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EVALUATION OF DENMARK'S CLIMATE CHANGE FUNDING TO DEVELOPING COUNTRIES

Evaluation

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Evaluation of Denmark's Climate Change Funding to Developing Countries

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Glossary of Terms

While many readers are likely to be fully familiar with the terminology of climate change, the short list below is included to help those less familiar with the subject.

Adaptation refers to actions and activities that will result in changes to lifestyles, livelihoods and infrastructure to increase resilience to the effects of climate change

Climate Envelope refers to the administrative vehicle created in 2008 to clearly define Danish development assistance financing for climate change, for which both the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Buildings (MCEB) have responsibility. In 2012, it was split into two frames. The Poverty Frame encompasses climate change finance for low income countries and is managed by MFA while the Global Frame targets mitigation of greenhouse gas emissions, particularly in fast-growing, emerging economics and is managed by MCEB.

Greenhouse gas emissions refers to a number of gases released into the atmosphere by human activity that lead to global warming. Emissions are measured in carbon dioxide equivalents.

Mitigation refers to actions and activities that lead to reduced emissions of greenhouse gases.

Acronyms and abbreviations

AECF-REACT	Africa Enterprise Challenge Fund – Renewable Energy and Adaptation to Climate Technologies
AIPP	Asia Indigenous Peoples Pact
ALP	Adaptation Learning Programme
BSPS	Business Sector Programme Support
CCAM	Climate Change Adaptation and Mitigation programme
CCWG	Climate Change Working Group (Vietnam)
CDSM	Centre for Sustainable Development in Mountainous Areas
CDTF	Community Development Trust Fund
CIC	Climate Innovation Centre
CIF	Climate Investment Funds (World Bank)
CISU	Civil Society in Development
COP	Conferences of the Parties
CNREC	China National Renewable Energy Centre
CSOs	Civil Society Organisations
DCIF	Danish Climate Investment Fund
DEA	Danish Energy Agency
DFI	Development Finance Institution
DFID	Department for International Development
EDK	Embassy of Denmark in Hanoi
ERG	Evaluation Reference Group
ESMAP	Energy Sector Management Assistance Programme
EU	European Union
EVAL	Evaluation Department of the MFA
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Programme
FIRM	Facilitation Implementation and Mitigation Readiness
FIT	Feed-in Tariff
FSCCP	Fast Start Climate Change Programme
FSF	Fast Start Finance
GCF	Green Climate Fund
GCPF	Global Climate Partnership Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas
IFC	International Finance Corporation
IP	Indigenous People
IUCN	International Union for Conservation of Nature
IWGIA	International Work Group for Indigenous Affairs
KAM	Kenya Association of Manufacturers
KI	Kickstart International
KEBMIN	Ministry for Climate, Energy and Buildings (Kenya)
LCEE	Low Carbon Energy Efficiency programme
LCTU	Low Carbon Transition Unit
LDCF	Least Developed Countries Fund
M&E	Monitoring and Evaluation
MCEB	Ministry of Climate, Energy and Buildings
MDB	Multilateral Development Bank
MFA	Ministry of Foreign Affairs

MONRE	Ministry of Natural Resources and Environment (of Vietnam)
MOPAN	Multilateral Organisation Performance Assessment Network
MRV	Monitoring Reporting and Verification
NAMA	Nationally Appropriate Mitigation Actions
NAPA	National Adaptation Programmes of Action
NCCAP	National Climate Change Action Programme (Kenya)
NCCRS	National Climate Change Resilience Strategy (Kenya)
NDRC	The National Development and Reform Commission (China)
NEA	National Energy Administration (China)
NGO	Non-governmental organisation
Norad	Norwegian Agency for Development Cooperation
ODA	Overseas Development Assistance
OECD/DAC	Organisation for Economic Cooperation and Development/ Development Assistance Committee
PMR	Partnership for Market Readiness
PPCR	Pilot Program for Climate Resilience
REACT	Renewable Energy and Adaptation to Climate Technologies
REDD	Reducing Emissions from Degradation and Deforestation
RTE	Real Time Evaluation
Sida	Swedish International Development Cooperation Agency
SIDS	Small Island Developing States
SIK	Soroptimist International, Kenya
SREP	Scaling up Renewable Energy Program
SE4All	Sustainable Energy for All
SME	Small and medium-sized enterprise
SVP	Southern Voices Programme
ToC	Theory of Change
ToR	Terms of Reference
UNEP-DTU	United Nations Environment Programme -Danish Technical University
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
USD	US Dollar
VFM	Value for money
WB	World Bank

