe and detail the work that is required from all different sectors and actors to reduce disaster losses. It was developed and agreed upon with the many partners needed to reduce disaster risk—governments, international agencies, disaster experts and many others—bringing them into a common system of coordination. The HFA outlines five priorities for action and offers guiding principles and practical means for achieving disaster resilience. Its goal is to substantially reduce disaster losses by 2015 by building the resilience of nations and communities to disasters. This means reducing loss of lives and social, economic and environmental assets when hazards strike. See UNISDR, 2013 for more information.

## 5. GAPS IN DATA

We identified a series of indicators that will be useful in understanding the extent to which a contributing agency has taken onboard the latest thinking on what makes for quality climate finance. Based on our analysis, several substantial gaps in data generation have been uncovered (represented in red in Figure 6 and described in the text).

Although sufficient data does exist in some areas for assessment, i.e., there is substantial information in the transparency and learning category available now, making it possible to calculate all eight indicators. The dozen other indicators we see as critical in building a useful index of the quality of climate finance are not so easily calculated. These remain red in our table of indicators. In particular, we believe there would be great value in collecting climate specific information on efficacy of funding. For measuring mitigation, we could simply use the number of tons of carbon dioxide or other greenhouse gas emissions reduced per dollar of funding. Data on co-financing and support of global public goods facilities for climate seem to be clear indicators of effective mitigation aid. Measurement of these data are not straightforward and work is ongoing. In addition, there needs to be a good indicator for how well public funds leverage private sector finance. For adaptation, there needs to be an index that reflects whether projects are likely to reduce vulnerability and enhance resilience of local communities. Reducing disaster risk and targeting aid to highly vulnerable countries are clear priorities, but other indicators could potentially be identified.

Certain variables we suggest are not fully defined, such as adaptation indicators that require a more specific definition. For others, there remain contentious decisions regarding which data source one might choose. For example, for Climate Mitigation 2 (leverage of private funding), we know what we're looking for, but are unaware of a compilation of these numbers for a range of donors. Maximizing Efficiency 4 (multiplying impact and co-financing)

also suffers from missing data; annual reports from individual donors may have to be reviewed for available data because the CRS reporting from the OECD is often missing or inadequate for this field. Maximizing Efficiency 6 (support of select global public goods facilities for climate) also lacks a compilation. Existing information for this variable could be found in annual reports, Web sites and Fast Start Finance reports, but their completeness and comparability are uncertain. For example, the Global Environment Facility (GEF) in its annual reports often claims large multiplier impacts of its funding, which encouraged private investment or other donors to follow.<sup>21</sup> A major concern is the comparability of claims in these reports, which make creating a comparative index difficult.<sup>22</sup> There were a few other variables, such as Climate Adaptation 1 (vulnerability), where a value judgement would need to be made in order to calculate an index. We identify several possible sources for national vulnerability indicators,<sup>23</sup> but each has its detractors and downsides. On the other hand, Fostering Institutions 5 (the share of aid to recipients' top climate priorities) would require a lot of work, including reviews of each nationally appropriate mitigation action (NAMA) and national adaptation plan of action (NAPA) for recipient countries. To update that annually or regularly would be a major project and quite an important task, perhaps best undertaken under supervision of the UNFCCC.

Several of the key variables should be priorities for data development. Fostering Institutions 6 (whether a contributor supports capacity building for climate mitigation and adaptation) is difficult to measure and compare, given existing data. A major problem is the lack of a hard definition for "capacity building." Climate Mitigation 3 (the projected emissions reductions expected from funded projects) requires substantial new data. A few contributors have project documents available publically that could be mined for this

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21. For a complete discussion on the problems associated with calculating leverage ratios see Brown and Jacobs, 2011 and EDF/CPI/ODI/Brookings, 2011.

22. See Caruso and Ellis, 2013.

23. For more information, see DARA, 2012; SEI, 2012; Maplecroft, 2013 and Brooks et al., 2005.

information, but most do not, and we do not expect there to be standardized reporting on this in the near future. Some donors may be hesitant to use this kind of indicator, but some may use it as a criterion on whether to fund projects.

