

Annex 4: Policy Sub-Evaluation

A4: 1 Introduction

A4: 1.1 Objective of the evaluation

This sub-evaluation provides a high-level review of the policy and institutional context that has shaped programming under the Danish climate envelope. It explores political drivers and contextual issues that have played a role in how projects are designed, selected, and implemented. It examines events prior to the ‘fast-track’ period, from 2005 onwards. The findings have also been used to validate the proposed theory of change set out elsewhere in the evaluation.

A4: 1.2 Scope of the evaluation

The sub-evaluation assesses how the Danish climate policy and institutional landscape has impacted upon the coherence and effectiveness of the climate envelope portfolio design and implementation. This sub-evaluation does not relate to a specific group of climate envelope projects. However, those projects analysed as part of the portfolio evaluation that have a direct policy or influencing component (*e.g.* transferring Danish policy expertise to a developing country) have been used to inform the findings. Key questions to be addressed in this sub-evaluation are as follows:

Relevance

- What is the context (both domestic and international) in which Danish climate policies, strategies and institutions have evolved since 2005?
- What are the key policy objectives that Denmark has sought to promote internationally among its partners (countries, international financial institutions, donors)?

Efficiency

- How efficient has the Danish institutional framework been in supporting a coherent approach to strategy/portfolio development?
- What is the comparative advantage and complementarity of Danish climate change funding compared to other similar multilateral/bilateral interventions?
- How effectively has Denmark used results frameworks, indicators, targets, and other approaches to ensure policy and strategic alignment?

Effectiveness

- To what extent has the institutional structure of the climate envelope supported the effectiveness of programming and implementation?

- How successful has Danish climate change funding been in mainstreaming climate policy considerations into wider Danish development assistance?
- How successful has Denmark been in leveraging domestic climate expertise, technology, and know-how, and with what benefits?
- To what extent has the climate portfolio been used to advance Danish political objectives (particularly non-climate related), and with what consequences?

Impact

- To what extent have international partners and funding agencies adopted Danish policy objectives as part of their strategic and operational plans and with what results?
- To what extent have Danish policy objectives been adopted by partner countries in their national policy frameworks and with what results?

Sustainability

- How effectively are outcomes from climate development assistance used to shape Danish international policy priorities and strategies for the future?
- What is the possible scope for further expansion to support climate change policy objectives beyond 2015?

A4: 1.2 Methodology

Unlike other evaluations this policy sub-evaluation does not focus on the achievements and challenges of individual projects financed by the climate envelope. It is, rather, based on a review of relevant Danish policy documentation and interviews with stakeholders involved with the climate envelope process. Approximately 15 interviews were conducted with senior management and policy figures in order to gather their perspectives on the structure and functioning of the climate envelope. These were all individuals with direct experience of the planning and approval process. Discussions were undertaken on a non-attributable basis. Government institutions consulted include:

- Ministry of Foreign Affairs (MFA);
- MCEB (Ministry for Climate, Energy and Buildings) – including the Danish Energy Agency (DEA)/Low Carbon Transition Unit (LCTU);
- Ministry of Finance;
- Prime minister's office.

In addition, a series of group discussions were held with the following external constituencies to understand their experiences of working with the climate envelope:

- Danish NGO and civil society groups;
- Danish academics and researchers;
- Danish private sector representatives.

A4: 2 Context

This chapter sets out the political context in which the climate envelope developed, its institutional evolution, and the policy frameworks that have shaped its programming.

International political context

Political negotiations have been underway in relation to climate change since 1990, with the United Nations Framework Convention on Climate Change (UNFCCC) process established in 1994. The negotiations have been both protracted and challenging, recognising the cross-cutting nature of the topic, and the wide ranging implications for international competitiveness and social equity. The negotiations seek to deliver global solutions across a broad range of issues. These include agreeing global and national targets for greenhouse gas emissions, scaling-up finance to support developing countries in their mitigation and adaptation efforts, technology transfer from developed to developing countries, and establishing robust monitoring reporting and verification (MRV) frameworks. The negotiations are managed through a series of annual UNFCCC meetings, known as the Conferences of the Parties (COP). Each year, the COP is hosted by a different nation. Denmark hosted COP 15 in Copenhagen in 2009, at which it was hoped that a final political deal would be reached.

Two Danish ministries were engaged in the international political process on climate change at the time of COP 15. The Ministry of Climate Change and Energy, created in 2007, provided Denmark's negotiating team in the UNFCCC negotiations. At the same time, the Danish Ministry of Foreign Affairs managed Denmark's overseas development assistance programme and Danish contributions to climate finance. Both saw their role as central to achieving a positive outcome at the COP 15 summit and both were involved in the development and management of the event.

Despite best efforts, the Copenhagen summit failed to deliver the expected global agreement on climate change. However, the outcome – the Copenhagen Accord – included a number of underlying frameworks that have since acted as the basis for the ongoing negotiations, now expected to be concluded at COP 21 in Paris in December 2015. One of the achievements was the commitment by developed countries to provide USD 30 billion of climate finance for the period 2010-2012, known as Fast Start Finance. These funds would serve as start-up funding to support developing countries in climate adaptation, greenhouse gas mitigation, capacity building, technology development, and forests. The aim was that this would cover the interim period while further progress was made on political and financial arrangements under the UNFCCC.

