



# ODE CLIMATE CHANGE EVALUATION LITERATURE REVIEW

MAY 2017

## INTRODUCTION

This literature review was undertaken at the inception phase of the ODE climate change evaluation (April 2017). The aim of the review was to provide a frame of reference for assessing DFAT's climate change investment performance and to point the way forward as the Department continues to integrate climate change into its development work.

This document identifies the key findings from international literature relating to integrating climate change into development assistance programs. Its key focus is to:

- review the prevailing climate change policies and investment priorities of other comparable donor countries;
- review donor approaches to screening, monitoring and reporting on climate adaptation and mitigation interventions and, where possible, identify best practice approaches;
- briefly review the availability and quality of climate change screening and impact monitoring guidance documents and tools (including indicators and emissions quantification methodologies) that could help underpin a robust climate change monitoring and evaluation (M&E) system;
- identify key principles that underpin successful approaches to integrating cross-cutting issues in development assistance programs; and
- review the level of climate change financing commitment across comparable donor agencies.

There is a large volume of literature on climate change that can be accessed via the internet but it is only possible to select a sample of these documents. Time and resources do not permit a thorough examination of all donors (around 40 countries currently provide climate change assistance to developing countries). As such, this document is not an exhaustive review and only attempts to identify key trends and common approaches that can help inform the ODE evaluation.

The bulk of the documents reviewed pertain to the practices and processes of comparable donor countries (largely accessed from their websites), and from international bodies (OECD, multilateral development banks and the Climate Funds). It is often difficult to fully access relevant information across

all donors – some have more easily accessible websites while others are more difficult to navigate. A representative sample of 11 OECD countries (accounting for around 80% of bilateral climate change finance flows) has been chosen to provide a reasonable cross-section of different approaches to climate change integration. A range of other documents from independent institutions and multilateral agencies (mainly related to good practice methodologies for tracking and reporting impact and results) have also been assessed as part of the literature review.

## BACKGROUND

### HOW DO OTHER DONORS INTEGRATE CLIMATE CHANGE INTO DEVELOPMENT ASSISTANCE?

It is important for the purposes of the ODE evaluation to identify good practice against which Australia's integration of climate change into aid programming can be assessed. This document reviews the policies and practices of selected donors in relation to climate change in their international development assistance activities, and identifies common approaches that have emerged across the donor community over the past decade. It also reviews aid project screening processes, how they track and report on the climate change related results of their investments, and the key trends in the level of donor climate change financing and the investment areas they target.

In the decade following the signing of the Kyoto Protocol in 1997, the primary climate change focus of most international development assistance was emissions mitigation (mainly targeting energy) and only limited attention was given to assessing how other aid investment areas (like health, education, and infrastructure) could be affected by climate change. However, by the early 2000s there was increased awareness that climate change will have wide ranging impacts across all sectors and that greater attention needed to be given to reducing climate change vulnerability and ensuring that development assistance projects did not contribute to increased vulnerability. The UNFCCC 2004 Buenos Aires Conference of the Parties (commonly called the Adaptation COP) was pivotal in stimulating donors to adopt a more integrated and holistic approach to climate change in their development assistance programs.

Two key documents have guided much of climate change integration approach adopted by donors: *'Integrating Mitigation and Adaptation into Climate and Development Policy (2005)*<sup>1</sup> and *'Integrating Climate Change Adaptation into Development Co-operation: Policy Guidance'* (2009)<sup>2</sup>. These are key source documents and contain clear guidance on the main principles and approaches for climate change integration.

While there is no universal agreed definition of what is 'best practice' in terms of climate change integration, it is possible to identify effective approaches and practices that have been adopted by other development assistance agencies. Determining the degree to which climate change is factored into development assistance programs and investments requires assessment of a range of factors at different levels. These can be grouped under four broad categories:

- Climate Change and Official Development Assistance (ODA) Policy Coherence
- Internal program design/approval/management processes to support climate change integration
- Monitoring, evaluation and reporting systems; and

---

<sup>1</sup> *Integrating Mitigation and Adaptation into Climate and Development Policy*, Klein, R., Schipper, E., and Dessai, S., Environmental Science & Policy, 2005.

<sup>2</sup> *Integrating Climate Change Adaptation into Development Co-operation: Policy Guidance*, OECD-DAC, 2009.

- The level of political commitment to climate change and climate change financing.

A summary of key findings in regard to these elements is provided below.

## CLIMATE CHANGE AND OFFICIAL DEVELOPMENT ASSISTANCE (ODA) POLICY COHERENCE

Guiding questions for the literature review were:

- Does a clear climate change and development cooperation policy statement (document) exist?
- Are the objectives and target outcomes clearly stated?
- How strongly does climate change feature in the overall development cooperation program?
- Are climate change and disaster risk reduction integrated under a common policy framework?

All the countries reviewed had some form of climate change policy or statement in place concerning their international development assistance programs. They take various forms, have different levels of detail and have varying levels of commitment and ambition – some are comprehensive and others more generic in nature. For example, countries like France, Japan, and several Nordic countries identify climate change as an aid investment priority while others give less emphasis (like Canada). Some have clearly articulated climate change policies and strategy documents outlining what they will do and how (for example, the UK, Denmark and France), often with specific goals and objectives, and identify criteria against which progress will be measured<sup>3</sup>, while others do not have stand-alone strategies and mention climate change as just one of several cross-cutting issues as part of their overall aid policy (for example, New Zealand<sup>4</sup>).