Three other climate-specific indicators we consider priorities for development may require less effort. Climate Mitigation 4 (which seeks to measure a donor's transparency of allocation criteria) requires a definition of transparency in this regard. In particular, we need to know whether donors have a program-wide allocation formula or whether they include project-level information in allocating approaches. Climate Adaptation 3 (adaptation focus) seeks to measure adaptation's portion of overall climate finance; some countries report this in their Fast

Start Finance reports from late 2012, but some do not. Overlapping projects with mitigation were counted differently by some contributors in this case. Climate Adaptation 4 (implementation of the Hyogo Framework on disaster risk reduction) requires more research, but we are unaware of a cross-national indicator that is currently instituting these important new recommendations.

Finally, many agencies and funds specific to climate change, which we would like to assess and are key to this work, do not report to the standardized databases like the OECD/DAC Creditor Reporting System and, as a result, have not been included in this initial assessment. The lack of a central database for climate funds will be a major hurdle for any quantitative assessment of their activities.

## 6. DISCUSSION AND RECOMMENDATIONS FOR FURTHER WORK

Developing an index for climate finance based on the QuODA development aid metric presents several design challenges. First of all, there is no agreed definition of quality when it comes to climate finance; there have not been major meetings or initiatives leading to an international consensus on climate finance measures, as there were with the Paris Declaration of 2005 and the Accra Agenda for Action for ODA. Much has been said in the 20 years of negotiations on climate change about what kinds of approaches should be fostered, but disagreements remain between groups of nations about how to optimize that spending, such as whether to focus on bilateral or multilateral channels, whether climate finance should be mainstreamed into all foreign aid or whether some work will need to remain separated, and so on. Beyond the OECD's Rio Marker system for climate mitigation and adaptation, there are no established measurement tools for transparency and accountability.

Second, challenges arise when attempting to classify the type of climate finance, whether for mitigation or adaptation activities. Mitigation and adaptation cannot be measured in the same index of climate finance quality. Adaptation poses a greater challenge here, as in most cases its results cannot be easily defined or measured in the normal ODA timeframe, whereas mitigation in most cases can be measured in the short term. As adaptation projects are often similar to development projects, efforts will need to be made in differentiating between development assistance when designing indicators. It may be useful to calculate scores for contributors based on different definitions of climate finance. We found that, besides major holes in what climate finance variables are available, often the quality of the data that *is* available appears to be poor. The challenge this paper faced was how to build indicators based on currently available data, while also encouraging reporting systems and decision-making to promote greater transparency, accountability and efficiency in climate financing.

Finally, climate finance flows differ from traditional development aid flows, and therefore must be assessed on a differ-

ent scale from ODA. Climate flows were promised to be “new and additional” to development aid, but to date they are usually funded out of aid budgets and are often delivered through multiple aid channels and by multiple donors, thus making tracking of climate flows (as distinct from aid flows) problematic. If funders make clear commitments to provide climate finance separate from commitments to ODA, it will be easier to track progress in delivering on commitments. Another difficulty arises when trying to capture the amount of leverage gained from private sector flows, i.e. how have funds coming from the public sector worked to increase contributions from the private sector. Additional mechanisms that do not exist in development finance complicate the picture, such as the Clean Development Mechanism (CDM) and carbon markets. These will require unique indicators to capture their contribution and as a result have not been captured in this initiative.

Climate finance is rapidly increasing in the portfolios of nearly all the major contributing institutions for development finance, and in a series of new funds and agencies. After this exercise we remain convinced that there will be a clear value in producing an index of the quality of each contributor's efforts.

This effort was an important first step and exploration to test the feasibility of defining measurement criteria, and to begin to numerate these efforts by international donors. However given the data gaps, the early findings of this index need to be interpreted carefully. Our efforts to adapt the QuODA index to feature the quality of climate finance flows have revealed the inherent difficulties in measuring this new source of “aid,” and major outcomes of this study include identifying gaps for further work and providing first steps toward a detailed methodology for carrying out this work. Climate finance, whether for projects and policies to drive reduction of emissions or to adapt to its worst impacts, is in need of a robust set of reporting and measurement standards, as well as measurement tools for assessing how funds are allocated and spent.

In terms of further research and data collection initiatives, it is clear that more robust reporting standards are needed, and a climate information facility of some sort is sorely needed. Such a facility could collect and aggregate data on pledges, commitments, allocation and disbursement, and hopefully track the spending and oversee evaluations of the effectiveness of the billions of dollars that have already begun to flow to address climate impacts and soaring emissions in developing countries. Some institutions that have experience in this area include the OECD/DAC and the World Bank, but there might be more broad credibility if an independent group such as WRI, CPI, IIED or SEI were to lead or contribute to this work.<sup>24</sup> Based on our his-

torical niche and comparative capacities, Brookings and CGD are interested only in being aggregators, not generators of the indicators to create this kind of scorecard. In any case, the work could ideally be done under the authority and supervision of the UNFCCC to improve transparency, build trust across the contributor-recipient divide and inform better practice in climate finance.

