Transparency of climate finance – the merits of AidData

Presented at the Climate Finance Workshop in Venice, 14th October 2010
Martin Stadelmann
Content

– AidData.org - what it is

– Advantages of AidData.org

– Application in research on climate finance
AidData.org - what it is

Online database for tracking development finance
- Most comprehensive database
  - 850,000 projects worth $4.2 trillion.
- Went public in April 2010 (predecessor PLAID started in 2003)
- Developed by US universities & Development Gateway

Goal
- Easy to use, accessible, transparent
- improve strategic planning and coordination
AidData.org - Advantages

- **Number of donors** (see next slides)

- **Time**
  - Projects back to 1950s
  - Newest projects (up to 2010)

- **Add-ons planned for the future**
  - Reviewed climate coding (in the future)
  - Private flows included
  - Geo-referencing
  - Crowd-sourcing of information on each project
AidData.org - Advantages

Aggregate Project Amounts for DAC Multilateral Donors

<table>
<thead>
<tr>
<th>Organization</th>
<th>Amt Gathered by PLAID</th>
<th>Amt Reported to CRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMF</td>
<td>15,73</td>
<td></td>
</tr>
<tr>
<td>IFAD</td>
<td>12,24</td>
<td>13,69</td>
</tr>
<tr>
<td>IADB</td>
<td>70,70</td>
<td></td>
</tr>
<tr>
<td>IDA</td>
<td>253,12</td>
<td>285,23</td>
</tr>
<tr>
<td>IBRD</td>
<td>77,21</td>
<td></td>
</tr>
<tr>
<td>Global Fund</td>
<td>9,04</td>
<td>8,13</td>
</tr>
<tr>
<td>AFDB Group</td>
<td>43,01</td>
<td>77,05</td>
</tr>
</tbody>
</table>

Total USD Amount in Billions

- Amt Gathered by PLAID
- Amt Reported to CRS
### Non-DAC Bilateral Donors: Average Yearly Aid (USD 2000 Millions)

<table>
<thead>
<tr>
<th>Country</th>
<th>Aid (USD 2000 Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates</td>
<td>585.38</td>
</tr>
<tr>
<td>Kuwait</td>
<td>535.52</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>472.74</td>
</tr>
<tr>
<td>Qatar</td>
<td>78.90</td>
</tr>
<tr>
<td>Iceland</td>
<td>64.38</td>
</tr>
<tr>
<td>South Africa</td>
<td>34.33</td>
</tr>
<tr>
<td>Taiwan</td>
<td>29.86</td>
</tr>
<tr>
<td>Thailand</td>
<td>13.39</td>
</tr>
<tr>
<td>Brazil</td>
<td>4.18</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.27</td>
</tr>
<tr>
<td>Hungary</td>
<td>3.14</td>
</tr>
<tr>
<td>Monaco</td>
<td>2.75</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>1.39</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.78</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.56</td>
</tr>
<tr>
<td>Chile</td>
<td>0.54</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.44</td>
</tr>
<tr>
<td>Poland</td>
<td>0.23</td>
</tr>
<tr>
<td>Colombia</td>
<td>0.16</td>
</tr>
</tbody>
</table>
USAID’s Inspector General recently conducted a scathing audit of this project. Also, check out Washington Post’s latest investigative reporting on the contractor’s (the Louis Berger Group) shoddy road construction work. This excerpt from the "WT" article really says it all: “A particularly prized project was a highway from Kandahar to Kandahar that Bush requested be completed in less than a year. USAID met the goal, but to do so, it allowed its contractors to place such a thin layer of asphalt in some places that it washed away when snows melted the following spring.”

This seems to be another example of political expediency trumping good development practice. What will the US government stop undermining its own success by setting unrealistic deadlines?

B. Parks is mistaken. Phase I of the Kobui-Kandahar Highway Reconstruction Project was successfully completed in record time. I would recommend that we read our firm’s on the record "AIDA report" with McClatchy Newspapers.

