

## ANNEX 8

# Rio and aid to environment markers

### WHAT ARE THE AID TO ENVIRONMENT AND RIO MARKERS?

The OECD Development Assistance Committee distinguishes five environmental markers that aim at tracking activities which target environmental and climate change objectives cutting across a range of sectors. More precisely, the markers were introduced to measure and to monitor financial support (in the form of Official Development assistance (ODA)) provided to developing countries targeting:

1. Environmental management/protection in general (1 'aid to environment' marker);
2. The more specific themes of the 'Rio conventions'<sup>(1)</sup> (4 'Rio markers'), i.e.
  - a. Biodiversity;
  - b. Desertification;
  - c. Climate change mitigation (i.e. reduction in or capture of greenhouse gas emissions);
  - d. Climate change adaptation (including climate risk mitigation and vulnerability reduction).

### HOW ARE THESE MARKERS USED FOR ESTIMATING BIODIVERSITY- AND CLIMATE-RELEVANT FUNDING IN EU INTERNATIONAL COOPERATION AND DEVELOPMENT?

Aid to environment and Rio markers were originally intended to track the mainstreaming of environmental considerations into development cooperation rather than providing a quantification of finance. However, the European Commission, like many other donors, uses them as a basis for estimating and reporting on amounts of ODA dedicated to environment and Rio convention themes.

In line with the OECD-DAC's methodology, there are 3 possible scores for the aid to environment and Rio markers. To enable the generation of funding estimates from the statistics extracted from the CRIS database, EuropeAid uses the following approach (applied to interventions embodied in action documents i.e. the 'decision 1' level):

Score	Status of the considered theme	% of budget of the action considered relevant to the theme
0	Not targeted	0%
1	Significant objective	40%
2	Principal (or <i>main</i> ) objective	100%

This assignment of concrete figures notably provides a basis for estimating how EU development and international cooperation interventions contribute to two important **financial commitments**:

<sup>(1)</sup> Rio Conventions: Convention on Biological Diversity (CBD); United Nations Convention to Combat Desertification (UNCCD); and United Nations Framework Convention on Climate Change (UNFCCC).

- The EU commitment to allocate at least 20% of the EU budget under the 2014-2020 Multiannual Financial Framework to 'climate-relevant' expenditures (covering both climate change adaptation and mitigation); the same commitment has been integrated in the EDF.
- The commitment made by the EU and others at the 2012 Conference of the Parties of the Convention for Biological Diversity in Hyderabad to contribute to the objective of 'doubling total biodiversity-related international financial resource flows to developing countries by 2015 [compared to a 2006-2010 average] and at least maintaining this level until 2020'.

Note: For estimating an intervention's potential contribution to the '20% target', we consider the amounts associated with climate change mitigation as well as adaptation and retain whichever is highest (rather than adding them up). This removes the risk of double-counting of funding allocations that contribute simultaneously to adaptation and mitigation.

### GENERALLY SPEAKING, WHICH CRITERIA ARE REQUIRED TO JUSTIFY A MARKER?

Ideally, the following 3 elements should be combined in the action document to justify a marker:

1. Context - The theme is discussed as a relevant issue for the intervention in the background information (typically the sector context section of the action document);
2. Objectives - An explicit intent to address the theme is expressed, preferably, at the level of the overall objective or specific objective(s) or expected results;
3. Activities - The intervention includes activities that clearly address identified issues in relation to the considered theme.

The existence of indicators relevant to environment or a Rio convention theme in the logical framework further strengthens the case for considering it as a 'significant' or 'main' objective.

Note that:

- The possible contribution of a project to addressing a Rio convention theme in the form of a hypothetical or not-particularly-intended 'side benefit' is not enough to qualify it as a significant objective;
- Vague references to, for example, 'sustainable agriculture' (*sustainable in which regards?*), 'increased resilience' (*to what kind of risks/shocks?*) or 'sustainable energy' are not sufficient to consider that biodiversity protection, combating desertification or climate change adaptation or mitigation is an objective. Sustainability, resilience and other similar concepts should be defined and clearly shown to encompass a specific Rio convention theme that would justify a Rio marker;
- There are cases in which a Rio convention theme is mainstreamed as a cross-cutting issue but not prominent enough to be considered a significant objective – this is perfectly legitimate but in such a case, the intervention should not automatically be considered as contributing to the biodiversity or climate finance target and the Rio marking needs to be defined on a case-by-case basis.