Development of related Danish policy frameworks

Danish policy priorities on international climate change finance have been set out in a number of strategy frameworks which have evolved over the last decade, alongside developments in international negotiations and Danish/EU climate policy. From 2005 to 2012, the key international policy framework was the Climate and Development Action Programme (2005), which promoted climate mainstreaming in Danish development assistance. In 2012 the new Danish Development Assistance Strategy *The Right to a Better Life* set out green growth as one of

four core thematic areas for Danish development assistance. This was further developed in the *Greener World for All* strategy (2013), which provided a more detailed framework for natural resource, energy, and climate change objectives, and was followed by the *Danida Green Growth Guidance Note* (2014), which elaborated the concept further from an implementation perspective. A number of other policy frameworks also refer to climate change and Danish development assistance modalities (such as Denmark's multilateralism). The key policy frameworks are set out below:

Policy framework	Relevance to climate envelope
Danida Green Growth Guidance (2014)	Provides guidance to Danida staff on mainstreaming green growth into strategy and programme design.
A Greener World for All (2013)	Sets out Danida's natural resource, energy and climate change strategy. Promotes rights-based approaches, multilateral engagement, energy, climate change, sustainable resource management.
Danish Climate Policy Plan (2013)	National strategy on low carbon development, setting out key policy objectives and sector reduction targets.
The Right to a Better Life (2012)	Strategy for Danida development cooperation setting out green growth as a core pillar. Sets out focus on sustainable management of natural resources, improved energy, and water and resource efficiency. Also promotes pro-poor considerations, multilateralism and protection of vulnerable groups.
Our Future Energy (2011)	National energy policy setting out Danish priorities (renewables, energy efficiency, electrification, and R&D). Sets out commitments to the UN climate negotiations. Support for engaging Danish strengths in energy in the international arena through cooperation programmes.
Strategic Framework for Priority Area Growth and Employment 2011 -2015	International economic development strategy promoting sustainable development, identifying energy and water technologies as a key area for commercial development, and committing Denmark to promoting Green Growth and minimising the impacts of climate change.
Strategy for Danish Humanitarian Action 2010-2015	Recognises climate change as a driver of natural disasters, and promotes effective monitoring, preparedness, response, and prevention.
Climate and Development Action Programme (2005)	Stipulates that the profile of climate change should be raised in multilateral and bilateral development cooperation, adaptation and mitigation mainstreamed into development cooperation programmes, and capacity built in development cooperation and national programmes.

Development of the climate envelope funding and institutional arrangements

The climate envelope emerged from a set of early interventions on climate change by the Danish Government. From 2002 onwards, the Danish Government had made contributions related to climate change, such as to the Least Developed Country Fund (LDCF) managed by the Global Environment Facility. From 2005-08, on the basis of the Climate and Development Action Programme, there was a series of activities undertaking climate screening of Danish bilateral programmes and a new template developed for climate screening all Danida development assistance. Denmark also supported capacity building around the Clean Development mechanism in a number of emerging economies (South Africa, Thailand, Malaysia, and Indonesia).

Having been awarded the hosting of COP 15, Denmark began to allocate funds in support of the UNFCCC political processes. This included direct support to the negotiations, funds for the Bali Package (2007), support to civil society organisations (CSOs) to engage in the political process (92 Group), and Danida climate change diplomacy around the negotiations themselves. The climate envelope was established in 2008 as a mechanism for supporting these activities in the run up to the Copenhagen COP 15 summit, with additional funds also allocated from 'other environmental contributions'.

The climate envelope later evolved to become Denmark's contribution to the Fast Start Period commitment agreed at Copenhagen. Denmark committed DKK 1.2 billion over the period 2010-12, with annual contributions increasing over the period. In 2010 Denmark committed DKK 300 million, rising to DKK 400 million in 2011 and DKK 500 million in 2012. Since 2012 Denmark has continued to provide funding at the same nominal levels (DKK 500 million per annum).

The climate envelope is administered as an integral part of the Danish Overseas Development Assistance (ODA) in the Ministry of Foreign Affairs. The Ministry of Finance and the Prime Minister's Office approve the list of activities proposed through an endorsement by the Government's Coordination Committee. The climate envelope is also subject to approval by an external grant committee.

In 2012 responsibility for programming under the climate envelope was split as a means of streamlining the programme development and approval process. Funds were split evenly between a Poverty Frame and a Global Frame. The Poverty Frame finances initiatives in low-income countries, as stipulated by Danida guidelines and projects, are prepared by the Ministry of Foreign Affairs. The Global Frame finances activities primarily targeting greenhouse gas mitigation, mainly in fast-growing, emerging economies (although still on the OECD/DAC list) as the marginal returns in terms of CO₂ reductions in these countries are higher. Projects under the Global Frame are proposed by the Ministry of Climate, Energy and Building (MCEB), although still formally administered by the Ministry of Foreign Affairs.

In addition, there are significant levels of climate-relevant finance that are provided outside of the climate envelope, and which are reported by the Danish Government to the OECD/DAC on the basis of the Rio Markers. These flows include both those provided through the climate

envelope as well as wider development assistance that have a ‘principal’ or ‘significant’ climate mitigation or adaptation benefit. The volume of total climate-relevant Danish ODA is approximately 4–5 times that reported for the climate envelope alone.

