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INTEGRATING CLIMATE CHANGE INTO DEVELOPMENT ASSISTANCE AND BUSINESS CASES IN 15 COUNTRIES

Abstract

In the 2015 Paris Agreement, developed countries reconfirmed their collective goal to assist developing countries in reaching their goals for climate change adaptation and mitigation. The Netherlands is committed to do its share as an integral part of its development assistance. This paper describes the Netherlands actions in integrating climate change in its programmes and contributing to global climate objectives.

Introduction

At the Paris climate conference in December 2015, 195 countries set out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C, to track progress together, to strengthen societies' ability to deal with the impacts of climate change and to provide continued and enhanced international support for adaptation to developing countries for dealing with its consequences. To put such commitments into practice, developed countries intend to continue their existing collective goal to mobilize USD 100 billion per year by 2020 to support developing countries, and agreed to continue to mobilize finance at this level until 2025. This paper describes and evaluates effectiveness of the Dutch approach in dealing with climate change as a complex development policy problem. It first describes climate change as a complex policy issue, and then continues to explain how The Netherlands has integrated it into sectors that are relevant to the problem, aiming among others to seduce private actors to join in. Potentially effective tools are described, including Impact Assessment. Conclusions are based on reflection by practitioners in this process.

Climate change as policy problem

The challenge is to meet commitments on the input side (dollars) as well as on the impact side (climate change mitigation and adaptation). Effective response to climate change mitigation and adaptation depends on sectoral transformations or, even more complex, societal transitions for both developed and developing countries. There is an emerging literature examining the numerous interdependencies, linkages and spill-overs that exist among complex (and climate-influenced) energy, food and water systems ('nexus'), implying that the governance of these systems should be conducted in an integrated manner that seeks to minimize trade-offs and maximize synergies [Wakeford et al \(2016\)](#). Myriad interventions are required, from redesigning of institutions to promoting gender equality (e.g. [Termeer et al., 2016](#); [Gupta et al., 2010](#)). [Mazzucato \(2016\)](#) asserts that the required sustainable transformations depend on new markets, created by governments in a public-private governance process.

Proposed development and climate solutions may fail to meet the long-term climate challenges. For example, hydropower is commonly considered a renewable energy alternative to high GHG emission fossil fuel based energy. However, the large dams that generate hydropower are increasingly being called into question not only for the social, environmental and economic risks they create, but also because of their vulnerability to climate-related drought and GHG emissions. New, proactive forms of impact assessment create a financier's dilemma: either proceed with available proposals for shorter-term benefits with long-term risks, or first require that proponents get their governance in order – i.e. adopt a nexus approach, leading to transparent and informed strategic decisions ([DSU, 2016a](#)).

The Paris Agreement encourages subscribing states to commit to Nationally Determined Contributions (NDCs), and to collaboratively implement the proposed climate actions for adaptation and mitigation (see [the readiness programme of the Green Climate Fund](#), GCF). Climate change units within the government may be tasked to mainstream (integrate) climate change into relevant ministries' development plans and programmes. Forms of impact assessment are one way to stimulate inter-agency cooperation in mainstreaming climate change (e.g. [EU, 2016](#)). However, climate change units (and environment ministries) have relatively little authority or budget to enforce climate mainstreaming or monitor results (e.g. Howes et al., 2015).

The Dutch approach

The Dutch 'fair share' of the developed country Parties contribution to climate finance is estimated by the Netherlands national court of audit to be up to €1.2 billion in 2020. The Netherlands' policy is to integrate climate action into its development policies and activities aiming to increase resilience. It intends to do so by reducing vulnerability and adapting to the potential impacts of climate change, lowering GHG, and reducing disaster risks. It refers to this approach as 'climate-smart' development. Dutch climate finance is from public finance, the Dutch official development assistance (ODA), and from private sector climate finance.

The Ministry's climate team took the lead in the mainstreaming efforts and focused on assisting the embassies and central departments that are responsible for programs related to food security, water management, security and rule of law, and private sector development. Most ODA is centrally managed from The Hague. However, the Netherlands also works with 15 partner countries, of which 10 in sub-Saharan Africa, where embassies manage significant bilateral programmes that support the priority themes. It was recognized that embassies and departments lacked technical climate knowledge and information and that there had not been comprehensive reporting on climate change results or climate finance contribution. It was also recognized that since there were programmes already in place, the integration of climate change would initially focus on on-going initiatives and set the groundwork for future programming. Efforts were also made to address the [inaccurate] perception by programme managers (e.g. heads of food security or water programmes) - that climate change was yet another administrative hoop to jump through with little relation to the development results that they were working to achieve.