Following through with rigorous methods and support for periodic updates will be critical in this important effort to measure the quality of climate finance and foster better practices among the world's major funders of international climate action.

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24. See also Birdsall and Leo, 2011 and Birdsall and MacDonald, 2013.

# ANNEX 1: METHODOLOGY

## Complete Descriptions

### Preface and Definitions:

As with the original QuODA approach, all indicators are converted to z-scores (mathematically, they are de-meant and divided by the standard deviation) before being outputted. In the climate-only variables, when conducting analyses on projects in the CRS database, we only keep projects marked with an adaptation Rio Marker of at least 1 (or 2), leading to two possible sets of indicators. That is, we developed draft QuODA-CF specific indicators based on two portfolios of donor projects: those whose “principal objective” was to address climate mitigation or adaptation, and a broader group of projects whose “significant” or “principal” objectives were to address climate change. For the moment, we plan to look at both sets of indicators separately, rather than combining them, though further work may lead us to a single set of mitigation and adaptation indicators. All descriptions from indicators in QuODA 2.0 are adopted from their corresponding descriptions.<sup>25</sup>

In all formulas, the subscript “d” indicates a particular donor, the subscript “r” indicates a particular recipient, and the subscript “i” represents a particular entry in the CRS. Quantities with both “d” and “r” subscripts reflect statistics based on the relationship of a particular donor to a particular recipient. Quantities with only a “d” or an “r” reflect statistics or aggregates for that particular donor or recipient.

Many of these indicators utilize Country Programmable Aid (CPA) in their calculation, often in the denominator of a fraction. CPA is a concept from development assistance that attempts to separate “core” aid for development from other types such as humanitarian assistance. CPA attempts to measure the amount of aid over which recipients have significant control to use for development. CPA begins with ODA figures, but subtracts out humanitarian assistance, administrative costs and debt relief, among others. Unfortunately, CPA figures are not calculated by the CRS. Therefore, QuODA and thus QuODA-CF perform their own calculations basing them on the OECD/DAC definition.<sup>26</sup>

Some indicators are computed on the “climate only” portfolio of each donor. Unless otherwise specified, this term means that only project entries with a Rio Marker (adaptation or mitigation) labeled as 1 (that climate change is a “significant” objective) or 2, (“the principle objective” of the project) were used in the analysis. Adaptation and mitigation are typically done separately, yielding a set of four results per subindicator (two markers times two possible cutoffs).

Finally, note that even the indicators taken directly from QuODA will differ slightly from those reported by QuODA. This is due to our inclusion of some donors (notably the GEF) that are not included in QuODA. Consequently, the z-score standardization of the variables will differ.

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25. Kharas and Perakis, 2011.

26. See OECD, 2013 for more information.

## Maximizing Efficiency

### ME1: Low Administrative Unit Costs

We adopt the QuODA methodology here exactly. Since we are unable to disaggregate the data, we report the QuODA values for donors' entire portfolios. The indicator is calculated based on the share of CPA used for administrative costs. The negative sign reflects the fact that higher administrative costs result in a lower score.

Mathematically, we base our analysis on:

$$-\left(\frac{\text{Administrative costs}_d}{CPA_d}\right)$$

Sources: OECD/DAC, 2012; Birdsall and Kharas, 2010.

### ME2: Allocation to Well-Governed Countries

Adapting the QuODA methodology to donors' climate-only portfolios, we measure governance with the WGI and use CPA to measure funding. Mathematically, the indicator is the average of a governance indicator (drawn from the WGI) of the recipient entities, weighted by the amount of money disbursed.

Mathematically, we use:

$$\sum_r \left(\frac{CPA_{d,r}}{CPA_d}\right) * GVI_r$$

Sources: OECD/DAC, 2012; Kaufmann et al., 2009.

### ME3: Allocation to Countries with High Mitigation Opportunities

Mathematically, we compute the average of each donor's recipients' emissions per GDP (PPP), weighted by the amount of CPA given to the recipient. Here we use donors' climate-only portfolios.