Executive Summary

Background and Rationale

Climate change is a complex problem that threatens to reverse global progress towards sustainable development. It represents a new focus for development assistance and requires a substantial and innovative response. Understanding what works, what does not work and why is critical to ensuring that development resources are spent optimally. This was the purpose of the Evaluation of Denmark's Climate Change Funding for Developing Countries.

Denmark has made substantial contributions to mitigating the impact of climate change by supporting activities that will result in emissions reduction. A "Climate Envelope" for funding was created in 2008 supporting fast action on climate change. From 2008 to 2012 some DKK 1.5 billion was committed. In addition, substantial funds have been given outside this Envelope, primarily in Danish priority countries.

The evaluation concluded, amongst other things, that Denmark has been a consistent and reliable supporter of international climate change programmes and initiatives. The investments made by Denmark have been highly relevant to international and national priorities and have been well-aligned with commitments from other donors.

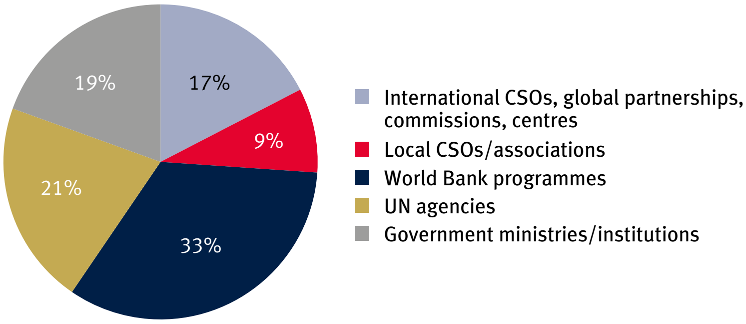
In particular, Denmark has drawn strongly on its experience of energy efficiency and greater use of renewable energy. It has also supported poorer countries' adaptation to the effects of climate change through support for policy development, awareness-raising and increasing the resilience of land-use practices and infrastructure. Engagement with vulnerable and marginalised groups, to ensure their needs are not overlooked, has also been a significant focus of the assistance.

The evaluation encompassed a policy review, two reviews of partner institutions (CARE Danmark and World Bank), two thematic reviews (climate finance and energy), and two country studies (Kenya and Vietnam). The evaluation was designed to look at the Climate Envelope and not at individual projects in detail. The reviews scrutinised 43 interventions in detail. The total financial commitment of these interventions is DKK 1.2 billion.

Financial Support Given and Implementing Partners

Within the overall climate portfolio, around half of the funding went to mitigation while almost one-fifth of the funding was devoted to supporting actions such as global climate change policies, skills and capacity building. Of the interventions sampled by the evaluation, a little over half of their funding was distributed through World Bank and UN agencies, with one-fifth being bilateral support to government ministries and institutions in partner countries. Local Civil Society Organisations (CSOs) received just under 10% of the funds in the sample.

Sampled Projects by Implementing Partner. Total DKK 1.2 billion



Results from the Interventions

There are many good examples of highly relevant projects and interventions leading to good results, see boxes. The evaluation concluded, based on a review of sampled interventions and projects that there was good progress overall towards achieving outputs, with a few exceptions. For many of the interventions, it is still too early to assess the outcomes. This may improve as currently ongoing projects mature. In terms of sustainability of the resultant changes, there is a mix of positive and inconclusive information. Again, this is partly due to fact that many projects are still in process. More time is needed to assess sustainability confidently.

