



# Integrating climate change into Australia's development assistance

## GOOD PRACTICE NOTE

### 1. Overview

Australia's *International Development Policy* recognises climate change as the single greatest threat to the livelihoods, security, and wellbeing of Pacific peoples and the greatest shared threat to all countries. The Australian Government is committed to taking ambitious action on climate change and to working closely with our neighbours to address its many impacts. We will do this by increasing our climate investments and better addressing climate risks. This Good Practice Note is designed to assist DFAT's implementing partners to:

- i) understand the Australian Government's key commitments on climate action
- ii) understand the key concepts associated with climate action
- iii) ensure climate change considerations (risks and opportunities) are integrated into our development programs, either via primary or secondary objectives, or via mainstreaming.

### 2. Australia's Climate Change Commitments and Targets

Australia's International Development Policy makes climate action central to our development efforts including via the following ambitious, investment level target:

*From 2024–25, at least half of all new bilateral and regional investments that are valued at more than \$3 million will have a climate change objective, with a goal of reaching 80 percent by 2028-29.*

At the country and regional levels, Development Partnership Plans (DPPs) will be informed by climate risks and opportunities and all bilateral programs will need to align with partners' Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). Investments are to be designed to reduce existing climate risks and avoid creating new ones and look for opportunities to support mitigation and climate adaptation and resilience. Climate-related results will be tracked via Performance Assessment Frameworks (PAFs) in DPPs and Monitoring, Evaluation and Learning Frameworks (MELFs) at the investment level. Together, these commitments will drive meaningful change in the development program.

Globally, Australia is a signatory to the Paris Agreement, which aims to limit global warming to well below 2°C compared to pre-industrial levels. Under the International Development Policy, Australia has committed to 'do more to help partners achieve their commitments under the Paris Agreement and accelerate global ambition to address the climate crisis' (p17). Australia has strengthened its previous \$2 billion climate finance commitment and is expecting to deliver \$3 billion towards the global goal over 2020-25, largely through existing ODA commitments.



### 3. The Risks of Not Integrating Climate Change

Climate change is a global systemic crisis that is disrupting trade, causing water and energy shortages, increasing risks of pandemics, conflict and displacement, and reversing progress in the fight against poverty. Measures to adapt and build resilience to climate impacts are urgently needed to defend against climate-induced loss and damage.

There are considerable risks posed to the viability of our development investments if climate and disaster risks and opportunities are not considered. Climate change and disasters can:

- i) undermine the goals, objectives and outcomes of an investment
- ii) inadvertently increase vulnerability and drive maladaptation
- iii) result in inappropriate or unsustainable investments in the face of climate and disaster risks.

Climate change integration requires implementing partners to consider climate change risks and opportunities at every stage of the investment's lifecycle including: design, implementation, and review. Effective integration can support the transition to lower-emission development, reduce the severity of social, economic and environmental impacts of climate change by improving resilience and ensuring the effectiveness and sustainability of Australia's development assistance.

### 4. Defining Key Concepts in Climate Change

**Mitigation:** the limitation or reduction of greenhouse gas (GHG) emissions in the atmosphere or enhancement of GHG capture. This includes efforts to limit emission sources (e.g. through limiting the burning of fossil fuels and increasing uptake of renewable energy) and activities to remove emissions from the atmosphere through natural processes of greenhouse gas capture (e.g. rehabilitating forests) or technical solutions (e.g. direct air capture).

For example: AIFFP's *Palau Solar Plant Investment*, a AUD29.3 million package to build a solar facility and battery storage system at Ngatpang in Babeldaob in Palau. It is expected to deliver up to 23,000 megawatt hours per year, reducing Palau's dependency on imported diesel.

**Adaptation:** maintaining or increasing resilience of human or natural systems to climate change by building capacity to adapt to, or absorb, climate change stresses and shocks (including climate variability and disasters). This includes activities intended to reduce exposure to climate change or minimise potential impacts. Adaptation is best understood as a process rather than an outcome, because the climate continues to change and there are many unknown consequences in human and natural systems.

For example: The *Atoll Food Futures* (AFF) is a three-year project operating in Tuvalu and Kiribati. The project aims to improve resilience and food production of vulnerable households in difficult atoll environments through increased production and consumption of locally grown nutritious foods using innovative climate resilient technologies, with an emphasis on local knowledge and community-based solutions.