A4: 3 Results/findings

A4: 3.1 Relevance

Finding 1: The evolving policy context has had a formative influence on the choice of projects during the evaluation period

From a policy perspective, for most of the period of focus for this evaluation (pre-2012), Danish international climate policy was formally responding to the Danish Climate and Development Action Programme (2005) which had set out approaches for mainstreaming mitigation and adaptation in Danish development assistance. It was not until towards the end of the Fast-start Finance period in mid-2012 that the Danida development assistance strategy – ‘The Right to a Better Life’ – was published, formally setting out green growth as a priority thematic area. The more detailed Strategic Framework for Natural Resources, Energy and Climate Change was only published in late-2013, followed by the Danida Green Growth Guidance Note in mid-2014. While noting that strategic policy frameworks relevant to the climate envelope have evolved and become more detailed over time, the evaluation finds that the initial lack of strategic frameworks during the fast start period may have contributed to a lack of clarity around programming priorities pre-2012.

Finding 2: The absence of a clear strategy for the climate envelope created early challenges in agreeing priorities, which exacerbated a difficult working relationship between the Ministry of Foreign Affairs and the Ministry of Climate Change and Energy

All Danish Government stakeholders (MFA, and the Ministry of Climate, Energy and Buildings (MCEB), Ministry of Finance, Prime Minister’s Office) report challenges in relation to agreeing programming priorities under the climate envelope during the period 2009-2012. The evaluation finds that this was in part due to the lack of a clear over-arching strategy for the climate envelope itself. MFA staff were primarily concerned that climate envelope activities should be consistent with ODA rules and help deliver Danish Development priorities (resilience; gender; poverty; fragile states). The MCEB staff, on the other hand, were keen to achieve the most cost efficient greenhouse gas emission reductions (primarily available from middle-income countries). The lack of a clear strategy and allocation framework for the climate envelope created space for disagreement and wrangling over programme selection. This was exacerbated by political sensitivity within the MFA that the MCEB was extending its influence into an area (international development assistance) that was the core competence of Danida and where MFA retained official administrative responsibility. MFA staff expressed concern that the MCEB might lack the necessary experience and diplomacy skills for managing successful long-term technical assistance programmes in developing countries. There was also concern that MCEB staff were not sufficiently aware of Denmark’s wider development assistance objectives and administrative

processes. Similarly, the MCEB staff felt that the MFA did not fully accept that greenhouse gas mitigation would require a different approach to development, both geographically (middle-income rather than least developed countries) and in the type of benefits accruing (GHG emission reduction, rather than poverty or social outcomes). These issues were to some extent acknowledged by the formal split of the climate envelope into the Poverty and Global Frames, which recognised two different mandates. While the Ministry of Finance indicated that it was only providing a quality assurance, compliance, and process approval role only in relation to the climate envelope, a small number of respondents indicated that they felt that the Ministry of Finance had proactively oriented the scope of programming away from some thematic areas, particular community-based and CSO-led adaptation approaches, and more towards larger mitigation-oriented projects. The evaluation does not have any evidence to support this however.

Finding 3: Even following the creation of the Global and Poverty Frames, the lack of strategy makes it challenging to assess the relevance and contribution of individual programmes

Despite its separation into the Poverty and Global Frames in 2012, the climate envelope continued to operate without a clearly defined strategy, both within each frame and for the envelope as a whole. There was no consolidated results framework, no indicator set or targets associated with the funds provided. Neither frame had a detailed prioritisation strategy for how funds would be allocated at a more granular level. For both frames, it was sufficient to reference high-level objectives (mitigation, adaptation), and as they emerged, Danish Government policy frameworks as justification for programme selection (*Right to a Better Life* (2012), *A Greener World for All* (2013)). In both frames, all ‘climate relevant’ activities (as defined in the OECD Rio Markers definition) could in theory be financed, although some level of guidance on the type of initiatives to be pursued is provided in the 2013 strategic framework for natural resources, energy, and climate strategy under the ‘tools and approaches’ sections.

This approach was too broad, and allowed too much flexibility in programme orientation. It has also made it challenging for both the External Grant Committee and the current evaluation to assess whether the climate envelope is relevant due to a lack of more specific guidance or a prioritisation framework. While this evaluation has constructed a retrospective Theory of Change to help assess relevance, this is by necessity particularly broad. It should be noted that the MCEB did develop a more detailed strategy in relation to Global Frame objectives in 2014, but this does not apply to the climate envelope itself. The overall result has been a lack of strategic focus, and the tendency towards funding a larger number of (often overlapping) initiatives than the Danish Government could comfortably manage, either from a design or oversight perspective. The trend to reduce the number of projects in each round of climate envelope funding, and to provide follow on funding for a larger number is testament to the administrative pressure faced by those agencies involved in the envelope.

Finding 4: The policy framework that Denmark has sought to promote has developed over time, with an increasing focus on commercial opportunities and mitigation

Although the climate envelope seeks to promote a balanced 50–50 split between mitigation and adaptation, recent Danish policy frameworks (*The Right to a Better Life* (2012), *A Greener World for*

All (2013), *Danida Green Growth Guidance Note* (2014)), appear to place slightly more emphasis on mitigation and in particular sustainable energy activities, and less emphasis on adaptation and pro-poor considerations. Integral to the promotion of the green growth concept is a recognition that Denmark should maximise the benefits of its domestic competencies in resource efficiency and sustainable energy. For example, *The Right to A Better Life* strategy indicates that ‘Green growth should catalyse investments, innovation and job creation – both in Denmark and in recipient countries – which not only sustain continued growth, but also give rise to new economic opportunities’.

