


















Support for the IISD Global Subsidies Initiative 2024-2027

<p>Key results:</p> <ul style="list-style-type: none"> • Globally: International narratives on shifting public financial flows to energy are informed by and able to apply IISD data, analysis and recommendations; Increased capacity of major government, IGO and civil society partners (that they can apply) to strengthen global commitments on public financial flows to energy, as a result of targeted IISD engagement • Country level: In India, Indonesia and South Africa, national narratives on energy transition are informed by IISD data and analysis, and state institutions and civil society have increased capacity (that they can apply) in support of nationally relevant policy implementation for shifting public financial flows, <p>Justification for support:</p> <ul style="list-style-type: none"> • Fossil fuel subsidies encourage fossil fuel use, thereby contributing to increased CO2 emissions and climate change effects, which are harming the poor the hardest. • Fossil fuel subsidies are costly, with a large opportunity cost—it takes up resources that could otherwise have been invested in major development priorities. • The project promotes a shift in public financial flows from fossil fuels to clean energy, while considering the need to compensate the poor and vulnerable segments of society. • IISD is the key international actor within this issue, and can address Danish priorities on reforming fossil fuel subsidies, while promoting just transition. <p>Major risks and challenges:</p> <ul style="list-style-type: none"> • Progress is vulnerable to global economic developments, national political changes, volatile energy prices, war and counteraction from vested interests. • Maintenance of trust and confident relation building with partners, who may at times question the intentions and validity of foreign experts, and thus not be receptive to analysis and recommendations. • Insufficient resources e.g. withdrawing of resources from other donors, or rise in cost 	File No.	24/2266					
	Country	Global and in India, Indonesia & South Africa					
	Responsible Unit	KLIMA					
	Sector	Climate and energy					
	Partner	IISD					
		<i>DKK million</i>	2024	2025	2026	2027	Total
	Commitment	20					20
	Projected disbursement	4	5	5	5.8		19.8
	Duration	March 2024-December 2027 (4 years)					
	Previous grants	2008 3 M DKK; 2010 1.5 M DKK; 2012 6.4 M DKK; 2014 5 M DKK; 2016 432'169 DKK specifically for activities in Indonesia. 2017, 5 M DKK. 2019, 19.8 M DKK					
	Finance Act code	06.34.01.70					
	Head of unit	Anne Hougaard Jensen					
	Desk officer	Merete Villum Pedersen					
	Reviewed by CFO	YES: Jacob Strange					
Relevant SDGs [<i>Maximum 1 – highlight with grey</i>]							
							
No Poverty	No Hunger	Good Health, Wellbeing	Quality Education	Gender Equality	Clean Water, Sanitation		
							
Affordable Clean Energy	Decent Jobs, Econ. Growth	Industry, Innovation, Infrastructure	Reduced Inequalities	Sustainable Cities, Communities	Responsible Consumption & Production		
							
Climate Action	Life below Water	Life on Land	Peace & Justice, strong	Partnerships for Goals			

Obejctives

Major global economies more systematically shift public financial flows in ways that significantly accelerate the transition away from fossil fuels toward clean energy, while promoting improved social welfare and overall sustainable economic development.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	0%	100%	0%	0%
Total green budget (DKK)		20.000.000		

Justification for choice of partner:

IISD-GSP's unique role and track record on subsidy reform on the international arena, its long-standing engagement with emerging economies and Danish priority countries, its focus on promoting the transition to clean energy, while considering poverty and inequality aspects, and its flexibility in coordinating with other Danish supported initiatives.

Summary:

The project will influence public financial flows in ways that significantly accelerate the transition away from fossil fuels towards clean energy, and at the same time promote improved social welfare. It will deliver analysis and advocacy at the international level and at the national level in India, Indonesia and South Africa.

Budget (engagement as defined in FMI):

Outcome 1, International level	7,005,000
Outcome 2, India, Indonesia and South Africa	10,511,000
Cross-cutting project communications costs (5%)	990,000
Administration (7%)	1,294,000
Mid-term Review	200,000
Total	20,000,000

Support for the IISD Global Subsidies Initiative 2024-2027

Project Document

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Abbreviations and Acronyms

AMG	MFA/Danida Aid Management Guidelines
BOGA	Beyond Oil and Gas Alliance
CEM	Clean Energy Ministerial
COP	Conference of the parties (under the UNFCCC and CBD)
CO ₂	Carbon dioxide
CSO	Civil society organisation
DAC	Development Assistance Committee (OECD)
Danida	Brand name for Danish international development assistance, under MFA of Denmark
DEA	Danish Energy Agency
DEPP	DEA Energy Partnership Programme
DKK	Danish Kroner
EE	Energy Efficiency
ESMAP	World Bank Energy Sector Management Assistance Program
F2	MEUC and MFA electronic archive system
FFS	Fossil Fuel Subsidy
FFSR	Fossil Fuel Subsidy Reform
FFFSR	Friends of Fossil Fuel Subsidy Reform
G20	The Group of Twenty (leading world economies)
GCF	Green Climate Fund
GEF	Global Environment Fund
GHG	Greenhouse Gas
GSI	Global Subsidies Initiative
IEA	International Energy Agency
IGO	Intergovernmental organisation
IISD	International Institute for Sustainable Development
IRENA	The International Renewable Energy Agency
JET-P	Just Energy Transition Partnership
MCEU	Danish Ministry of Climate, Energy and Utilities

MFA	Ministry of Foreign Affairs of Denmark
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organisation
ODA	Official development assistance, as defined by OECD DAC
OECD	Organisation for Economic Co-operation and Development
RE	Renewable Energy
SDG	Sustainable Development Goal
SOE	State-Owned Enterprise
ToC	Theory of Change
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

1. Introduction

This Project Document (PD) presents a proposal for a continued support from Denmark to the IISD Global Subsidies Initiative (GSI). IISD has since 2005 supported international processes, national governments and civil society organisations on fossil fuel subsidy reform, alongside efforts to more broadly align public financial flows with sustainable development, including improving social welfare, good fiscal management and accelerating the transition toward clean energy.

Denmark has supported the GSI and IISD's wider energy work since it was established in 2005. In total, Denmark has supported IISD's GSI with approximately DKK 69.3 million since 2006, primarily focusing on promoting fossil fuel subsidy reform and clean energy investments.

As recommended by Danida's 2023 Mid-Term Review (MTR), it is intended to continue Danish support into a new phase that covers the four-year period 2024-2027. In the new phase, the overall objective and expected impacts are that public financial flows have shifted in ways that significantly accelerate the transition away from fossil fuels toward clean energy, and at the same time promote improved social welfare. To achieve this, the project will deliver outcomes at two levels: 1) International analysis and engagement, and 2) National analysis and technical assistance in the three focus countries India, Indonesia and South Africa.

The present PD was drafted on the basis of inputs from the Danish Ministry of Foreign Affairs (MFA) and the Danish Ministry of Climate, Energy and Utilities (MCEU). The IISD Energy Programme and the formulation consultant worked intensively together during a 3-day working visit to Geneva, where discussions were held with the management team and experts, including in operations, administration and communications, that took an active part in programme formulation. The IISD Energy programme teams in India, Indonesia and South Africa contributed to the discussions through virtual meetings. Furthermore, the drafting team met virtually with IISD's international partners and national partners in the three target countries¹ for an early assessment of the project's relevance. Virtual consultations were also held with the DEA energy teams and Danish Embassies in the three focus countries, including to explore possible synergies and the way forward at the country level, and with Norway as another donor to the IISD GSI.

The draft PD was addressed in a desk appraisal that included further consultations with IISD and the key stakeholders. The appraisal was positive and recommended the project for approval, subject to changes to the project description as outlined in appraisal recommendations.

The PD reflects the outcomes of these consultations, as well as the appraisal recommendations (see Annex 12). It outlines the context, the rationale and justification, the objectives and Theory of Change, budget and management arrangements for the new phase, based on Danida's Aid Management Guidelines (AMG).

¹ They include: Internationally, the International Renewable Energy Agency (IRENA) and Oil Change International (OCI); in India, the National Institution for Transforming India (NITI Aayog, the government's apex public policy think tank, chaired by the Prime Minister); in Indonesia, the National Team for the Acceleration of Poverty Reduction (TNP2K, a government think tank chaired by the Vice President), the Centre for Policy Dialogue Development (CPD) and the JET-P Secretariat; and in South Africa, the Global Strategic Communications Network (GSCC).

2. Summary of Issues to be Addressed and Institutional Context

“Public financial flows” for fossil energy— including subsidies, investments by state-owned enterprises (SOEs) and international and domestic lending by public financial institutions (IFIs and PFIs)—are considerable, amounting in the last decade to over USD 700 billion per year (Laan et al., 2023). Shifting them is a major opportunity: these flows are under the direct control of governments, or otherwise strongly subject to government influence, and can therefore be directed towards sustainable development, leveraging larger private flows.

Financial flows can be shifted to help achieve a broad set of international development objectives, as recognised by SDG 12 on Sustainable Consumption and Production. SDG 12 Indicator 12.c.1 identifies fossil fuel subsidy reform as a major “means of implementation” for the SDGs, because of the way it can free up resources for the social protection required to end poverty and embed resilience, while contributing to improved fiscal management, sustainability incentives, good governance and more sustainable consumption and production.

Financial flows can also be shifted away from fossils and towards clean energy, a necessary element of mitigating climate change, with broad implications for many development outcomes. This is recognised by Article 2.1(c) of the Paris Agreement, which states that all financial flows should be aligned with climate targets. Support for fossil energy also frequently acts as a “negative carbon price”, undermining efforts to price carbon at meaningful levels. In a review of 32 countries, IISD estimates that fossil fuel subsidy reform (FFSR) alone could lead to a reduction of greenhouse gas (GHG) emissions by 6% by 2030; and with a modest fossil tax and a share of revenues reinvested in sustainable energy, 11.8% (Kuehl et al., 2021). The International Monetary Fund (IMF, 2023) estimates that removing subsidies and raising taxes to cover externalities could raise ~USD 7 trillion a year in public funds (IMF, 2023). Reallocation of subsidy savings into social protection and public infrastructure can also help promote development while building community resilience and capacity for climate change adaptation.

In the past decade, there has been significant success in building a web of mutually reinforcing global commitments in this area, including commitments from the G20 since 2009, the SDGs and Paris Agreement in 2015 and under the UNFCCC since COP 26 in 2021. A growing body of actors are supporting efforts on fossil fuel subsidy reform, as summarized in Annex 1. Nonetheless, since 2020, despite some positive policy change in individual countries, there has been limited system-level progress in implementation at a global level, in large part due to the difficult period of both COVID-19 and the energy price crisis triggered by the war in Ukraine. In particular, the energy price crisis caused support for fossil fuels to more than double in 2022, as governments around the world intervened to address affordability concerns for consumers. Further details on this are also summarized in Annex 1.

Action from the world’s largest economies is especially important, as they make up the largest share of the global population and emissions, while setting norms and establishing pathways for smaller economies. Among large economies however, challenges are not always the same, due to different stages of economic development, adaptive capacity and other factors. In particular, emerging economies face unique challenges: the shifting of public financial flows must take place while building enough energy supply infrastructure to keep up with high levels of economic growth. This is crucial to ensure a just transition and affordable access to energy services for large low-income populations, and at the same time support efforts to eradicate poverty. These emerging economies are often fossil fuel producers themselves and thus may face complicated economic and social impacts from a transition to renewable energy. However, there are also unique opportunities for these countries. The earlier they manage to shift their financial flows, the faster they will build

sustainable, low-carbon consumption and production patterns, creating durable jobs and economies, and sustained social outcomes. The lessons learned by emerging economies will be vital for developing economies more broadly, who face similar circumstances, and are likely to look towards emerging economies as key comparators, particularly as global scrutiny on the SDGs and climate gathers pace towards 2030.

As a result, this initiative proposes to focus efforts on global shifts in public financial flows from fossil fuels to clean energy. This will contribute to global development outcomes and their financing, while providing targeted support on how shifting public finance can help achieve specific national development goals in the emerging economies of India, Indonesia and South Africa. Further details on each country's specific circumstances are shared in Annex 1.

In this context—mounting consensus on the need for transition and reform, despite limited systemic progress on implementation at a global level—the next four years will be critical. In regards to the SDGs, reporting shows limited and slow progress on SDG 12.c.1, and challenges in the implementation of many other SDGs. On climate, the formal outcome of the first global stocktake (December 2023) calls on countries to act “in a nationally determined manner... [on] Phasing out inefficient fossil fuel subsidies that do not address energy poverty or just transitions, as soon as possible” (UNFCCC Secretariat, 2023b). Major “moments” to influence performance include the next round of Nationally Determined Contributions (NDCs), the G7's commitment to phase out their subsidies by 2025, and emerging economies leadership in the Brazilian and South African chaired G20 Summits, and the efforts of a newly emerged international coalition on reforming fossil fuel subsidies, spearheaded by the Netherlands (Government of the Netherlands, 2023).

The proposal for continued support that is presented in this PD reflects the most recent development in the above-described policy context, as well as:

i) Lessons learned from the previous phase, for instance that removing support, e.g. subsidies is ineffective without a clear articulation of where the finance from abandoned support should go instead; that intensive IISD engagement at a national level on analysis, policy and outreach (e.g. with Governments, think tanks and civil society) can be effective; that accountability mechanisms are required to encourage improved systemic implementation; and that a joined-up view across all financial flows is most effective, and enables a push in the emerging areas of SOE reform and domestic public finance.

ii) The MTR recommendations, including a need to regularly review assumptions and risk factors, to consider adopting a business planning approach for IISD-GSI's next strategy period, and increased attention to gender, poverty orientation and other socio-economic impacts of shifting public financial flows.

The proposal has two focus areas: 1) Internationally, that new or improved commitments and measures for more systemic adoption of shifting public financial flows are put in place, and 2) Nationally, in the focus countries of India, Indonesia and South Africa, that policymakers and/or state institutions have prepared or implemented reforms consistent with IISD recommendations on shifting public financial flows. The proposal stresses that the shifts should at the same time promote improved social welfare, by freeing up resources for better funded and more effective social protection systems.

3. Strategic Considerations and Justification

Strategic considerations

The case for shifting public financial flows is linked to fiscal and development objectives such as economic growth, poverty eradication, sustainable prosperity, climate mitigation action, including renewable energy, and linkages with other sustainability concerns, such as a just transition.

From a fiscal and developmental perspective, public support for fossil energy is often extremely costly, with a commensurately large opportunity cost—it takes up resources that could otherwise have been invested in major development priorities, e.g. social improvements or renewable energy. It also introduces high levels of volatility and risk into economic and financial planning, as the cost of support is often directly and automatically linked with volatile fossil energy prices. Higher levels of fossil taxation will generate resources that can address poverty and inequality challenges, as well as being a source of finance to handle sustainability challenges.

From a climate perspective, support (incl. subsidies) policies and low taxes for fossil energy consumers tend to be costly and result in low pricing that does not recognise the full external costs of fossil energy. This encourages economically and socially inefficient consumer choices, locking-in carbon-intensive consumption and production patterns. Support and low taxation for producers encourage new fossil energy projects to proceed, despite clear scientific consensus that this is inconsistent with limiting average global warming to 1.5°C (International Energy Agency [IEA], 2021), and despite the fact that the economic case without subsidies would not be favourable. On the clean energy side, public support measures have proven invaluable in the absence of policy measures such as high carbon prices, helping attract initial investments for clean energy projects and rapidly bringing down costs, through economies of scale and learning-by-doing. Public support is also essential for covering the costs of transition that are hard to integrate into predominantly loan-driven climate finance, such as efforts to strengthen grids and support for people and communities as part of a just transition.

Climate-change disproportionately affects low-income groups, who have the least adaptive capacity. The lock-in of carbon-intensive infrastructure and the economic risk of future stranded assets can also undermine the ability of governments to meet their broader economic and social development objectives. Support for clean energy helps to stimulate green jobs and create more resilient economies and communities.

Support for fossil energy also links to other sustainability and development concerns. This includes impacts on local air pollution and public health. It also includes impacts on biodiversity and ecosystem integrity, in areas such as agriculture, fisheries and groundwater supply, where recent studies estimate that fossil fuel subsidies make up between one third to half of all environmentally harmful subsidies. One example is fuel subsidies for fishing vessels, which encourage overfishing.

Work in this area is urgent, given limited progress on many SDGs and a dim outlook of climate change mitigation, with many 2030 targets looming. There is strong consensus for action and a community of actors have worked for many years to build this consensus and inform next steps. There is therefore strong likelihood that a major shift towards more system action can be achieved in this area in coming years. It is worth noting, that the overall conceptual area of “public financial flows” is large, and some sub-concepts are relatively under-developed in the international discourse, namely state-owned enterprises (SOE) investments and lending from domestic PFIs. There is a strong

case that thought-leadership in this area can help move forward ambition relatively quickly as climate urgency intensifies.

As the importance of “just transition” narratives grow, it is increasingly clear that no climate solution is viable if it does not engage with and address poverty and inequality challenges. This is essential from a strategic standpoint, to maximize the impacts, but also from a values standpoint: there is no “success” in this area without socially responsible change.

Strategic relevance for Denmark

The proposal for extending the Danish support to IISD is fully in line with current policies and strategies, as they are e.g. expressed in Denmark’s Strategy for Development Cooperation (“The World We Share” from 2021) and in the ‘how to note’ on energy transition and emission reductions, which provides further details on how to implement “The World We Share”.

The “World We Share” highlights Denmark’s intention to support developing countries and growth economies in their transition from fossil fuels to clean energy sources, e.g. by supporting their efforts to phase out fossil subsidies and to invest in renewable energy. While following a Human Rights Based Approach (HRBA) and multidimensional poverty approach, Denmark’s focus on supporting clean energy should contribute to improving health, creating jobs, fighting poverty and mobilizing climate financing for the poorest and most vulnerable countries. Denmark will promote phasing out investments and subsidies for fossil fuels amongst others in Multilateral Development Banks.

The ‘how to’ note on energy calls for a solid analysis of the political economy to identify economic instruments that will address the social and economic aspects of the energy transition, and how financial measures can be used to change behavioural patterns. It specifically suggests that Danish development aid should serve as a catalyst to decarbonize the energy supply, phase-out subsidies for fossil fuels and mobilize finance for renewable energy and energy efficiency.

At the global level Denmark will contribute to Paris Agreement 2.1c to make finance flows consistent with a pathway towards reduced greenhouse gas emissions and climate-resilient development and to ensure more funding sources for climate finance for developing countries. This includes e.g. through MDB reform, enabling framework conditions and mobilizing private finance. Fossil fuel subsidy reform in target countries can generate funding for both the green energy transition (and clean and affordable energy) as well as more directly towards social welfare purposes.

For a long time, Denmark has been involved in international cooperation on reforming fossil fuel subsidies and is an active member of the “Friends of Fossil Fuel Subsidy Reform (FFSR)”, a group of nine non-G20 countries that conduct diplomacy in support of fossil fuel subsidy reform around international processes and forums, such as G20, WTO and the COP-processes and for which IISD has acted as a secretariat. Apart from this, Denmark is involved in several initiatives working for the energy transition and fossil fuel phase out such as Just Energy Transition Partnerships (JET-Ps) and Beyond Oil and Gas Alliance (BOGA), as well as the support to the World Bank’s energy sector programme Energy Sector Management Assistance Program (ESMAP) in setting up an ‘Energy Subsidy Reform Facility’ (ESRF).

IISD regularly engages with all major initiatives on subsidy reform globally, seeking opportunities for alignment and collaboration, and joining formal and informal information-sharing channels, such as

reference group calls organised by ESRF, involving the IMF, OECD and a number of other development partners.