Mathematically, we use:

$$\sum_r \left(\frac{CPA_{d,r}}{CPA_d}\right) * \frac{CO_2 \text{ emissions}_r}{GDP_r}$$

Sources: OECD/DAC, 2012; The World Bank, 2013 [2008 CO<sub>2</sub> Emissions]; International Monetary Fund, 2012 [GDP PPP (2008)].

### ME4: Multiplying Impact/Co-Financing

The exact procedure has not been determined for this variable: Nations could be scored on the proportion of their projects or total grant amounts that are matched with funding from other sources.

### ME5: Focus on Climate

Based on the CRS project data, we compute the portion of CPA with a climate focus. In particular, for each donor we compute the percentage of CPA which has a Rio Marker (either adaptation or mitigation) with at least a 1 (or 2).

Mathematically, we use:

$$\frac{\sum_i CPA_{i,d} * Climate_{i,d}}{\sum_i CPA_{i,d}}$$

Source: OECD/DAC, 2012.

## ME6: Support of Select Global Public Goods Facilities for Climate

The exact procedure has not been determined for this variable. For each donor, the score will consist of a measure of total funding to Global Public Goods Climate Facilities over a measure of total funding.

## Fostering Institutions

### FI1: Use of Recipient Country Systems

The 2011 Paris Monitoring Survey reports the share of total government aid both through PFMs and through procurement systems (separately). Our formula follows QuODA exactly and averages these two indicators.

Mathematically, we use:

$$\left[ \left( \frac{PFM \text{ disbursements}_d}{Aid \text{ to government sector}_d} \right) + \left( \frac{Procurement \text{ system disbursements}_d}{Aid \text{ to government sector}_d} \right) \right] / 22$$

Source: OECD, 2011a [Indicators 5a,5b].

### FI2: Coordination of Technical Cooperation

We adopt the QuODA methodology here exactly. The 2011 Paris Monitoring Survey reports the portion of technical cooperation (TC), which is coordinated. We simply copy these values.

Mathematically, we use:

$$\left( \frac{Coordinated \ TC_d}{Total \ TC_d} \right) d$$

Source: OECD, 2011a [Indicator 4].

### FI3: Coverage of Forward Spending Plans/Predictability

The DAC report on aid predictability calculated the share of CPA for which donors provided forward spending information three years into the future. These values are copied here exactly.

Source: OECD, 2010c.

### FI4: Aid to Countries With Good Operational Strategies

Following QuODA, we give each recipient an “operational strategy score” based on the 2011 Paris Monitoring Survey’s rating of operational strategies. Scores of “A” or “B” rate as 1, scores of “C” rate as 0.5, and “D” or “E” rate as 0. We then compute the average, weighted by CPA, of the operational scores of each donors’ recipients.

Mathematically, we use:

$$\sum_r \left( \frac{CPA_{d,r} * OS_r}{CPA_{d,r}} \right)$$

Sources: OECD/DAC, 2012; OECD, 2011a [Indicator 1].

### FI5: Share of Aid to Recipients’ Top Climate Priorities

The exact procedure has not been determined for this variable. Using NAMAs/NAPAs and other national climate change plans, a list of top climate priorities by recipient could be assembled, and then a contributor’s total funding to those priorities could be divided by its total portfolio.

## FIG: Supports Capacity Building in Climate Mitigation/Adaptation

The exact procedure has not been determined for this variable, but capacity building will need to be quite specific to local needs and agency structures and staffing.

### Reducing Burden

#### RB1: Use of Programmatic Aid

We report the figures from the 2011 Paris Monitoring Survey on the fraction of total aid which is program-based (see description in Section 4 or the survey itself).

Mathematically, we use:

$$\left(\frac{\text{program based aid}_d}{\text{total aid}_d}\right)d$$

Source: OECD, 2011a [Indicator 9].

#### RB2: Significance of Aid Relationships

As per QuODA, we use a Herfindahl-Hirschman Index (HHI) to compute fragmentation across a donor's climate portfolio (only) recipients. Essentially, this index computes dispersion among different quantities and rewards donors for concentrating more of their funding among fewer recipients.

Mathematically, we use:

$$\sum_r \left(\frac{CPA_{d,r}}{CPA_d}\right)^2 r$$

Source: OECD/DAC, 2012.

#### RB3: Fragmentation Across Donor Agencies

As with QuODA, we use an HHI index on CPA to measure a donor's climate-portfolio fragmentation on an agency level. We use the subscript "a" here to represent an agency code in the CRS database.