From a planning perspective, while the Global Frame is allocated almost entirely to mitigation activities, the Poverty Frame tends to be split between adaptation and mitigation activities in poorer countries (both within country programmes and multilateral activities). This has the effect of tilting the balance of funds within the climate envelope towards mitigation and away from adaptation. The move towards committing a significant proportion of climate envelope funds to the Green Climate Fund from 2014 onwards also means that Denmark is dependent on the Green Climate Fund (GCF) maintaining its stated balance between adaptation and mitigation. However, it should be noted that Danida also makes significant climate relevant commitments through its mainstream development assistance funds (as reported in the OECD/DAC climate change markers (Rio Markers), and that these are more likely to be pro-poor and adaptation-oriented (agriculture, water, and disaster risk management) than mitigation-focussed.

A4: 3.2 Efficiency

Finding 5: The institutional framework for the climate envelope has been relatively poor at ensuring efficient programming, but is improving steadily over time

Denmark has been generally efficient in its disbursement of funds once programmes have been approved, and the portfolio review finds no evidence of issues in delivering on financial commitments made to partners. However, the process of programming and approval for climate envelope activities during the period of evaluation (2009-2012) was generally subject to delays, with the programme being agreed only late in each given year. This was particularly true in the early years of the climate envelope where the MFA and the MCEB, like other donors, were under pressure to develop a project pipeline to meet Fast Start Finance commitments. It should be noted that efforts have been made by both the MFA and MCEB to improve the efficiency of the process over time, with the 2015 climate envelope expected to be approved by May 2015.

Respondents identified a number of reasons for the slow approval processes. These include difficulties in the institutional relationship between MCEB and the MFA, a lack of common understanding over what should and should not be financed, a short-term single year budgeting process, and the inclusion of large numbers of projects within the envelope demanding a high level of administrative inputs. Other reasons cited include the need to respond to demands arising from political commitments made in advance of and at the COPs, personality clashes, staff rotation, and a shortage of administrative capacity resulting from a 2% annual reduction in public operating expenditure across all ministries. Often, delays were outside of Danish Government control, with recipient institutions inexperienced in dealing with donor requirements and requiring support to develop suitable project documentation. In general,

project development timelines were longer than the available timetable. Respondents also report that delays in the programming process had had some impact upon the effectiveness of the portfolio (see following chapter).

Finding 6: The MFA does not generally monitor the efficiency of financial disbursement by recipients of climate envelope funding in a consistent and structured way.

Denmark disburses climate envelope funds in a timely manner, and partners appreciate the reliability with which Denmark makes firm its commitments. This helps to support the continuity of project work and avoids stop-start cycles of activity that can dramatically reduce efficiency in project implementation. However, Denmark does not monitor disbursement of climate envelope funds by partners in a consistent and structured way. Information on the amounts disbursed by partners does not appear to be collated or consolidated at the level of the climate envelope itself. Where implementation is slower than expected, this can lead to the build-up of funds in some institutions (for example, the Climate Investment Funds (CIF) trust funds although it should be noted that Denmark has been proactive in raising the issue of slow disbursement and has regularly lobbied the CIF secretariat on the matter). The issue is partly explained by Denmark favouring aid approaches that support the Paris Declaration on Aid Effectiveness, making general contributions to multi-donor platforms, and avoiding ring-fencing of contributions where possible. As a result, Danish contributions are often not reported on separately by recipients of intermediaries. This creates challenges in relation to value for money (VFM) analysis in both programme appraisal and monitoring. At present, Denmark continues to struggle with demonstrating VFM at project appraisal, with little emphasis placed on benchmarking costs or efficiencies when appraising projects, and only limited use of economic appraisal to justify decision making.

Finding 7: The adequacy of funding arrangements for the MFA administration of the climate envelope is opaque, and the support for the MCEB not transparent.

Many MFA respondents indicated that they felt the institution was under increasing resource pressure in terms of head count and staff time with which to manage projects under the climate envelope, and that this was in turn impacting upon the efficiency with which duties could be undertaken. It has not proven possible for the evaluation to identify whether the 5% administration fee received by the MFA is a fair reflection of resources spent on the climate envelope as these funds are not hypothecated specifically for climate envelope overheads. Nor are funds spent on administering the climate envelope tracked in MFA accounting systems. The true costs may be higher or lower.

The MCEB respondents highlighted the lack of administration budget provided to manage the Global Frame, on the basis that Danida continues to be responsible for the overall administrative approval processes. With the de facto separation of the climate envelope between the ministries, the MCEB has implicitly taken on a significant proportion of administrative responsibility for programme oversight, monitoring, and reporting. The current lack of resources has resulted in the Low Carbon Transition Unit in the Danish Energy Agency becoming an implicit administrative resource to support the Global Frame programmes alongside its core programmatic function under climate envelope funding.

A4: 3.3 Effectiveness

Finding 8: The effectiveness of the climate portfolio has been impacted on by the institutional arrangements, with both positive and negative consequences arising from the structure.