## ON WHICH BASIS IS A CHOICE MADE BETWEEN ‘SIGNIFICANT’ AND ‘PRINCIPAL/MAIN’ OBJECTIVE?

The OECD-DAC statistical reporting directives specify that an activity can claim the relevant Rio theme to be a ‘main objective’ when the objective is explicitly stated as fundamental in the design of, or the motivation for the activity. In case a ‘significant objective’ is claimed, this objective must be explicitly stated but it does not have to be the fundamental driver or motivation for undertaking and designing the activity.

The directive uses the question ‘Would this activity have been designed that way or undertaken without this objective?’ to establish whether an objective is ‘main’ or just ‘significant’:

- If the answer is ‘no’ (the objective is so central to the action that without it, it would not have been undertaken or designed in that way), the concerned theme (aid to environment or one of the Rio convention theme) is the ‘main’ objective;
- If the answer is ‘yes’ (the concerned theme is an important objective but not one of the main reasons for undertaking the action), it is a ‘significant’ objective.

In any case, it is important that, in the description of activities, the relationship between the activity and the claimed objective is clear and made explicit, especially when a ‘main objective’ is claimed.

Activities that facilitate mainstreaming can also qualify for a “main score”, for example, an activity that is primarily designed to build capacity and develop tools to integrate biodiversity, climate change or land degradation into national and sub-national policies, planning and investment frameworks.

Ultimately, the degree of prominence of environmental or Rio-specific objectives in an intervention determines the choice between ‘main’ and ‘significant’ objective. In case of hesitation, the following ‘rule of thumb’ can be applied – but it should be used carefully, in combination with common sense<sup>(2)</sup>:

- ‘Main objective’ is selected if aid to environment or the considered Rio convention theme is clearly the main driver/essential goal of the intervention; or it is a major (if not the sole) driver and the majority (i.e. *more than half*) of its components (as defined/organised around specific objectives and/or expected results), expected to account for at least two-third of the budget, make a significant contribution to it. The OECD guidelines state that “the implementation of an activity foreseen under a national action plan or strategy for the implementation of any of the Rio Conventions (e.g. National Biodiversity Strategy and Action Plan under the CDB; NAPAs, NAPs, NAMAs or INDCs under the UNFCCC; and National Action Plans under the UNCCD) automatically qualifies as ‘main objective’, as the Conventions provide the motivation for the design of the activity”.
- ‘Significant objective’ is selected when:
  - either aid to environment or the considered Rio convention theme is an important objective but clearly not the main or an essential driver of the intervention;
  - or it is one among several equally important objectives, and *only half or less* of the intervention’s components (as defined/organised around specific objectives and/or expected results), or components accounting for less than two-third of the budget, make a significant contribution to it.

## FOCUS ON THE ‘AID TO ENVIRONMENT’ MARKER

According to the OECD-DAC’s definition, ‘an activity should be classified as environment-related if it is intended to produce an improvement (...) in the physical and/or biological environment of the recipient country, area or target

<sup>(2)</sup> In other words, we want to avoid that the application of a ‘quantitative’ rule results in a score that does not match the natural conclusion based on the answer to the question ‘Is the (aid to environment- or Rio-related) objective fundamental in the design and impact of the activity?’. A conservative approach should notably be used with regard to project components that only partly contribute to the objective.

group concerned; or it includes specific action to integrate environmental concerns with a range of development objectives through institution building and/or capacity development'. This definition is completed by 3 criteria for eligibility:

- The objective is *explicitly* promoted in activity documentation; and
- The activity contains specific measures to protect or enhance the physical and/or biological environment it affects, or to remedy existing environmental damage; or
- The activity contains specific measures to develop or strengthen environmental policies, legislation and administration or other organisations responsible for environmental protection.'

Based on the second eligibility criterion, avoiding negative impact is not sufficient for justifying a marker – for example, undertaking environmental assessment and implementing environmental mitigation measures does not as such qualify the action for a marker; it takes positive action in favour of the environment to do so.

Based on the third eligibility criterion, projects with an institutional and capacity building focus that support improvements in the overall capacity to manage the environment can be marked even if they do not directly contribute to improvements in the field.

The 'aid to environment' marker should notably be selected in the following cases:

- Although the definition does not make a direct reference to 'improved natural resource management', a focus on improved management of natural resources such as water, notably in situations of scarcity / threats to resource sustainability, generally justifies a marker since this is likely to ultimately contribute to improvements in the physical and biological environment;
- Projects that contribute to the implementation of the FLEGT<sup>(3)</sup> action plan qualify for the aid to environment marker as a 'main objective' even if the specific action's objectives (as formulated in the action document) do not explicitly refer to environmental protection. This is because forest protection and sustainable management is the ultimate driver of the FLEGT initiative.