Continued Danish support to IISD is closely linked to and will add value to these and to other Danish supported international initiatives. The support to IISD is strategically important for Denmark because the GSI programme contributes to the underlying analytical work and at the same time attempts to gain broad political support by providing outreach and advocacy at global, country and community levels. The support to the IISD GSI project is fully in line with the Danish overall strategic goals and will be an important contribution towards reaching them.

By creating a level playing field for clean energy, when support for fossil energy is phased out, this project's focus on India, Indonesia and South Africa is also consistent with Denmark's bilateral energy partnership programmes. This includes the India-Denmark Energy Partnership, which aims to create an enabling environment for offshore wind power and more broadly integrate renewable energy into the grid (MFA, n.d.(a)); the Indonesia-Denmark Energy Partnership, which aims to help achieve Indonesia's 23% of renewable energy (in the energy mix) by 2025 (DEA, n.d.); and the Danish-South African Energy Partnership, which aims to contribute to a low-carbon-intensive energy system (MFA, n.d.(b)). The project also includes two countries that have agreed JET-Ps, Indonesia and South Africa. These major political agreements and commitments as well as associated finance can help build momentum for reforms, which can help supplement existing resources with additional domestic financing e.g. for a green and just energy transition.

Justification of IISD as the implementing partner

IISD is an independent not-for-profit think tank working to create a world where people and the planet thrive, by accelerating solutions for a stable climate, sustainable resources, and fair economies. Within IISD's Energy Programme, the Global Subsidies Initiative (GSI) has—since 2005—acted as the leading civil society voice on energy subsidy reform globally, supporting international processes, national governments and other civil society partners. IISD is a critical part of the international community working to shift public financial flows for energy. IISD has worked extensively to create and communicate data, engage in global processes, support national policymakers in specific focus countries and engage in traditional and social media outreach.

IISD also runs established country programmes of work, seeking to make sustained contributions to national development in India, Indonesia and South Africa. These countries were selected by IISD for in-depth engagement because of their scale (national change contributes to global outcomes), replication effects (they are likely to set trends regionally) and conducive political environment (democracies in which civil society can engage constructively and effectively). Through a distributed global hiring model (for details, see Annex 7), IISD has local staff and associates in each country (10 in India, three in Indonesia and two in South Africa), that adapt IISD's work to each context, and maintain strong networks of national partner organisations, committed to support national energy transition over the medium-to-long term. The exact partners vary by country and project, and include government Ministries, official government think tanks, state-owned firms and national civil society organisations. In India, on support policies for solar power, IISD is working closely with the Ministry for New and Renewable Energy. In Indonesia, on subsidies to electricity and cooking gas, IISD has collaborated closely with the National Team for Accelerating Poverty Reduction (TNP2K), under the Office of the Vice-President.

Within IISD, this work is a central pillar of the overall Energy Programme and recognised as an all-institute priority in [the IISD Strategic Plan](#). For some time, IISD has structured its work on this topic

by international and national work streams. This is intended to inform global narratives and commitments with reliable data and analysis, while committing for the long-term to understand national challenges to reform and to support governments in overcoming them. IISD works with numerous partners, including governments, intergovernmental organisations and civil society organisations. See Annex 2 for more information about IISD, including lessons learned (Table 8) and recent results and achievements (Box 1), which include: informing global narratives on the need to green COVID-19 recovery programmes; and informing national narratives India, Indonesia and South Africa on public support for fossil and clean energy, while building capacity around specific policy issues. This includes shifting electricity subsidies into solar power for agriculture (India), reforming LPG subsidies (Indonesia) and questioning the effectiveness of support for natural gas (South Africa). Annex 2 can also be consulted for more information about IISD's own partnerships. During the new work programme, IISD intends to engage on a regular basis with Danish Embassies and the DEA-managed Energy Partnerships in India, Indonesia and South Africa, to identify synergies and collaboration opportunities.

Denmark has been a strong supporter of IISD's Global Subsidies Initiative (GSI) since its formation in 2005, currently through the grant to the "Fossil Fuel Subsidy Reform and Clean Energy Transition" programme 2019-2023. To assess preliminary results and the continued relevance of the support to GSI, Denmark fielded a Mid-Term Review (MTR, March 2023). The MTR concluded that the project was on track in achieving anticipated results, that IISD remains the relevant partner for Danish support to fossil fuel subsidy reform and that there is a strong case for continued support. The MTR recommended that Denmark should consider continued support to IISD over a new 4-year period (2024-2027). Given the long-standing relationship with Denmark the continued support project can be expected to function well, and that issues, concerns and priorities will be addressed effectively on both sides.

IISD's focus on development and just transition

As a sustainable development institute, IISD is dedicated to policy solutions that balance economic, social and environmental needs. Since the inception of its work on public financial flows, IISD has played a leading role in articulating the need for both *distributive* and *procedural* justice as a result of energy policy reforms, where distributive justice refers to how policy impacts (costs and benefits) are distributed across different groups, and procedural justice refers to the extent to which stakeholders are able to meaningfully participate in the formulation and implementation of policy solutions.

Denmark's HRBA to development cooperation (Ministry of Foreign Affairs, Denmark, 2013) operationalises principles of non-discrimination, participation and inclusion. In IISD's work to identify public financial flows for energy, their impacts and the necessary reforms, IISD also operationalises HRBA principles around transparency and accountability, making it possible to identify the extent to which people's rights are being respected and protected.

IISD's approach has been driven by the strong interconnections between public financial flows and poverty. Evidence shows that the majority of government support for consumers of fossil energy is regressive from a social perspective, with the majority of subsidy benefits being captured by higher-income households, who consume most energy (Zinecker et al., 2017). This can be particularly pronounced in emerging and developing country contexts, where consumer support measures often represent a rudimentary form of social protection. Channelling social protection into energy subsidies in this way can be self-perpetuating, taking up the resources that are needed to invest in more targeted and effective solutions, locking countries into inefficient approaches to poverty reduction. At the same time, shifting public financial flows—such as subsidy reforms or the creation

of new taxes—can have significant impacts on the cost of living for low-income households, who are least able to adapt to economic change. In sum, there is a strong social case for reform, but solutions must be planned and implemented with great care to achieve their social objectives.

Where support measures for fossil energy can be reformed, IISD routinely advises governments on how to reallocate a share of savings into social protection, including mechanisms such as cash-transfers, or the provision of essential services, such as education, health and transport. This can involve in-depth guidance on how to ensure that reforms promote aspirational social outcomes, including for marginalized groups who may face unequal access to social protection, reflecting a multi-dimensional understanding of poverty. Where support for fossil energy is challenging to reform due to impacts on energy access (typically, consumer support for electricity and cooking fuel), IISD provides detailed guidance on how existing subsidies can be better targeted (improving efficiency in the short-term), while alternative clean energy technologies are incubated (enabling more fundamental reform in the medium-term). The extent to which IISD’s projects focus on social outcomes will vary, determined by the extent to which poverty impacts are a particular gap in strategy or planning for any given policy topic or context. Examples of IISD’s work in this area include: identifying the inequitable distribution of electricity and LPG subsidies in India (Sharma et al., 2020; Sharma et al., 2021); exploring the gender impacts of subsidy reform in India, Indonesia and Bangladesh (Kitson et al., 2016); and reviewing over 1,000 energy policies globally introduced in response to COVID-19, and categorizing them by likely social impacts (Dufour et al, 2022).

Increasingly, public financial flows for energy are linked to discourse on just transition for workers and communities linked to fossil energy sectors as part of a managed decline. IISD’s work on just transition follows International Labour Organisation (2016) guidelines on just transition, involving engagement with tripartite representatives (governments, employers and employees), as well as a “tripartite plus” approach, that recognises the need to consult more broadly with all affected stakeholders, recognising in particular the strong correlation between informal workers and identity categories of exclusion.

As a reflection of this approach, funding from Denmark has been and will be earmarked to support a share of IISD’s international activities that focus on the overall goals and priorities of developing countries and on the work programmes in India, Indonesia and South Africa, which are classified as ODA countries. In this way, support from Denmark will only be used for activities that are fully DAC-aligned, as shown in Table 1. IISD is included on the DAC list of ODA eligible international organisations, which means that core funding to IISD can be counted as ODA by donor countries.

Table 1. Project justification in relation to OECD DAC evaluation criteria

Criteria	Definition
Relevance	<p><i>The extent to which the intervention objectives and design respond to beneficiaries², global, country, and partner/institution needs, policies, and priorities, and continue to do so if circumstances change.</i></p> <p>IISD’s work is aligned with the best available data on energy and climate science, making sure it addresses the needs of many beneficiaries with respect to climate mitigation. National-level work programmes are specifically focused on shifting public financial flows in line with nationally articulated policy objectives and technical assistance is designed in consultation with partners, to ensure it is in demand. Fiscal benefits of reform can help countries meet SDGs in energy-related and other areas. IISD sets annual work plans, to account for changing global and national circumstances.</p>

² Beneficiaries is defined as, “the individuals, groups, or organisations, whether targeted or not, that benefit directly or indirectly, from the development intervention.” Other terms, such as rights holders or affected people, may also be used.

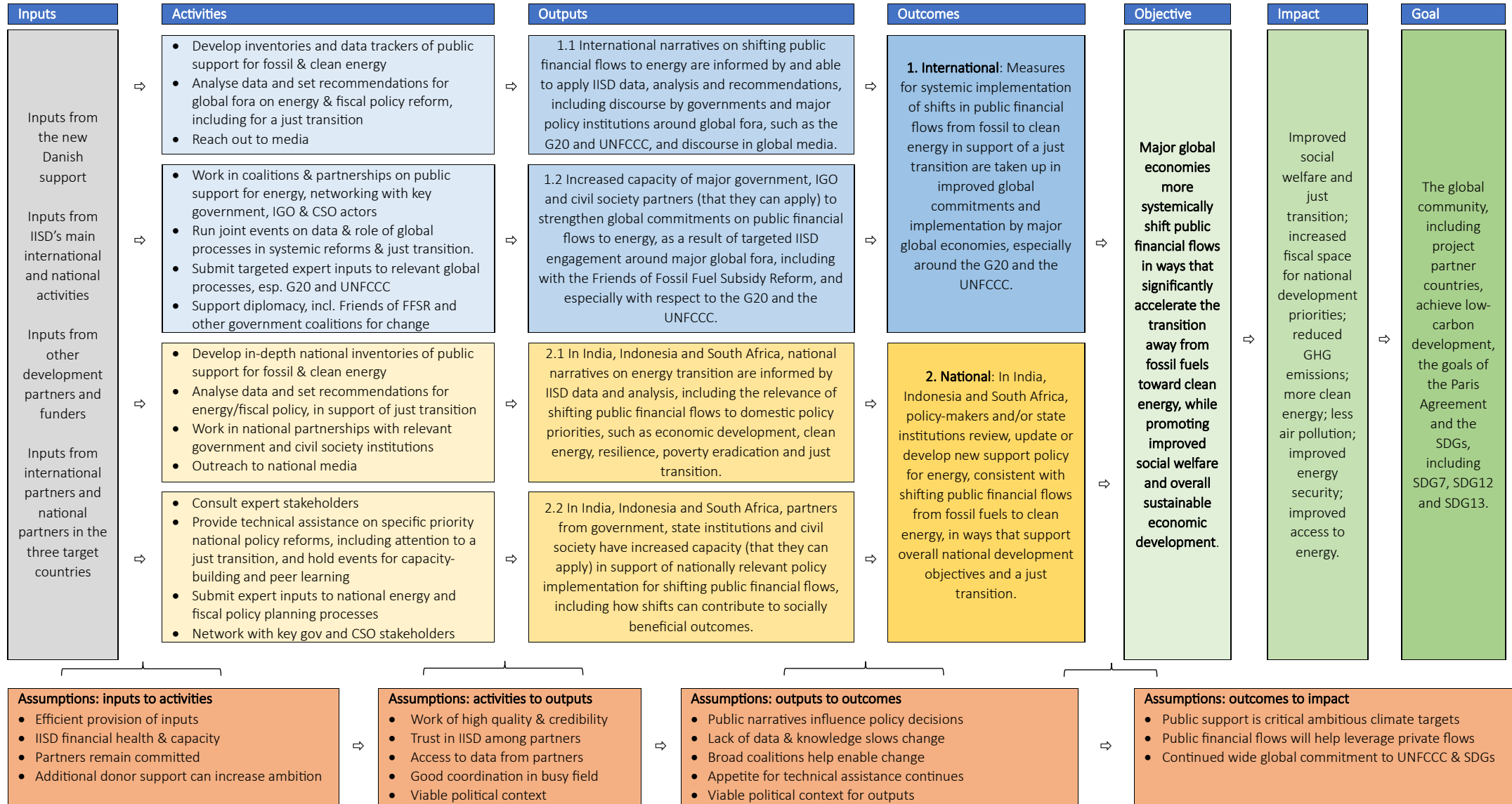
Coherence	<i>The compatibility of the intervention with other interventions in a country, sector or institution.</i>	IISD is well networked among the broad suite of global and national actors working on shifting public financial flows. This includes partnerships with OECD/IEA, WB, IRENA and civil society organisations. In its focus countries, IISD has in-country staff and associates who collaborate closely with relevant national partners. IISD regularly co-implements initiatives with other actors and frequently checks in with allies to identify synergies and avoid replication. This includes with other Danida-supported initiatives, such as the programmes and projects implemented by the Danish Energy Agency (DEA), e.g. in India, Indonesia and South Africa.
Effectiveness	<i>The extent to which the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups.</i>	IISD has a well-developed theory of change and track record for measurable intermediate impacts towards the ultimate ambitious goal of fundamentally shifting global public financial flows. This is based on decades of in-depth research into the economic, social and environmental effectiveness of shifting public financial flows, including an understanding of differential impacts, and how they can be managed to ensure socially responsible reform strategies. IISD has itself demonstrated the effectiveness of these interventions, such as in its analysis of subsidy reforms that it supported in Indonesia (Pradipto et al. 2015).
Efficiency	<i>The extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way.</i>	IISD is a relatively small, not-for-profit organisation. It has a mature and experienced team within the Energy programme, who work closely together and for whom administrative requirements are kept low. The GSI work stream is itself a strategic initiative, developing efficiencies from all work being supportive of other parts of the programme through specialisation on public financial flows.
Impact	<i>The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.</i>	To date, IISD's work has been instrumental in mainstreaming the need for ambitious fossil fuel subsidy reform in SDGs, UNFCCC, WTO and many other forums, building off the G7/G20 commitment in 2009. IISD has also been crucial in changing the narrative on subsidies through its work with civil society globally as well as in India, Indonesia and South Africa. An example of IISD's global impact is the high uptake by influencers and decision-makers of the real-time Energy Policy Tracker analysis of recovery packages during the COVID-19 pandemic that resulted in their gradual "greening". Equally, at a national level in India, IISD has contributed to a significant shift in public narratives on support for energy, seeing data and messages brought up by political decision-makers, other CSOs and in traditional and social media. This has contributed to significant shifts nationally in public support for fossil energy in proportion to clean energy.
Sustainability	<i>The extent to which the net benefits of the intervention continue or are likely to continue.</i>	As a policy change, shifting public financial flows will alter underlying economic incentive structures, which will have a permanent and sustained impact on consumption and production patterns indefinitely. As an initiative, IISD's work in this area is long-standing, with strong networks and many partners, from MDBs to CSOs, consultancies and individuals. The initiative builds capacity in partners, conceptually, and are changing mind sets about the role of public spending and fiscal policy as a lever to support energy transition, and practically, through in-depth collaboration with other institutions, building up their familiarity with methodologies for identifying and measuring support, evaluating impacts, planning reforms and implementing communications around public financial flows. This may include trainings and peer-learning activities for institutions on how to design and implement policy-specific reforms. For example, internationally, IISD worked with the OECD and UNEP to create the formal methodology for reporting on fossil fuel subsidies under SDG indicator 12.c.1, and then collaborated with UNEP in building up the capacity of national statistical agencies on implementation. In India, over the last three years, IISD has engaged with national and state-level policy-makers on how to effectively support the solarization of power for agriculture, thereby reducing fossil-intensive electricity subsidies. This has included building guidance from state-level success stories, sharing guidance iteratively through publications and Ministry-hosted workshops, offering more detailed technical guidance in responding to specific demands from state policy-makers and other stakeholders, and providing feedback in consultations on refining national policy design. IISD has over a decade of experience with capacity-building in this area, having supported more than 20 governments. The proposed work is part of a wider, long-term programme in place since 2005 and supported by many funders, which also ensure its longer-term sustainability.

4. Theory of Change and Key Assumptions

A graphic illustration of the Theory of Change (ToC) is shown in Figure 1, overleaf. This chapter then briefly summarizes the main narrative underlying the ToC, the details of which are elaborated in detail in Annex 3.

The ToC is fully aligned with IISD's overall programmatic objectives on shifting public financial flows and has been structured to encompass the scope of current and likely future actions by IISD on this theme. This reflects the recommendations set out in the MTR, which encouraged more efficient and integrated programming, by creating one comprehensive business plan on financial flows, which a range of donors can be asked to pledge contributions towards. As a result, this ToC is expected to be used as the basis for the new Danish contribution, but also for fundraising conversations with other donors, and therefore to encompass a range of activities beyond those supported specifically by Denmark. IISD's overall strategy is due to be updated in 2024, covering the period 2025-2028, and the ToC developed for this grant is expected to be pivotal in influencing that overall articulation of strategic direction.

Figure 1. Theory of Change



ToC narrative

The overall objective is that “Major global economies more systemically shift public financial flows in ways that significantly accelerate the transition away from fossil fuels toward clean energy, while promoting improved social welfare and overall sustainable economic development”. To achieve this objective there is a need to reform support policies for fossil fuels — such as subsidies, investment by SOEs and lending from PFIs — and to enhance support for clean energy towards ambitious clean energy targets, in a way that is consistent with improved social welfare and a just transition. There is also a need to ensure that higher taxation of fossil energy is taking place strategically and in ways that do not entrench budgetary dependency on fossil energy. It is understood that improved social welfare and sustainable economic development can be achieved when reforms enable a better allocation of domestic resources. This includes investments in social protection systems and essential public infrastructure, while minimizing public exposure to investments in stranded fossil energy assets as well as carbon-intensive consumption and production patterns.

The IISD-GSI project will work towards the objective at two levels (i.e. the targeted **outcomes**).

- Measures for systemic implementation of shifts in public financial flows from fossil fuels to clean energy in support of a just transition are taken up in improved global commitments and implementation by major global economies, especially around the G20 and the UNFCCC. Here, “systemic approach” means addressing numerous domestic policies together, and in a timely manner, rather than the relatively slow piecemeal approach observed to date. This is focused on the G20 and the UNFCCC, given the prominent role of these fora on this topic.
- In India, Indonesia and South Africa, policy-makers and/or state institutions review, update or develop new support policy for energy, consistent with shifting public financial flows from fossil fuels to clean energy, in ways that support overall national development objectives and a just transition. Here, the focus on individual policies reflects the specific additional challenges that emerging economies face with respect to reform, which may make systemic approaches unviable, unless in-depth and nationally appropriate solutions for specific policies are identified and implemented.

IISD cannot directly *deliver* these outcomes: they represent changes in the overall external world, that are contingent upon the result of many interacting forces. Annex 3 provides more details on the underlying assumptions for the outcomes.

However, *if* IISD can deliver the following **outputs** from the ToC:

- International narratives are informed by data on public financial flows for fossil and clean energy, as a result of data produced, aggregated, analysed and/or communicated by IISD
- Increased capacity of major government, IGO and civil society partners (that they apply) on how global commitments can drive more systemic approaches to shifting public financial flows, as a result of IISD engagement activities
- In India, Indonesia and South Africa, national narratives on energy transition are informed by IISD data on public financial flows, including the extent to which shifting public financial flows is aligned with domestic policy priorities
- In India, Indonesia and South Africa, national and sub-national policy makers, state institutions and civil society partners have increased capacity (and ability to apply that capacity) with respect to specific priority policies, as a result of IISD technical assistance activities

then the project will credibly **contribute** to the outcomes being realised.