The lack of synergies and structure of the climate envelope has had a direct impact on the effectiveness of the climate portfolio. From a positive perspective, the introduction of the Global and Poverty Frame structure has improved the institutional relationship between MCEB and the MFA (by effectively separating responsibilities and providing a level of autonomy to MCEB in programming choices). While the creation of the two frames was a political decision under the Danish Finance Act, the establishment of the Global Frame reflects an implicit decision by MFA to devolve authority in the interests of efficiency and timing, while remaining responsible for ensuring that all programmes meet Danida requirements. This split was partly in response to the historic difficulties in agreeing the annual portfolio (due to both timing and political pressures), which in turn may have resulted in sub-optimal design and selection of projects (*e.g.* Global Green Growth Institute (GGGI), Small Island Developing States SIDS DOCK, and some DEA bilateral energy programmes). Despite the split, there continue to be examples of common funding between the two frames where it is felt that a programme meets the requirements of both (*e.g.* contributions to the Green Climate Fund). The structure has also facilitated the climate envelope in engaging direct sector expertise from MCEB and its agencies (in particular the DEA), and thereby ensuring a higher level of alignment between the Danish development assistance and Danish climate change and energy competencies. This capacity is being built directly into the country programmes managed by the Global Frame (South Africa, Mexico, Vietnam, and China).

From a negative perspective, the split into two frames has also created some structural challenges that remain to be addressed. These include barriers in relation to developing a coherent strategy for the climate envelope itself, reduced opportunity for cooperation, knowledge sharing and communication, the need for a broader audience across the MCEB and the DEA to understand MFA project preparation and approval processes, and the increased difficulties of planning a balanced portfolio. The effective operation of the current system relies on political goodwill and personalities. Challenges also include the inclusion of adaptation and development opportunities into the Global Frame, but also ensuring that the MCEB and the DEA insights can continue to inform greenhouse gas (GHG) mitigation activities within the Poverty Frame. It should be recognised that despite the lack of an overarching strategy, respondents report increasing cooperation between the two frames, including co-financing of the Green Climate Fund among others.

Finding 9: The Danish Government had early success in mainstreaming climate considerations into wider Danish Development assistance but as it is not the mandate of the Climate Envelope, it has not supported this since its development.

In response to a 2004 EU action plan, from 2005 onwards, the Danish Climate and Development Action programme promoted the mainstreaming of climate adaptation and mitigation into Danish development assistance, in particular through the integration of climate

change into bilateral programmes, and the screening of existing sector programmes. A climate-screening template was also developed for overseas development assistance (ODA) commitments above DKK 35 million, requiring a separate climate-change screening note to be prepared where a programme is considered relevant. In addition, Danida prepared climate change screening reports for 17 partner countries. These reports reviewed country- and sector-level vulnerability to climate change, assessed opportunities for greenhouse gas reductions and reviewed the policy frameworks. They also undertook climate risk screening of Denmark's development assistance programmes, and while finding that the risks were limited, recommended that new programmes be screened and, where necessary, climate-proofed. Recommendations were made about the need for simple screening tools and good communication with national governments and other stakeholders in relation to the potential risks. A sum of DKK 5 million was provided to support implementation of the recommendations of the report. The funding helped seed a new range of climate-relevant projects. Since 2008 the climate envelope has been used primarily to finance climate-relevant country programmes or climate specific interventions. It was never intended that it would support mainstreaming of climate change into wider development assistance, and there is little evidence that mainstreaming has been a core focus since its establishment.

Indeed, it could be argued that the structural separation of the climate envelope from mainstream development assistance (and the separation of the poverty and global frames) has created barriers to engaging further on mainstreaming, nor is it the objective of the Climate Envelope. Denmark continues to provide significant volumes of climate-relevant development assistance outside the climate envelope, including substantial sums from the environment sector. For example, the OECD/DAC reported that Denmark climate-related ODA totalled USD 386 million in 2013, of which the climate envelope represented approximately 22%. However, the MFA respondents indicated that the wider climate-related ODA was development assistance in climate-sensitive sectors and geographies, rather than fully mainstreamed climate finance. Furthermore, the existence of the climate envelope, while meeting the call for additionality in climate finance, might also act as a barrier to further mainstreaming across the development budget, as it redirects resources and attention into a discrete and ring-fenced set of activities. There is also evidence that climate envelope funds are often blended with other development assistance budgets (country programmes, other environmental contributions, Rio+20 funds), and that these funds are to some extent fungible. Examples of blended contributions can be found across a range of projects, *e.g.* Danish Climate Investment Fund (DCIF), Energy Sector Management Assistance Programme (ESMAP), and SE4ALL Energy Efficiency Hub. Some stakeholders questioned the need to supplement country programmes with funds from the climate envelope and that embassy programmes should be financed from the existing country budget allocations, with the climate envelope used for more innovative purposes.

Finding 10: There are good examples of the use of Danish expertise, technology, and know-how, but these have tended to be the exception rather than the norm and such an approach is challenging given Denmark's approach to development assistance.

Denmark's approach to development assistance is grounded in the Paris Declaration on Aid Effectiveness, which seeks to align donor support with national development strategies,

institutions, and procedures, with mutual accountability for results. This approach creates tensions with promoting the use of Danish technology and expertise within national development assistance, and more specifically as part of the climate envelope.

There is only limited evidence that Danish-based research, civil society, and commercial capacity are used strategically in either the formulation or the delivery of the climate envelope portfolio. There are some exceptions. The DEA/Low Carbon Transition Unit (LCTU) is taking an innovative approach to transferring Danish public sector expertise in the energy sector through bilateral programmes and the Danish Government is reviewing this as a potential model for other forms of bilateral cooperation. The Danish Climate Investment Fund (DCIF) has made an explicit commitment to support projects where there is Danish commercial participation, and has attracted a number of Danish institutional investors.