Influencing the Global Agenda, Poverty and Social Inclusion

One notably successful aspect has been the **influence on global climate change policy.** Although a generous aid donor, in absolute terms, Danish aid is relatively small. By being an early supporter of many multilateral initiatives, Denmark has been able to secure good alignment between the way in which finance is allocated and its own national aid priorities and aims. Partnering with WB enabled Denmark to access multilateral funding modalities and, notably, to influence these on Denmark's particular development interests of gender, indigenous peoples and fragile states. Furthermore, development of an agenda on sustainable energy and fossil fuel reform was a result of significant and timely joint engagement by both Ministry of Foreign Affairs (MFA) and Ministry of Climate, Energy and Building (MCEB) staff.

Finance channelled through CSOs has been effective in giving **a stronger voice to vulnerable and marginalised groups**. The institutional review of CARE Danmark found that its focus on giving voice to communities through advocacy and planning was efficiently delivered and well-grounded in country-led demand and in priorities identified by civil society. The Southern Voices Programme was a Danish initiative. The Adaptive Learning Programme, although initially a Danish initiative, was later joint-funded by UK-DFID.

Support given to **building capacity around the global negotiations** has enabled poorer countries to engage in these more strongly. This has assisted these countries make their views and needs more explicit and visible. This helps to prevent their being marginalised in the global debate.

The **Mangroves for the Future project in Vietnam,** now in its second phase, is a notable success. It encompasses ecological restoration and enhanced livelihoods in parallel with mangrove protection and management. Although the small-grants programme and efforts to partner with the private sector have only achieved mixed results so far, and progress with enhanced climate resilience is restricted by other pressing developmental needs, it is a useful example of a well-designed and delivered response.

In Kenya, a small project run by 10 Soroptimist Clubs had a specific focus on **women in climate change.** It worked a range of small enterprise sectors as well as on livelihood aspects such as clean water. It established good synergies with other programmes and succeeded in meeting its target outputs and desired outcomes. Target businesses recorded substantial reductions in energy use and provide useful demonstrations of improved, and more profitable, practice.

Promoting Energy Efficiency and Renewable Energy

The Climate Envelope also funds initiatives that facilitate **access to Danish expertise on energy efficiency and renewable energy**. In order to secure progress and gain experience in the application of this, the work has been predominantly with middle-income countries, such as the work with the China National Renewable Energy Centre. This Centre has graduated from receiving budget support to a self-sustaining research institution. It has good capacity and can conduct high quality long-term scenario modelling. Such models, by analysing and comparing renewable energy paths with more conventional scenarios directly inform national policy.

Working with partners in middle-income countries has facilitated good progress and provided opportunity for **learning that can be adapted and transferred to poorer country partners** with more limited capacity and expertise. Experience gained has been useful to supporting, for example, the development of renewable energy policy in Kenya.

The Climate Envelope has funded a number of **private sector finance and innovation mechanisms** that have the potential to result in transformational change. **The Danish Climate Investment Fund** generates climate finance from private investors and offers risk capital and advice for climate investments in developing countries and emerging markets. By establishing the Danish Climate Investment Fund, Denmark is at the forefront and has procured EUR 174 million of public and private funds. Private funds amounting to EUR 104 million have been contributed by pension funds. The fund only offers part of the total project financing and it is estimated that total investments will amount to approximately EUR 1-1.2 billion. The Danish Climate Investment Fund is considered **a leading early example of a national public sector fund** that has succeeded in attracting private institutional investment in renewable energy projects.

Findings

The evaluation found that the climate change portfolio was relevant and aligned with Denmark's international commitments as well as Danish national development and climate change policies and strategies. In the scope, relevance and delivery of its portfolio, Denmark appears to compare favourably with other, similar organisations.

The case studies on Vietnam and Kenya also underscored that Danish bilateral support was aligned and relevant to national policies and strategies of partner countries and that they were building on strong participatory inputs from partners. However, there was no clear guidance on funding priorities in terms of the balance across different themes, modalities and geography. Without guidance, there had been a tendency to be opportunistic and engage in too many climate funds.