**Resilience:** the capacity to tolerate shocks or disturbance and to recover and rebuild to a better 'new normal'. Resilience has economic, social, health and ecological dimensions. It requires diversification of

livelihoods and the ability to adapt when external conditions change, and to respond to new opportunities.

**Climate finance:** Local, national or transnational financing, drawn from multiple sources, to support climate change adaptation and mitigation. Under the Paris Agreement, Australia and other developed countries committed to collectively mobilise USD100 billion per year in climate finance to developing countries between 2020-25. Please refer to the guidance on [counting Australia's climate finance](#).

## 5. How to Consider Climate Change Risks and Opportunities

Consideration of climate change risks and opportunities at all stages of the aid management cycle (including design, implementation, monitoring and evaluation) is required under Australia's International Development Policy. Climate change risks and opportunities can be considered through the allocation of a primary or secondary climate change objective or through mainstreaming. At a minimum, climate change considerations should be mainstreamed in all investments.

*Intent* is a key consideration – project documentation must show that climate-related initiatives are intentional rather than incidental.

### Climate change as a primary objective

Where climate change is the primary objective of an investment, investment documentation must explicitly identify that addressing climate change (adaptation or mitigation) is the main objective of the investment and fundamental to its design (i.e., the investment would not have been funded but for that objective). Where climate change is the primary objective, it should have at least one End of Program Outcome (EOPO) dedicated to contributing to climate change outcomes.

### Climate change as a secondary objective

Where action on climate change is not the main driver of the investment but is explicitly identified as one of its objectives, with some activities designed to address, or partially address, climate change adaptation or mitigation, then the investment will be assessed as having climate change as a secondary objective. The investment should have at least one Intermediate Outcome (IO) which contributes to climate change outcomes. Elements of the EOPOs may also include climate change, although this will not be the main focus of the EOPOs.

*Note:* provided it is clear and explicit that an investment is addressing climate change adaptation or mitigation (or both), the words "climate change" do not need to be specifically used. For example, a project's objective may be to build climate-resilient infrastructure, increase uptake of renewable energy, protect natural carbon sinks, improve monitoring of rising land and sea temperatures, or respond to more extreme weather events such as droughts, floods and cyclones.

In limited circumstances, climate change may be the primary or secondary objective of an investment, but a climate change EOPO or IO may not be possible, due to the unique nature of the investment. Please contact the DFAT manager for your investment for further guidance if you think this applies to your investment.

### Mainstreaming climate change

Mainstreaming climate change through our development program is the process of actively assessing and responding to climate change risks and opportunities throughout the investment lifecycle. This ensures that development investments are climate resilient, and, to the extent possible, support efforts to reduce or limit greenhouse gas emissions (mitigation) and/or strengthen the resilience of human or natural systems to climate change, including climate related disasters (adaptation). Climate change mainstreaming should be considered across all sectors and at all levels of government (including national and sub-national).



To mainstream climate, an analysis or assessment of climate risks and opportunities should *inform* the investment. Investment documentation should outline *how* the investment has been, or will be, formulated or adjusted to address identified climate risks and opportunities. Some examples of how climate risks and opportunities might inform investments include:

- A transport planning investment informed by climate-related risks, applies standards and techniques to the design of roads to ensure they are resilient to increased flooding.
- A health program informed by research showing a likely increase in mosquito prevalence due to increasing average temperatures in the highlands (a climate-related risk), expands its geographic coverage of dengue reduction.
- A food security program informed by the likelihood of an increase in variable rainfall (a climate-related risk), expands the criteria for crops supported to include those that are tolerant to more variable rainfall.
- An infrastructure investment informed by climate-related opportunities, adopts renewable energy solutions to reduce GHG emissions.

A more sophisticated consideration of mainstreaming climate change may also include:

- consideration of budgets, resourcing, and technical expertise to support ongoing and more systemic consideration of climate change. This could include the regular collection of climate-related data through monitoring, review and evaluation which is used to inform lessons.

## 6. Conducting a Climate Risks and Opportunities Assessment/Analysis

Understanding the climate change context (including risks and opportunities to inform your investment) is necessary and does not require expert climate change experience. Key steps you can take to build your awareness of the climate change context to inform your investment include:

- Reviewing bilateral or regional Development Partnership Plans (DPPs) and the climate-related context to understand Australia's bilateral/regional commitments, priorities and relevant pipelines.
- Review partner country's/region's climate action plans and policies, including commitments in [National Adaptation Plans](#) (NAPs) and [Nationally Determined Contributions](#) (NDCs), to consider if and how the proposed investment or strategy aligns with these.
- Consider climate change research and information to better understand the sectoral and country- or region-specific hazards and climate projections and their implications for your investment.