These efforts included the preparation of a Climate Change Profile for each of the countries in which there was a development programme ([DSU, 2016b](#)). The objective of the Climate Profile is to provide a brief (± 15 page including maps) overview of the projected impact of climate change in the country, including a specific focus on food security and water, the country's climate change policies, NDC, and programmes, and Dutch and international climate-related actions. By providing information on

geographic and sector climate risks the profiles assist embassies in preparing new projects and programmes. A climate screening guideline (MFA, undated) was prepared and used by many of the embassies and the centrally managed food security and water programmes to screen projects to assess their contribution to climate adaptation and or mitigation. To improve reporting on climate change activities and contribution to climate finance, there is a rigorous application of the Rio Markers ([OECD 2016](#)) for each project. Capturing the embassy's response to climate change an annual 'pitch and bid' (MFA, undated) is prepared – a brief (2-page) report that includes each project's contribution to climate change (adaptation and mitigation) both anticipated development results and climate finance contribution. Supporting the embassies are in-country climate workshops (which include interactive impact assessments), an annual climate –smart workshop, and for both embassies and central departments climate e-courses, inclusion of climate in sector e-courses such as food security, an on-line climate-helpdesk. In addition, Mainstreaming Guidelines (MFA, undated) were developed that help embassies and central departments in mainstreaming climate change into their development policies and programmes. The generated climate-smart ideas are integrated into on-going and future programs.

Discussion

While currently on track for a Dutch fair share of climate finance, several further questions emerge:

- 1) **Did impact assessment contribute?** The mainstreaming approach used by the Netherlands ministry included a requirement to assess the climate impacts and opportunities of development programmes that do not have climate mitigation or adaptation as their primary objective. The Netherlands has done this with the mainstreaming approach described as it urged programme managers to explain how they contribute to climate change objectives, and offered them methodology in terms of process and content. It is the authors' impression, as reflective practitioners, that it has made a difference. The induced conversations between programme experts and climate experts appear to have given insights that may influence future programs. Netherlands is not unique. Donors, for example, help the government of Mali to apply environmental assessment with a similar aim ([GIZ, 2016](#)).
- 2) **How to define ODA climate adaptation results?** For public and private investors to show sustainability effects, they need to agree on a way to measure. While there are challenges to measuring mitigation, the criterion is clear – put simply, it is GHG emissions, with accepted models for estimates and reporting. However, adaptation does not have such a single indicator, especially when considering long-term resilience rather than short-term gain. The mainstreaming and 'from aid to trade' approach also create reporting problems for climate change: even if fully integrated, the result areas need to be chosen pragmatically with a focus on a few quantitative indicators for which data can be collected in a food security or water programme. However, the indicators provoke discussions as to how to collect information on climate change when it is integrated into a food security or water programme. The GCF is developing an investment framework, a performance monitoring system, and country ownership guidelines which may prove useful for the Netherlands and other countries that are working to report climate results within a mainstreaming approach. Informal impact assessment workshops have benefited the Dutch mainstreaming approach. Reporting the progress of such learning efforts – e.g. to which extent do impact assessments inspire

implementing experts and contribute to climate-smart ODA? - may be a necessity to maintain political support for climate finance.

- 3) **How to encourage climate-smart/sensitive investment?** Some investments are intrinsically (if not explicitly) engaged in climate-sensitive activities such as energy, transport, agriculture and infrastructure. Climate change is an added complexity, which must be brought into the equation as a future constraint, but in an approach, that provides incentives and encourages investment. Such incentives may “tilt” the level playing field delicately toward climate smart investments, by means of government interventions like specific infrastructure investments, regulations and market based instruments. While investment incentives for climate-smart value chains were mentioned to some degree in climate screening workshops, ‘pitch-and-bids’ reports, project designs, and in the aid to trade discussions, much remains to be learned and applied.

Further reflections would be needed to formulate researchable questions about how the Paris agreement can contribute to more business cases for private climate investments.

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