In order for the project to be successful, IISD needs to collaborate with governments (including finance ministries, planning ministries, energy ministries and regulators), state-owned institutions, intergovernmental organisations and civil society. Governments are the ultimate decision-makers on shifting public financial flows. Intergovernmental organisations (including the World Bank, development banks, the OECD, the IEA, the IMF, the G20, ASEAN and others) play a key role internationally in producing data and on providing technical assistance for reforms. Civil society organisations working on climate, social welfare and good governance also play a key role in producing data and providing technical assistance, as well as shaping narratives and ensuring accountability.

As indicated in Figure 1, the Theory of Change builds on a number of underlying assumptions and risks. Among the key assumptions are a continued supportive political context and a continued public support to ambitious climate and development targets, that partners remain committed, that there is good coordination among key actors and there is access to data and knowledge. The project can be affected by various risk factors, outside of IISD's control. Among these are major geopolitical contextual changes, that IISD will not secure the access to and engagement with government officials and that resources will be insufficient to effect change.

See Chapter 9, Annex 3 and 5 for an overview of assumptions and risk factors, respectively, including how the project will manage risks.

The ToC diagram (Figure 1) briefly mentions the activities that are required to achieve the outputs and outcomes.

Table 2, overleaf provides further details of how the Theory of Change will be operationalized, including the specific focus areas for the envisaged outputs and activities. This table will guide the development of annual work plans, budgets and IISD's next five-year strategy, as described in further detail in Chapter 7. Institutional Arrangements, Management, Monitoring & Reporting. Any proposed changes to the focus areas will be identified and discussed in IISD's annual work plans, as described in Chapter 7. Institutional Arrangements, Management, Monitoring & Reporting. More details on the activities are included in Annex 3 and in the full results framework, as set out in Annex 4. IISD will also identify work plans on an annual basis, and report on these at the annual Steering Committee meetings.

Table 2. Further details on ToC outputs and activities, internationally and in the three target countries

	Outputs	Activities
International	<p>IISD outputs 1.1 on “narratives” and 1.2 on “increased capacity” will both focus on the following specific ways that international commitments can be strengthened:</p> <ul style="list-style-type: none"> • Apply a more focused use of the term “inefficient fossil fuel subsidies”, which has to date been used as a loophole to avoid national implementation • The need to shift support to clean energy, in a targeted manner intended to overcome specific tipping points, to secure a just transition and to free up funds for social improvements • Firm domestic action on implementation as soon as possible, ideally with a specific timeline, including the elaboration of national action plans and integration into NDCs and other relevant development plans • Increased global support for emerging and developing countries, including recognition of linkages with climate finance, where relevant <p>Output 1.1 and 1.2 will also continue to support efforts to widen the network of commitments on public financial flows in other fora and regimes, e.g. OECD export-credit norms, the SDGs and trade.</p>	<p>IISD will follow a campaign-based structure, with a similar degree of effort each year around G7, G20 and UNFCCC working meetings and summits, spread across a range of typical activities, adapted to the relevant agendas and political context. This includes:</p> <ul style="list-style-type: none"> • Data creation, aggregation and analysis (data platforms, briefing notes) • Participation in formal “outside-track” policy processes (e.g. T20 policy briefs, public submissions in response to calls from UNFCCC steering groups) • Outside track media engagement (press releases, interviews with journalists, social media content) • Inside-track policy engagement (inputs on strategy, inputs on diplomatic briefings, inputs on negotiation texts, working meetings, high-level events—with a strong focus on major intergovernmental initiatives, especially the Friends of Fossil Fuel Subsidy Reform, the Clean Energy Transition Partnership and a new Dutch-led high-ambition coalition on subsidy reform) • Inside-track support to international CSO alliances on energy and climate (inputs on strategy, working meetings, coordination around engagement activities, encouraging new voices to join public discourse) <p>Contributions from Denmark will support activities and outputs to the extent that they are ODA-eligible, i.e. relevant to the development needs of emerging and developing economies, and that they address the potential for a just transition.</p>
India	<p>In India, IISD outputs 2.1 on “narratives” and 2.2 on “increased capacity” will focus on how a shift in public financial flows can serve national policy objectives, including:</p> <ul style="list-style-type: none"> • Improved understanding of the relative allocations of domestic support for fossil and clean energy, at a national level, and in select states, including 	<p>This work stream consists of a combination of campaign-based activities (based on annual reviews of the latest budgeting and expenditure for energy) and needs- and demand-driven targeted technical assistance initiatives, focused on building capacity to support specific policy changes. This includes:</p> <ul style="list-style-type: none"> • Data creation, aggregation and analysis (annual updates to national inventories on the state of public financial flows, briefing notes; while exploring expansion of data work to the state-level, starting with the state of Chhattisgarh in 2024-2025)

	<p>possibilities for linkages with discourse on just transition and social protection more broadly</p> <ul style="list-style-type: none"> • Reviewed and updated support policies for fossil cooking gas (LPG) and electricity, including socially responsible reform planning • Improved support policies for a range of clean energy technologies, including solar power (especially solar irrigation), electric vehicles (EVs), non-fossil cooking, battery technology, offshore wind power and green hydrogen • Diversification of state-owned enterprises (SOEs) 	<ul style="list-style-type: none"> • Inside-track policy engagement with key government energy institutions on the overall state of public financial flows (annual invitations to peer review data, consultations, meetings and events on findings) • Needs- and demand-driven technical assistance for policy-makers on public support for specific energy products or services (e.g. evaluations, modelling, tools, training and analysis on gender and social inclusion (GESI)), with specific projects planned on solar power and EVs (2024); electricity subsidies and solar irrigation (2024-2025); battery technology, offshore wind and green hydrogen (2024/2025); LPG subsidies and non-fossil cooking (2024-2025). Efforts may shift with different policy focus in 2026-2027, but this depends on how the policy landscape develops and the demands of national policy-makers • Analysis and technical assistance on SOEs (strategy, research and trainings) • Outside track media engagement for all published materials (ongoing press releases, interviews with journalists and social media content) <p>Contributions from Denmark will predominantly support national data collection on overall support levels and technical analysis on electricity subsidy reform, LPG subsidy reform and clean energy technologies.</p>
Indonesia	<p>In Indonesia, IISD outputs 2.1 on “narratives” and 2.2 on “increased capacity” will focus on how a shift in public financial flows can serve national policy objectives, including:</p> <ul style="list-style-type: none"> • Improved understanding of the relative allocations of domestic support for fossil and clean energy, at a national level, including possibilities for linkages with discourse on just transition and social protection more broadly • Reviewed and updated support policies for gasoline, diesel and fossil cooking gas (LPG) • Improved support policies for EVs and non-fossil cooking 	<p>This work stream consists of a combination of campaign-based activities (based on annual reviews of the latest budgeting and expenditure for energy) and needs- and demand-driven targeted technical assistance initiatives, focused on supporting specific policy changes that also promote a just transition. This includes:</p> <ul style="list-style-type: none"> • Data creation, aggregation and analysis (annually, updates to national inventories on the overall state of public financial flows, briefing notes) • Inside-track policy engagement with key government energy institutions (annual invitations to peer review data, consultations, meetings and events on findings) • Needs- and demand-driven technical assistance for policy-makers on public support for specific energy products or services (e.g. evaluations and analysis on GESI), with specific projects planned on EVs (2024-2025); and LPG subsidies and non-fossil cooking (2024-2025). Efforts may shift with different policy focus in 2026-2027, but this depends on how the policy landscape develops and the demands of national policy-makers • Outside track media engagement for all published materials (ongoing press releases, interviews with journalists and social media content)

		Contributions from Denmark will be predominantly focused on co-funding national data collection on support levels and technical analysis on EVs and non-fossil cooking.
South Africa	<p>In South Africa, IISD outputs 2.1 on “narratives” and 2.2 on “increased capacity” will focus on how a shift in public financial flows can serve national policy objectives, including:</p> <ul style="list-style-type: none"> • Improved understanding of the relative allocations of domestic support for fossil and clean energy at a national level • Updated support policies for natural gas in the electricity system • Improved support policies for battery technology • Strengthened role of state-owned enterprises in national clean energy transition 	<p>This work stream is a combination of campaign-based activities (based on annual reviews of the latest budgeting and expenditure for energy) and needs- and demand-driven targeted technical assistance initiatives, focused on supporting specific policy changes that also promote a just transition. This includes:</p> <ul style="list-style-type: none"> • Data creation, aggregation and analysis (annual updates to national inventories, briefing notes) • Inside-track policy engagement with key government Energy institutions (annually, invitations to peer review data, consultations, meetings and events on findings). • Needs- and demand-driven technical assistance for policy-makers on public support for specific energy products or services (e.g. evaluations and analysis on GESI), with specific projects planned on battery storage as an alternative to natural gas in the SOE-dominated power system (2024); and GESI in just transition planning (2024-2025). Efforts may shift with different policy focus in 2026-2027, but this depends on how the policy landscape develops and the demands of national policy-makers • Outside track media engagement for all published materials (ongoing press releases, interviews with journalists and social media content) <p>Contributions from Denmark will be predominantly focused on co-funding national data collection on support levels and technical analysis on clean energy technologies.</p>

5. Project Objective, Summary Description & Results Framework

Table 3, below, summarizes the results framework of the project. For the full results framework see Annex 4 that includes annual output targets, indicators and means of verification. The results framework will be the basis for IISD’s annual reporting to Denmark. The key outcome and output indicators and means of verification, that are selected for reporting purposes, are included in Table 5 in Chapter 7. Institutional Arrangements, Management, Monitoring & Reporting.

Table 3. Summary of results framework levels

Project Title		Support for the IISD Global Subsidies Initiative 2024-2027
Project Objective		Major global economies more systemically shift public financial flows in ways that significantly accelerate the transition away from fossil fuels toward clean energy, while promoting improved social welfare and overall sustainable economic development.
Impact Indicator		<ul style="list-style-type: none"> Evidence that public financial flows have shifted at the global level and in major global economies, including project focus countries Evidence that shifts in financial flows are consistent with improved social welfare and just transition (JT)
Baseline 2023		<ul style="list-style-type: none"> Public support for fossil fuels exceeded USD 1.7 trillion globally Public support for clean energy app. USD 80 billion globally. Data however incomplete App. 13% of energy support from major economies in 2020-2021 had positive social and environmental impacts
End of project targets 2027		<ul style="list-style-type: none"> Public financial flows have shifted significantly, among major global economies and in the three focus countries India, Indonesia and South Africa, including: <ul style="list-style-type: none"> Support for fossil fuels is at least 60% lower than 2022 Support for clean energy doubled At least #5 policies in major economies that target social welfare and/or just transition impacts
Outcome 1		International: Measures for systemic implementation of shifts in public financial flows from fossil to clean energy in support of a just transition are taken up in improved global commitments and implementation by major global economies, especially around the G20 and the UNFCCC
Outcome indicators		<ul style="list-style-type: none"> Number of improvements in international commitments to shift public financial flows Number of major economies that translate commitments into systemic national policy changes, including addressing social welfare and JT
Output 1.1		International narratives on shifting public financial flows to energy are informed by IISD data, analysis and recommendations, including discourse by governments and major policy institutions around global fora, such as the G20 and the UNFCCC, and discourse in global media
Output 1.2		Increased capacity of major government, IGO and civil society partners (that they can apply) to constructively improve global commitments on public financial flows to energy, as a result of targeted IISD engagement around major global fora, including support for the Friends of Fossil Fuel Subsidy Reform (FFFSR), and especially with respect to the G20 and the UNFCCC processes
Baseline	2023	<ul style="list-style-type: none"> Global commitments to reform subsidies exist but can be strengthened to encourage shifts to clean energy and more systemic and just implementation. Data on public support in the form of fossil energy subsidies is relatively clear, but equivalent data is incomplete on support to fossil fuels in the form of SOE investments and public finance. There is no comparable data on public support for clean energy in any area.
Annual output targets	2024-2027	<p>Annual output targets progressively build towards this outcome through:</p> <ul style="list-style-type: none"> Each year, #5 expert global policy institutions and #50 global media platforms draw on IISD data, data platforms, analysis or recommendations

End of project outcome targets	2027	<ul style="list-style-type: none"> • Each year, a growing number (from #2 to #4) of joint events, submissions or other engagement activities focused on the G20 and UNFCCC CoP, involving key stakeholders • #10 engagement activities by the Friends of Fossil Fuel Subsidy Reform and other intergovernmental initiatives (such as bilaterals, formal submissions, demarches), supported by IISD Secretariat services • #4 improvements in international commitments on fossil fuel subsidy reform, especially G20 and UNFCCC contexts, and with respect to shifting to clean energy, removing ambiguous qualifiers, timelines and support for implementation • #7 major economies are demonstrating systemic and socially responsible implementation of commitments on subsidies, SOEs and/or public finance • More comprehensive, aggregated data available on public support for fossil and clean energy
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Outcome 2		National: In India, Indonesia and South Africa, policy-makers and/or state institutions review, update or develop support policy for fossil and clean energy, consistent with shifting public financial flows.
Outcome indicator		<ul style="list-style-type: none"> • Number of national or state policy changes in India, Indonesia and South Africa, in areas that IISD has provided technical assistance, and where changes are at least partially aligned with IISD recommendations
Output 2.1		In India, Indonesia and South Africa, national narratives on energy transition are informed by IISD data and analysis, including the relevance of shifting public financial flows to domestic policy priorities, such as economic development, clean energy, resilience, poverty eradication and just transition
Output 2.2		In India, Indonesia and South Africa, partners from government, state institutions and civil society have increased capacity (that they can apply) in support of nationally relevant policy implementation for shifting public financial flows, including how shifts can contribute to socially beneficial outcomes.
Baseline	2023	<ul style="list-style-type: none"> • Support for fossil energy in each country is larger than support for clean energy. Data on public support for clean energy is incomplete. • National policy-makers face challenges to shift public financial flows and have constrained capacity, including to protect low-income consumers. • There is a need to attract investment into new clean energy.
Annual output targets	2024-2027	<p>Annual output targets progressively build towards this outcome through:</p> <ul style="list-style-type: none"> • Per year, in each country, a growing number of references (from #10 to #20) to IISD data, analysis or recommendations in published government documentation, work by expert policy organisations and/or influential media platforms • Per year, in each country, a growing number of interactions to build capacity (in India & Indonesia, starting from #10, in South Africa, starting from #5, and in all countries reaching #15) with partners from government, state institutions or civil society, in nationally relevant policy focus areas, as follows: <ul style="list-style-type: none"> ○ In India, support for electricity subsidy reform, solar irrigation, LPG subsidy reform, non-fossil cooking, solar PV, electric vehicles and solar irrigation. ○ In Indonesia, support for LPG and non-fossil cooking. ○ In South Africa, support for natural gas, battery technology and storage.
End of project outcome targets	2027	<ul style="list-style-type: none"> • IISD interventions have contributed to an at least 30% reduction in public support for fossil energy, and an equivalent or larger increase in support for clean energy. • IISD-generated knowledge and capacity-building has contributed to specific reforms or new policy measures, determined by the needs and demand of national policy-makers, and aligned with socially responsible transition.

See Annex 4 for a full list of annual targets and associated means of verification.

6. Budget

A budget of DKK 19.8 million for IISD activities and DKK 200,000 for a planned Mid- Term Review, i.e. a total of DKK 20 million, will be made available through the Ministry of Foreign Affairs of Denmark for the cooperation, at the initiative of MCEU. Except for the review portion (which will be managed directly by the MFA), the grant contribution of DKK 19.8 million will be managed by IISD under a Donor Agreement with the MFA. A summary of the budget is presented in Table 4, below, with a year-by-year breakdown in Table 5. A more detailed budget is presented in Annex 6.

Table 4. Summary of output-based budget (DKK million)

Component	Description	Total (DKK million)
Outcome1	International	7.005
Output 1.1	Data for international narratives	3.5025
Output 1.2	Engagement	3.5025
Outcome 2	National: India, Indonesia, South Africa¹	10.511
Output 2.1	Data for national narratives	5.2555
Output 2.2	Policy-specific data, analysis and recommendations. Engagement	5.2555
Communication	Cross-cutting project communications costs ²	0.99
Administration	Project Support Cost (PSC)	1.294
Mid-Term Review	Review by MFA	0.20
Total		20.0

Table 5. Budget by year (DKK million)

	Budget (DKK million) ³				
	2024	2025	2026	2027	Total
Proposed budget	4.0	5.2	5.0	5.8	20.0

Notes:

1. The distribution between international and national funds is consistent with experience under the previous grant with Denmark, which involved similar amounts of activities. The breakdown of budget between the 3 countries is as follows, for each output (2.1 and 2.2) and for each year (2024 to 2027): South Africa 35%, India 32.5%, Indonesia 32.5%

2. Cross-cutting communications costs are presented separately rather than integrated into specific outcomes because in IISD experience this allows for better and more efficient grant management. This reflects the extent to which i) communications activities between outcomes naturally overlap, given the need to communicate using common, joined-up narratives, through single team of communications professionals; and ii) communications needs on global or national issues must react rapidly to changing external contexts, which vary significantly on a month-by-month basis, and are hard to pre-determine. Budgeting for communications separately helps to avoid losses from frequent administrative adjustments.

3. The annual budget is projected to increase across the years of the project. The first year is a partial year, therefore the budget is lower than a standard full year. Provision for the mid-term review is made in year three. The final year of the project includes provision for wrap-up costs. From experience with the previous grant, in the final year certain costs are unavoidable, to conclude contracts and wind down work streams.

IISD financial management will be in accordance with IISD's internal financial standards. IISD's standard administrative charge for Project Support Cost (PSC) is 7%, which as required by Danida guidelines has

been budgeted on a separate budget line. IISD has included a distinct line as well for cross-cutting project communication costs (5% of the grant over the 4 years), understood as covering the communication effort promoting project activities, including promoting the findings and recommendations for reports and publications in traditional and social media outreach, and raising awareness about events around global fora (UNFCCC COPs, FFSR meetings, G20) or national dialogues.

7. Institutional Arrangements, Management, Monitoring & Reporting

IISD is the responsible implementing partner. Further information on IISD's organisational structure and staffing for project delivery and management can be found in Annex 7.

In managing the project, IISD will ensure full integration and alignment with the IISD Strategic Plan, which covers IISD's operations as a whole. The current [IISD Strategic Plan](#) covers the period 2019-24. A new one for the next 5-year period will be under preparation in 2024 and finalized during 2024 or early 2025. It will be shared with MFA and MCEU when finished.

The IISD Energy Programme strategy is aligned with the overall IISD strategic plan, and therefore covers the period 2019-2024. In parallel to the overall IISD Strategy Plan, this will be revised and updated for another 5-year period during 2024. IISD Energy expects to consult with donors, including Denmark, to help provide inputs on its updated strategic direction, and validate its alignment with donor needs and priorities, to enable continuity of the work programme and delivery teams. The initial preparation of the revised IISD Energy strategy has begun, and it is anticipated that the revised strategy will be fully aligned with the direction of this project. As recommended in the recent Mid-Term Review, IISD will explore the extent to which the next IISD Energy Programme strategy can be converted into a business plan document to encourage more harmonized and coordinated alignment of support from different donors.