*(The 'aid to environment' marker may not be lower than the highest-scoring Rio marker, as activities targeting the three Rio conventions are considered to always fall under the definition of the 'aid to environment' policy marker).*

## FOCUS ON THE BIODIVERSITY MARKER

According to the OECD-DAC's definition, 'an activity should be classified as biodiversity-related if it *promotes* at least one of the three objectives of the Convention (on Biological Diversity): the conservation of biodiversity, sustainable use of its components (ecosystems, species or genetic resources), or fair and equitable sharing of the benefits of the utilisation of genetic resources' by *contributing to* 3 types of activities that constitute eligibility criteria:

- 'protection or enhancement of ecosystems, species or genetic resources through in-situ or ex-situ conservation, or remediation of existing environmental damage; or
- integration of biodiversity and ecosystem services concerns within recipient countries' development objectives and economic decision making (...); or
- (*support for*) developing countries' efforts to meet their obligations under the Convention'.

Based on the first eligibility criterion, projects that contribute to the protection of specific ecosystems or types of ecosystems (e.g. forests, savannahs, mangroves, wetlands, mountain ecosystems, ...) qualify for a marker even if the words 'biodiversity' or 'biological diversity' are not explicitly used in the description of the action. On the

<sup>(3)</sup> Forest law enforcement, governance and trade.

other hand, projects that are expected to contribute to environmental protection in general but do not target any specific ecosystem, species or the protection or sustainable use of biodiversity do not qualify.

Based on the second eligibility criterion, projects with an institutional and capacity building focus that support improvements in the overall capacity to protect or sustainably use biodiversity and ecosystems are eligible even if they do not directly contribute to improvements in the field.

A list of activities qualifying for a biodiversity marker can be found below.

### FOCUS ON THE DESERTIFICATION MARKER

According to the OECD-DAC's definition, 'an activity should be classified as desertification-related if it *aims at* combating desertification or mitigating the effects of drought in arid, semi-arid and dry sub-humid areas through prevention and/or reduction of land degradation, rehabilitation of partly degraded land, or reclamation of desertified land' by *contributing to* 3 types of activities that constitute eligibility criteria:

- 'protection or enhancement of dryland ecosystems or remediation of existing environmental damage; or
- integration of desertification concerns with recipient countries' development objectives (...); or
- (*support for*) developing countries' efforts to meet their obligations under the Convention (*on Combating Desertification*)'.

An intent to address desertification and/or land degradation, combined with a focus on drylands or at least drought-prone areas<sup>(4)</sup>, is required for this Rio marker.

Based on the second eligibility criterion, projects with an institutional and capacity building focus that support improvements in the overall capacity to combat desertification or manage the effects of drought are eligible even if they do not directly contribute to improvements in the field.

A list of activities qualifying for a desertification marker can be found below.

### FOCUS ON THE CLIMATE CHANGE MITIGATION MARKER

According to the OECD-DAC's definition, 'an activity should be classified as climate change mitigation-related if it *contributes to* the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration', by *contributing to* one or more of the four types of activities that constitute eligibility criteria:

- 'the mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol); or
- the protection and/or enhancement of GHG sinks and reservoirs (i.e. forest, soils, etc.); or
- the integration of climate change concerns with the recipient countries' development objectives institution building, capacity development, strengthening the regulatory and policy framework, or research; or
- the development of countries' efforts to meet their obligations under the (*UN Framework*) Convention (*on Climate Change*)'.

<sup>(4)</sup> The focus of the convention as initially adopted is desertification, but in recent years its scope has *de facto* been extended to encompass the wider issue of land degradation, which concerns more countries and territories including some that do not technically qualify as 'drylands'. Since this change has not yet been transcribed in the legal definition of the scope of the convention nor in the OECD-DAC definition of the marker, a focus on drylands or at least drought-prone areas should remain a criterion in the attribution of the desertification marker.

In practice, to facilitate transparency, it is important that, in activity descriptions the relation between the activity and the objective is clearly communicated and made explicit. For energy sector interventions with a strong focus on energy efficiency and/or renewable energies, climate change mitigation is systematically considered as targeted (main objective) as this is part of the overarching goals of EU support in these areas – even if for a specific intervention, other objectives (such as improved access to energy or energy independence) are more prominent from the partner’s perspective. However, to meet the ‘explicit intent’ criterion, it is recommended to explicitly mention the contribution to low-emission development somewhere in the action document (e.g. in the section on ‘context’ or ‘cross-cutting issues’, if not at the level of objectives or expected results).