The evaluation recognised that all donors faced a steep learning curve on where best to invest and the uncertainty over which specific instruments would prove to be the most effective. The evaluation acknowledged that strategic guidance had improved from 2012 and noted that the draft strategy prepared by MCEB in 2014 was identified as a useful start to the further development of this. This improvement resulted in greater targeting on sustainable energy and resource efficiency and enhanced Denmark's policy influence on both multilateral funds and bilateral partners.

The lack of clear guidance also created delays and difficulties with funding decisions, leading to somewhat reduced efficiency. The value of multiple agencies engaging in Denmark's climate change was recognised. There is good technical expertise within the MFA and the split of the Climate Envelope had been positive for accessing the sector level expertise at the MCEB and improving the alignment of Danish technical expertise and Danish development objectives. But, the evaluation also noted the need for improved cross-agency communication and more focused reporting to provide a better basis for decision-making.

The evaluation pointed to the need to strengthen monitoring and reporting to enable assessment of impact in the years to come. Furthermore, there is no formal process for following-up and reviewing reports received to track progress. The evaluation pointed to the staffing constraints and the historic mismatch between the number of staff and number of interventions Denmark is engaged in. The programme would benefit from clear and consistent monitoring and evaluation frameworks linked to the overall theory of change for the Climate Envelope. This should be shared with partners to ensure reporting against an agreed set of data that is acceptable to both sides.

The evaluation also found evidence that there had been lessons learned and adaptations made to on-going programmes, but there was no systematic or strategic approach to capturing and sharing lessons learned between programmes and institutions.

Denmark has considerable national strengths to draw upon in its cooperation on Climate Change. These lie in diverse areas ranging from energy, energy efficiency, flood control and storm forecasting, to insurance. Energy efficiency and renewable energy had been a primary area of intervention and a wide range of modalities had been employed, focusing on securing large-scale change through support to the negotiation processes. Most technical interventions have engaged with integrating fluctuating renewable energy sources, energy efficiency in buildings and industrial processes. These are all areas of strong Danish expertise that has been employed in the efforts. The evaluation did not find good evidence of a strong Danish identity in the climate "market place", or of a strategic approach to engaging Danish-based research, civil society and commercial capacity. These would be good examples to build on.

Work in partner countries has been laudably country-led. But there are drawbacks as this leads to difficulties in maintaining coherence across diverse partners. At the same time, the need for rapid decision-making and a system of annual budgeting have limited the time available for appraisal. Both country studies identified issues with limited planning frameworks and reporting of progress and achievements. There has also been limited review and feedback of experience into future programming at both national and programme levels. There should be more emphasis on pilot and demonstration projects that have potential to influence policy change and demonstrate scalability.

Conclusion and Recommendations

Denmark's generous, rapid and wide-ranging response on climate change issues was appropriate initially to help identify what worked well. It has generated much useful experience in addition to the results obtained. Nevertheless, it has proven hard to maintain oversight of the whole portfolio of climate change support as it consists of small and large contributions to diverse topics through a wide range of partners and hence to optimise coherence. The many activities supported provide a rich basis of experience and expertise that can be moulded into a more coherent and focused system of support. The major point identified is the need for existing Danish policies and strategies to be incorporated into a more formalised planning and reporting framework. This should allow for better management of the portfolio and for better results. Such a framework also provides a common basis for all agencies to work from. The evaluation made the following recommendations:

Recommendation 1 – A strategy for the Climate Envelope should be developed.
The strategy should set out priority objectives and activities for mitigation and adaptation, to aid the optimal focus of climate finance and increase its impact. It should provide guidance on appropriate funding modalities, target institutions and geographical scope for different sectors and types of intervention.

Recommendation 2 – Improve the structure and administration of the Climate Envelope.
Efforts should be made to enhance cross-ministerial cooperation on cross-cutting climate finance issues. Further efforts should be pursued to mainstream mitigation, adaptation and development co-benefits across the portfolio and to ensure more coherence between adaptation and mitigation activities where possible. The existence of a Climate Envelope is an opportunity to develop best practice that could be used for climate-relevant programming outside the envelope. In both MFA and MCEB project identification, design and appraisal should be improved to enhance project quality.