In general, IISD aims to visit all the donors who support its public financial flows work stream at least once annually and to exchange information on progress and opportunities on an ongoing basis. This includes meeting with the Danish Embassies and DEA partnership teams in India, Indonesia and South Africa, to clarify challenges, and (as relevant) to identify possible synergies between IISD and the Danish programmes going forward, eliminate overlaps, and build on complementarities. Areas of common interest could be recent developments in the national policy context, the work of the DEA partnerships on energy modelling, how the GSI programme can contribute to levelling the playing field for renewable energy and thus help attract green investments, and how the programme can help free funds for social welfare and secure access to affordable energy and mobilizing the socio-economic benefits in the energy transition. More immediate areas of for synergies could include IISD's ongoing work focused on off-shore wind in India and the potential for subsidy savings to help support just transition needs in Indonesia and South Africa. Additional synergies may be identified when discussing GSI priorities for 2026-2027 that are not yet fully defined but will be developed in response to a developing policy landscape and demands from policy makers. High-level representatives from the Danish Embassies may also participate in the launch of IISD flagship reports or other events to contribute to awareness and visibility.

In order to ensure that project activities continue to be targeted and relevant, IISD will on an annual basis prepare a work plan that will be approved through IISD's internal management structure. These

work plans will be developed within the objectives of the overall 2024-2027 results framework and will specify outputs to be achieved, activities to be undertaken and the necessary staff and budget inputs, including where relevant the sources of funding.



In the first year of this grant (2024), IISD will maintain its established practice of developing work plans that cover the period July to June. This approach has been taken since 2017, reflecting the extent to which the summer period has a relatively less intense workload than other parts of the year, making it more conducive for strategic planning; and ability by this time to properly reflect on and integrate lessons from consolidated reporting on activities in the previous calendar year. In subsequent years, however, (i.e. 2025-2027) IISD will shift its work plans to follow the calendar year, that is January to December for each year. This will better align with the lifecycles of the major international processes that IISD is engaging in, as well as bringing the work plan into the same time period as narrative and financial reporting. In the first year of project activities, IISD will share a copy of its proposed work plan by at the latest early June. Thereafter, work plans will be shared by no later than end-January each year.

From 2025 onwards year, narrative reporting will take place annually on results achieved in the previous calendar year, to be shared by no later than mid-March, and comparing planned with actual progress, in technical terms. The narrative report will refer to the Results Framework (Annex 4), including the indicators and means of verification. It will be made issues-oriented, allowing for a quick overview of progress and issues in relation to the agreed results framework, outlining unexpected challenges or opportunities that arose and presenting the action taken or to be taken to mitigate or take advantage of such changes. As recommended by the Mid-Term Review, it will also include assessments of assumptions and risk factors, and highlight cross-cutting issues, such as gender equality, work on poverty and social welfare and engagement with the private sector. This will include pertinent updates on IISD’s plans to improve its project management system. A traffic light system will be used to track progress in a way that can be quickly reviewed, as follows:

- Yellow: Major delays/issues that require discussion with Denmark and remedial action
- Light green: Minor delays and/or issues that IISD resolves
- Green: Progress against agreed targets is on track and there are no major issues

For Danida’s reporting purposes key impact, outcome and output indicators have been selected to document progress. They are listed in table 5 below.

Table 6. Indicators for reporting purposes

Indicators		Means of verification
<p>For Impact</p> <ul style="list-style-type: none"> • Shifts (in USD) in public support for fossil energy globally and in focus countries • Shifts (in USD) in public support for clean energy, globally and in focus countries • Number of new social welfare and just transition (JT) policies linked to shifts in support 		<ul style="list-style-type: none"> • Fossil Fuel Subsidy Tracker (IEA, IMF, OECD) • IISD • National policy documents
<p>For Outcome 1</p> <ul style="list-style-type: none"> • Number of improvements in international commitments to shift public financial flows 		<ul style="list-style-type: none"> • Text of global commitments • National policy documents • Data from Fossil Fuel Subsidy Tracker (IEA, IMF, OECD) • Data from IISD

<ul style="list-style-type: none"> Number of major economies are that translate these commitments into systemic national policy changes, including addressing social welfare and JT. 		
<p>For Output 1.1</p> <ul style="list-style-type: none"> Number of policy organisations and media platforms drawing on IISD data and analysis 		<ul style="list-style-type: none"> Policy publications Joint activity with policy publications Media publications IISD data
<p>For Output 1.2</p> <ul style="list-style-type: none"> Number of statements, agreements, events, formal coalitions or other joint public-facing activity from more than one institution in partnership with IISD 		<ul style="list-style-type: none"> Event reports, photos, recordings Copies of submissions Partner testimonies Friends of FFSR workplan and reporting
<p>For Outcome 2</p> <ul style="list-style-type: none"> Number of national or state policy changes in India, Indonesia and South Africa, in areas that IISD has provided technical assistance, and where changes are at least partially aligned with IISD recommendation 		<ul style="list-style-type: none"> National policy documents
<p>For Output 2.1</p> <ul style="list-style-type: none"> In each country, number of policy organisations and media platforms drawing on IISD data, analysis or recommendations 		<ul style="list-style-type: none"> Government policy documentation Publications by expert policy organisations Media platforms
<p>For Output 2.2</p> <ul style="list-style-type: none"> In each country, number of capacity-building interactions with government officials, state institutions and CSO partners 		<ul style="list-style-type: none"> IISD reporting on # of interactions through engagement activities such as consultations, briefings, events, briefings, peer reviews, trainings and joint projects Partner testimonies

Financial reporting will be shared by no later than June of each year, reflecting timelines required for auditing.

The narrative and financial reports will be sent to the Danish Ministry of Foreign Affairs (MFA) and the Danish Ministry of Climate, Energy and Utilities (MCEU).

Steering committee. The project implementation will be guided by a Steering Committee (SC), that will be established at project start, composed of one senior official from IISD (Director-level), and senior officials from MCEU that are not directly involved in project implementation. The senior officials from IISD and MCEU will act as co-chairs, while the IISD is acting as secretariat. As relevant other officials, including from MFA, will be invited to participate in meetings. The SC has the mandate to discuss the overall strategic direction of the fossil fuel subsidy agenda and activities by IISD and MCEU, as well oversee project implementation and progress against the results framework, and to approve any adjustments in outputs, work plans and budgets related to the Danish support, in line with the AMG. The SC will also look at the wider context for the project, whether the theory of change and the associated assumptions are still valid or need adjustment, possible changes in the risk context and progress in communicating results.

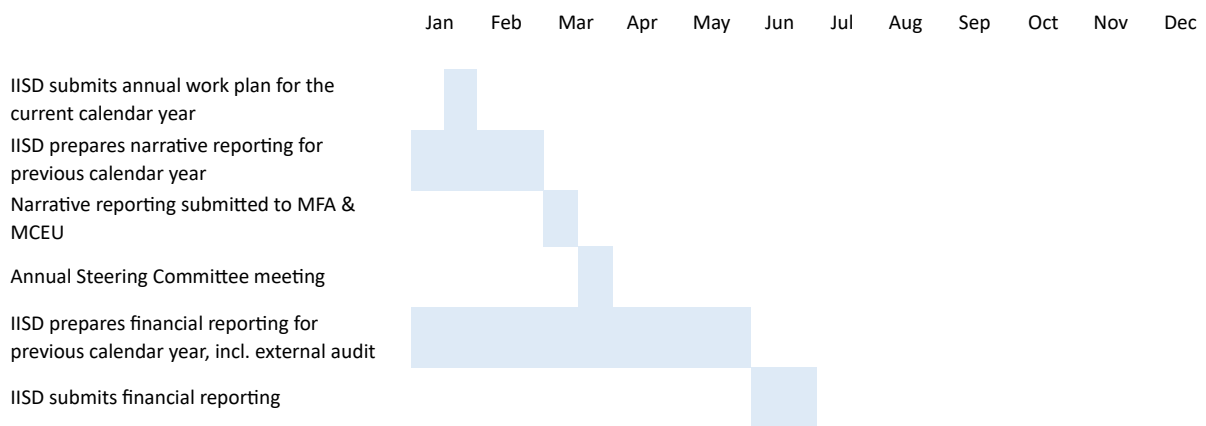
The IISD secretariat role implies that proposed SC meetings will be scheduled by an IISD project manager, who will agree in advance with the SC Co-Chairs on an appropriate agenda. The IISD project manager will act as an overall contact point and secretary for the Committee, including the

circulation of IISD reporting and work plans in advance of the meeting, and drafting and circulation of minutes. SC member officials from MCEU (and MFA, if present) are expected to share written feedback on IISD reporting and work plans in advance of the meeting, to allow for an efficient discussion. Key agenda elements of the SC meetings are expected to include 1) discussion of the annual report, including the results and experiences from the previous year, 2) discussion of the work plan and activities planned for the coming year, including opportunities for closer collaboration between IISD and Danish government on implementation 3) approve any suggested adjustments in assumptions, risks and drivers underlying the theory of change, the results framework and the budget for the coming period (in line with AMG), that derive from reporting or are required by the work plan, and 4) review the upcoming IISD Energy strategy, and follow its implementation during the project period. Additional agenda items will be included as needed.

The SC will meet annually towards the end of March, once the work plan and narrative reporting have been submitted. It is expected that if there is any major feedback on any aspect of the work plan, this should be relayed in writing not later than two weeks after its submission in end-January, so IISD can adapt and/or halt aspects of planning that require further discussion in late March. Meetings are not expected to exceed 2 hours. Additional meetings may be held if necessary. Meetings may take place in the margins of international meetings where SC members participate.

Figure 2, below, provides a visual summary of timelines for IISD’s annual reporting, annual work plans and steering committee meetings with MFA and MCEU.

Figure 2. Timelines: Annual Reporting, Annual Work Plans and Steering Committee Meetings



IISD will be responsible for ongoing quality assurance and monitoring according to its procedures, and IISD may undertake reviews and evaluations of the project in accordance with IISD policy and practice. IISD Energy’s overall approach to project delivery is to understand where there are gaps and barriers to reform and to seek to overcome these. For work in emerging economy focus countries, IISD Energy strives to strike up collaborations of co-delivery with national partner organisations or experts, recognising their unique expertise and legitimacy, and seeking to invest in their continued growth and institutional strengthening. All IISD-GSI research is open source, and is shared widely, for example through a quarterly newsletter to interested contacts and through a regularly-updated website (www.iisd.org/) and social media feeds (for example [@IISD_Energy](https://twitter.com/IISD_Energy)).

IISD fully recognizes that proactive communication is critical to achieve the IISD-GSI objectives, at the international level and at the national level in India, Indonesia and South Africa. This reflects the extent to which the project Theory of Change is focused on creating data that is taken up in major over-arching narratives on energy policy being told in global and national contexts. Effective communications also enhance IISD's profile, contributing to stakeholder interest in engagements and assistance. The plan for communicating results is provided in Annex 8.

Mid Term Review (MTR). As noted in the budget above, a mid-term review of the project is planned in the second half of 2025. It will specifically assess IISD's progress vis a vis the results framework, how the grant is monitored and managed financially and, administratively, any challenges and strategic adjustments needed for the remaining project period and the situation and options after completion of the current project. MFA will initiate the review and draft the ToR in cooperation with MCEU and IISD. The funds for the review are budgeted separately as these are managed by the MFA. MFA, MCEU and IISD will comment on the draft review report and IISD will—in liaison with MFA and MCEU—be responsible for responding to the recommendations of the review.

The MFA shall have the right to carry out other technical missions that might be considered necessary to monitor project implementation. IISD will be informed of and consulted on terms of reference of such missions. After the completion of the project, MFA and MCEU reserve the right to carry out evaluation of project activities.

8. Financial Management, Planning and Reporting

The Danish support is earmarked to the activities outputs and outcomes specified in Annex 4 and the accounts shall be drawn up to the same level of detail as set out in the full budget in Annex 6. The funds shall be used exclusively to finance these activities and the indirect project support costs accurately apportioned. Unspent funds including any accrued interest that remain after the expiry of the implementation period shall be refunded to the MFA.

The MFA will transfer funds to IISD on IISD's request. The planned disbursement schedule is: 2024: DKK 4 million; 2025: DKK 5 million; 2026: DKK 5 million; 2027: DKK 5.8 million. All funds are in DKK and will be received in same currency in an account in DKK held by IISD.

Each November, apart from the first year, disbursement of the contribution for the following calendar year shall be made upon written disbursement requests from IISD, with two signatories, to the MFA in instalments based on the agreed disbursement schedule, expenses incurred to date, accounts produced, and the expenses expected for the next period. Payment shall be made in advance of the implementation of planned activities. Receipt of the payments will be confirmed in writing by IISD within 2 weeks. Disbursement in the first year depends on completion and closure of previous project.

IISD will record and report the financial contribution in its financial management system and report it under its general financial reporting as a designated grant. A specific code will be used to track the Danish contribution to IISD's activities. Each year, the annual audited financial reporting is submitted to MFA no later than 30 June the following year. Project management and expenditures shall be governed by the IISD's Policy on Accounting and Financial Reporting (last updated May 2017).

IISD will also submit to the MFA and MCEU an annual audited financial report that includes a table showing the contribution from Denmark, funds carried forward from previous year, the annual expenses against the outputs-based budget and indicators and any unspent balance carried forward.

It should be provided annually by 30 June each year. Audits are conducted by default in accordance with Canadian generally accepted auditing standards which includes “CAS 805 Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement”. This is an equivalent standard to International Standards on Auditing (ISA) 805 standard. All audited financial reports will be duly endorsed by IISD’s Chief Financial Officer.

IISD shall undertake all procurement under the project in accordance with IISD’s policies, rules and procedures for procurement (notably the Procurement Policy) and shall, where relevant, endeavour to include in the solicitations for services an assessment of potential sources of supply in the recipient countries for the project. It must be respected that flight tickets are on economy class only.

All payments received and made by IISD under this project shall be subject to internal and external audit as provided for in IISD’s Policy on Accounting and Financial Reporting (last updated May 2017). Should an audit report contain observations relevant to activities funded under this project, such information, along with IISD’s comments thereon, must be submitted without delay to MFA and MCEU.

For issues that are not covered in this document the MFA refers to the general requirements as stipulated in the Ministry of Foreign Affairs’ Aid Management Guidelines and General Guidelines for Financial Management, Auditing and Accounting, that is considered as an integral part of the conditions for this grant.

IISD is committed to maintaining standards of conduct that govern the performance of its staff including the prohibition of corrupt practices in connection with award and administration of contracts, grants, or other benefits, as set out in IISD internal policies on Anti-Corruption, Code of Conduct and Conflict of Interest and Whistle blower, Safeguarding and Financial Regulations. Any irregularities must be reported to the MFA immediately, and funds which have been misappropriated must be refunded to the MFA.

9. Risk Management

Risks are divided into three groups: Contextual risks, whereby external factors that may influence the programme; Programmatic risks, where limitations in IISD’s network of partners or stakeholders to drive reform undermine the effectiveness of the programme. Finally, there are a series of institutional risks, where shortcomings in the design of the programme itself, or a lack of resources, could threaten successful implementation. A full register of risks and mitigation strategies are presented in Annex 5.

Contextual risks. Among important contextual risks for the IISD GSI project are supply chain disruptions for fossil and/or clean energy, and that political commitments to a green energy transition could be undermined due to changes of government or political instability. Over the last grant period there have been major geopolitical contextual changes, including the COVID-19 pandemic and Russia’s invasion of Ukraine. There have been concerted campaigns against the energy transition developing from vested interests, targeting e.g. electric mobility, and social movements, such as France’s yellow vest movement, that have pushed back against the logic of external costs of fossil energy being borne by energy consumers. Progress on shifting financial flows is fragile, and vulnerable to such external factors. However, these risks can be managed by maintaining a positive and compelling vision for energy transition, based on successes for social outcomes, and backing national-led ideas and plans with international experience. Nevertheless, as outlined in Annex 5, the project must be ready for a range of new external factors to emerge, such as fossil fuel supply disruptions, price increases, critical mineral supply chain developments and political changes.

Programmatic risks. At the programmatic level, there is a risk that IISD will not secure access to and engagement with government officials. Working with governments as an international NGO can present challenges linked to the perceived legitimacy and interests of international organisations. IISD must maintain its evidence-based, independent voice and prepare for periods where governments become more inward-looking, by ensuring that its work is addressing national priorities, while remaining aligned with international frameworks on sustainability, backed by science. A strong network of partners and stakeholders, within government and civil society, can also help manage this risk. IISD also bears a responsibility to build capacity within the overall ecosystem of national and international voices calling for reform. This includes ensuring that partnerships are built around complementing other organisations and not duplicating existing efforts and functions. IISD must work in a manner where information flows in both directions, and perspectives and concerns from grassroots levels are not lost from global narratives.

Institutional risks. At the institutional level, there is a risk that resources will be insufficient to effect change. IISD has a key responsibility to ensure that resources are sufficient to create the desired impact. This will mean leveraging funding from other donors so that the resources are commensurate with the challenge. Planning and theory of change must reflect learning from previous years and be rigorously reviewed and monitored to identify challenges when they can be addressed. A key area in which IISD have developed their expertise is in the field of communications. Communications planning will be central to disseminate our research and advocacy.

For further details, see the more detailed risk management matrix in Annex 5. Risks, and how they are monitored, managed and developing over time, will be included in the annual report and discussed at the Steering Committee meetings.

Annex 1. Context Analysis

1. Overall development challenges, opportunities and risks

General development challenges:

Within the UNFCCC, the need to shift public financial flows has been recognised explicitly in recent cover decision texts: 2021's Glasgow Pact and 2022's Sharm el-Sheikh Implementation Plan, which commit to “phase-out of inefficient fossil fuel subsidies, while providing targeted support to the poorest and most vulnerable in line with national circumstances and recognizing the need for support towards a just transition” (UNFCCC, 2021, 2022); and the outcomes from the Global Stocktake in 2023.

Outside the UNFCCC, a number of other global fora have recognized in some way the same objective, including:

- Commitments by the G20, G7 and APEC from 2009 onwards, to “phase out and rationalize over the medium-term inefficient fossil fuel subsidies while providing targeted support for the poorest”, including a G7 commitment to reform inefficient fossil subsidies by 2025 (G20 Leaders Statement, 2009; APEC, 2009);
- Sustainable Development Goal (SDG) indicator 12.c.1, which commits to “Rationalize inefficient fossil fuel subsidies (...) and phasing out those harmful subsidies, where they exist” (United Nations General Assembly, 2015);
- Target 18 of the Global Biodiversity Framework, which commits to “... eliminate, phase out or reform incentives, including subsidies harmful for biodiversity” (Convention on Biological Diversity, 2022), noting that recent studies estimate that fossil fuel subsidies make up between one third to half of all environmentally harmful subsidies (Koplow & Steenblik, 2022; Damania et al., 2023); and,
- The Clean Energy Transition Partnership (CETP), previously known as the Glasgow Statement, in which 34 countries and 5 public finance institutions agreed to “end new direct public support for the international unabated fossil fuel energy sector within one year” (NationalArchives.gov.uk, 2021).

Globally, progress remains out of step with commitments. According to IISD analysis (Laan et al., 2023), public financial support for fossil fuels, in the form of subsidies, investments by SOEs, and lending from PFIs, exceeded USD 1.7 trillion globally. Subsidies reached a record high of USD 1.3 trillion. SOE investments rose to an eight-year high of USD 350 billion. G7 and MDB international public finance for fossil energy, while trending downwards, remained at around USD 30 billion a year. For 2022, there is no equivalent data on support for clean energy, though commitments from Q2 2020 to Q3 2023 amount to only USD 320 billion in total, suggesting much lower levels of annual public support globally for clean alternatives.

This project focuses on the emerging economies of India, Indonesia and South Africa. Details on the specific context in each country are therefore provided in the following paragraphs. It should be emphasized, however, that all major world economies continue to provide large volumes of support for fossil energy. India, Indonesia and South Africa do not bear a disproportionate responsibility to reform subsidies and other support measures. Rather, as emerging economies, they face unique challenges in overcoming reform, which this project aims to help them overcome. Reform also represents a compelling opportunity to accelerate their development objectives.