The guiding frameworks for addressing climate change vary across donors. Some countries adopt a traditional sustainable development policy framework, for example Sweden and Germany, while others pitch their approach under a resilience framework (New Zealand and to some extent the UK), or a green growth/low carbon development framework (the USA and Denmark, among others<sup>5</sup>). In recent years, green growth and low carbon development has featured much more strongly in aid strategies and been better linked to the broader economic development agenda (rather than through a narrower environment lens). While nuancing is different across donors, promoting low carbon development pathways and reducing climate change vulnerability are clearly the two main pillars embodied in most donor climate change policies covering their ODA programs. Some, like France and Norway, take a more prominent mitigation/low carbon development policy stance while others (for example, Sweden) have greater focus on adaptation and climate resilience, reducing the vulnerability of the poor and avoiding climate-induced conflict. Most of the major donors, for example France, UK, USA and Germany, also include a specific forward commitment to future climate change financing in their policy documents and the target regions/countries they will focus on.

In recent years, there has also been a general move to more closely align climate change and disaster risk reduction (DRR) policy frameworks. This is in recognition of the considerable overlap that exists between these two areas (which are, in many respects, two sides of the same coin). The main overlap between the two is the management of hydro-meteorological hazards, where DRR needs to take account of changing

<sup>3</sup> For example, see *Reconciling Development and the Fight Against Climate Change: Action Plan 2012-2016*, Agence Française de Développement, 2012.

<sup>4</sup> For example, see *New Zealand Aid Program Investment Priorities 2015-19*, NZ Department of Foreign Affairs and Trade, 2015.

<sup>5</sup> *The Right to a Better Life*, Danish Ministry of Foreign Affairs, 2012.

hazards, and adaptation needs to build resilience to their impacts. All donors, to some extent or another, explicitly mention close alignment of climate change and DRR as being a key policy objective. Some countries (for example Japan<sup>6</sup> and New Zealand) have a strong climate resilience theme underpinning their climate change related investments while with others it is less explicit. The Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF), two financing mechanisms set up under the UNFCCC and managed by the Global Environment Facility, also give special attention to DRR in their guidance materials. It is clear that climate change and DRR policies have become better aligned (often under a single framework) at both the donor and national level. While it is evident that most donors have instigated processes to integrate climate change and DRR, in reality they are still often separated institutionally (for example, DRR is often located with humanitarian programs and climate change is located elsewhere).

Engaging the private sector has been a focus for some countries; some policy documents specifically mention national business interests and identify comparative advantages (for example, Denmark, the Netherlands and several others). As Denmark states in its key climate change and development policy document *'The Right to a Better Life'* released in 2012 - "Green growth should catalyse investments, innovation and job creation – both in Denmark and in recipient countries"<sup>7</sup>. Some countries actively engage private industries that produce innovative low carbon and environmental technological solutions (like renewable energy and resource efficient industrial process technologies) and help build trade and investment links in recipient countries.

## KEY FINDINGS

Having a clearly articulated climate change policy/strategy document is important for guiding aid investments and mainstreaming climate change within an organisation. Common components of a climate change and development cooperation policy include:

- clearly specified climate change goals, objectives and target outcomes for international development assistance program ;
- a clear indication of what the aid program will do and how (supported by a theory of change);
- inclusion of benchmarks/indicators against which progress will be measured and results reported;
- a commitment to closely align climate change and disaster risk reduction approaches, preferably under a single integrated policy framework; and
- an indication of a long-term commitment to integrating climate change into aid programming and sufficient financing to achieve intended goals and objectives.

## INTERNAL PROGRAM DESIGN/APPROVAL/MANAGEMENT PROCESSES TO SUPPORT CLIMATE CHANGE INTEGRATION

Throughout the project/program cycle, adequate processes and procedures should be in place to help ensure that the organisation is achieving its climate change goals and objectives. Key questions to address in determining the extent to which this occurs include:

- Is there a requirement for programs and project investments to be screened for climate change impacts/outcomes?

---

<sup>6</sup> See *JICA Climate Change Cooperation Strategy*, Japan International Cooperation Agency, Government of Japan, 2016

<sup>7</sup> *The Right to a Better Life*, Danish Ministry of Foreign Affairs, 2012.

- Are appropriate tools and guidance documents available to enable program staff to effectively assess climate change related issues and incorporate these into program design?
- Does sufficient technical capacity and resources exist within an agency to enable effective climate change integration and to meet stated policy objectives (adequately trained staff, technical advisory support/helpdesk)?

**Climate Change Screening:** Screening development cooperation investments for their climate change impacts (positive and negative) is now a well embedded feature of all the major donors reviewed – all have some screening mechanism in place. Most of the agencies reviewed directly target climate change as a standalone investment priority or cross-cutting issue, while some donors cover climate change impacts as part of a general environment screening process (for example Canada). For a majority of donors screening is a mandatory requirement (at least at the initial stages of the project cycle). However, the depth of screening, and the types of management responses those screening processes initiate, varies between donors. In Sweden if a project is deemed to have potentially significant climate change impacts it triggers a mandatory requirement to undertake an in-depth impact assessment (similar to an environmental impact statement (EIS)) to determine the extent of the impact and what measures can be put in place to address any adverse consequences. Denmark has a financial trigger point and requires a mandatory climate change impact assessment for all projects over US\$5 million that have been identified as having potential climate change related effects. Other donors also have trigger points and/or additional screening requirements and large investments often entail much closer scrutiny and substantive, mandatory impact assessment (for example, the UK and USA). In the case of France, there is a rigorous approach in place that explicitly favours projects that have positive climate change benefits, and attaches a lower investment priority to those projects that do not have a clear climate change benefit<sup>8</sup>.