Elsewhere, despite having supported a small number of projects on civil society advocacy, the Danish NGO community feels increasingly separated from the work of the climate envelope, due to the introduction of the new separate Civil Society in Development (CISU) climate funding mechanism for Danish NGOs, the emphasis on large-scale energy and green growth programmes, and the decentralisation of programming and budgets to Danish Embassies. This has both reduced the opportunity for direct access with the MFA and made it more difficult to support developing country CSOs to access finance and other forms of support. This was the view both of CARE Danmark and the wider 92 Group.

Likewise, the Danish research community report only sporadic contact with activities under the climate envelope despite some funds flowing to Danish based structures (*e.g.* SE4ALL hub). Cooperation with the Danish commercial community is also opportunistic, with some involvement of Danish technology and consultancy support particularly in the bilateral energy programmes. However, large Danish companies tend to manage their own commercial political diplomacy operations, or engage directly with the MFA and Danish embassies where support is required. There is little evidence that the climate envelope has delivered commercial opportunities to Danish companies at scale.

Finding 11: Projects within the climate envelope portfolio have generally had a strong thematic rationale, with political considerations also playing a role in project selection.

There was an explicit understanding when the climate envelope was developed that its purpose would be in part political (*e.g.* in support of the Copenhagen COP). From a climate diplomacy perspective, the MCEB is perhaps more attuned to the political value of climate funds, with an annual set-aside within the Global Frame to support the climate negotiations, and pressure to announce new high profile commitments at the COPs as part of Denmark's commitment to the UNFCCC process. The MFA, likewise, understands the implicit value of climate funding in its broader institutional relationships with key multilateral partners (*e.g.* the World Bank), and as part of its country level diplomacy efforts.

In general, the governance structures, approval processes, and transparency around the climate envelope funding decisions have tended to minimise the potential for political influence over the use of funds, and all projects have been subject to proper procedure and scrutiny. Nonetheless,

some initiatives have been more heavily underpinned by domestic political consideration than others. For example, the support provided to the Global Green Growth Institute, although aligned with Danish strategies, had strong political backing from its inception. Funding for the SE4ALL energy efficiency hub, which created a centre of expertise and employment in Denmark, was also mentioned as a funding decision with significant political support. The choice of middle-income countries within the LCTU-managed bilateral energy programmes not only recognises the potential for emissions reductions, but more recently has emerged as an area of focus for Danish trade and investment opportunities.

A4: 3.4 Impacts

Finding 12: Denmark has had moderate success in promoting its policy agenda to international partners, but this has tended to be with regard to mainstreaming development considerations (gender; indigenous peoples) into climate change programming, rather than positions on specific climate-related thematics.

The Danish Government has been moderately successful in influencing the policy objectives of its multilateral partners and institutions. One example of success is Denmark's work with the Energy Sector Management Assistance Programme (ESMAP) to develop their agenda on sustainable energy and fossil fuel reform. Having identified the programme as a strategic focus in *A Greener World for All*, Denmark has provided significant resources and staff time to engage with the ESMAP programme. It is one of the two largest donors and has used Copenhagen as a base for ESMAP knowledge events. Thematic influence has been particularly successful where Denmark has been able to draw upon substantial expertise and resources within the MFA or MCEB (such as the sustainable energy capacity within the DEA, or in the forest sector where two members of staff have been seconded at different times to work for the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD)). Another area of focus is an ongoing commitment to promote knowledge generation and lessons learning among its partners. This includes the transfer of knowledge between multilateral institutions (such as from Climate Investment Funds and the Global Environment Facility (GEF) to the Green Climate Fund).

However, with some exceptions, Danish international climate policy has not been sufficiently nuanced to provide added value or thought leadership to international partners and other donors. Multilateral partners and other donors generally describe Denmark as a reliable supporter in terms of finance and governance, but only moderately engaged on technical aspects. Denmark has been a ready adopter and supporter of the multilateral agenda on climate change, and has typically trusted its chosen partners to deliver on the agenda. This may also reflect Denmark's role as a relatively small and modestly resourced donor in relation to many of the institutions alongside which it operates. As such, its influencing strategy may be considered to be moderately successful, with some evidence that it wields influence greater than its funding share, through, for example, seats on governance and steering committees. One area where Denmark has achieved particular success is in the mainstreaming of Danida core-development objectives (gender; indigenous peoples; fragile states) into the climate programming (*e.g.* into the Least Developed Countries Fund). Denmark was an early supporter of ensuring indigenous voices were heard in the UNFCCC negotiations (*e.g.* its work with the International Work Group for

Indigenous Affairs (IWGIA) in the run up to the Copenhagen COP), and has since continued to support through the Southern Voices programme.

Finding 13: Denmark has worked effectively with national governments to promote climate policy on areas of specific Danish interest through LCTU programmes, but country programmes are less focussed on making these linkages.