Recommendation 3 – Develop consistent monitoring, evaluation and learning frameworks for all future Climate Envelope projects and use data generated to improve decision making.
The strategy for the Climate Envelope should relate to the intervention logic to help ensure coherence between outputs and the intended outcomes and impacts. A set of indicators should be developed that allows assessment of performance against outputs, outcomes and impact. Partners should be provided with clear guidance and information to help align their proposals with the intervention logic. Emphasis should be placed on the importance of lessons learning and adaption in the monitoring and evaluation process.

Recommendation 4 – Maximise the impact of Danish climate change funding.
Denmark has made solid commitments to multilateral climate funds, remaining funding should focus on innovation and leverage. If Denmark aims to support transformational change it appears that the focus should be on interventions in support of climate policy and climate finance. Where possible, the Danish Government should consider targeting its resources to programmes and thematic areas where it believe Denmark can add most value – hence where Denmark has strong expertise.

Recommendation 5 – Maximise Danish impact by clearly defining policy-influencing strategies for the Climate Envelope and in country programmes.
The Danish Government should be clearer and more proactive in its approach to influencing both national and international policy agendas. Policy influencing guidelines should be referenced in the overarching strategic framework and developed further for national policy initiatives. Policy influencing strategies should be more clearly defined in country programmes with CSOs engaged to assist their development.

1 Introduction

1.1 Background to Danish Climate Change Funding

As part of its development assistance, Denmark has supported diverse bilateral and multilateral climate change interventions since 2002, including financial contributions to the Least Developed Country Fund (LDCF) managed by the Global Environment Facility (GEF). The *Danish Climate and Development Action Plan* (2005) marked the beginning of coordinated bilateral and multilateral development cooperation covering both mitigation and adaptation to climate change. The focus of the action plan was on mainstreaming climate change in development assistance, climate screening by "climate proofing" development interventions. Denmark also supported capacity building around the clean development mechanism in a number of emerging economies, including South Africa, Thailand, Malaysia, and Indonesia.

Established in 2008, the Danish Climate Envelope is an important mechanism for climate change funding. The Climate Envelope built on previous experience. Principles for the Climate Envelope were articulated in texts adopted by the Government's Climate Conference Committee in 2008/09. Elements from these texts were incorporated into the Climate Envelope text of the Finance Act, reflecting the very carefully crafted text developed between the involved ministries.

Danish involvement in and influence over international climate change policy has increased over time. International climate change negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) are managed through a series of annual meetings, known as the Conferences of the Parties (COP). Each year, the COP is hosted by a different nation. Denmark hosted COP15 in Copenhagen in 2009 where it was hoped that a final political deal would be reached.

The outcome of the Copenhagen summit – the Copenhagen Accord – included a number of underlying frameworks that have since acted as the basis for the on-going negotiations, now expected to be concluded at COP21 in Paris in December 2015. The Accord included an agreement that developed countries would provide USD 30 billion from 2010 to 2012, known as Fast Start Finance (FSF). These funds served 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 period during the establishment of the Green Climate Fund (GCF).

After the Copenhagen Accord, the Climate Envelope became the mechanism for delivery of the Danish FSF commitment. It included both demand driven support to developing countries and global initiatives responding to global priorities. According to the formal description of the Climate Envelope, it provides finance for interventions that enable developing countries to reduce emissions and adapt to climate change in order for them to prepare and implement a new global climate change agreement. A diverse range of bilateral and multilateral interventions has been supported through the Climate Envelope.

Climate Envelope operations have been influenced by subsequent Danish development policy frameworks, strategies and priorities, including the Ministry of Foreign Affair's

(MFA) development strategy *A Right to Better Life* (2012), *A Greener World for all: Strategic Framework for Natural Resources, Energy and Climate Change* (2013) and MFA's green growth strategy (2014). The interventions must also comply with MFA's Aid Management Guidelines and the Danish Finance Act.

Climate change is a complex problem that threatens to reverse progress made by countries worldwide towards sustainable development. Climate change represents a new focus for development programming, and requires more than a business-as-usual response. An understanding what works, what doesn't work and why is critical to ensuring that resources are wisely deployed. Monitoring and evaluation plays a central role in this process, and in communicating important lessons to decision-makers. International efforts to scale up the response will become more important as climate change impacts intensify.