In India, as reported by Raizada et al. (2022), the central government provided at least INR 1.3 lakh crore (USD 68 billion) in public support for energy in financial year 2022. This included INR 2.25 lakh crore (USD 30 billion) in energy subsidies; INR 1.5 lakh crore (USD 20 billion) in investment by SOEs (known nationally as public sector undertakings, or PSUs); and INR 1.3 lakh crore (USD 18 billion) in lending by PFIs. At the same time, fossil energy remains a major component of the tax base, contributing 19% of all central government revenue. Subsidies for clean energy have grown sharply in 2022, with subsidies for renewable energy almost doubling and for EVs more-than-doubling. This has contributed to strong national progress on clean energy deployment and suggests strong momentum that can build on for future years, especially towards bold targets of 450 GW of renewable power and for 30% of all new vehicle sales to be electric by 2030. Nonetheless, subsidies for fossil fuels remain four times higher than clean energy, with the largest remaining subsidies linked to consumer subsidies for bottled gas for cooking and concessional tax rates on coal. This does not include subsidies for below-cost pricing of electricity, which amounted to over USD 20 billion in 2022, dwarfing subsidy support in all other areas. This under-pricing is a major contributor to poor utility finances, which are one of the biggest risk factors for new clean power projects, pushing up the cost of finance for developers (Gandi et al, 2022). In coming years, two major areas that will influence further work are: (i) proposals to establish a national carbon market, and how this will interact with existing support and taxation systems; and (ii) the need for further engagement on government support for energy at the state-level.

In Indonesia, as reported by Suharsono et al. (2022), a total of 78 support measures for energy has been identified over the period 2016 to 2020, amounting to over USD 83 billion in total, or over USD 16 billion per year. The vast majority of support in this period—more than 90%—is for fossil fuels, with most of the remainder supporting the biofuels industry. Major subsidies for fossil energy included producer support for oil and gas, consumer subsidies for bottled cooking gas, tax exemptions for coal producers and below-cost pricing of electricity. Less than 1% of the total value of the support was used to stimulate renewable energy, which has in turn contributed to an extremely low rate of deployment, especially for solar and wind power. This makes it unlikely that it will be possible to achieve on time the bold target for a 23% mix of renewables by 2025. The market for EVs is still in its infancy despite a commitment for 30% of new vehicle sales to be electric by 2030. There is no data currently available on the extent of annual investments by energy SOEs or lending to the energy sector by PFIs, but analysis by Laan et al. (2022) finds that—like India—fossil energy remains a major component of the tax base, contributing 16% of total government revenue in 2019. In coming years, two major areas that will influence further work are: (i) the recent launch of Indonesia’s carbon emission credit trading system, and how this will interact with existing support and taxation systems; and (ii) the implementation of Just Energy Transition Partnership (JETP) deal with Indonesia in 2022, which will like significantly increase political will and available finance for the rapid build-out of clean energy.

In South Africa, as reported by Bridle et al. (2022), government subsidies exceeded USD 10 billion in 2021. This was dominated by a government bailout of USD 3 billion for the vertically integrated state-owned power company Eskom. Other measures making up a large share of expenditure included VAT exemptions for gasoline, diesel and illuminating paraffin (USD 1.8 billion) and a lifeline electricity tariff and electrification programme (USD 0.7 billion). There is no publicly available information on the exact quantity of clean energy subsidies, and it was not possible to quantify them, but based on the existing policy mechanisms and deployment rate, it can be assumed that support for clean energy is much lower than for fossil energy. The market for EVs is still in its infancy despite a commitment for 30% of new vehicle sales to be electric by 2030. There is no data currently available on the extent of annual investments by energy SOEs or lending to the energy sector by PFIs, but analysis by Bridle et al. (2022) find that—like India and Indonesia—fossil energy remains a major component of the tax base, contributing over 7% of total government revenue in 2020. In coming years, two major areas that will influence further work include: (i) the ways in which South Africa’s JETP—the world’s first—will continue to evolve, playing a major role in both the restructuring of state power firm Eskom and rapidly building out clean energy; and (ii) the worsening of a long-running national power crisis, in which rolling blackouts dominate the concerns and needs of national consumers, and must be addressed by all clean energy transition planning.

Status and progress in relation to the SDGs:

For SDG7 (affordable and clean energy): In July 2018, IISD-GSI launched its report “Getting on Target: Accelerating energy access through fossil fuel subsidy reform” during an event organised with the FFSR (<http://sdg.iisd.org/news/hlpf-side-event-highlights-the-potential-of-fossil-fuel-subsidy-reform-to-help-achieve-sdgs>). The report and event highlighted that the amount spent globally on FFSR is 7.5 times that needed to deliver universal access; that FFS are a highly inefficient and often unjust way to deliver increased access; and that targeted or “smart” subsidies looking at transport, lighting or cooking services rather than fuels can boost sustainable energy access.

For SDG 12 (Responsible consumption and production): Target SDG 12c is: “Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities”. SDG Indicator 12.c.1 is: “Amount of fossil fuel subsidies per unit of GDP (production and consumption) and as a proportion of total national expenditure on fossil fuels”. IISD-GSI in conjunction with the OECD and with/for the Indicator Custodian (UN Environment), led the development of a methodology for reporting FFS in 2017-18. In September 2018, this methodology was approved by the IAEG (Inter-Agency Expert Group) and the Indicator upgraded from Tier 3 to Tier 2. Efforts to encourage and help countries across the world to report against the indicator remain an important focus, as an accountability mechanism that can encourage systemic implementation of commitments. Nonetheless, there is growing fatigue among civil society organisations globally with messaging that governments should improve their subsidy reporting, given the lack of action of subsidy reform implementation, and the extent to which comprehensive national data is already produced by a wide range of actors. It will remain to be seen what role reporting efforts like this will play going forwards. There may be a shift to focus on reporting to be led by IGOs and CSOs, which tend to report in a more timely and comprehensive manner. This may see an increasingly important role for organisations like IISD as creators, aggregators and analysts of data on public financial flows.

For SDG13 (climate action): A range of modelling studies and empirical investigations have shown that consumer FFSR could reduce GHGs globally by up to 10%, with the inclusion of subsidies adding a further 2%. While there is considerable uncertainty in these estimates, it is accepted that FFSR has significant potential to mitigate GHG emissions, including in the short-term and also with a positive financial impact (i.e. with negative abatement cost).

Political economy:

The project will engage with the key political economy drivers of change (at political decision-making level and among practitioners) and build upon ownership and commitment in partner countries. The fact that political economy factors are key to successful FFSR has been recognised for many years. One of IISD-GSI's first reports on energy— "The Politics of Fossil-Fuel Subsidies" by Prof. David Victor—was published in 2009. Likewise, it must be underlined, such as is done in the risk matrix, that there are significant political economy interest in maintaining and increasing fossil fuel subsidies.

Key documentation and sources used for analysis:

See references in Annex 10.

Is any additional analysis needed? How and when will it be done?

No additional studies/analytic work is needed as part of the formulation phase, but IISD—and the proposed project—operate in an extremely dynamic context where new information is constantly made available from a wide range of sources. Keeping abreast of new the changing context, and new analysis, will be important over the four-year project implementation period.

2. Fragility, conflict, migration and resilience

The target countries for this project are the large emerging economies of India, Indonesia and South Africa. Socio-economic benefits of subsidy reform and increased RE deployment and EE can be seen as relevant factors in strengthening resilience and mitigating against conflicts over energy poverty and access, unemployment—and potentially it could also have a positive contribution toward stemming migration where this is an issue.

Is any additional analysis needed? How and when will it be done?

No additional studies or analytical work required.

3. Human rights situation (HRBA) and gender

Given the role of sustainable energy as a broader enabler of human and economic development, it is strongly interconnected with basic rights such as the right to life, food, health, shelter and education. The contribution to be made by the project in terms of capacity development and tools for more well-informed and transparent decision making in the energy transition, including better understanding of the socio-economic benefits of subsidy reform, will enable the duty bearers (i.e. the political decision makers and public authorities) to be mindful of the needs and priorities of end-users and ultimate beneficiaries at the household and enterprise level (the rights holders), particularly in the case of understanding gender equity impacts and opportunities that could arise across the project. IISD is currently implementing a project on the linkages between energy transition and gender and social inclusion, building on the foundations of a prior 4-year research programme on gender and FFSR. This has established conceptual frameworks to disaggregate the impacts of energy subsidies and subsidy reform by gender and other marginalized groups, including the role of appropriate mitigation measures. While the exact impacts of any FFS reforms are extremely context specific, depending on the country, fuel type and social and economic power of women, it is often the case that poor women do not effectively benefit from current subsidies to energy. If reforms are to help women, they often need to be carefully targeted or to be accompanied by measures such as cash transfers (often directly to women), energy vouchers or equipment sets for non-fossil energy or as targeted energy access subsidies via bank accounts (delinked from distorting market prices). IISD's Energy Programme has a growing body of work on Just Transition, focused on issues including job losses, poverty, gender empowerment and social safety nets.

Is any additional analysis needed? How and when will it be done?

Additional analysis on the social impacts of subsidy reform, including impacts with respect to human rights and gender, may be conducted as part of technical assistance to governments exploring national reforms.

4. Inclusive sustainable growth, climate change and environment

This project has a strong focus on sustainable growth and climate change mitigation. The inclusiveness is considered in the support of more well-informed energy planning and a holistic approach to the energy transition and its social-

economic benefits, as well as partnership among different stakeholder groups including the private sector. The project does not comprise any direct investments, and there are no direct negative environmental impacts. EIAs will be done as required by national legislation in partner countries for RE and EE investments that may take place as spin-offs from this project. The project has a clear positive impact on the environment and natural resources, including reduced pollution and GHG emissions.

Is any additional analysis needed? How and when will it be done?

No additional studies or analytical work required.

5. Capacity of public sector, public financial management and corruption

Capacity of the public sector for policy and decision making and enforcement is clearly an issue in the area of subsidy reform as reform agendas can be controversial and require robust governance that can withstand vested interests and public pressures. Public financial management that can provide transparency on subsidies and on the socio-economic benefits of reform are also of critical importance. Therefore, awareness-raising, capacity development, and “the power of the example” are important means for IISD to strengthen requisite public sector capacities that are also better equipped to engage in effective partnerships with the private sector. Further, the reduction of subsidies can be an important contributor to reducing volatility of public budgets in both fuel importing and exporting countries. IISD prohibits corrupt practices in connection with award and administration of contracts, grants, or other benefits, as set out in IISD internal policies on Anti-Corruption.

Is any additional analysis needed? How and when will it be done?

No additional studies or analytical work required in the formulation phase, but possibly as part of the implementation of the project.

6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

The proposal for extending the Danish support to IISD-GSI is fully in line with the current policies and strategies, and with Denmark’s international engagements, strengths and interests.

The Danish Energy Agency (and other Danish energy institutions) have strong competences on the low-carbon development in Denmark. Several other Danish public and private actors have expertise and experience in these areas. This includes Orsted, a global leader in offshore wind energy, and Vestas, one of the world’s largest wind turbine manufacturers. In addition, Denmark has important research institutions and consultant companies, covering all aspects of a green energy transition. Danish Development Finance Agencies and initiatives (e.g. IFU, SDG investment fund, Danida Sustainable Infrastructure Finance) can benefit from IISD analysis on just transition and transfer of public financial flows from fossil to clean energy. The outputs and outcomes of the proposed continuation of the IISD-GSI project will thus be of interest to the Danish resource base, given that it will stimulate increases in financial flows directed towards clean and renewable energy. Indirectly, the project thus holds a good potential for a Danish commercial engagement.

The analysis and outreach from the IISD GSI project are likely to be relevant for the Danish support to several international actors and processes with links to energy and climate change. This includes Danish support to ESMAP, IRENA, the Clean Energy Ministerial (CEM), Beyond Oil and Gas (BOGA), and the UNEP Copenhagen Climate Centre (UCCC). Synergies with these initiatives could be further explored.

Specifically related to the IISD GSI project Denmark has for a long time been involved in the international cooperation on reforming fossil fuel subsidies and is an active member of the “Friends of Fossil Fuel Subsidy Reform (FFSR)”. IISD is coordinating donor support for fossil fuel reform, and IISD’s ability to engage in fora and mechanisms that enhance coordination is important and holds a strong potential for increasing the leverage of the Danish contribution.

At the country level, Denmark has important energy partnership programmes (managed by the Danish Energy Agency (DEA)) in the three targeted countries for the IISD GSI programme: India, Indonesia and South Africa. The main focus of the DEA cooperation is long-term energy modelling and scenarios and integration of renewable energy in the energy system, in particular wind power. Denmark is also actively support efforts on just transition globally. There can thus be a good match with the IISD GSI efforts to stimulate policymakers and/or state institutions in these countries to prepare or implement reforms on fossil fuels subsidies that can free financial resources for renewable energy investment.

It is noted that the Danish support to IRENA includes analysing socio-economic issues related to renewable energy, in general and in countries participating in the energy partnership programme, e.g. in Indonesia. The IISD-GSI programme may be able to create synergies with these activities.

Key documentation and sources used for the analysis

See references in Annex 10.

Is any additional analysis needed? How and when will it be done?

IISD will continue to engage with MFC, MCEU and relevant national Danish Embassies through the project lifetime in order to stay abreast of possible synergies with other Danish strengths and activities.

7. Stakeholder analysis

The key partners/stakeholders in the project are briefly described in Annex 2 Partners.

Is any additional analysis needed? How and when will it be done?

IISD will continue to consult with partners on an as-needs basis to adapt to changing contexts and priorities.

Annex 2. Partners

A. Implementing partner: IISD

IISD is the implementing partner of choice for this project due to its unique role and track record on subsidy reform on the international arena and its long-standing engagement with emerging economies that are also Danish priorities. The proposed cooperation will be a continuation of ongoing Danish support during 2024-2027. IISD's partner features is summarized in Table 5, below.

Table 7. Brief summary of key partner features

Partner name	Core business	Importance of project for partner (low, med, high)	Partner influence over project (low, med, high)	Partner's main contribution	Partner Capacity	Exit strategy
The International Institute for Sustainable Development (IISD)	<p>IISD is an independent think tank that champions sustainable solutions to 21st century problems. IISD's mission is to promote human development and environmental sustainability.</p> <p>The IISD Global Subsidies Initiative (GSI) supports international processes, national governments and civil society organisations to align subsidies with sustainable development.</p>	High – IISD's GSI initiative is highly dependent on donor support.	High – IISD manages the project.	International standing and reputation, expertise and experience, staff time inputs in-kind, effective communication of results, synergy with other international development partners and national partners in cooperating countries.	IISD has 29 staff and experts in the GSI team, and teams of national experts in India, Indonesia and South Africa. This is backed-up by IISD's wider capacity of 250 staff in total. IISD's in-country work relies on its in-country teams and partnerships with local institutes. There is an established network who provide high quality and impactful work. A critical factor is the influence local partners have with decision-makers.	No particular exit strategy required, but work planning must reflect the disbursement schedule by Denmark and other donors to ensure continuity and a well-planned conclusion of activities and outputs that depend on donor support.

Table 6 below, summarizes key lessons from previous IISD work and implications for the proposed work programme. Box 1 summarizes some of IISD's recent results and achievements.

Table 8. Lessons from previous IISD work and implications for the proposed work programme

Lessons from previous work	Implications for proposed work programme
<ul style="list-style-type: none"> • There are many sub-concepts in the umbrella term “public financial flows”, and it is hard for non-experts to follow different definitions and estimates without an over-arching narrative. • It is more impactful to work on public financial flows with a “positive” frame; that is, simply removing support is ineffective, without a clear articulation of where support should go to instead. • CSO & IGO data and reporting on subsidies can be impactful on major global narratives, especially when timely, networked and linked to media cycles and specific engagement moments around global fora. • Broad-based coalitions of CSOs, IGOs and champion governments can achieve impacts by working collaboratively internationally. • Some areas in shifting public financial flows are well-developed, and the focus needs to be on demonstrating systemic implementation, and the exercise of accountability mechanisms; other areas are early-stage and in need of thought leadership. • Intensive technical engagement at a national level can make meaningful contributions to specific efforts on national energy transition, while enriching global efforts and discourse. 	<ul style="list-style-type: none"> • Part of IISD’s role in this space is to help tell joined up narratives and create focus on how different forms of public support fit together into a big picture, and what this means for decision-makers in specific contexts. • IISD will continue to focus on the support that is needed to achieve clean energy ambitions, as well as the support for fossil energy that must be reformed. • IISD will continue to play a role in helping to produce, aggregate, analyse and communicate data. IISD will innovate to improve efficiency and timeliness of data work, while seeking to increase engagement capacity. • IISD will continue to work in collaboration with partners, while trying to increase the number and diversity of organisations in this area. • IISD will aim to increase its capacity for engagement in major processes, to ensure that accountability mechanisms encourage improved progress on systemic implementation among key global economies; while maintaining capacity for thought leadership in less developed areas, such as SOE reform and domestic public finance. • IISD will continue to develop its long-term commitments to assist with national reform challenges in specific focus countries. IISD will seek to increase interconnections between its different country programmes.

Box 1. Example of Recent IISD-GSI Results and Achievements

Internationally:

- IISD supports the [Friends of Fossil Fuel Subsidy Reform](#), an informal group of non-G20 countries aiming to build political consensus on the topic. Recently, this has included organising in-person meetings and events around UNFCCC COP27, SB58 and COP28 and promoting the release of [joint statements](#) by Friends members.

- IISD supports reporting on public financial flows. This includes technical support and analysis, such as: delivering training on SDG 12.c.1 as part of a UNEP regional workshop for Latin American members; developing national inventories of subsidies for the OECD; and working jointly with the OECD to communicate subsidy data through the [Fossil Fuel Subsidy Tracker \(FFST\)](#). It also includes translating complex data into clear storylines to inform major global narratives. This includes the [Energy Policy Tracker \(EPT\)](#), a data platform led by IISD, in collaboration with ODI, SEI, IGES, OCI & Columbia University and a wide network of voluntary CSOs. The EPT provided a transparent and comprehensive resource tracking the clean vs. fossil energy components of governments' COVID-19 responses. It was supported by the office of the UN Secretary-General, UNEP, Green Climate Fund, World Bank, OECD, as well as many other research and advocacy organisations, diplomatic missions and the private sector, and was cited in over 1,500 media platforms during its lifetime, including numerous top tier media publications. The scrutiny on this topic contributed to a gradual greening of recovery programmes in response to the COVID-19 crisis.
- IISD provides expert inputs on fossil fuel subsidy reform to intergovernmental groups and processes. This has included presentations at closed G7 workshops; [background notes](#), such as inputs to inform the Asian Development Bank (ADB)'s Asian Development Outlook; and leading a [joint submission](#) with other partners to the UNFCCC Global Stocktake.

Nationally:

- IISD promotes transparency and debate by identifying and estimating subsidies at national level. Recently, this has included creating or updating inventories on Canada, India, Indonesia, Kazakhstan, Mexico, Russia, South Africa, the UK and Uzbekistan. Its in-depth work on transparency has been extensively covered by media sources in India, Indonesia and South Africa.
- IISD has contributed to the Indo-German Energy Programme, supporting the Ministry of New and Renewable Energy to implement the PM-KUSUM scheme, unlocking public support for solar irrigation through technical analysis and intensive engagement with numerous state governments.
- IISD has supported the Vice Presidents' Office in Indonesia by identifying options for shifting away from LPG subsidies and towards alternative energy sources for cooking, including workshops to discuss recommendations with officials.
- IISD has critically assessed the role of natural gas in energy sector transition in South Africa. Its analysis received major media coverage, and contributed to a shift in discourse on this topic already by the end of 2022.