Within the Climate Envelope, as with multilateral partners, Denmark's ability to work directly with developing country governments to promote its policy objectives was initially constrained by the lack of a detailed strategy in relation to what should be achieved. This has improved as more strategic frameworks have emerged during the period 2012-14 (particularly around green growth and sustainable energy). With this increase in focus, Denmark has demonstrated a more strategic approach through the work of the LCTU and the development of targeted bilateral cooperation on renewable energy and resource efficiency. These programmes aim to transfer Danish best practice and expertise directly to developing country governments. Priorities include (1) methodological assistance to reduction plans (emissions baselines, market mechanisms, and systematic nationally appropriate mitigation actions (NAMA) support); (2) analysis of energy systems and reduction potentials, preparation of national reduction strategies; (3) design of energy policy and measures (called 'policy tool kits', with a focus on energy); (4) investment planning, including the use of Public Private Partnerships (PPPs); and (5) finance leveraging and other instruments that can help to minimise investment risk on issues such as energy efficiency standards and integration of renewables into the grid. Working through multilateral platforms, Denmark is content to devolve national policy support to its partner institutions (*e.g.* Country Investment Plans under the climate investment funds) and policy activities here are reflective of the international consensus on low-carbon climate-resilient development, rather than specific Danish policy objectives or competencies. For country programmes, guidance provided to country offices is relatively limited, with embassies able to develop programmes in line with local priorities. While this is important from a demand and local buy-in perspective, it can result in a more opportunistic and less strategic approach. While country programmes have engaged on policy issues, there is only limited evidence that such activity has resulted in concrete changes (*e.g.* industrial energy efficiency standards in the Kenya programme or greenhouse gas monitoring reporting and verification (MRV) frameworks in Vietnam). It should be noted that MFA has worked with a broader range of governments (*e.g.* Uganda, Mozambique, Nepal, Mauritius, and Tanzania) on climate policy as part of its wider development assistance strategy.

A4: 3.5 Sustainability

Finding 14: While Denmark makes good use of appraisals and evaluations, there is little evidence that the lessons from the climate envelope are captured in a systematic way to shape Danish international policy priorities and strategies for the future.

The Danish Government makes good regular use of reviews and evaluations, and the quality of appraisal work undertaken by the Technical Advisory Services in relation to the climate envelope is generally strong. Many of the projects financed under the climate envelope also produce

informative knowledge products as part of their programme structures. Denmark is also known for the encouragement it provides to its partners to improve their knowledge capture and dissemination practices. Denmark does have a knowledge platform within the MFA. However, there is little evidence of a structured approach to capturing the knowledge produced around key thematic areas in order to inform future programming and policy. The MFA appears to lack resources and structures to pursue such efforts in a systematic way, despite the presence of the technical advisory service. Individuals within the MFA and MCEB provide strong reservoirs of knowledge on given topics, but may be poorly connected with those in other ministries or particularly in country programmes engaged in similar topics. The lack of consistent reporting frameworks and indicator sets also make the measurement of impact across the climate envelope more challenging. As a result, the potential exists for new programming that does not incorporate best practice, opportunities for corrective action in ongoing projects are missed, and the benefits of climate development cooperation are not shared either internally or with external audiences.

A4: 4 Conclusions

The evaluation draws the following conclusions:

Conclusion 1: The climate envelope has operated without a clear overarching strategy or framework to guide the prioritisation of funds. High-level objectives (*e.g.* adaptation/mitigation) and wider policy frameworks have guided and justified the selection of projects. There has been no guidance on the balance between different themes, modalities, or geographies. This has resulted in an opportunistic approach to project origination, creating challenges for both external grant committee members and the evaluation team when making an assessment of the relevance of activities funded.

Conclusion 2: A range of institutional challenges, together with the short-term annual planning arrangement around the climate envelope, have reduced the efficiency of the process under which programme funds have been agreed. This has resulted in delays for approval and resulted in rushed, last-minute assessments. Although efforts are being made to improve this process, it has historically impacted on the effectiveness of the portfolio, with reduced time for detailed project design and appraisal.

Conclusion 3: While the split of the climate envelope into the Global and Poverty Frames removed some of the institutional challenges that were experienced during 2009-11, it has also created some structural issues, making it more difficult to develop an integrated strategy across the two implementing ministries, decreasing the potential for synergies, and reducing the opportunities for mainstreaming and maximising mitigation, adaptation and development co-benefits across the portfolio. Given the prevailing government policy for engaging multiple ministries in the delivery of development assistance where they have appropriate skills and expertise, effective cross-agency communication is a high priority.

Conclusion 4: From an influencing perspective, the impact of the climate envelope over the period 2009-2012 has been hampered by the lack of a clear strategy for the climate envelope – and to climate change more generally. Denmark’s policy objectives broadly mirrored the international agenda as embodied by multilateral institutions. Denmark is most recognised by multilateral partners for its mainstreaming of development considerations (gender; indigenous peoples; fragile states) into climate programming. Since 2012, with the development of more explicit strategic frameworks, Denmark’s focus has become more targeted, with a noticeable orientation towards promoting sustainable energy and resource efficiency policy (*e.g.* through the NAMA facility). It has been broadly successful in influencing policy, both with multilaterals (*e.g.* through close partnerships with ESMAP) and in bilateral cooperation (*e.g.* through the LCTU country programmes with emerging economies).

Conclusion 5: Lesson learning and the integration of findings from the climate envelope into new programming is somewhat ad-hoc, with no annual reporting on results achieved by the envelope, nor a formal way of linking findings to the development of climate programming, whether in the climate envelope or in broader development assistance (*e.g.* bilateral programmes).