Mathematically, we use:

$$\sum_a \left(\frac{CPA_{a,d}}{CPA_d}\right)^2 a$$

Source: OECD/DAC, 2012.

#### RB4: Median Project Size

First, we begin by restricting our analysis to CRS entries on donors' climate portfolios. Second, we group the remaining entries by the following characteristics: recipient, title, agency and start date. We denoted such a collection of entries as a "project." We then summed all donor commitments across each "project" and denoted this the "project size."

The project consolidation was undoubtedly imperfect and, as a consequence, some actual projects were undoubtedly split into small groups by our classification. As a partial fix, we drop projects with size less than or equal to \$250,000.

For each donor, we now compute the natural log of the median project size (the subscript “p” represents a project group as defined above):

$$\ln(\text{median}(\text{size}_{p,d}))$$

Source: OECD/DAC, 2012.

## Transparency and Learning

### TL1: IATI Signatory

Each donor here receives a “1” for being a signatory as of November 1, 2012 and a “0” otherwise.

Source: International Aid Transparency Initiative, 2013.

### TL2: Implementation of IATI

Each donor here receives a score of “1” for having implemented IATI reporting standards as of November 1, 2012 and a “0” otherwise.

Source: International Aid Transparency Initiative, 2013.

### TL3: Completeness of Commitment Data

We compute the fractional “error” of commitments (from the total reported in the CRS) versus the separate total reported to the DAC in Table 3a. The negative sign in the formula reflects the fact that a higher error results in a worse score.

Mathematically:

$$-\left|1 - \frac{\sum_i \text{commitment}_{i,d}}{\text{DAC commitment}_d}\right|$$

Source: OECD/DAC, 2012 [Projects and Table 3a aggregates].

### TL4: Recording of Project Title and Descriptions

The score here is computed as the percentage of key fields (“project title,” “short description,” “long description”) by CRS entry that are not missing. This variable is computed on the climate-only portfolio.

Mathematically, we use:

$$\left(\frac{\text{Populated key field entries}_d}{\text{Total key field entries}_d}\right)$$

Source: OECD/DAC, 2012.

### TL5: Detail of Project Descriptions

We mostly follow QuODA methodology here. However, QuODA computes this indicator using the AidData 2.0 data set. Unfortunately for our purposes: i) that data set is still being updated for 2010 and ii) it only has one climate marker (“climate” versus “climate adaptation/mitigation”). For the moment, we have opted to adopt the temporary fix of using the CRS database instead. Additionally, the indicator is calculated on the climate portfolio only.

Mathematically, we base our analysis on the following (where “n” is the number of entries for a donor):

$$\ln\left(\frac{\sum_i \text{length of long description}}{n}\right)n$$

Source: OECD/DAC, 2012.

### TL6: Reporting of Aid Delivery Channel

We define a CRS entry to have sufficient reporting (“S<sub>i,d</sub>”) if:

The channel is reported.

1. The reported channel is *not* “Multilateral Institutions,” “Other,” “Public-Private Partnerships,” “Public-Private Partnerships (PPP),” “Regional Development Banks.”
2. The reported channel is *not* “Public Sector (donor, recipient, other)” if the recipient is unspecified (specifically listed as: “Bilateral, unspecified”).
3. We then compute the percentage of ODA in the climate-only portfolio, which has a valid reporting channel:

$$\frac{\sum_i ODA_{i,d} * S_{i,d}}{\sum_i ODA_{i,d}}$$

Source: OECD/DAC, 2012.

### TL7: Support to Partners with Good Monitoring and Evaluation Frameworks

We adopt the corresponding QuODA methodology for donors’ climate-only portfolios. The 2011 Paris Monitoring Survey scored recipients on their monitoring and evaluation (M&E) frameworks which were converted to numbers: 1 (for A or B), 0.5 (for C), 0 (for D or E). Each donor’s score is computed as the average M&E score for their recipients weighted by CPA.

Mathematically, we use:

$$\sum_r \left( \frac{\text{gross } CPA_{d,r} * ME_r}{\text{gross } CPA_d} \right)$$

Sources: OECD/DAC, 2012; OECD, 2011a [2009 M&E scores].

### TL8: Quality of FSF Report

The 2011 transparency scores for the FSF are reported verbatim here. The scores are themselves an index representing many subscores (see the IIED brief sourced below).

Source: Cipllet et al., 2011.