While all donors have in place some climate change/climate risk screening process, the tools they use and the extent of rigor varies. For example, Norway has good climate change tools and guidance documents in place<sup>9</sup> although it does not have a mandatory screening requirement and the extent of climate change screening is left largely to the discretion of project managers and design teams). As identified in the 2013 OECD DAC review of Norway, this lack of clarity on screening requirements has caused some issues in terms of consistency of application of screening approaches ‘due to the differing level of climate change skills and awareness across program staff<sup>10</sup>. This is not to imply that Norway does not adhere to high sustainability standards (as it clearly does) but to highlight the importance of having clear and consistent screening guidelines and requirements that applies to all projects and programs. In summary, mandatory screening processes appear to be a fundamental building block for effective climate change integration (similar to the mandatory gender screening processes that nearly all OECD donors have in place).

As discussed further below, there are a wide range of screening tools available to assist program staff design ‘climate aware’ projects and programs. The quality and rigour of these approaches has improved considerably over time. However, most screening approaches adopt a project or sector specific focus and the broader system wide effects, along with alternative project design options, are not always given adequate attention. In recent years several multilateral agencies and donors (for example, Global Environment Fund (GEF), United Nations Development Program (UNDP), Swedish International Development Assistance Agency (SIDA) have been exploring new approaches that adopt a broader system

<sup>8</sup> See *Reconciling Development and the Fight Against Climate Change: Action Plan 2012-2016*, Agence Française de Développement, 2012

<sup>9</sup> *Assessment of Environmental and Social Sustainability and Climate Change Risk Management (‘Climate Proofing’)*, Norad, 2010

<sup>10</sup> *Norway – DAC Peer Review of Development Cooperation*, OECD, 2013



wide approach to identifying potential adaptation pathways. One such approach is the Resilience, Adaptation Pathways and Transformation Assessment (RAPTA) framework being developed by the CSIRO and the Stockholm Resilience Centre (with funding support from SIDA)<sup>11</sup>. This approach draws on a suite of different tools to assess projects in a more strategic fashion and helps identify potential ‘adaptation pathways’ linked to broader strategic issues like the economic development trajectory of a country and the other important social, political and natural ecosystem factors that influence effective adaptation. The framework has a broader sustainable development focus, where climate change is one of several factors considered, and is well suited to progressing the green growth framework adopted by an increasing number of donors. GEF is currently trialling this screening and assessment approach, and UNDP and the Green Climate Fund (GCF) are evaluating the merits of adopting the approach. CSIRO is working with several Australian state governments to use RAPTA as an adaptation planning tool. It can be applied at a range of levels, from individual projects to more strategic programmatic and national planning level. A key attribute is that has the potential to more readily identify mal-adaptation and prioritise investments over a longer term perspective to help ensure a least-costs, more sustainable approach to adaptation.

## KEY FINDINGS

Clear processes and procedures for screening and designing projects (to assess climate change impacts) are an essential element of climate change integration. Overall, those donors that appear to have been most successful in integrating climate change have the following components in place:

- A mandatory climate change screening for all projects (at the design and approval stages), and more detailed climate change impact assessment for all major projects (often with a specified financial threshold) that have an identified climate change link;
- Guidance documents and support tools readily available for program staff to ensure that climate change is effectively integrated into project design processes;

## MONITORING, EVALUATION AND REPORTING SYSTEMS

Monitoring and reporting the climate change impact/results of development assistance investments is important for accountability, learning and informing future investment choices. Guiding questions in evaluating the adequacy of climate change monitoring and reporting include:

- Are appropriate systems in place to enable an organisation to track progress and report on climate change related outcomes at the project, program and portfolio level?
- What type of indicators are used to assess progress towards achieving climate change related outcomes and are these applied in a consistent manner across all projects and programs?
- How does an organisation report on the climate change related results of its ODA investments?
- Is reporting transparent and easily accessible to the public?
  - Is it part of the annual report or is it a separate publicly available whole of organisation (portfolio level) climate change results report?
  - Are a common set of indicators used across all projects and programs to enable aggregate portfolio level reporting (for example, total CO2 equivalent emissions reductions achieved)?

---

<sup>11</sup> Outlined in ‘Resilience, Adaptation and Transformation- putting these concepts to work in the design of food security projects in Ethiopia’, CSIRO, 2017 – final draft and not yet published

Approaches for monitoring and reporting on the impact of climate change related interventions can be subdivided into two main categories: mitigation (largely quantifying the greenhouse gas emissions outcomes) and adaptation (assessing the changes in the level of climate vulnerability or climate resilience).

**Emissions mitigation:** Monitoring and reporting on mitigation is relatively straightforward and non-controversial – most methodologies used by donors and multilateral agencies produce relatively accurate and internationally consistent results. Although there are a wide range of emissions mitigation quantification tools and methodologies available they all largely comply with core emissions accounting principles outlined in the Greenhouse Gas Protocol, developed by the International Business Council for Sustainable Development and the World Resources Institute<sup>12</sup>, and ISO 14062 (Parts 1, 2 and 3) – the international greenhouse gas accounting and verification standard. There is also an extensive range of specific quantification methodologies for different types of mitigation investments (renewable energy, energy efficiency, forestry and agricultural emissions, among others) produced by the UNFCCC Clean Development Mechanism Board, multilateral agencies and other international institutions (for example, the International Institute for Sustainable Development (IISD) and the World Resources Institute). All the major donors have mitigation quantification tools as part of their internal guidance material and, in general, all the emissions quantification methodologies reviewed appear adequate and would produce broadly similar results. Nonetheless, there are differences in the level of detail and range of quantification tools used by donors. The World Bank, the Global Environment Facility, the Green Climate Fund and several other multilateral institutions also use emission quantification tools that align with best practice (these can be accessed from their individual websites).