A4: 5 Indicative recommendations

Recommendation 1: Denmark should consider developing a more coherent strategic framework for the climate envelope that sets not only the scope of what is permissible, but which, rather, makes explicit which areas within mitigation, adaptation, and forestry are priorities, how the balance between bilateral and multilateral modalities or financing instruments will be managed, and how innovation will be pursued. The theory of change presented as part of this evaluation should be taken as a starting point to help frame priorities and allocation, but should be further developed to set out the potential choices and trade-offs in allocation of funds.

Recommendation 2: The MFA and MCEB should continue to try to improve the efficiency of programming under the climate envelope. More formalised communication and information exchange channels, together with a harmonised results-based planning and reporting framework, would be useful. It is recommended to move to a multi-year budgeting and planning cycle, which would provide more adequate timescales to identify and develop projects.

Recommendation 3: Denmark should address the structural challenges in the climate envelope which prevent maximising its full effectiveness. This will require more formal attempts to mainstream mitigation, adaptation, and development co-benefits across the portfolio, and addressing the climate envelope both as a coherent whole, rather than two separate programmes. Efforts should also be made to link and integrate the strategic frameworks around the climate envelope to broader climate relevant development assistance.

Recommendation 4: With a more strategic framework, Denmark can be more explicit in relation to how it expects to proactively influence the international and national policy agenda. While this is happening in relation to sustainable energy (*e.g.* ESMAP, LCTU), and in more recent board memberships of the GCF and nationally appropriate mitigation actions (NAMA)

facility, other areas are not as clearly framed and influencing strategies are generally poorly elaborated. The role of Danida country programmes should be explored to make targeted policy engagement a more focused component.

Recommendation 5: Denmark should seek to strengthen the reporting and knowledge management systems around the climate envelope and climate change development assistance more broadly. This might take the form of developing communities of practice around a small set of key thematic areas (*e.g.* climate finance, community based adaption, and sustainable energy) as agreed with the strategy and theory of change and bringing together those engaged, both internally (the MFA; MCEB; embassies) and externally (NGOs; researchers) in the MFA bilateral programmes. It is noted that this will be resource intensive and require buy-in from all stakeholders to be successful.

A4: Annex 1: Interviews held

Name	Responsibility/position	Organisation
Lisbeth Moller	Programme Director	CARE Danmark
Peter With	Programme Coordinator, Southern Voices	CARE Danmark
Rolf Herno	Programme Coordinator, ALP	CARE Danmark
Mattias Söderberg	Advisor	DanChurchAid
Hans Peter Slente	Chief Consultant	Danske Industrie
Heidi Jorgensen	Consultant	Danske Industrie
Henrik Jepsen	Special Advisor	DEA
Marianne Ramlau	Advisor, Centre for Global Cooperation	DEA
Peter Aarup Iversen	Senior Advisor, Centre for Global Cooperation	DEA
Ulla Blatt Bendtsen	Acting head of LCTU/Senior Advisor	DEA
Ben Green	Climate and Environment Department	DFID
Esbern Friis-Hansen	Senior Researcher, Natural Resources and Development	Dansk Institute for International Studies (DIIS)
Mikkel Funder	Senior Researcher, Natural Resources and Development	DIIS
Roland Sundstrom	Climate Change Specialist	GEF
Morten Blomqvist	Senior Policy Advisor, Policy and advocacy	IBIS
Kathrin Wessendorf	Coordinator, Environment and Climate Change Programme	IWGIA
Michael Linddal	MFA Consultant	Linddal Consulting Aps.
Caroline Kronberg	Advisor, International Department	MCEB
Hans Jakob Erikssen	Special Advisor	MCEB
Nina Egebjærg Clausen	Advisor, International Department	MCEB
Rasmus Kristensen	Head of International Department	MCEB
Anne Meldgaard	Minister Counsellor, Department for Environment, Energy and Climate Change	MFA
Christoffer Bertelsen	Minister Counsellor (retired), Green Growth	MFA
Elsebeth Tarp	Senior Advisor, Technical Advisory Services (TAS)	MFA
Flemming Winther Olsen	Senior Advisor, Natural resources and agriculture	MFA

Hans Hessel-Andersen	Senior Technical Advisor, TAS	MFA
Henning Nohr	Chief Technical Advisor, Evaluation Department	MFA
Jakob Roglid Jakobsen	Chief Advisor, Green Growth	MFA
Jens Lorentzen	Senior Technical Advisor, Technical Advisory Service (TAS)	MFA
Merete Villum Pedersen	Chief Technical Advisor, TAS	MFA
Morten Elkjaer	Head of Department, Green Growth	MFA
Morten Holm-Hemmingsen	Head of Section	Ministry of Finance
Katrine From Hoyer	Special Advisor	Prime Minister's Office
John M Christensen	Director	UNEP-DTU Partnership
Kjeld Rasmussen	Associate Professor, Department of Geosciences and Natural Resource Management	University of Copenhagen
Ole Mertz	Professor, Department of Geosciences and Natural Resource Management	University of Copenhagen
Mike Speirs	Senior Advisor	UN-REDD Programme Secretariat
Gunnar Boye Olesen	Political Coordinator	VedvarendeEnergi
Andrea Kutter	Sr. Operations Officer, Global Practice Environment and Natural Resources	World Bank
Mafalda Duarte	Manager, CIF	World Bank
Trine Glue Doan	Senior Advisor Climate, Energy, CSOs and Mekong	WWF

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