## Climate Mitigation

### CM1: Project Scale

A “climate entry” here is defined as any entry that has either a climate (mitigation or adaptation) Rio Marker designation of at least a 1 (or 2) leading to two possible scores. We compute the ratio of total climate project commitments to GDP for each donor.

Mathematically, we use:

$$\sum_i \left( \frac{\text{commitment}_{i,d}}{GDP_d} \right) i$$

Sources: OECD/DAC, 2012; International Monetary Fund, 2012 [2010 GDP (current USD)].

**CM2: Leverage of Private Funding**

The exact procedure has not been determined for this variable.

**CM3: Projected Emissions Reduction**

The exact procedure has not been determined for this variable.

**CM4: Transparency of Allocation Criteria**

The exact procedure has not been determined for this variable.

**Climate Adaptation****CA1: Allocation to Highly Vulnerable Countries**

The exact procedure has not been determined for this variable.

**CA2: Scale: Demonstrated Commitment**

Like CM1, but only computed on adaptation projects. We compute the ratio of total adaptation project commitments to GDP for each donor. This variable is only calculated for countries, not funds or institutions for which the concept of GDP does not apply.

$$\sum_i \left( \frac{\text{commitment}_{i,d}}{GDP_d} \right) i$$

Sources: OECD/DAC, 2012; International Monetary Fund, 2012 [2010 GDP (current USD)]

**CA3: Adaptation Focus**

The exact procedure has not been determined for this variable.

**CA4: Implementation of Hyogo Framework**

The exact procedure has not been determined for this variable.

# ANNEX 2: FULL LIST OF ENTITIES TO BE ASSESSED (AND NUMBER OF INDICATORS CALCULATED)

## QuODA Entities

African Development Fund (2)  
Asian Development Fund (8)  
Australia (21)  
Austria (20)  
Belgium (20)  
Canada (21)  
Denmark (20)  
EU Institutions\* (20)  
Finland (20)  
France (20)  
Germany (20)  
Greece (17)  
International Development Association (IDA)\*\* (19)  
Inter-American Development Bank (IDB) Special Fund (8)  
International Fund for Agricultural Development (IFAD) (8)  
Ireland (20)  
Italy (20)  
Japan (21)  
Korea (20)  
Luxembourg (20)  
Netherlands (20)  
New Zealand (21)  
Norway (21)  
Portugal (19)  
Spain (20)  
Sweden (20)  
Switzerland (21)  
United Nations (selected agencies)\*\*\* (8)  
United Kingdom (20)  
United States (21)

## Additional QuODA-CF Entities

Adaptation Fund (2)  
Clean Technology Fund (2)  
Forest Carbon Partnership Facility (2)  
Forest Investment Program (2)  
Green Climate Fund (2)  
Global Environment Facility (6)  
International Bank for Reconstruction and Development (IBRD)\*\* (2)  
International Finance Corporation\*\* (2)  
Pilot Program for Climate Resilience (2)  
Scaling Up Renewable Energy Program (2)  
Strategic Climate Fund (2)  
UN REDD+ (2)

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\* This includes the European Union and European Commission

\*\* Where values for this individual institution are missing, we use values for “World Bank” instead.

\*\*\* Includes UNAIDS, UNDP, UNFPA, UNICEF in the CRS database. Institutional values for the U.N. are used elsewhere.

# ANNEX 3: LIST OF SPECIALIZED CLIMATE FUNDS, BILATERAL, AND MULTILATERAL AGENCIES ACCOUNTED FOR IN ME6

## UNFCCC Funds

- Adaptation Fund
- Global Environment Facility:
  - GEF-4 (2006-2010)
  - GEF-5 (2010-2014)
  - Least Developed Countries Fund
  - Special Climate Change Fund
  - Strategic Priority on Adaptation
- Green Climate Fund

## National Funds

- Amazon Fund
- Guyana REDD+ Investment Fund (GRIF)
- Indonesia Climate Change Trust Fund

## Other Multilateral Funds

- Climate Investment Funds:
  - Clean Technology Fund
  - Strategic Climate Fund:
    - Forest Investment Program (FIP)
    - Pilot Program for Climate Resilience (PPCR)
    - Program for Scaling up Renewable Energy in Low Income Countries (SREP)
- Forest Carbon Partnership Facility (FCPF)
- Congo Basin Forest Fund
- Global Climate Change Alliance
- Global Energy Efficiency and Renewable Energy Fund
- MDG Achievement Fund—Environment and Climate Change Thematic Window
- UN REDD+

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