Tracking and reporting emission reductions/increases at the project and program level is relatively easy to aggregate to the portfolio level. Examples of common portfolio level indicators used include: total tonnes of CO<sub>2</sub> reduced, total renewable energy capacity installed, and quantity of energy saved through energy efficiency). The USA, France, Sweden and Japan all have well documented methodologies and approaches that can be accessed from their websites and all stand out as good practice.

**Adaptation:** Monitoring and reporting on climate change adaptation and resilience investments is somewhat more challenging and inexact compared to mitigation. This is due to the long term/slow onset nature of climate change and the wide array of factors that influence vulnerability and sustainability – the social, economic and political environment surrounding an adaptation initiative can be complex. The full benefits of an adaptation intervention may take many years to materialise (even beyond the life of the project) which makes results reporting more challenging. The baseline against which the impact of a specific intervention is measured is also often dynamic and can change considerably overtime (often due to socioeconomic and political factors) – this can also make it difficult to determine the actual impact of an adaptation intervention. To effectively evaluate adaptation investments generally requires a mix of both quantitative and qualitative approaches and the indicators used can vary depending on the nature and scale of the investment.

Over the past decade, there has been a noticeable improvement in the availability, rigor and quality of monitoring and evaluation methodologies pertaining to adaptation<sup>13</sup>. A large array of adaptation screening and monitoring tools are available, many designed for specific types of projects. In general,

---

<sup>12</sup> [www.ghgprotocol.org](http://www.ghgprotocol.org)

<sup>13</sup> See *Good Practice Study: Principle for the Indicator Development, Selection and Use in Climate Change Adaptation Monitoring and Evaluation*, Global Environment Fund Independent Evaluation Office, 2015, for a comprehensive overview of approaches for monitoring and evaluating climate change adaptation

adaptation M&E approaches can be divided into two main categories: Community Based Adaptation methodologies (where indicators are often specifically selected for the project) and Portfolio level M&E approaches that endeavour to provide an assessment of the overall impact of the agencies portfolio of investments and, where possible, use a common set of core indicators. Aggregating specific adaptation results (based on common indicators) can be somewhat problematic - there is no universally agreed set of aggregate indicators that can be used to precisely identify the overall portfolio results. Simply aggregating a given set of indicators across a whole portfolio does not necessarily ensure an accurate picture of achievements and can mask individual outcomes at the project level. Nonetheless, it is possible to achieve a reasonably robust assessment of portfolio level adaptation outcomes. Examples of portfolio level adaptation indicators include: the number of people that have access to improved climate information that can help reduce vulnerability; the number of additional people covered by flood early warning systems or cyclone alerts; and aggregate crop losses avoided through the application of climate smart agriculture). France, USA, and the UK all use portfolio level adaptation indicators – DFID’s uses a set of core portfolio indicators to track its commitments to support developing countries’ climate adaptation and low-carbon growth. These include total spend on adaptation programs; number of people supported by programs to cope with the effects of climate change; total spend on clean energy programs; and the number of people with improved access to clean energy as a result of projects. However, to substantiate portfolio level results it is also important that detailed project level results data is available. Portfolio level data needs to incorporate both quantitative and qualitative analysis – it should not be solely dependent on quantitative approaches.

**Adaptation Indicators:** An important element of robust climate change M&E systems is the array of indicators selected. There are a large array of indicators to choose from and there is no single set that could be considered universally applicable – the choice of indicator very much depends on the type of project and/or program being implemented. There has been considerable progress in recent years in terms of developing appropriate indicators that cover the full suite of projects and sector engagements (many indicators are specifically tailored to individual sectors). A recent document produced by German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and IISD – ‘The Adaptation Indicators Repository’<sup>14</sup> - brings together the full suite of indicators currently used by the international adaptation M&E community. It is a useful source document and includes more than 300 indicators across all key economic sectors, supported by specific case studies on their application. The US Environmental Protection Agency has produced a compendium of mitigation and adaptation indicators that provides good guidance<sup>15</sup>.

**Climate change guidance materials and staff climate change awareness:** Based on the review of different donors, an important factor influencing the extent of climate change integration in development assistance programs is the extent to which appropriate tools and guidance documents are available, the technical support program staff can access, and the climate change related knowledge and competencies of program staff. Program staff need to have a basic level of climate awareness for integration to be effective. Program staff need to be able to access good quality guidance material on how to screen, design and monitor climate change elements of projects.

All the donors reviewed have in place tools and guidance documents to assist program staff; although they vary in coverage and level of detail (most appear to be adequate, at a minimum). Several examples of good practice have emerged from the literature review. Japan (JICA) has a comprehensive suite of tools and guidance documents available to program staff, as does Sweden (via SIDA’s Green Tool box), France, Germany/GIZ, USAID, and several others also have good quality tools. The tools are often developed in house but many draw on the methodologies and approaches developed by other

<sup>14</sup> *The Adaptation Indicators Repository*, GIZ and IISD, 2014 ([www.adaptationcommunity.net](http://www.adaptationcommunity.net))

<sup>15</sup> *Climate change indicators for the United States*, US Environmental Protection Agency, 2017



institutions and multilateral agencies. A recent document produced by the GEF Evaluation Office provides a comprehensive assessment of the main climate change adaptation screening tools and M&E approaches that have emerged over the past decade or so and is a useful source document<sup>16</sup>.