**Key resources:** [World Bank](#), [ADB](#), DFAT, and partner government agencies.

You may wish to enlist a climate change adviser on a short-term basis to assist with a more in-depth analysis of climate risks and opportunities to inform your investment.

Consider differential opportunities and risks for vulnerable groups including women, children, and people with a disability.

For a more in-depth assessment, you are encouraged to ensure local peoples/organisations are consulted and local traditional knowledge has been considered.



## 7. Checklist for Integrating Climate into Your Investment

This checklist identifies ways to assess how climate change risks and opportunities have been considered and integrated into concepts, designs during investment implementation and evaluation or review.

### Concept

- Is the investment concept informed by a current climate change analysis or assessment?
- Does the investment concept align with priorities identified in the country's or region's National Adaptation Plan (NAP) and Nationally Determined Contributions (NDCs) and other climate related policies of prominence?
- Are climate change issues addressed in other analyses undertaken e.g. a GEDSI analysis, political economy analysis; constraints to growth analysis; poverty analysis; social analysis; conflict analysis?
- How is climate change expertise informing the development of the investment concept?

### Design

- Does climate change analysis (including of risks and opportunities) inform the investment design, including via relevant activities and outcomes?
- Does the design align with the priorities outlined in the country's or region's NAP and Nationally Determined Contributions (NDCs) and other prominent and relevant climate-related policies?
- Is climate change expertise being used to inform the design to support a coherent approach to climate action? This may be supported through plans to develop a climate strategy during implementation. Budgets and resourcing to support climate action should also be considered.
- Does the Theory of Change/Program Logic clearly articulate how climate change will be addressed including through primary or secondary objectives and End of Program Outcomes (EOPOs) or Intermediate Outcomes (IOs), as relevant?
- Are indicators for tracking adaptation/mitigation measures included explicitly in the Monitoring, Evaluation and Learning Framework (MELF)?
- Will the design team consult as widely as needed – including with local or Indigenous peoples and incorporate all relevant knowledge (including scientific and traditional), where possible?

### Implementation

- Are climate change risks and opportunities being periodically assessed (yearly or as new research becomes available) to ensure the investment is informed by the most accurate and up-to-date information?
- Is information on climate-related activities and, where relevant, outcomes, being routinely collected to inform progress against climate change indicators to track outputs, outcomes? Is this appropriately budgeted and included in reporting?
- Is climate change data disaggregated to reflect different sections of society, for example women, girls, youth, and people with a disability?
- Do key personnel (including a Program Manager, Monitoring and Evaluation Adviser etc) have climate expertise? Do position descriptions include responsibility for addressing climate change?

- Is the investment committing time and resources to building capacities on climate change within the investment team and within implementing partners, as needed?

### Monitoring and Evaluation

- Are climate objectives reflected in your Theory of Change/Program logic including in the IOs or EOPOs, where relevant?
- Are climate related indicators reflected in your MELF?
- Is climate-related data collected and reported alongside other data to track and report progress?
- Is climate expertise and experience included as part of the key personnel managing the investment including on the Monitoring and Evaluation team?
- Are climate impacts, risks and opportunities appropriately considered, including via key evaluative questions in Mid Term Reviews (MTRs) or end of program evaluations?

## 8. Resources

- Australia's [International Development Policy](#) (2023)
- Partner country/ies [Nationally Determined Contributions](#) and [National Adaptation Plans](#)
- UNDP [Sendai Framework](#) for Disaster Risk Reduction
- Notre-Dame [Global adaptation initiative](#)
- World Bank - [Think Hazard, Climate risk country profiles and Disaster Risk Country Profiles | GFDRR](#)
- Australia Pacific Climate Partnership – [ClimateWise](#)
- ADB – [Climate Risk Country Profiles](#)
- [UNFCCC resources](#) – collates a variety of resources from across UN and partner agencies
- Food security: Food and Agriculture Organisation of the United Nations – [Climate change publications](#)
- Disaster Risk [Country profile | UNDRR](#)