B. IISD's Partnerships

Partly as a result of many years of work by IISD, there is an increasingly busy ecosystem of actors working to shifting public financial flows. This makes it essential for IISD to work in close partnership with a broad range of actors, to ensure relevance to shifting needs, to avoid replication and to increase impacts through collaboration. This includes partnerships with governments in partner countries, intergovernmental organisation and civil society organisations. A brief summary of the key features of these different groups is provided in Table 8 below.

Table 9. Brief summary of key partner features

Partner name	Core business	Importance of project for partner's activity level (low, med, high)	Partner influence over the project (low, med, high)	Partner's main contribution	Partner Capacity	Exit strategy
National governments in partner countries	National authorities responsible for the energy transition and climate goals in partner countries. In countries such as India, Indonesia and South Africa, where IISD has been active for years, the partner agency mandates and goals are well known.	High – ownership and commitment to engage with IISD, demonstrated political commitment to RE and EE, specific requests to IISD for support, quality of available data and information, etc.	Medium to high (for the project interventions in the partner countries). In particular the Ministries of Finance are expected to be crucial in driving the adoption of fiscal reforms for fossil fuels.	Political commitment, identification and appointment of key persons for sustained collaboration, timely inputs in-kind, data, information.	The capacity of partner country government authorities will vary and in many cases be limited. The project's capacity development activities will address capacity and skill gaps that are critical for achievement of project objectives.	The exit strategy is to ensure uptake of knowledge products and tools, sustained commitment to implement long-term planning approaches and accelerated country level action on RE uptake and energy transition for a low-carbon development path.
Inter-governmental organisations (IGOs)	Intergovernmental organisations that play leading roles in global energy system data, policy guidance and governance, such as the IEA, IMF, IRENA OECD and the World Bank.	High – IGOs play a key role in producing data and providing technical assistance on shifting public finance flows. They are often tasked as custodians of inter-governmental commitments.	Medium. Sharing data and lessons is critical for joined up narratives in this area.	International data production & technical assistance	The capacity of IGOs is high but can be subject to changing political priorities among member-based organisations and changing financial and personnel staff capacity	No specific exit strategy is required
International and national civil society organisations (CSOs)	Civil society organisations cover a spectrum of organisations, from in-depth technical assistance organisations to grassroots advocacy and campaigning groups. The full spectrum of civil society has an important role to play in advising	High – At a national level, partnerships with civil society organisations are essential to ensure IISD's work is rooted in deep national expertise. At international levels,	Medium. Collaboration is critical to effectively inform narratives and to provide technical assistance.	Data production, technical assistance, policy engagement	The capacity of CSOs is typically very high in their domains of expertise but IISD provides added value though its highly specific technical expertise in shifting public financial flows and by acting as a connector between	No specific exit strategy is required

governments and broad-based political and public engagement activities.

IISD data must be relevant to CSO needs in order to be taken up in technical analysis and advocacy.

different organisations on this topic

Annex 3. Theory of Change

Theory of Change

The ToC diagram and a brief narrative can be found in Chapter 4.

The text below includes more detailed information and provides further explanation of the different terms and concepts used in the ToC.

The objective

The objective is that major global economies more systemically shift public financial flows shift in ways that significantly accelerate the transition away from fossil fuels toward clean energy, while promote promoting improved social welfare and overall sustainable economic development.

The term “public financial flows shift” means both:

- Reforming government support for fossil fuels—such as subsidies, investment by SOEs and lending from PFIs—while encouraging taxation that increasingly internalizes externalities and uses revenue strategically, avoiding revenue-dependency on fossil energy
- Improving or introducing new government support for clean energy, sufficient to achieve ambitious clean energy targets

The term “significantly accelerate... transition” refers to the idea that shifts must be sufficient to reach key tipping points that influence consumer and producer decisions, leveraging larger volumes of private investment in clean energy.

The term “in ways that promote improved social welfare” recognizes that energy transition is inextricably interlinked with well-being and equity.

- For energy consumers, public support and taxation affect the cost of living, energy access and affordability. To be sustainable, reforms may need to redirect some support into social protection.
- For energy producers, support influences investments in supply, with consequences for the type of energy that is produced, and its associated social costs. In particular, in geographies that are phasing down fossil fuel production, support is required for workers and communities.

While trade-offs between climate and social welfare can exist, effective solutions must address both objectives.

The outcomes

There are two targeted outcomes in this Theory of Change:

International: Broader or improved global commitments to encourage a more systemic approach to shifting public financial flows from fossil to clean energy, and measures for systemic implementation are taken up by major global economies, especially around the G20 and the UNFCCC.

National: In India, Indonesia and South Africa, policy-makers and/or state institutions review, update or develop new support policy for energy, consistent with shifting public financial flows from fossil fuels to clean energy, in ways that support overall national development objectives

For the *international outcome*, the term “Broader or improved commitments to shift public financial flows, and measures for more systemic implementation” builds on the information shared in the context chapter of this proposal, where IISD observes that a web of interrelated international commitments has been effectively created in this area, but implementation remains piecemeal. In order to move beyond this situation, IISD believes it will be meaningful if countries *broaden* commitments (that is, address all public financial flows, and find ways to extend agreements to new actors and policy ecosystems, beyond the current ‘usual suspects’ - e.g. to secure buy-in from health, social justice, nature conservation, and other constituencies), *improve* commitments (such as setting clear timelines, dropping qualifiers like “inefficient”, quantifying \$ targets for reform, providing assistance for emerging and developing economies, making commitments binding) and demonstrate *measures for systemic adoption* (that is, effective usage of accountability mechanisms, like UNFCCC NDCs, as well as demonstrating national policy frameworks that implement international commitments in a comprehensive way, addressing many support policies in a coordinated manner). The focus on the G20 and the UNFCCC recognises that these fora are the primary global spaces in which financial flows for energy, including public financial flows, are being addressed. This does not, however, preclude activities focused on other global initiatives, such as reporting under SDG indicator 12.1.c, Target 18 under the Convention on Biological Diversity, the World Trade Organisation’s initiative on fossil fuel subsidy reform and ongoing efforts to establish an Agreement on Climate Change, Trade and Sustainability (ACCTS).

For the *national outcome*, the focus on India, Indonesia and South Africa reflects IISD’s longstanding identity as a think tank focused on supporting the emerging and developing world. Targeted work in these countries is not intended to single them out. Rather, it is intended to recognise that, as emerging economies, they face unique challenges in implementing global commitments to shift financial flows, with the need to maintain strong economic growth, while eradicating poverty. By helping to overcome some of these challenges, the project intends to help unlock further global change, by establishing approaches and examples that can be replicated elsewhere, as global efforts to shift financial flows gather momentum towards the 2030 deadline agreed by all countries on fossil fuel subsidy reform, under the SDGs. This may apply to national policies or to sub-national policies, as relevant for different policy areas.

The outputs

IISD cannot directly control the outcomes: they represent changes in the overall external world, that are contingent upon the result of many interacting forces. IISD can, however, exert more direct control over specific outputs that can credibly contribute towards the outcomes being realised. In this project, the main outputs are focused on:

- Data to inform narratives, globally (output #1) and nationally (output #3)
- Engagement and diplomacy, internationally (output #2)
- Policy-specific data, analysis and recommendations, nationally (output #4)

Data to inform narratives is predicated on the assumption that major cultural narratives tend to drive agendas and decision-making at both global and national levels, through the stories being told about “where we are” and “what is needed next”, as reflected in messaging by governments, intergovernmental organisations, civil society, the private sector and media. IISD’s role is to help build, navigate and translate complex data into a clear evidence-based narrative that can more

effectively demonstrate the change and actions that are needed. This is in light of an increasingly busy ecosystem of actors and the need for coherence, and assumes a close level of cooperation and partnership with other actors. At a global level, this means creating transparent data platforms to help aggregate and communicate data effectively—such as the joint IISD-OECD www.fossilfuelsubsidytracker.org website, which brings together OECD, IEA and IMF data; or the IISD-led initiative with over 20 other civil society organisations to track energy expenditure in the wake of COVID-19, www.energypolicytracker.org. It also means generating compelling briefings on what this data means for key global decision-making moments, such as digital stories [to inform civil society and media](#) in the run-up to G20 summits the UNFCCC COPs. At the national level, it means aggregating government data and, where possible, independently filling in data gaps, to establish [bottom-up national inventories on support levels](#), and articulating how global commitments to shift financial flows are relevant to domestic narratives and national policy priorities. Specific outputs in this area are further elaborated in the results framework (see Annex 4), though noting that these must be reviewed and revised annually in work plans and adapted in the light of changing contexts. The extent to which these efforts can be considered successful in influencing “narratives” can be tracked by the extent to which the data and messages are taken on board by other stakeholders.

Engagement and diplomacy refer to the importance of tracking and engaging with international policy processes and institutions, so that expertise, based on data and analysis, is actively fed into decision-making processes and relationships with individual decision-makers. Major examples include the recent UNFCCC Global Stocktake, where IISD led several submissions on public financial flows in partnership with other CSOs, and IISD’s secretariat support for the [Friends of Fossil Fuel Subsidy Reform](#), a group of non-G20 countries who seek to engage diplomatically in order to encourage compliance with subsidy reform commitments.

Policy-specific data, analysis and recommendations refers to the need for national activities to focus on a limited number of individual policies, where knowledge gaps are holding back progress, through targeted technical assistance. It is not possible to address all national support policies in this way, so, in individual focus countries, work plans are developed, identifying relevant focus areas, taking into account national policy objectives and IISD’s added-value. The breadth and coverage of these work programmes is dependent on the extent to which IISD is able to leverage further donor funds in alignment with this overall Theory of Change. The feasible achievements based on this grant alone are further elaborated in the results framework (see Annex 4), though noting that these must be reviewed and revised annually in work plans. Within the overall IISD Energy programme, the current focus areas for supporting national policy processes include: electricity subsidies and state-owned enterprise reform (all countries); LPG and non-fossil cooking, electric vehicle subsidies (India & Indonesia); battery storage and support for Just Transition (India & South Africa); fuel subsidies (Indonesia); and solar irrigation, offshore wind and green hydrogen subsidies (India).

The activities

Develop inventories: Developing and updating bottom-up policy data on government support levels, at both an international and national level, such as previous exercises in [India](#), [Indonesia](#) and [South Africa](#)

Run data trackers: Running platforms for communicating data to major stakeholders at an international and national level, such as www.fossilfuelsubsidytracker.org, www.energypolicytracker.org and [Mapping India's Energy Subsidies](#)

Analyse data: Analysing data and drawing key recommendations for major international processes, such as briefings for [G20 Summits](#), [UNFCCC CoPs](#) and the [Asian Development Bank](#)

Outreach to media: Sharing data and analysis through traditional and social media to reach broader narratives at international and national levels

Work in coalitions and partnerships: Working in collaboration with a range of other actors, to ensure coordinated and consistent messaging from allied institutions, and to benefit from mutually complementary areas of expertise, at both international and national levels

Run joint events: Organizing dialogues to bring together knowledge production, government decision-makers and major stakeholders, such as [webinars](#) and [side-events](#) at international meetings, or national dialogues on [specific policy challenges](#)

Submit expert inputs: Submitting expert inputs into formal processes at international and national levels, and with the organisations, negotiators and officials involved in those processes, such as IISD submissions to [the T20](#) and [the UNFCCC Global Stocktake](#)

Network with key stakeholders: Meetings and relationship-building with decision-makers and stakeholders, internationally around major international for a, and nationally with government officials and stakeholders in and around major national energy institutions

Support diplomacy, incl. Friends of FFSR: Supporting government-to-government work on fossil fuel subsidy reform through secretariat services to the [Friends of Fossil Fuel Subsidy Reform](#)

Conduct consultations: In-depth interviews with policy and other stakeholders to gather knowledge and ensure alignment of activities with national objectives, priorities and needs

Provide technical assistance: Analysis targeted at specific technical bottlenecks in policy planning and formulation, to help identify the best technical options for reformed or new policies, such as in-depth guidance on [solar irrigation](#), [LPG subsidy reform](#) and [energy storage](#)

The assumptions

From inputs to activities

- Efficient provision of inputs: There is an efficient mobilization, management and coordination of inputs from Denmark, IISD, other development partners and international and national work programme partners
- IISD financial health & capacity: IISD's overall management, turn-over and staff capacity enable continuous engagement
- Partners remain committed: International and national work programme partners remain available and committed to the broad objectives of the work programme

- Additional resources leveraged from other donors for ambition: The Theory of Change is fully aligned with IISD's broader strategy on shifting public financial flows. As such, its level of ambition in terms of outcomes and impacts is commensurate with IISD's overall work programme on shifting public financial flows, and likelihood of success will increase if IISD can align other donor resources with its programmatic objectives.

From activities to outputs

- Work of high quality & credibility: IISD maintains a high standard of quality assurance, ensuring that its work is seen as credible and relevant by major decision-makers and stakeholders
- Trust in IISD among partners: IISD works respectfully and collaboratively with partners, ensuring high levels of trust and coordination in work programme activities and outputs
- Access to data from partners: Global data on public financial flows is produced by a range of organisations. IISD's ability to aggregate data and convey joined-up narratives will depend upon ongoing openness to share and collaborate on data.
- Good coordination in busy field: IISD will need to continuously assess its added-value in a crowded field with many actors, avoiding replication and pursuing coordination and collaboration
- Viable political context for activities: IISD is able to adapt its work programme to the changing political context, such that activities stay relevant and focused on the needs and concerns of decision-makers and stakeholders

From outputs to outcomes

- Public narratives influence policy decisions: Public discourse in areas such as shifting public financial flows are an important consideration for policy-makers, and major narratives identifying the need for action in this area will support and embolden policy-makers
- Lack of data & knowledge slows change: Providing specific data and solutions can help overcome reticence to act on policy implementation when windows of political opportunity open
- Broad coalitions help enable change: Working in coordination with a large range of partners, including different categories of actor (e.g. government, IGO, CSO, academic, private sector), different global representation (e.g. global North, global South) and different interest group perspectives (e.g. financial, economic, environmental, religious, gender equity, labour) can help overcome reticence to act on policy implementation when windows of political opportunity open
- Viable political context for outputs: IISD is able to adapt its work programme to the changing political context, such that outputs stay relevant and focused on the needs and concerns of decision-makers and stakeholders

From outcomes to impact

- Public support is critical to achieve ambitious climate targets: This assumes that markets and private finance alone will not be sufficient to mitigate climate change
- Public financial flows will help leverage private flows: This recognizes that public financial flows alone are insufficient to mitigate climate change and impacts on private flows are needed to crowd in required investments

- Continued wide global commitment to UNFCCC & SDGs: The overall stability of the multilateral system and its commitments to sustainable development are vital to ensure that outcomes focused on adherence with international commitments can contribute effectively to overall global momentum in this area

Annex 4. Results Framework

The results framework, set out below, will form the basis for IISD’s annual reporting to MFA and MCEU on project activities and achievements. The indicators set out under “means of verification” will be drawn on in this reporting.

Project Title		Support for the IISD Global Subsidies Initiative 2024-2027	
Project Objective		Major global economies more systemically shift public financial flows in ways that significantly accelerate the transition away from fossil fuels toward clean energy, while promoting improved social welfare and overall sustainable economic development.	
Impact Indicator		<ul style="list-style-type: none"> • Shifts (in USD) in public support for fossil energy, globally and in focus countries • Shifts (in USD) in public support for clean energy, globally and in focus countries • Number of new social welfare and just transition (JT) policies linked to shifts in support 	
Baseline	2023	<ul style="list-style-type: none"> • USD 1.7 trillion globally in public support for fossil energy (latest data, 2022) • ~USD 80 billion globally in public support for clean energy (latest data, incomplete) • ~13% of energy support from major economies in 2020-2021 had positive social and environmental impacts 	
End of project	2027	Target <ul style="list-style-type: none"> • 60% reduction in public support for fossil energy • Doubling of support for clean energy • #5 notable policies in major economies that address social welfare and/or just transition impacts 	Means of verification <ul style="list-style-type: none"> • Fossil Fuel Subsidy Tracker (IEA, IMF, OECD) • IISD • National policy documents

Outcome 1		1. International: Measures for systemic implementation of shifts in public financial flows from fossil to clean energy in support of a just transition are taken up by major global economies, especially around the G20 and the UNFCCC	
Outcome indicator		<ul style="list-style-type: none"> • Number of improvements in international commitments to shift public financial flows • Number of major economies that translate commitments into systemic national policy changes, including addressing social welfare and JT 	
Baseline	2023	<ul style="list-style-type: none"> • Weaknesses in international commitments to shift subsidies and other public financial flows, especially around shifting to clean energy, ambiguous qualifiers, unclear timelines and support for implementation • No major economy has demonstrated systemic and socially responsible implementation • Relatively comprehensive but scattered global data on public support for fossil energy • No global data on public support for clean energy 	
End of project	2027	Target <ul style="list-style-type: none"> • #4 improvements to international commitments on fossil fuel subsidy reform, especially G20 and UNFCCC contexts, #7 major economies are demonstrating systemic and socially responsible implementation of commitments on subsidies, SOEs and/or public finance • More comprehensive, aggregated data on public support for fossil energy and for clean energy 	Means of verification <ul style="list-style-type: none"> • Text of global commitments • National policy documents • Data from Fossil Fuel Subsidy Tracker (IEA, IMF, OECD) • Data from IISD
Output 1.1		International narratives on shifting public financial flows to energy are informed by IISD data, analysis and recommendations, including discourse by governments and major policy institutions around global fora, such as the G20 and UNFCCC, and discourse in global media	
Output indicator		<ul style="list-style-type: none"> • Number of policy organisations and media platforms drawing on IISD data and analysis 	
Baseline	2023	<ul style="list-style-type: none"> • Lack of clarity in discourse on how global commitments can better drive implementation • Relatively comprehensive but scattered global data on public support for fossil energy 	

Years of project activities	2024	<ul style="list-style-type: none"> No global data on public support for clean energy 	
		Target	Means of verification
		<ul style="list-style-type: none"> #5 expert global policy institutions and #50 global media platforms draw on IISD data, data platforms, analysis or recommendations IISD strategy to improve efficiency of data tracking on public financial flows, including automation of data collection 	<ul style="list-style-type: none"> Policy publications Joint activity with policy publications Media publications IISD data
	2025	<ul style="list-style-type: none"> #5 expert global policy institutions and #50 global media platforms draw on IISD data, data platforms, analysis or recommendations IISD partially improves data on support for clean energy through improved approach to data tracking 	
	2026	<ul style="list-style-type: none"> #5 expert global policy institutions and #50 global media platforms draw on IISD data, data platforms, analysis or recommendations IISD improves data on support for clean energy through improved approach to data tracking 	
	2027	<ul style="list-style-type: none"> #5 expert global policy institutions and #50 global media platforms draw on IISD data, data platforms, analysis or recommendations IISD significantly improves data on support for clean energy through improved approach to data tracking 	
Output 1.2	Increased capacity of major government, IGO and civil society partners (that they can apply) to constructively improve global commitments on public financial flows to energy, as a result of targeted IISD engagement around major global fora, including support for the Friends of Fossil Fuel Subsidy Reform, and especially with respect to G20 and UNFCCC processes		
Output indicator	<ul style="list-style-type: none"> Number of statements, agreements, events, formal coalitions or other joint public-facing activity from more than one institution in partnership with IISD 		
Baseline	2023	<ul style="list-style-type: none"> Data on public support for fossil energy is relatively clear, but equivalent data for clean energy is incomplete. Global commitments to reform subsidies exist but should be strengthened to encourage shifts to clean energy and more systemic and just implementation. 	
Years of project activities	2024	Target <ul style="list-style-type: none"> #2 joint events, submissions other engagement activities in the G20 and UNFCCC CoP, involving key stakeholders #10 engagement activities by the Friends of Fossil Fuel Subsidy Reform and other intergovernmental initiatives (such as bilaterals, formal submissions, demarches), supported by IISD Secretariat services 	Means of verification <ul style="list-style-type: none"> Event reports, photos, recordings Copies of submissions Partner testimonies Friends of FFSR workplan and reporting
	2025	<ul style="list-style-type: none"> #3 joint events, submissions other engagement activities in the G20 and UNFCCC CoP, involving key stakeholders #10 engagement activities by the Friends of Fossil Fuel Subsidy Reform and other intergovernmental initiatives (such as bilaterals, formal submissions, demarches), supported by IISD Secretariat services 	
	2026	<ul style="list-style-type: none"> #3 joint events, submissions other engagement activities in the G20 and UNFCCC CoP, involving key stakeholders #10 engagement activities by the Friends of Fossil Fuel Subsidy Reform and other intergovernmental initiatives (such as bilaterals, formal submissions, demarches), supported by IISD Secretariat services 	
	2027	<ul style="list-style-type: none"> #4 joint events, submissions other engagement activities in the G20 and UNFCCC CoP, involving key stakeholders #10 engagement activities by the Friends of Fossil Fuel Subsidy Reform and other intergovernmental initiatives (such 	

as bilaterals, formal submissions, demarches), supported by IISD Secretariat services