In addition to appropriate in-house tools and guidance documents, many donors also have a skilled advisory/help desk that can directly assist agency staff in the screening and design process. These climate change support services also often have a training function that aims to increase the climate change skills and awareness of program staff and program evaluators. For example, Sweden, USA, UK, Japan, France and Germany all have some form of technical advisory unit/helpdesk support functions in place. In the case of USAID, it is a requirement that all their main offices across the globe have a designated climate change integration lead that helps ensure that all projects are appropriately screened for climate change<sup>17</sup>. A key finding of the recent review of USAID and climate change was that ‘ongoing capacity building of USAID staff and partners is important to increase understanding and sustain climate change integration’.

**Climate change results reporting:** Comprehensive, accurate and transparent reporting of the climate change results achieved through aid program investments provides important evidence on an organisation’s overall approach to climate change. It documents evidenced based results that can shape future investments and is essential to public accountability for where taxpayer funds were invested and what was achieved (value for money considerations). Comprehensive climate change results reporting is also an essential input to national level UNFCCC reporting on a country’s Paris Agreement commitments. In general the quality, comprehensiveness and rigour of climate change results reporting reflects the robustness of an agency’s M&E system. It can be viewed as a proxy indicator the extent of climate change integration and the relative importance of climate change as an aid investment priority.

The extent of climate change reporting varies considerably across donors. Some, for example, the UK, France and USA, produce regular comprehensive portfolio level results reporting that specifies the overall climate change impact of its ODA investments (using a set of representative portfolio indicators covering both mitigation and adaptation) and supported by specific case studies at the project level. The USAID Climate Action Review provides good example of good practice climate change reporting, and the UK and France also produce quality portfolio level reports. Some donors, for example Sweden, provide comprehensive case study documentation of results achieved and lessons learnt as the primary mechanisms for reporting. For some countries climate change reporting is much less comprehensive and is often reported as a subcomponent of annual aid program reports (for example, Canada).

There is no internationally agreed standard concerning what should be reported and how. Nonetheless, the evidence from the international literature suggests that those countries that produce the most accurate and comprehensive climate change results reports appear to be those where climate change integration is more advanced and has achieved good practice standards (in all the key areas identified earlier in this document). Good practice reporting approaches should include a mix of both specific project level results reporting and aggregate portfolio level results. The USAID Climate Change Report is a good example of a balanced mix between evidence from specific case studies and aggregate portfolio level reporting. Several other donors also have good climate change reporting mechanisms (as highlighted earlier).

---

<sup>16</sup> See *Good Practice Study: Principle for the Indicator Development, Selection and Use in Climate Change Adaptation Monitoring and Evaluation*, Global Environment Fund Independent Evaluation Office, 2015

<sup>17</sup> See *USAID Climate Change Action Review 2010-2016*, USAID, 2017

## KEY FINDINGS

Based on the literature review, several common good practice standards in terms of M&E and results reporting processes have emerged. These are:

- Developing robust M&E systems that use appropriate indicators to effectively track investments, and document results, is a core building block for effective climate change integration, especially in terms of assessing portfolio level impact;
- The existence of appropriate tools and guidance material that programming staff can readily access is critical to effective climate change integration;
- Ensuring program staff are ‘climate change aware’, and have sufficient skills and competencies to apply the climate change tools and guidance documents, is also clearly an important contributor to effective integration;
- Preparing comprehensive, transparent and accurate reports on climate change impacts and results from ODA investments at the project, program and portfolio level is an important vehicle for assessing value for money, identifying lessons learnt, guiding future programming and facilitating greater political commitment to integration.
- Having access to specialist skills and advisory support units/helpdesks, as well as targeted support training, also appears to be important elements of effective mainstreaming;
- Ongoing staff capacity development and the existence of dedicated climate change leads at the headquarter level, and in major country/regional offices, also seems to be an effective means of ensuring climate change is effectively mainstreamed.
- 

## THE LEVEL OF POLITICAL COMMITMENT TO CLIMATE CHANGE AND CLIMATE CHANGE FINANCING

Political commitment and adequate resourcing are key drivers for integrating climate change into development assistance programs, and a major determinant of the extent to which integration occurs. This section aims to identify trends in climate change finance across the international donor community and establish potential standards against which Australia’s performance can be assessed relative to its OECD peers.

Key guiding questions in this regard include:

- Does climate change feature strongly in political level statements on ODA policies and strategies (regular statements and a clear, long-term commitment and vision)?
- What is the proportion of total ODA flows allocated to bilateral investments that can be classified as climate change and how does this compare with other donors?
- To what extent are international climate change financing initiatives supported (either through the MDBs or climate change finance mechanisms, such as the Green Climate Fund)?
- Is the overall trend in climate change financing increasing, static or declining?

As discussed earlier the importance of climate change as an aid investment priority varies across countries; some have it as a core pillar of the aid strategy while others view it as a one of several cross-cutting issues. Some adopt a comprehensive whole of government approach (for example, the UK, Germany, Denmark and several others – involving multiple ministries while others have strategies more targeted at the aid agency (for example Japan, NZ and to some extent the USA). All the countries reviewed have made high-level political statements concerning their willingness and commitment to assisting developing countries to effectively respond to climate change impacts and adopt low-carbon development trajectories. In

particular, at the 2015 Paris COP, most OECD countries outlined their future commitments to supporting developing countries respond to climate change.

What has emerged from the literature review is that strong ministerial and executive management level commitment is an essential element to effective integration. This was a key finding of a recent 2014 OECD study - *Mainstreaming Cross-Cutting Issues: Seven Lessons Learnt from OECD DAC Reviews* – which reviews the collective experience across the OECD in terms of organisational integration efforts (discussed further below)<sup>18</sup>.