1.2 Purpose of the Evaluation and Intended Audience

The evaluation seeks to answer the following question:

- What is the impact of the Danish climate change funding on mitigation of and adaptation to the consequences of climate change in developing countries?

In answering this question, the evaluation attempted:

- To assess the transformations and contributions of the Danish climate change funding to the climate change policies and financing globally; and

- To provide lessons from this support to inform the shape and scope of future interventions and the Climate Envelope as a whole.

The evaluation was commissioned by the Evaluation Department of the MFA (EVAL). The target audience for this evaluation report is the Danish Government, specifically the institutions responsible for the delivery of the Climate Envelope: MFA and the Ministry of Climate, Energy and Building (MCEB). The evaluation has been guided by the Evaluation Reference Group (ERG), comprising individuals representing ministries of the Danish Government and Danish institutional partners. ERG members were appointed by EVAL.

1.3 The Evaluation Objective

The aim of this *ex-post* evaluation is to produce evidence to show how Danish funding has generated results (or contributed to the achievement of these results) related to climate change adaptation and mitigation in developing countries.

The evaluation focuses primarily on commitments made during 2010-2012. It also includes some activities and results up to and including year 2014 as well as a limited number of earlier interventions dating from 2005 to ensure that the evaluation benefits from a diversity of evidence. In subsequent chapters, reference is made to the Danish "climate change portfolio", which includes all climate change interventions and programmes (hereafter referred to simply as "interventions") before and after the establishment of the Climate Envelope in 2008.

1.4 Operational Context

Two Danish ministries have been primarily engaged in the international processes on climate change. The Ministry of Climate, Energy and Buildings (MCEB), created in 2007, provided overall coordination of Denmark's efforts in the lead up to and following COP15. Concurrently, the MFA manages Denmark's overseas development assistance programme and Danish contributions to climate finance. Both had a central role at the COP15 summit and were involved in the development and management of the event. Both of these institutions have been involved in the administration of the Climate Envelope.

The Climate Envelope was initially jointly managed by the MFA and MCEB, but only administered by the MFA. From 2012, the Climate Envelope was divided into the Global Frame and the Poverty Frame to streamline the programme development and approval and allocation process, with the budget evenly split between the two institutions.

The Poverty Frame finances interventions in low income countries as stipulated by Danida guidelines. Interventions are prepared and administered by the MFA and focus on both adaptation and mitigation. The Green Growth Department within MFA liaises with Danish embassies overseas with regards to the potential preparation of bilateral country programmes that might be (co-)financed from Climate Envelope resources, and supports their development. It is also responsible for the identification and sourcing of new project ideas

The MCEB is responsible for the development and management oversight of the Global Frame activities, which primarily target greenhouse gas mitigation, mainly in fast-growing, emerging developing economies (still on the Organisation for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) list) to access potentially higher returns in terms of CO_2 reductions. The MECB has developed its own internal guidelines on the thematic areas for which Climate Envelope funds might be used.

Despite this split, the MFA retains overall responsibility for administering the Climate Envelope. The preparation, appraisal and appropriation of each activity follow Danida guidelines and all formal approval documentation must be prepared by the MFA. This activity is coordinated primarily by the Green Growth Department, who liaise with MECB and the bilateral programmes within Danish Embassies to ensure that project documentation and approaches are compliant. 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 individual Climate Envelope interventions are subject to review and endorsement by an external grant committee prior to presentation to the Minister for approval. Appropriate interventions must also be aligned to the Finance Act, approved by parliament annually.