*(Climate risk mitigation (mitigation of the risks related to climate) should not be confused with climate change mitigation (defined above): climate risk mitigation is actually one form of climate change adaptation).*

A list of activities qualifying for a climate change mitigation marker can be found below.

### FOCUS ON THE CLIMATE CHANGE ADAPTATION MARKER

According to the OECD-DAC definition, ‘an activity should be classified as adaptation-related if it *intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability*, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them’. An action qualifies for the adaptation marker if ‘the climate change adaptation objective is *explicitly indicated* in the activity documentation’ and ‘the activity contains specific measures targeting the definition (of adaptation)’.

For this marker, explicit intent to contribute to climate change adaptation is particularly important and always required; this helps ensure that any development activity that one way or another may be taken to contribute to ‘adaptive capacity’ or ‘increased resilience’ is not automatically labelled as climate change adaptation. A ‘3-steps approach’ is recommended as best practice, in particular to justify a ‘main objective’ score:

- Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change in which the intervention takes place;
- Stating the intent to address climate risks, vulnerabilities and impacts in the project documentation;
- Demonstrating a clear and direct link between the identified risks, vulnerabilities and impacts (as defined in the context description) and the specific project activities.

Note that the climate-proofing of new infrastructure may constitute a borderline case: up to which point it is a ‘normal’ good practice (not qualifying for the adaptation marker) or a measure to address climate vulnerability as part of an adaptation objective is not always clear. According to the OECD guidelines “climate-proofing transport infrastructure as a requirement in transport policies and strategies can be scored against the adaptation marker if properly justified”. For example, the inclusion of climate change considerations in transport planning (e.g. climate proofing of road construction to account for climate change impacts and variability) can qualify for an adaptation score of 1 or 2. The retrofitting of existing infrastructure to make it more climate-resilient in principle reflects an explicit intent to address climate vulnerability, justifying the qualification of adaptation as a significant or possibly a main objective<sup>(5)</sup>.

A list of activities qualifying for a climate change adaptation marker can be found below.

### FOR MORE INFORMATION ON THE AID TO ENVIRONMENT AND RIO MARKERS

OECD developed guidelines in the 2016 edition of the [Converged Statistical Reporting Directives for the Creditor Reporting System \(CRS\) and the Annual DAC Questionnaire](#): Annex 17 ‘Policy markers’ and Annex 18 ‘Rio markers’;

<sup>(5)</sup> Assuming of course the retrofitting measures/investments account for a ‘large enough’ share of the intervention.

which also include examples of activities qualifying for climate change markers. More information can be found on the OECD website: <http://www.oecd.org/dac/stats/rioconventions.htm>

### Examples of activities qualifying for a biodiversity marker

#### Examples of activities qualifying for a biodiversity marker:

- Support for the management of protected areas and surrounding ‘buffer zones’;
- Protection of endangered or vulnerable species and their habitats;
- Protection and sustainable management of biodiversity-rich ecosystems such as forests, savannahs, mangroves, wetlands, mountain ecosystems, etc.;
- Water resource protection and rehabilitation, watershed management aimed at protecting ecosystem services and the biodiversity that depends on them;
- Combating desertification and land degradation with a view to protecting or enhancing biodiversity;
- Sustainable farming practices aimed at protecting biodiversity in agricultural ecosystems;
- Promotion of agro-biodiversity;
- Sustainable trade in valuable plant or animal species and derived products;
- Promotion of sustainable marine, coastal and inland fishing;
- Development of ecotourism as a way of promoting the protection and sustainable management of biodiversity and biodiversity-rich ecosystems;
- Preparation of national biodiversity plans, strategies and programmes;
- Research, capacity building, training and awareness raising in relation to biodiversity.

### Examples of activities qualifying for a desertification marker

#### Examples of activities qualifying for a desertification marker:

- Rehabilitation of land, vegetation cover, forests and/or water resources with a view to halting or reversing desertification or land degradation;
- Development and implementation of methods for conserving water, vegetation and soil in dry areas;
- Sustainable irrigation for crops and livestock with a view to reducing pressure on land threatened by desertification;
- Preparation of strategies and action programmes to combat desertification and mitigate the effects of drought;
- Development of drought early warning systems, strengthening of drought preparedness and management;
- Research, capacity building, training and awareness raising in relation to combating desertification and land degradation in dry or drought-prone areas.