1) Donors
2) Contributors
3) Third Party
4) News reports
Application in research on climate finance (1)

Coding errors of Climate Change Rio Marker
(Michaelowa & Michaelowa 2010)

– CC Rio marker from Aiddata.org vs own coding
  – Overcoding (75% not related to mitigation)
  – Undercoding
  – Coding of adaptation: 10% of all markers
  – (Over-)coding: explained by political interests

– Strange „climate change“ projects

Elephants  love festival  anti-smoking  monetary climate
Application in research on climate finance (2)

Old wine in new bottles? Shift of Aid towards Sustainable Energy
(Michaelowa & Michaelowa 2010)

– Data from Aiddata.org back to early 1970s

– Share of Sustainable Energy (Renewables & Efficiency)
  – Highly correlated to oil price
  – Increase after Rio, decrease after Kyoto (!)
  – Some evidence for export promotion
Old wine in new bottles? Shift of Aid towards Sustainable Energy

Figure 1b: Share of mitigation projects in overall commitments

Source: AidData (2010), authors’ coding

Figure 2: Development of oil prices

1 In const. 2005 USD. For details see Annex 1.
Source: Energy Information Administration (2010a).
Application in research on climate finance (3)

Baselines for „new and additional“ climate finance
(Stadelmann, Roberts & Michaelowa 2010)

– 8 options / option „Current climate finance“ excluded, why?
  – Transparency not given
  – Data not available or low quality

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Additional to development assistance</th>
<th>New to existing flows and pledges</th>
<th>Environmental Effectiveness</th>
<th>Distributional considerations</th>
<th>Political feasibility (North)</th>
<th>Political feasibility (South)</th>
<th>Feasibility given budget constraint</th>
<th>Transparency 1: Clarity of definition</th>
<th>Transparency 2: Availability of data</th>
<th>Consistency with other regimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Way of assessment</td>
<td>No development assistance decrease</td>
<td>No double counting</td>
<td>Funds for mitigation &amp; adaptation</td>
<td>Burden sharing</td>
<td>Statements</td>
<td>Statements</td>
<td>Total of Funds</td>
<td>Clarity</td>
<td>% available</td>
<td>Non-interference with ODA regime</td>
</tr>
<tr>
<td>Current climate finance</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>Middle-sized transfers</td>
<td>+</td>
<td>-</td>
<td>0</td>
<td>-(-)</td>
<td>-(-)</td>
<td>-</td>
</tr>
<tr>
<td>Projection of non-climate ODA</td>
<td>+</td>
<td>(+)</td>
<td>0</td>
<td>Middle-sized transfers</td>
<td>0</td>
<td>+</td>
<td>++</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Application in research on climate finance (4)

National communications vs. Rio markers & Aiddata coding
(planned research)

How do 5th national communications (2004-2008) look like?

Bilateral mitigation commitments

<table>
<thead>
<tr>
<th>Year</th>
<th>CC Rio marker commitments</th>
<th>Roberts et al. 2008 / Aiddata</th>
<th>Michaelowa &amp; Michaelowa 2010</th>
<th>National communications</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2</td>
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<td>2004</td>
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<tr>
<td>2005</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

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Application in research on climate finance (5)

Effectiveness of CDM and GEF in promoting renewables

- Panel data regression (120 countries, 20 years)
- Impact of GEF & CDM on grid-based renewables
- Using Michaelowa coding (AidData) for ODA control variable

Results:

- GEF has larger impact per USD than CDM
- Reasons
  - Additionality
  - Non-price discrimination
  - Tools for alleviating barriers(?)
- CDM impact -> turns even negative if we control for policies
Effectiveness of climate finance

Methods for evaluating effectiveness

- Bottom-up project-per-project
- Top down (regresson analysis, CGE)
  -> combine and compare the two

Data on effectiveness (CC impact per project/programme)

- Not contained in online databases (OECD, AidData, CDM pipeline)
- Collected by our research group for;
  - CDM (Castro 2009)
  - GEF mitigation (Stadelmann 2009)
- Not (publicly) available for
  - ODA
  - Development banks (incl. CIFs)
  - Adaptation (GEF funds, Adaptation fund)
Conclusions

- Transparency of „climate finance“ is lacking, especially related to disbursements, private flows & effectiveness

- Complex, fragmented system
  - DAC Rio markers, MDB data
  - national communications
  - new fast track websites -> ODI, WRI, fastrackfinance.org

- Aiddata: most encompassing, up-to-date database
  - Build on the the strength of the existing systems
  - Allow for different levels of information (donor, recipients, crowd-sourcing)
Application in research on climate finance (1)

Coding errors of Climate Change Rio Marker
(Michaelowa & Michaelowa 2010)

– Climate change Rio marker from Aiddata.org vs own coding
  – Overcoding of Rio markers (75% not related to mitigation)
  – Mixing up of adaptation and mitigation (10% of Rio markers)
  – (Over-)coding can be explained by interests of donors and voters
    – Environmental preferences of voters
    – Preferences of donor government
    – Information (short term overcoding)
  – Strange „climate change“ projects