**Climate change finance commitments:** In 2009, developed nation signatories to the UNFCCC (Annex 1 countries) committed to mobilising US\$100 billion per year to assist non-Annex 1 countries reduce greenhouse gas emissions and adapt to the impacts of climate change. Since then there has been a considerable effort devoted to strengthening climate change finance tracking and reporting processes. The OECD DAC produces regular Climate Related Development Finance statistical reports and this is the primary source data for monitoring international climate change finance flows, and assessing the extent to which the international community is on track to meet the 2020 target. The most recent comprehensive report was released in June 2015 and covers finance flows up to 2013-14<sup>19</sup>. This publication includes data for each OECD country, disaggregated to various levels. More recent summary figures (2015 data) are available but only at the global aggregate level.

The Rio Markers are the primary means of tagging climate change finance, among a range of other environment and sustainable matters. It is widely recognised that the robustness of the finance data is subject to some uncertainty, and can potentially overstate actual flows. This is because potential exists for double counting when individually tracking mitigation and adaptation flows (although the OECD attempts to net out overlap/double counting as far as possible). The MDBs adopt a slightly different approach which tends to be somewhat more conservative. For example, the MDBs only account for the incremental costs associated with climate proofing infrastructure while the Rio Marker approach allows the whole investment to be considered as climate change finance. While the estimates are subject to some uncertainty they do, nonetheless, provide a reasonable indication of existing flows.

Overall, the amount of climate change finance being provided by OECD members is increasing. In 2015, official bilateral ODA was US\$29.1 billion, a 20 per cent increase over 2013 levels<sup>20</sup>. In absolute terms (in descending order) Japan, Germany and France are by far the largest providers of climate change finance, but the USA, Norway and the UK are also significant contributors. European countries also contribute significant amounts of climate change finance through the EU and, if ranked against individual countries, the EU is the second largest source of climate change finance (outside the multilateral financing mechanisms).

**Share of ODA classified as climate change finance:** The mechanisms through which donors channel their climate change related ODA varies considerably across countries, and year on year. The current OECD average (2015 figures) for the proportion of ODA directed at climate change is 20%, and for the multilaterals around 22% of total funds disbursed. The share for some countries is much higher than others. Based on 2013 data (the latest disaggregated data available) Japan, at 33% of total ODA, has the highest share, and France, Germany, Norway, Denmark and the Netherlands also all exceed the OECD

<sup>18</sup> Mainstreaming Cross-Cutting Issues: Seven Lessons Learnt from OECD DAC Reviews, OECD, 2014.

<sup>19</sup> 'Climate Related Development Finance 2013', OECD June 2015 – note preliminary aggregate figures are available for 2015 and are quoted above (see [www.oecd.org](http://www.oecd.org))

<sup>20</sup> Note: These figures do not include non-ODA flows (for example, China, Russia, UAE, among others, who also provide climate change assistance

average by a considerable margin. The countries with the lowest share of ODA tagged as climate change finance are Canada, USA, New Zealand, Greece, Slovenia, Poland and Slovakia - all below 10%, and several less than 5%. Australia (at 11%) is currently placed towards the lower end of the range, and well below the OECD average.

**Balance between mitigation and adaptation:** In terms of the split between mitigation and adaptation 49% of flows in 2015 specifically targeted mitigation (mostly directed towards middle income countries), 29% targeted adaptation (most directed to low income countries), and 22% were activities designed to address both adaptation and mitigation. Mitigation has traditionally been the primary target for OECD climate change investments but its share has been declining over the past five years. While most countries have a relatively balanced mix of adaptation and mitigation investments (including Australia), some countries have a much heavier mitigation focus (especially Norway, France, and Japan, and to a lesser extent the UK, USA and New Zealand). For the multilateral flows, around 75% is mitigation focussed.

**Balance between bilateral and multilateral flows:** Overall bilateral finance accounts for about two-thirds of total climate change finance flows. However, most of the countries selected for review in this analysis tended to allocate 70 - 75% of their ODA to bilateral investments. Canada is a notable exception as it contributes around 75% through multilateral processes, reflecting the fact that climate change is not a major priority for their bilateral investments.

**Green Climate Fund:** The GCF has emerged as a major multilateral climate change finance mechanism and it is expected to grow in importance over time. It is the key target mechanism for OECD contributions to multilateral flows. Current pledges amount to US\$10.3 billion and more than 40 countries have made contributions<sup>21</sup>. The major contributing countries are the USA, Japan, UK, Germany, France, and Sweden (all have contributed more than US\$500 million and they account for more than 80% of all contributions to date). Several other countries have made moderate contributions of US\$50 million or more: Norway (the biggest contributor per capita), Spain, Italy, Canada, Netherlands, Australia, Denmark, Belgium, South Korea and Switzerland. The contributions from all other countries is relatively small and accounts for less than 5% of funds in the GCF (for example, New Zealand has contributed only US\$3 million).

While it is evident most countries have managed to sustain a consistent long term commitment to climate change ODA flows no matter which political party is in power (for example, Germany, Japan, France, UK and the Nordic countries have had very stable commitments), others exhibit more variability in their level of commitment overtime (for example, the USA, Australian and Canadian commitments have varied considerably with changes to governments).

## KEY FINDINGS

- The level of overall climate change finance flows is increasing, as is the average share of total ODA flows that can be tagged as climate change finance;
- A general level for high income OECD donors (of which Australia is one) is in the order of 15-20% of ODA tagged as climate change finance;
- The mix of investments is becoming more balanced in terms of adaptation and mitigation and, on average, most donors now devote around half of their climate change bilateral climate finance to mitigation and the rest to adaptation and/or joint adaptation/mitigation investments;

---

<sup>21</sup> 'Status of pledges and contributions to the Green Climate Fund' [www.greenclimatefund.org](http://www.greenclimatefund.org).