Outcome 2		National: In India, Indonesia and South Africa, policy-makers and/or state institutions review, update or develop new support policy for energy, consistent with shifting public financial flows from fossil fuels to clean energy, in ways that support overall national development objectives and a just transition.	
Outcome indicator		<ul style="list-style-type: none"> Number of national or state policy changes in India, Indonesia and South Africa, in areas that IISD has provided technical assistance, and where changes are at least partially aligned with IISD recommendations 	
Baseline	2023	<ul style="list-style-type: none"> Support for fossil energy in each country is larger than support for clean energy. Data on support for clean energy is not clear in Indonesia and South Africa. National policy-makers face challenges to shift public financial flows and have constrained capacity, including to protect low-income consumers. A need to attract investment into new clean energy. 	
End of project	2027	Target <ul style="list-style-type: none"> Across India, Indonesia and South Africa, #6 national or state policy changes are implemented, in areas that IISD has provided technical assistance, and where changes are at least partially aligned with IISD recommendations 	Means of verification <ul style="list-style-type: none"> National policy documents
Output 2.1		In India, Indonesia and South Africa, national narratives on energy transition are informed by IISD data and analysis, including the relevance of shifting public financial flows to domestic policy priorities, such as economic development, clean energy, resilience, poverty eradication and just transition	
Output indicator		<ul style="list-style-type: none"> In each country, the number of policy organisations and media platforms drawing on IISD data, analysis or recommendations. 	
Baseline	2023	<ul style="list-style-type: none"> No national overview data published by governments on public financial flows for energy. Low data availability on clean energy subsidies, SOE investments and PFI lending. International commitments do not always appear relevant in the national policy context. 	
Years of project activities	2024	Target <ul style="list-style-type: none"> In each country, at least #10 references to IISD data, analysis or recommendations in published government documentation, work by expert policy organisations and/or influential traditional and social media platforms 	Means of verification <ul style="list-style-type: none"> Government policy documentation Publications by expert policy organisations Media platforms
	2025	<ul style="list-style-type: none"> In each country, at least #15 references to IISD data, analysis or recommendations in published government documentation, work by expert policy organisations and/or influential traditional and social media platforms 	
	2026	<ul style="list-style-type: none"> In each country, at least #15 references to IISD data, analysis or recommendations in published government documentation, work by expert policy organisations and/or influential traditional and social media platforms 	
	2027	<ul style="list-style-type: none"> In each country, at least #20 references to IISD data, analysis or recommendations in published government documentation, work by expert policy organisations and/or influential traditional and social media platforms 	

Output 2.2		India, Indonesia and South Africa have increased capacity (and ability to apply) in government, state institutions and civil society partners to support nationally relevant policy implementation pathways for shifting public financial flows, including how shifts can contribute to socially beneficial outcomes.	
Output indicator		<ul style="list-style-type: none"> In each country, the number of capacity-building interactions with government officials, state institutions and CSO partners 	
Baseline	2023	<ul style="list-style-type: none"> All three countries have made commitments that indicate strong ambition for energy transition. Barriers exist to reforming support for fossil energy, including concerns on social impacts. Barriers exist to support for clean energy, sometimes in the form of a lack of policy support, sometimes in the form of removing roadblocks to effective policy implementation, including around energy security and social impacts. 	
Years of project activities	2024	Target	Means of verification
		<ul style="list-style-type: none"> In India and Indonesia, at least #10, and in South Africa at least #5 capacity-building interactions with government officials, state institutions or CSO partners, with focuses including: <ul style="list-style-type: none"> In India, support for electricity subsidy reform, solar irrigation, LPG subsidy reform, non-fossil cooking, solar PV, electric vehicles and solar irrigation. In Indonesia, support for LPG and non-fossil cooking. In South Africa, support for natural gas, battery technology and storage. 	<ul style="list-style-type: none"> IISD reporting on # of interactions through engagement activities such as consultations, briefings, events, briefings, peer reviews, trainings and joint projects Partner testimonies
	2025	<ul style="list-style-type: none"> In India, Indonesia, and South Africa at least #10, capacity-building interactions with government officials, state institutions or CSO partners, with focuses including: <ul style="list-style-type: none"> In India, support for support for electricity subsidy reform, solar irrigation, LPG subsidy reform, non-fossil cooking, solar PV and electric vehicles. In Indonesia, support for LPG and non-fossil cooking. In South Africa, support for natural gas, battery technology and storage. 	
	2026	<ul style="list-style-type: none"> In each country, at least #15 capacity-building interactions with government officials, state institutions or CSO partners, with focus areas to be determined based upon demand from the national policy context and actors. 	
	2027	<ul style="list-style-type: none"> In each country, at least #15 capacity-building interactions with government officials, state institutions or CSO partners, with focus areas to be determined based upon demand from the national policy context and actors. 	

Annex 5. Risk Management Matrix

Contextual risks ³ :					
Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Vested interests and civil society resistance hamper subsidy reform efforts.	Likely	Major	Opposition will be mapped and understood and then addressed by addressing concerns to reform through improved policy design of reform plans or appropriate mitigation actions. The ability to implement these solutions will be improved through capacity development. Awareness-raising can play a role in addressing possible misinformation from vested interests.	Minor	There are strong vested interests in the fossil energy sector. There is growing recognition of the negative consequences of fossil fuel subsidies, but changes in subsidy schemes have led to social unrest in many countries, due to concern on social impacts. Policy recommendations must credibly create socio-economic benefits and address challenges like stranded assets. The power of examples from other countries with comparable contexts can be a powerful tool, and communication about the costs and inefficiencies of the status quo.
Major global disruption significantly affects narratives and economics of the energy transition.	Likely	Major	Following a major shift of context IISD-GSI will review ongoing work and adapt work plans to adapt, respond and remain relevant. Where necessary IISD will coordinate with Denmark to coordinate adaption to project activities. IISD will evaluate options for timely research and advocacy to take advantage of the opportunities offered by the new context.	Minor	Changes in the international context including war, economic crisis or energy supply disruptions. Some of these factors may directly affect energy transition debates, others may simply divert political attention or disrupt working practices.
Supply chain disruptions for fossil and/or clean energy	Likely	Major	Project narratives and timelines remain vulnerable to external factors. In the event of supply disruption, IISD will review whether to review project narratives and to accelerate or pause project elements. Changes to the project	Minor	Supply chains in the energy sector are dependent on the supply of critical minerals and fossil fuels. Interruptions to this supply chain may cause temporary price spikes or unavailability of key components. This could

³ This category covers the range of potential adverse outcomes that may arise in a particular context, including the risk of harm beyond the immediate context or the country's borders and may include governance failure (e.g. the failure of effective public financial management or law enforcement); competition for resources; natural hazards; and pre-existing socio-political tensions (Danida Guideline to Risk Matrix 2018).

			timelines will be reported and agreed through the regular reviews.		lead to stronger reasons to decarbonise or derail clean energy investment plans.
Intensifying climate crisis influences perceptions, changing political space for influence	Likely	Major	If a political window opens for further agreement on subsidy reform, then IISD would pursue this vigorously. FFSR typically happens when there is opportunity. External factors could rapidly change attitudes to fossil fuel use. IISD will be ready to accelerate plans in the event of opportunities.	Major	The pace of global temperature rise and the frequency of climate related environmental disasters may create popular demand for faster action.
Political commitments to a green energy transition could be undermined due to changes of government, political instability or unrest and/or political priorities.	Likely	Major	Following political changes IISD would renew engagement in-country and seek to establish positive working relationships with new administrations, adapting to new or revised national policy objectives, and focusing assistance on ones that are consistent with shifting financial flows to support sustainability. Awareness-raising, capacity development, and demonstration of benefits from reform may become more important. Promoting alignment to robust international frameworks will make FFSR less connected with any particular administration. Maintaining emphasis on peer-to-peer exchanges with other countries can also help promote acceptance during periods of political change.	Minor	Governments change, and with them, policy priorities. But target countries are committed at very senior levels to energy transition and there is a strong emphasis on engaging partners who would not change with a change of government. The key is to support governments to be prepared when the window of opportunity is open. IISD, MFA and MCEU are not risk-averse and opportunities for impact also come with informed risks.
NDCs and national sectoral policies and strategies with which the project will align, prove to be weak or are not enacted.	Likely	Minor	IISD aims to focus on addressing exactly this risk in project activities: technical assistance to improve the quality of these policies; accountability to identify when they're not good enough. Missed targets and unmet investment targets in planning documents are an indicator that can prompt discussions about international public finance in focus countries. IISD technical support can help to develop plans in this area when requested.	Minor	The project emphasises alignment of national policies and strategies to implement energy transition commitments. Few NDCs involve commitments to shift financial flows. The ratcheting system under the Paris Agreement is a major opportunity for providing assistance to enable increased ambition. There is a need to more closely link NDCs with SDGs as a way to leverage and accelerate country action. For emerging economies, this may also link to delivery of climate finance and Just Energy Transition Partnership deals.

Programmatic risks ⁴ :					
Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Government institutions and other project partners not ready to or not able to engage with IISD on moving extra public finance into clean energy, and do not have the will to follow-through on international or national commitments to action, and to use the benefits of fiscal reform for clean energy	Likely	Major	The burden is on IISD and other CSOs to show how shifting financial flows is strongly aligned with national priorities & interests. Reluctance in a particular policy area could also mean shifting the focus of technical assistance to parts of energy transition that are more accepted. The careful selection of partner is key, building on expressed commitment and demand. This can also be reinforced by capacity development, the use of best-practices and lessons learned from other countries and peer exchanges in international workshops/fora.	Minor	FFS are often connected to governments' social welfare systems, albeit an inefficient type of redistribution. Therefore, governments could come under pressure to reverse reforms if current beneficiaries of the reform suffer adverse effects. It is important that initiated reforms benefit particularly the most vulnerable while incentivising increased clean energy deployment.
Limited capacity of local partners could impede implementation progress and results.	Likely	Major	In the event that existing partners are unable to provide the envisaged services, IISD will endeavour to collaboratively raise capacity where possible, though planning with partners, potentially longer commitments (e.g. longer contract terms or MoUs) to enable investments to relieve capacity bottlenecks. With government partners, capacity may be	Minor	Developing the capacity of political decision-makers and practitioners in subsidy and taxation reform is an important part of this project.

⁴ This category covers include two kinds of risk: (1) the potential for a project to fail to achieve its objectives; and (2) the potential for the project to cause harm in the external environment. With regard to (1), the risk factors for project failure include many of the contextual risks outlined above, as well as institutional and political factors. But there are many other reasons for potential project failure, including inadequate understanding of the context or flawed assessment of what needs to be done; management and operational failures; and failures of planning and co-ordination. Risk is also associated with new or innovative project approaches (although there may also be risk in failing to innovate). (Danida Guideline to Risk Matrix 2018). The categorisation of likelihood, impacts, and residual risk is also consistent with Danida guidelines.

			available from other parts of government that could be reallocated. This will be evaluated. With civil society partners, it may be possible to identify new partners to fill gaps.		
The Friends of FFSR could lose momentum as a diplomatic initiative.	Unlikely	Minor	Ensure highly structure meetings with a clear agenda, a timely record of the meeting with a clear follow-up process action plan, and emphasis on the good examples of results and impact.	Minor	The FFFSR is a diplomatic initiative, but it is also highly dependent upon busy agency staff dedicating time and commitment in the face of many other pressures.
Project duplicates existing activities, dilutes policymaker attention and sources of finance and/or fails to recognise interfaces and synergies with other initiatives in a crowded arena.	Unlikely	Minor	IISD-GSI will engage to initiate dialogue with similar initiatives to seek broad alignment and compatibility of messages to avoid duplication. IISD will be open to partnerships to amplify messages and avoid duplication.	Insignificant	The project will operate in a crowded and extremely dynamic field with many development partners, and the incentives for coordination and synergy may not always be effective. There is no comprehensive overview of initiatives in the wide field of energy transition in the partner countries. IISD's wide range of collaborative arrangements with other development partners and presence in international and national fora provide good opportunities for synergy and avoidance of overlap.
Institutional risks⁵:					
Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Key personnel leaving the organisation	Likely	Minor	Avoid over centralisation of responsibility for delivery of key components. Seek to share knowledge and build capacity of project staff. Build transition planning processes.	Insignificant	Personnel changes are a normal part of operations but with planning and shared responsibility the impacts can be reduced. IISD-GSI's staff turnover is relatively low but building and strengthening the team's capacity and resilience is an ongoing management priority.

⁵ This category includes "internal" risk from the perspective of the donor or its implementing partners. It includes the range of ways in which an organisation and its staff or stakeholders may be adversely affected by interventions, e.g. damage to a donor's reputation if it fails to achieve its objectives, or from financial/fiduciary failure (Danida Guideline to Risk Matrix, 2018).

IISD Strategic focus redirected away from shifting financial flows	Unlikely	Major	IISD's Energy Programme, and within it, the GSI team, will advocate for institute-wide positions to reflect narratives around shifting financial flows. IISD Energy will engage with senior leadership to secure buy in and inclusion of concept into IISD strategic plans.	Insignificant	The energy team of IISD sits within the wider institute. IISD has a strategic plan that is developed centrally. It is critical that the strategic plan is aligned with the priorities of this proposal. IISD Energy makes up around one fifth of IISD in revenue terms, so it is unlikely that the all-IISD plan would not be strongly influenced by IISD Energy's perspectives.
Coordination with other IISD donors is inadequate and earmarking could skew project focus and results.	Unlikely	Minor	IISD will ensure coordination of donor inputs and explore the creation of a business plan, to help improve alignment and reducing reporting burdens. Periodic planning processes should map donor requirements against operational activities.	Minor	There are other donors than Denmark contributing in some of the same areas of focus. The project team will continue to work with others to leverage resources.
The project fails to deliver its outcomes, which will reflect negatively on IISD, MFA and MCEU.	Unlikely	Major	The indicators, developed for analysing progress, will alert IISD if the project starts to underperform. These indicators will be communicated at annual reviews and meetings to address the risk that under performance will go un-noticed. Where necessary, proposals for improvement will be developed and implemented.	Minor	This project is strategic and high-profile and the agencies' reputation is important in setting realistic targets. Addressing underperformance will be considered extremely important to reduce the risk of reputational damage to IISD, MFA and MCEU.
IISD-GSI staff and resources could be inadequate or not available when needed.	Unlikely	Major	Where resources are inadequate to achieve the project objectives, IISD will mobilise additional resources by leveraging additional funding from partners. Where there are risks of under delivery IISD will work closely with partners to mobilise additional skills and resources.	Minor	The planning of this project reflects IISD-GSI's view that this is very much a team effort rather than specific individuals for specific tasks.
Failure to communicate project findings.	Unlikely	Major	IISD and GSI have effective platforms for communication and the project design emphasises the timely and effective communication and sharing of results, tools, knowledge products, and impact stories. Nevertheless, monitoring will allow us to detect	Minor	Communication is key. Research that exists but is not widely known about is ineffective. Communication plans must be evaluated to avoid wasted research effort.

			communications failures. If communication proves unsuccessful, IISD would launch a review and propose new communications plans. This will be dealt with through the annual review process.		
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Annex 6. Budget Details

A project cost template is made for each project based on the IISD standard financial and administration. The template outlines the staff costs, expenses and overhead contributions at a high level of detail. The project cost template is approved by the financial department before project cost units are assigned and expenditure can be booked against standard expense type codes. As IISD wants to keep track of expenses, charges and budgets separately for each of the core countries our activities cover, IISD will open separate unit costs to record the in-country charges specifically (India, Indonesia, South Africa). The international work stream will be broken down in 2 codes to record separately charges on activities related to FFSR and other international activities. In total, the project funded by Denmark will be set up with 5 cost units, which will be consolidated for reporting purposes. This will as well reinforce our capacity to report on ODA countries accurately. Our management system allows us to classify our charges by output as well, which make us perfectly able to report specifically on outputs and merge the geographical areas. By doing so, IISD will be able to rely on geographical data for revenue analysis, and on figures with the respective costs engaged to deliver each output.

All expenditure is recorded and tracked against the project cost template and can be examined by IISD's operations team staff at any point. IISD uses an Enterprise Resource Planning (ERP) system known as Accpac/Sage 300 which records all financial information, including general ledger accounts, cash books, accruals, pre-payments, etc.

The reporting will be at outcome level. The annual work plan and budget process would allow changes of up to 10% without prior approval. The budget is set up at outputs levels, however the amounts per year are rather indicative as respective shares could vary from one year to another (with for example a focus period on data and a subsequent year where IISD will do more engagement).

The annual budget is projected to increase across the years of the project. This reflects several factors. First, the first year is a partial year, therefore the budget is lower than a full year. This explains the increase in between years 1 and 2. Second, provision for the mid-term review is also made in year two. Finally, the final year of the project includes provision for wrap up costs. From experience with the previous grant in the final year certain costs are unavoidable to conclude contracts and wind down work streams.

Table 10. Budget by output and by year

Proposed budget by output and by year		Budget (DKK million) ³				
		2024	2025	2026	2027	Total
Outcome 1	International: New or improved commitments and measures for more systemic adoption of shifting public financial flows are put in place by one or more major players in global for a.	1.416	1.768	1.768	2.053	7.005
Output 1.1	Data on public financial flows are produced, aggregated, analysed and communicated, informing international narratives on shifting public financial flows in international for a.	0.708	0.884	0.884	1.0265	3.5025
Output 1.2	Engagement is conducted and diplomacy is supported with government, IGO and civil society partners in major global for a, including with the Friends of Fossil Fuel Subsidy Reform, and around the G20 and the UNFCCC	0.708	0.884	0.884	1.0265	3.5025
Outcome 2	National: ¹ In India, Indonesia and South Africa, policy-makers and/or state institutions review, update or develop support policy for fossil and clean energy, consistent with shifting public financial flows.	2.123	2.655	2.655	3.078	10.511
Output 2.1	New data on public financial flows are published and disseminated in India, Indonesia and South Africa, demonstrating how shifting support for energy is relevant to national narratives and domestic policy priorities.	1.0615	1.3275	1.3275	1.539	5.2555
Output 2.2	Data, analysis and recommendations are presented in IISD's engagement with national and sub-national policy makers, state institutions and civil society in India, Indonesia and South Africa, identifying key bottlenecks and socially just solutions on specific opportunities to change the balance of public support for fossil and clean energy	1.0615	1.3275	1.3275	1.539	5.2555
Cross-cutting project communications (5%) ²		0.20	0.25	0.25	0.29	0.99
GSI Administration (7%)		0.261	0.327	0.327	0.379	1.294
MFA review			0.20			0.20
Total		4.0	5.2	5.0	5.8	20.0

Notes:
1. The distribution between international and national funds is consistent with experience under the previous grant with Denmark, which involved similar amounts of activities. The break down between the 3 countries is as follows, for each output (2.1 and 2.2) and each year (2024 to 2027): South Africa 35%, India 32.5% and Indonesia 32.5%
2. Cross-cutting communications costs are presented separately rather than integrated into specific outcomes because in IISD experience this allows for better and more efficient grant management. This reflects the extent to which i) communications activities between outcomes naturally overlap, given the need to communicate using common, joined-up narratives, through single team of communications professionals; and ii) communications needs on global or national issues must react rapidly to changing external contexts, which vary significantly on a month-by-month basis, and are hard to pre-determine. Budgeting for communications separately helps to avoid losses from frequent administrative adjustments.