## Examples of activities qualifying for a climate change mitigation marker

### Examples of activities qualifying for a climate change mitigation marker:

- Development of renewable energy sources;
- Development or rehabilitation of energy infrastructure to promote fuel switching (e.g. from coal or oil to gas, which although being a fossil fuel emits less carbon per unit of energy generated);
- Enforcement of fuel efficiency standards;
- Support for improvements in energy efficiency (in all sectors including power and heat generation and distribution, transport, construction, agriculture, industry, mining, business, domestic uses including cooking and heating, public sector infrastructure, etc.);
- Implementation of waste-to-energy systems involving biogas production or methane recovery and the use of the resulting gas as a source of energy;
- Development of public transport, non-motorised transport, traffic management systems, multimodal transport systems including railways and waterways, aimed at or contributing to reducing greenhouse gas emissions from the transport sector;
- Adoption of farming practices that reduce greenhouse gas emissions (e.g. through more rational use of fertilisers, manure management with biodigestors) or increase carbon sequestration in agricultural systems (e.g. agroforestry, agroecological techniques, sustainable rangeland management);
- Sustainable intensification of agriculture with a view to reducing encroachment on forests and other natural carbon sinks (e.g. peatlands, wetlands);
- Sustainable forest management, afforestation and reforestation, watershed management, protection and rehabilitation of mangroves and peatlands, rehabilitation of degraded land and areas affected by drought and desertification, aimed at or contributing to protecting or enhancing carbon sequestration in biomass and soils;
- Promotion of energy efficiency and other environmental standards expected to reduce greenhouse gas emissions in private sector development and trade-related assistance programmes;
- Urban planning, adoption of zoning and building regulations aimed at reducing the use of energy and the carbon intensity of transport systems in cities and other human settlements;
- Territorial planning, securing of land and land use rights aimed at avoiding land use changes likely to result in increased greenhouse gas emissions;
- Development of low-carbon or low-emission development strategies and action plans;
- Preparation of national inventories of greenhouse gases;
- Support for the definition and implementation of intended nationally determined contributions (INDCs);
- Research, capacity building, training and awareness raising in relation to climate change mitigation and techniques that support it.



## Examples of activities qualifying for a climate change adaptation marker

### Examples of activities qualifying for an adaptation marker:

- Sustainable natural resource management with a view to increasing the resilience of ecosystems and ecosystem services in the face of climate change;
- Ecosystem-based adaptation (e.g. mangrove rehabilitation aimed at reducing coastal flooding and the damage caused by storms and sea surges, wetland restoration and management to enhance the continuity of water supply in drought-prone areas);
- Watershed management involving forest protection or reforestation with a view to reducing the incidence and severity of floods resulting from heavy rainfall episodes;
- Promotion of water efficiency, conservation and harvesting in areas subject to increased water stress as a result of climate change;
- Development or enhancement of climate-resilient water supply infrastructure;
- Promotion of climate-resilient agricultural practices (e.g. use of heat-, drought- or salt-resistant crop varieties, adaptation of the agricultural calendar, development of supplementary irrigation in rainfed farming systems, adoption of farming techniques supporting water and soil conservation, etc.);
- Crop and livelihood diversification with a view to enhancing food and nutrition security in rural areas affected by droughts, floods and other effects of climate change;
- Promotion of sustainable fishing practices supporting the monitoring of adaptation to changes in the composition, range and size of fish stocks in the context of climate change;
- Strengthening of food safety regulations, development of refrigeration and other food conservation systems in areas affected by higher temperatures;
- Development or enhancement of systems for monitoring climate-related diseases (e.g. malaria) and drinking water quality in areas affected by higher temperatures, droughts, floods or rising sea level;
- Strengthening of health services with a view to reducing morbidity and mortality in the face of a changing climate;
- Retrofitting of existing infrastructure and planning of new infrastructure in support of climate change adaptation (e.g. all-weather roads, climate-resilient energy, communication and industrial infrastructure, flood protection infrastructure);
- Territorial planning, adoption of zoning and building regulations aimed at reducing exposure or sensitivity to climate-related disasters such as floods, drought-induced wildfires, storms, sea surges, etc.;
- Development of insurance mechanisms to compensate farmers and other economic actors affected by climate variability and climate change impacts;
- Strengthening of social protection systems with a view to reducing vulnerability to climate-related shocks;
- Meteorological and hydrological observation and forecasting, development of early warning systems and strengthening of preparedness and response mechanisms for climate-related disasters such as floods, droughts, storms, etc.;
- Climate change impact monitoring, climate vulnerability assessment, economic assessment of climate change impacts and adaptation options as a foundation for identifying and prioritising climate change adaptation measures;
- Development of climate change adaptation strategies and action plans (at the national or local level, in specific industries, for specific types of businesses such as small and medium-sized enterprises, etc.);
- Research, capacity building, training and awareness raising in relation to climate change adaptation.