1.5 The Climate Change Portfolio

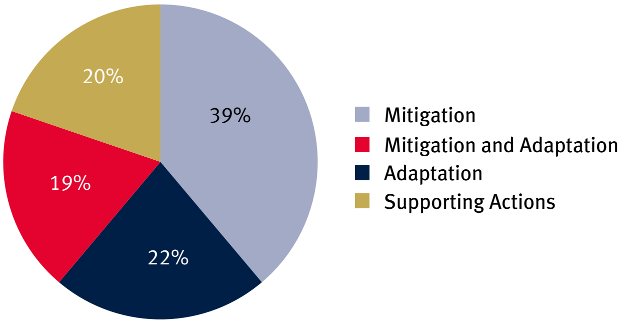
The portfolio related to climate change includes approximately 130 interventions. As the intervention file numbers are not consistently applied and the definition of an intervention appears to vary, it is not possible to identify precisely the number of interventions funded; Table 1, below, gives an overview of this climate change portfolio.

Table 1 The Climate Change Portfolio

Characterisation	Number	DKK million	DKK %
Projects in the Portfolio	133	2,868	
– of which			
Climate Envelope	119	2,343	82%
– Poverty Frame	100	1,560	54%
– Global Frame	13	450	16%
– Poverty and Global Frame	6	333	12%
Non-climate envelope	13	525	18%
Unclear	1	0	
Year funding committed			
2002	1	11	0.4%
2003	0	0	0.0%
2004	0	0	0.0%
2005	1	140	4.9%
2006	1	20	0.7%
2007	2	100	3.5%
2008	16	207	7.2%
2009	31	216	7.5%
2010	15	314	11.0%
2011	14	378	13.2%
2012	22	471	16.4%
2013	20	535	18.7%
2014	10	475	16.6%
Total	**133**	**2,868**	**100%**
Total 2008 to 2012	98	1,586	55%
Primary focus of the projects			
Mitigation	38	1,113	38.8%
Adaptation	22	547	19.1%
Adaptation and Mitigation	18	641	22.3%
Supporting Actions	55	567	19.8%
Total	**133**	**2,868**	**100%**

As the Climate Envelope was not split until 2012, rather than use the Poverty or Global Frame to categorise projects and interventions, the evaluation made a judgement on whether these addressed mitigation or adaptation or both. Figures 1 reflects this subjective judgement. The total value of the climate change portfolio is approximately DKK 3 billion.

Figure 1 Climate Envelope Funds by Primary Focus – Total DKK 2.9 billion



In addition to the interventions funded under the Climate Envelope, there are other climate-relevant investments that are reportedly four to five times larger than the Climate Envelope. All of these funds are reported by the Danish Government to the OECD/DAC on the basis of the Rio Markers (OECD 2011), which allow for the measurement and monitoring of financial support provided to developing countries targeting the implementation of the Rio Conventions[1]. These finances include development assistance that has a 'principal' or 'significant' climate mitigation or adaptation benefit.

1.6 The Structure of the Report

The report includes the results of a portfolio analysis of 43 interventions and synthesises information collected and analysed across seven different sub-evaluations. The report describes the methodology used (Chapter 2). The findings, presented in Chapter 3, are based on (and referenced to) the findings of the sub-evaluations. The conclusions (Chapter 4) are drawn from the findings. Finally, Chapter 5 sets out recommendations that respond to the conclusions and incorporates, condensed form, all the recommendations from the seven sub-evaluations.

Each sub-evaluation is included as an annex. The sub-evaluations include: a policy analysis (Annex 4), which analyses the institutional arrangements within Denmark as well as Denmark's influence in the global climate change arena: country cases, including Vietnam (Annex 5) and Kenya (Annex 6); institutional studies, including CARE Danmark (Annex 7) and the World Bank (Annex 8); and thematic studies, including climate finance (Annex 9) and renewable energy (Annex 10).

1 These are the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Convention to Combat Desertification (UNCCD), which were agreed at the Rio de Janeiro "Earth Summit" in 1992.

2 Methodology

This *ex-post* evaluation largely focuses on the programming and process of implementation of climate interventions funded by Denmark, rather than outcomes. It has been formative, building an understanding of how the interventions are being implemented and how they reflect Denmark's objectives, in order to improve processes and learn lessons from past experiences. It is based on a mixed methods approach, including document review, interviews and use of secondary data for triangulation.