Annex 7. IISD-GSI Organisation and Staffing for Project Delivery

IISD has offices in Winnipeg, Geneva, Ottawa and Toronto. IISD works in nearly 100 countries. IISD's board of directors has 14 members from 7 different countries. IISD is led by an Executive group headed by two interim acting Presidents and CEOs (current IISD Chief Operating Officer and current IISD's Vice-President, Global Strategies and Managing Director, Europe).

Further to the departure of former CEO Richard Florizone in April 2023, IISD is actively engaged in a recruitment process for a new CEO. IISD appointed an external professional firm to support the search. The final selection is expected to take place in the first months of 2024.

IISD is focused on areas ripe for transformation, where shifts in policy have the potential to change the nature of the game within this decade and where IISD has a proven record of making significant gains. IISD recognizes the need to act together and engage the right people at the right time, as the challenges are too large and complex to tackle alone. The following five priorities—Climate, Resources, Economies, Act Together, and Engage—form our CREATE strategy and are guiding our actions from 2020.

The appointment of a new CEO will probably indicate that some changes will happen in internal organisation, but IISD will continue to build on its strengths and draw on its unique core competences, made of the combination of global and holistic approach (international goals) and in-depth analysis of national and regional contexts linked to sustainable development, climate change and energy challenges, robustly rooted in local reality as IISD relies on experts based all over the world, but in particular in the countries our research covers.

Energy is one of the 5 programmes constituting IISD. Public Financial Flows is one of the pillars of the Energy Programme, along with Sustainable Energy Supplies and our work on Just Transition. IISD works closely with experts belonging to the Economic Law and Policy Programme who works internationally, regionally and in many individual countries to push for and support the move to investment agreements and practices which promote Sustainable Development. IISD is currently working on more projects with a multi-disciplinary approach including trade, investment and subsidies topics.

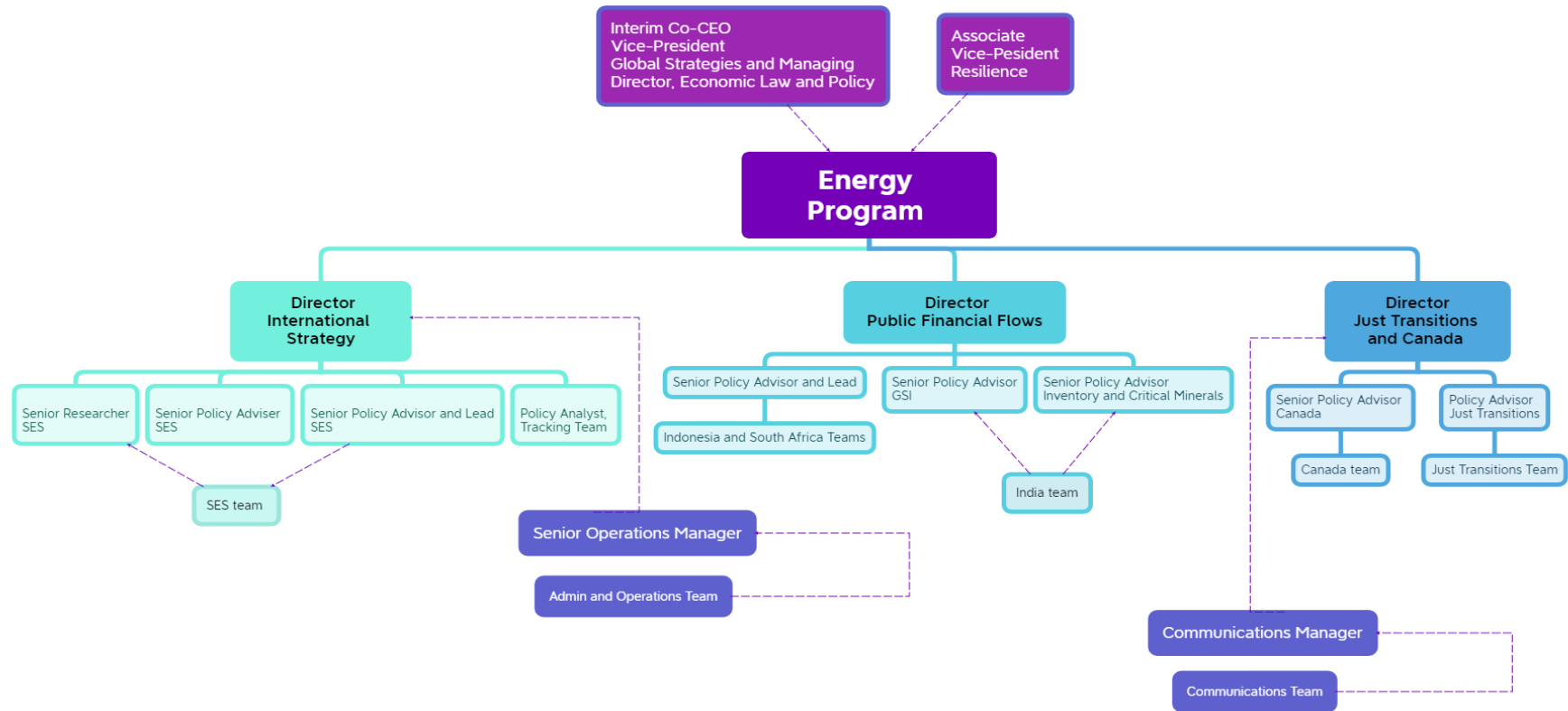
Over the last 5 years, IISD has created several specific committees (sustainability, operations) that drive cross programmatic collaboration and create more synergies. The Operations Committee is composed of all the operations leads (IT, HR, Finance, Contracting and from each programme), meets once a month and is responsible for providing requests and guidance to amend policies and issue new policies, developing the project management system and overseeing all internal management and admin standards and processes. The Sustainability Committee, composed of members from all the different IISD programmes (ELP, ELA-Water, Energy, Tracking, Resilience) meets once a month and is responsible to identify and take steps to promote and implement sustainable practices that limit the negative impacts of IISD's operations on the natural environment. The focus of this committee's work for the 2023-25 period is to establish an internal system to track and report on IISD's GHG emissions as defined by the [Greenhouse Gas Protocol](#).

IISD has about 250 staff as a whole; IISD's Energy Programme currently 36 employees, of which 11 are EoR employees (based on India, South Africa, Denmark and Italy). In this project's focus countries of India and South Africa, IISD has 7 and 2 staff members, respectively. IISD relies as well on a large panel of Associates (Indonesia, Ukraine, UK, Netherlands and Australia) and consultants. In this project's focus country of Indonesia, IISD has 2 Associates, and is actively exploring the establishment of EoR arrangements.

Since summer 2020, IISD adopted a new employment process which allows for the flexibility to hire the best talent regardless of location and to bring on existing team members (associates), onto formal employment with IISD through an “Employer of Record” (EOR) model. The EoR model involves working with an experienced “Professional Employer Organisation” (PEO) with registered offices in many countries around the world. Through these offices, the PEO can hire staff members on behalf of other institutions and companies. The institutions, using the PEO services, remain the primary line manager of these employees, responsible for their work, time and career development. The PEO is responsible for ensuring that the employment contracts comply with all national legal obligations, and for staff payroll and HR services. The EoR model has many advantages. First, it allows for IISD to take on more responsibility for the social welfare of the people with whom it works regularly on a consultancy basis. The EoR model allows for consultants to transition into employee status, hereby receiving benefits, pensions, holidays, sick days and other social insurance, following the national norms of the countries in which they are employed. Second, an EoR model allows IISD to hire the best talent in the world, which is a key asset for an international think tank.

An organigram of the Energy Programme is shown in Figure 3, below. The Public Financial Flows pillar, which contains the GSI, is the largest part of IISD Energy, representing over half of activities. Pillars have each a specific leadership, with one Director responsible for planning and substantive operations on each of the pillars. Overall Energy Programme directorship is managed collectively by these three Directors, who closely interact and coordinate on all matters linked to programme processes, activities, and strategies. Directors report to the IISD Associate Vice-President and IISD interim co-President, who are ultimately responsible and accountable for programme performance. Programme Leads are supporting experts in the sub-programme help implement key themes and sub-programmes. The Operations team is the counter-part for all administrative and financial aspects, including due diligence and compliance with IISD and funders’ legal and contractual requirements.

Figure 3. IISD Energy organigram



Presented with xmind

Annex 8. Plan for Communication of Results

Note: IISD Energy Communications team has a system for tracking communications outputs and engagements, which will be used for reporting of impacts under communications.

What? (the message)	When? (the timing)	How? (the mechanism)	Indicators	Audience(s)	Responsible
DONOR REPORTING					
Reporting on communications impacts and results.	Annually	Annual reports with communications and engagements results for each quarter.	1 annual donor report.	MFA, MCEU	IISD-GSI
COMMUNICATIONS ACTIVITIES					
Support from Denmark to IISD-GSI is approved.	When donor agreement signed.	IISD website, IISD Energy newsletter. Equivalent MFA, MCEU communication channels.	Social media post, newsletter announcement.	General public, IISD Energy newsletter subscribers.	IISD-GSI MFA, MCEU
Outcome 1/International: Improved global commitments and implementation					
1.1 Data on public financial flows are produced, aggregated, analyzed, and communicated, informing international narratives on shifting public financial flows in international fora.	Upon a release of reports and policy briefs. Ahead, during, or after relevant events, such as COP, G20 Summit, etc.	Media pitching, media briefings, social media outreach, newsletters, webinars, op-eds. Direct engagements with governments and policy-makers working on international processes.	# of media mentions, media requests, media comments. Social media engagement rate, likes, retweets, link clicks, impressions. # of webinars, registrants, attendees, avg. conversion rate # of link clicks in newsletter # of report downloads, website traffic # of engagements with policy-makers, qualitative feedback received.	Governments and policy-makers, media, IGOs, CSOs, opinion leaders, general public.	IISD-GSI

<p>1.2 Engagement is conducted and diplomacy is supported with government, IGO and civil society partners in major global fora, including with the Friends of Fossil Fuel Subsidy Reform, and around the G20 and the UNFCCC</p>	<p>For relevant projects and reports linked to international processes.</p>	<p>Joint knowledge products, press releases, media briefings, events, and webinars.</p> <p>Direct engagements with governments and policy-makers working on international processes.</p>	<p># of joint knowledge products, press releases, webinars, media briefings.</p> <p># of engagements with policy-makers (in-person and online), qualitative feedback received.</p>	<p>Governments and policy-makers, media, IGOs, CSOs, general public.</p>	<p>IISD-GSI</p>
<p>Outcome 2 / National: In India, Indonesia and South Africa, policy-makers and/or state institutions review, update or develop policy consistent with shifting public financial flows.</p>					
<p>2.1 New data on public financial flows are published and disseminated in India, Indonesia and South Africa, demonstrating how shifting support for energy is relevant to national narratives and domestic policy priorities.</p>	<p>Upon a release of reports and policy briefs.</p> <p>Ahead, during, or after relevant domestic events, such as budget and policy announcements.</p>	<p>Media pitching, media briefings, social media outreach, newsletters, webinars, op-eds.</p> <p>Communications strategies for country programmes' work in India, Indonesia, and South Africa, updated on an as-needs basis.</p>	<p># of media mentions, media requests, media comments. Social media engagement rate, likes, retweets, link clicks, impressions.</p> <p># of webinars, registrants, attendees, avg. conversion rate</p> <p># of link clicks in newsletter</p> <p># of report downloads, website traffic</p>	<p>Governments and policy-makers of three focus countries, media, local CSOs, opinion leaders, general public.</p>	<p>IISD-GSI</p>
<p>2.2 Data, analysis and recommendations are presented in IISD's engagement with national and sub-national policy makers, state institutions and civil society in India, Indonesia and South Africa, identifying key bottlenecks and solutions on specific opportunities for policy change.</p>	<p>Upon, or ahead of a release of reports and policy briefs.</p> <p>Ahead, during, or after relevant domestic events, such as budget and policy announcements.</p>	<p>Direct engagements with governments and policy-makers of India, Indonesia, and South Africa, such as meetings, received feedback, or attendance in our webinars and events.</p>	<p># of engagements with policy-makers (in-person & online), qualitative feedback received, policy-makers' attendance in webinars and events.</p>	<p>National and sub-national governments, ministries, and policy-makers of India, Indonesia, and South Africa.</p>	<p>IISD-GSI</p>

Annex 9. Overview of Donor Support to IISD Energy for the GSI

Table 11. Donor support to IISD Energy on Shifting Public Financial Flows (the GSI), Actuals FY21-23

Donor	Financial year (actuals, USD)			Total
	20/21	21/22	22/23	
Foundations	618,283	1,159,991*	718,621*	2,496,895
International organisation & academic institutions	87,493	59,443	204,095	351,031
Governments	2,436,852	2,132,597*	1,730,314*	6,299,763
All	3,142,628	3,352,031	2,653,029	9,147,689

* * Reduction of revenue from governments and foundations between 21/22 and 22/23 is due to the fact that work on fisheries subsidies, funded by DFID and PEW, was transferred to IISD's Economic Law and Policy (ELP) programme after March 2022, and is no longer attributed to IISD Energy programme revenue, where IISD-GSI is housed administratively.

Table 12. Donor support to IISD Energy on Shifting Public Financial Flows (the GSI), Projected FY24-26

Donor	Financial year (forecast***, USD)			Total
	23/24	24/25	25/26	
Foundations	901,112	1, 433,728	1,435,000	3,769,840
International organisation & academic institutions	195,192	187,769	188,000	570,961
Governments	1,143,683**	1,689,706	1,700,000	4,533,389
All	2,239,987	3,311,203	3,323,000	8,874,190

** Reduction of revenue from governments in 23/24 is mainly due to a reduced grant from Sweden (1 M SEK instead of 3 M SEK on previous years), and partly related to a staff shortage in early 23/24 that led to reduced time bookings. It is expected that in 24/25 revenue from governments will go back close to 22/23 amounts, as we hire more staff.

*** For 2023/24, 95% of grants are confirmed; for 24/25, 74%; and for 25/26, a little over 40%.

Annex 10. List of Supplementary Material

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Annex 11. Process Action Plan

Process Action Plan (PAP) for IISD GSI 2024-2027 (rev. 2023-10-23)

Deadlines	Action/product	Responsible/involved units	Comment/status
May 2024	Checklist for approval by the Under-secretary for development policy: QA of required documentation	MFA	The filled-in checklist to be attached to the project/programme document, appropriation cover note and Annex 9
May 2024	All documentation are sent in 360 for the Under-secretary's endorsement via the Head of unit and ELQ (Modtagelse i Bevillingssekretariatet)	MFA	Required documentation: Appropriation cover note Final Project Document, including annexes Quality Assurance Checklist (Annex 9) Checklist for approval by the Under-secretary for development policy
May2024	ELQ presents the grant for final approval by the Minister	ELQ	
May2024	The minister approves the project	ELQ submits the proposed project/programme together with the minutes of meeting	
	ELQ facilitates that grant proposals are published on Danida Transparency after the Minister's approval	ELQ	
May 2024	Signing of Government-to-government agreement(s) and/or other legally binding agreements (commitments) with partner(s)	Responsible Unit	

May 2024	Register commitment(s) in MFA's financial systems within the planned quarter	Responsible unit	
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Annex 12. Summary of Recommendations and Follow-up of the Appraisal

Title of Programme/Project	Danish contribution to the International Institute of Sustainable Development (IISD)'s Global Subsidies Initiative (GSI) 2024-2027
File number/F2 reference	23/22787
Appraisal report date	15 March 2024
Council for Development Policy meeting date	NA
Summary of possible recommendations not followed	
All recommendations are agreed and addressed in the Project Document	
Overall conclusion of the appraisal	
The overall conclusion of the appraisal is that the proposed contribution is recommended for approval on the condition that changes are made to the project description as outlined in the recommendations by the appraisal team.	
Recommendations by the appraisal team	Follow up by the responsible unit
Recommendation 1: Clarify the focus of the support by defining outcomes and indicative outputs in concrete terms at global and each country level; add brief narrative descriptions as relevant under each outcome to facilitate the understanding of intended focus by year	Agreed. Pg. 12 in the Project Document now includes a table that provides more concrete details of how the Theory of Change will be operationalized, including the specific focus areas for the envisaged outputs and activities at the global and at the country level.
Recommendation 2: Describe through more elaboration the Danish strategic considerations that justify the support	Agreed. More details on Danish strategic considerations and rationales for the support have been added to the Project Document (pg. 4-5). This includes references to the strategic 'how to' note on "Energy Transition and emission reductions in developing countries". The project document provides further details on how the support contributes and links up to Denmark's aims and initiatives at international level to support the green transition
Recommendation 3: MCEU engage with the energy programmes and embassies to clarify overall potential to explore for synergies with energy programmes (or other) and decide way forward. Reflect result of exploration in the PD.	Agreed. MCEU and the project formulation team held virtual meetings with the Danish energy partnership teams in India and Indonesia and received written inputs from South Africa. The PD now includes text on possible synergies and suggests an ongoing dialogue at the country level.

<p>Recommendation 4: Describe in the PD key relevant issues to consider in the interface between fossil fuel subsidy reductions and clean energy vis a vis poverty reduction, HRBA, and gender and summarize the approach that will be followed to integrate these aims as well integrate where relevant in the descriptions of outcomes and results framework.</p>	<p>Agreed. The PD now includes a section (pg. 7) on how IISD's advice to Governments on public financial flow and impacts of subsidy reforms applies key HRBA principles and addresses e.g. the impacts on the cost of living for low-income households, and how share of savings can be reallocated into social protection. The results framework now includes specific references to poverty reductions and a just transition. The PD notes that IISDs work on gender equality, poverty reduction and social welfare will be addressed in IISDs annual reporting to Denmark.</p>
<p>Recommendation 5: Streamline and simplify results framework with concretized outcomes/outputs and revise and/or define relevant SMART indicators and targets</p>	<p>Agreed. The results framework has been simplified and made more concrete with more specific, realistic, and measurable annual targets, combined with relevant indicators and means of verification</p>
<p>Recommendation 6: Define a formalized management set-up for the support that clarifies formal roles, processes, and decision making and responsibilities.</p>	<p>Agreed. The PD now includes the establishment of a Steering Committee (SC), that will be composed of one senior official from IISD (Director-level), and senior officials from MCEU and MFA (the latter as optional observer) The SC has the mandate to discuss the overall strategic direction of the fossil fuel subsidy agenda and activities by IISD and MCEU, to oversee project implementation and progress against the results framework, and to approve any adjustments in outputs, work plans and budgets.</p>

I hereby confirm that the appraisal team has identified the above-mentioned issues and provided the corresponding recommendations as stated above to be addressed properly in the follow-up to the appraisal.

Signed in CPH/MFA on the 16/5 2024

[Handwritten signature] (external appraisal not LACINIG)
 Appraisal Team leader/ELK representative

I hereby confirm that the responsible unit has undertaken the follow-up activities as stated above. In cases where appraisal recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in Copenhagen on the 16/5 - 2024

Head of Unit/Embassy

KARIN POULSEN