- The bilateral contribution varies considerably across donors but on average most donors channel around 25-30% of their total climate change finance flows through multilateral mechanisms, and the rest through bilateral investments.

## GUIDING PRINCIPLES AND LESSONS ON INTEGRATING CLIMATE CHANGE INTO DEVELOPMENT ASSISTANCE PROGRAMS<sup>22</sup>

Over the past two decades, donors have devoted considerable effort to mainstreaming a range of cross-cutting issues (environment, climate change and gender) into their international development assistance programs. The extent of progress made in mainstreaming these cross-cutting issues varies across different donors and the issue being mainstreamed. In 2014, the OECD published a document (Mainstreaming Cross-Cutting Issues: Seven Lessons Learnt from OECD DAC Reviews<sup>23</sup>) which details the experience of different DAC members and highlights key factors that underpin successful mainstreaming<sup>23</sup>. Although the documents cover cross-cutting issues in general, rather than climate change per se, the key guiding principles are directly pertinent to successful climate change integration and in line with the key findings of this literature review. The OECD concluded that successful mainstreaming involves ‘innovation, flexibility, learning and acceptance of new norms ... and it requires changes in the established procedures and cultures of organisations’. Achieving this sort of change is not easy and the OECD also concludes that ‘the overarching lesson from DAC peer reviews and donor evaluations is that while many donors have committed to mainstreaming cross-cutting issues, most of them are still struggling to bridge the gap between policy and implementation by conducting the organisational changes needed to achieve this’. The key findings of this study are as follows:

**Provide sufficient leadership and sustained commitment:** Consistent leadership and commitment from senior management over the long term is critical for a policy or strategy to be mainstreamed at organisational, country and intervention level. This has proved to be the “key ingredient” for mainstreaming crosscutting themes. Senior leadership is most effective when supported by specialists in senior roles. Delegating leadership to technical staff who do not have the authority or resources to lead is not effective. To ensure that the focus on the crosscutting issue is sustainable over the long term, leaders have to go beyond advocacy and technical fixes and develop clear organisational linkages between policy, resources, incentives and accountability systems.

**Have a policy or strategic framework as well as mainstreaming objectives in the corporate plan:** While many DAC members’ agencies have elaborated a policy and/or a strategy related to gender equality, the environment and climate change, few of them have made the crosscutting theme a specific priority of their corporate plans. Making integration a corporate objective supports a consistent vision which applies to all parts of an agency’s operations. It provides clarity of purpose that is unambiguous to staff, and gives a clear signal that mainstreaming must be implemented throughout the organisation, including at the project implementation level. The policy and strategic framework should have high-level ownership within the organisation as well as clear objectives. They should spell out what mainstreaming entails and why it is important for the organisation to do it. Cross-cutting issues should be either included as a main pillar of the aid policy, or as both a stand-alone objective of their development policy and a priority to be

<sup>22</sup> Note: This review uses the term ‘climate change integration’ rather than ‘climate change mainstreaming’ – they are used interchangeably across the international development literature. The OECD DAC uses ‘mainstreaming’ and the text in this section uses mainstreaming as it is directly referenced from the OECD publication.

<sup>23</sup> *Mainstreaming Cross-Cutting Issues: Seven Lessons Learnt from OECD DAC Reviews*, OECD, 2014.



mainstreamed across all sectors and interventions. Where one or more implementing agencies or several ministries are involved in delivering development assistance, a single approach, framework or mainstreaming strategy is best to ensure consistency (as the UK, Denmark, Netherlands, Germany France have done in relation to climate change).

**Engage in the policy and political dialogue:** Effective engagement and dialogue with senior officials in other development agencies and the recipient countries is important. A comprehensive and inclusive approach is needed to ensure that national policies and programs address cross-cutting issues through entry points such as aid planning processes, general or sector budget support, public sector reform reviews, or other sector reviews.

**Have clear implementation guidelines and supporting tools and documents:** The tools used are most commonly associated with: (i) diagnostic, screening or analysis before the design of interventions (e.g. environmental/climate change screening guidelines, and cost-benefit analyses); (ii) planning level assessments (e.g., environmental impact assessments; climate risk assessments), (iii) monitoring and evaluation of interventions; and (iv) awareness raising and capacity building through training courses, forums and seminars. Many of the DAC peer reviews have observed a gap between the vision for making mainstreaming a priority or goal of the aid program and the reality of how this works in practice. Any approach to mainstreaming will only be successful if it is translated into practice to produce the expected results.

**Link incentives to accountability and results:** Many DAC members have gone to great lengths to strengthen institution-wide accountability mechanisms. However, few donors have put in place the standard systems and processes to assess, reward or sanction staff and managers' mainstreaming achievements. Monitoring and evaluation are important dimensions of accountability since they assess progress against targets and objectives, provide feedback and are essential for learning. Results monitoring in cross-cutting issues has to follow good intentions of mainstreaming policies, and remains a major area for improvement. Systems of incentives and accountability play an important part in communicating the tone and direction of an organisation to the staff. Their absence has been identified as a key factor limiting the achievement of mainstreaming results. Program staff are unlikely to commit to effective integration if it is not promoted within their organisations, and there are no rewards or sanctions associated with integration performance. Recognising outstanding work, at the individual or collective level, also raises the profile and status of the cross-cutting issue. When promotion and posting opportunities are made contingent on completing the training at the right level, the importance attached to the cross-cutting theme is clear to staff. In terms of monitoring, evaluating and measuring results, strong accountability frameworks for cross-cutting issues are essential.

**Allocate sufficient financial and staff resources to deliver on commitments:** Insufficient resources are likely to constrain the organisation's mainstreaming achievements and reduce the sustainability of outcomes. A comprehensive approach to mainstreaming requires a strong presence of well-trained, dedicated specialists with adequate capacity (at both headquarters and the country level), and the appropriate budget and mandate to influence the design and implementation of interventions. Recruitment of in-house or external expert advisers is essential to help staff, provide training and build internal competencies. The OECD found that few agencies have a specific budget for mainstreaming cross-cutting issues. Adequate financing of mainstreaming objectives is critical to ensure that program staff are sufficiently supported (for example, with appropriate training and adequate mainstreaming budgets for projects and programs). The OECD lessons learnt document specifically identifies Australia's efforts on gender integration and how internal processes link to accountability (such as gender action plans and gender analysis) - similar approaches should be applied to climate change.

**Strengthen the culture of learning on mainstreaming:** Learning refers to capturing and communicating good practices that generate valuable lessons and provide innovative examples that are relevant for future practice. Most development assistance agencies have formal reporting mechanisms on the success of mainstreaming efforts. When mainstreaming results are reported, they tend to be limited to the project level. Systematic documentation of results over time and across sectors is a very powerful tool for development practitioners to give purpose to mainstreaming. A consistent approach to reporting on results involves tracking progress, adapting management practices and documenting good practice. For system-wide learning to take place, a two-way flow of meaningful information needs to be established between the different parts of the system through feedback loops. According to the OECD, a number of donors have noted that reporting on mainstreaming is often constrained by poor (or lack of appropriate) monitoring and evaluation data, and is often compounded by the absence of clear program strategies and indicators.

The OECD finds that countries which exhibit good practice mainstreaming approaches have done the following:

- Integrated mainstreaming indicators into the institution's core reporting processes and reported on results delivered as part of a mandatory annual reporting process;
- systematically incorporated the issue into the body of evidence of evaluations;
- mandated that all divisions and country offices report on results achieved with mainstreaming;
- improved the collection and dissemination of data related to the cross-cutting theme;
- explicitly integrated cross-cutting issues in program documentation

The principles and lessons learnt outlined above have direct relevance to the DFAT climate change review and are key elements that should be evaluated as part of the review.

## ANNEX 1 - BIBLIOGRAPHY OF DOCUMENTS REVIEWED

*Mainstreaming climate change into Danish development cooperation: Shifting towards green growth*, Nordic Centre of Excellence for Strategic Adaptation Research, 2015

*The Right to a Better Life*, Danish Ministry of Foreign Affairs, 2012

*Integrating mitigation and adaptation into climate and development policy*, Klein, R., Schipper, E., and Dessai, S., Environmental Science & Policy, 2005

*Environmental and Social Sustainability and Climate Change Risk Management ('Climate Proofing')*, Norwegian Agency for Development Cooperation (Norad), 2010

*Climate Proofing of Norwegian Development Cooperation*, Norwegian Agency for Development Cooperation (Norad), 2011

*Assessment of Environmental and Social Sustainability and Climate Change Risk Management ('Climate Proofing')*, Norwegian Agency for Development Cooperation (Norad), 2010

*Reconciling Development and the Fight Against Climate Change: Action Plan 2012-2016*, Agence Française de Développement, 2012

*JICA Climate Change Cooperation Strategy*, Japan International Cooperation Agency, Government of Japan, 2016

*JICA 2016 Annual Report*, Japan International Cooperation Agency, Government of Japan, 2016

*Dutch Climate Finance 2010-2015 and Beyond*, Dutch Ministry of Foreign Affairs, 2016

*Good Practice Study: Principle for the Indicator Development, Selection and Use in Climate Change Adaptation Monitoring and Evaluation*, Global Environment Fund Independent Evaluation Office, 2015

*A World to Gain: A New Agenda for Aid Trade and Investment*, Dutch Ministry of Foreign Affairs, 2013

*Green Tool Box: Introduction to Environment and Climate Change Integrations in Contributions*, Swedish International Development Assistance Agency, 2016

*Convergence of Disaster Risk Reduction and Climate Change Adaptation: A Review for DFID*, Mitchell, T. and Van Aalst, M., 2008

*Mainstreaming climate change in Norwegian development aid: Reconciling climate priorities with aid delivery procedures*, Nordic Centre of Excellence for Strategic Adaptation Research, 2015

*New Zealand Aid Program Investment Priorities 2015-19*, New Zealand Ministry of Foreign Affairs and Trade, 2015

*MFAT Strategic Results Framework and Indicator Set*, [www.mfat.govt.nz](http://www.mfat.govt.nz)

*'Canada's Second Biennial Report on Climate Change'*, [www.ec.gc.ca](http://www.ec.gc.ca)

*The Adaptation Indicators Repository*, GIZ and IISD, 2014, [www.adaptationcommunity.net](http://www.adaptationcommunity.net)

*Guiding principles for the Danish Climate Envelope*, Danish Ministry of Foreign Affairs, 2016

*OECD Development Assistance Peer Review: Canada*, OECD DAC, 2012

*Climate change indicators for the United States*, United States Environmental Protection Agency, 2017

*Norway – DAC Peer Review of Development Cooperation*, OECD, 2013

*Climate Fund Inventory*, OECD, 2015, <http://www.oecd.org/environment/cc/Climate-Fund-Inventory-Background-report-OECD.pdf>

*Environment and Climate Change Indicators: Guidance at the country and sector level*, SIDA, 2010

*Mainstreaming Cross-Cutting Issues: Seven Lessons Learnt from OECD DAC Reviews*, OECD, 2014

*USAID Climate Change Action Review 2010-2016*, USAID, 2017

*Resilience, Adaptation and Transformation- putting these concepts to work in the design of food security projects in Ethiopia'*, CSIRO, 2017