The evaluation comprised five main areas of activity:

- Production of an **evaluation framework**: Based on the version provided by MFA in the Evaluation Approach Paper, the evaluation framework was further refined and elaborated during the evaluation inception phase in July and August 2014;

- Development of a **theory of change (ToC):** As one did not already exist, a ToC (or intervention logic) was retro-fitted to the climate change portfolio during the evaluation inception phase in August 2014 and presented at a joint MFA/MCEB workshop in September 2014. The ToC provides a framework against which intervention outcomes were evaluated at the portfolio level;

- The **gathering of evidence**: Information and data were collected as part of the detailed portfolio analysis and through the seven "sub-evaluations" (see below), using Danish project documentation and publically available documents, secondary information, interviews in Copenhagen and Washington DC, and field visits and interviews in Kenya and Vietnam, from October 2014 to January 2015;

- The **analysis of information** collected: Results of the sub-evaluations were analysed over the period January to February 2015. An internal meeting (two days) of the evaluation team brought together observations and findings in response to the structured set of evaluation questions. The meeting provided an opportunity to share information, structure reporting formats and identify key findings.

- The **presentation of results**: The results (initial findings report) were shared with the Evaluation Reference Group on 9 February and presented on 19 February. This informed the drafting of the synthesis report (written over the period March to May 2015). Draft final results were shared with EVAL on 3 April and discussed on 23 April 2015.

2.1 Evaluation Approach

The evaluation has drawn on both primary and secondary sources of information, using mixed methods to respond to the key evaluation questions. Interviews were conducted according to semi-structured interview checklists. This has resulted in the following evaluation outputs, which have informed this synthesis report:

- A **detailed portfolio analysis** of the 43 interventions within the sample identified in the inception report against OECD/DAC criteria. The portfolio analysis was informed by document reviews and information collected during the implementation of the other sub-evaluations (below).

- A **policy sub-evaluation (Annex 4),** which looks closely at the Danish policy environment and institutional management structure for international climate assistance. It includes an exploration of political drivers and practical programming issues that have played a role in how the climate change interventions have been designed, selected, and implemented. This sub-evaluation was informed by policy and strategic documentation and interviews with Danish government staff in Copenhagen.

- Two **country sub-evaluations of** Vietnam and Kenya (Annex 5 and 6), important partner countries with respect to both climate financing and other Danish development assistance, preselected by the MFA. These sub evaluations examine, *inter alia*, the climate change portfolio responsiveness to country priorities and synergy with Danish development assistance country programmes. The sub-evaluations were informed by project document reviews, interviews with Danish government staff in Copenhagen, field visits and interviews with Danish embassy staff and delivery partners.

- Two **institutional sub-evaluations** of two important partnerships: CARE Danmark and the World Bank (Annex 7 and 8). These sub-evaluations considered how well Denmark has chosen and managed its partnerships with respect to achieving its climate change outcomes. They were informed primarily by interviews with World Bank staff in Washington and CARE Danmark staff in Copenhagen, as well as a review of project literature.

- Two **thematic technical sub-evaluations**, which investigate climate finance interventions (Annex 9), examining more closely the results of support to international climate fund architecture and success in leveraging of public and private sector finance flows and Danish energy interventions (Annex 10), with a particular focus on renewable energy and energy efficiency. The thematic sub-evaluations were informed by documentation and interviews with Danish government staff in Copenhagen. The climate finance sub-evaluation was informed in addition by interviews with World Bank staff in Washington. The energy sub-evaluation was informed by the sub-evaluations, but no field visits were undertaken.

The sub-evaluations are annexed to this report. The evidence used in this synthesis from the sub-evaluations is clearly referenced. The sub-evaluations were selected based on a variety of criteria. The country focus on Kenya and Vietnam was in response to the stipulation in the ToR, whereas the institutional cases (World Bank and CARE Danmark) were selected to represent different types of partner organisations receiving funding (one large multilateral and one smaller civil society organisation). The selection of these thematic evaluations was based on areas where significant funding and/or Danish expertise was provided, and followed consultation with key stakeholders.

2.2 Sampling Strategy for Sampled Portfolio

The process for determining the selection of Climate Envelope interventions for inclusion in the detailed portfolio analysis was as follows:

- Non Fast Start Finance interventions were excluded;
- Based on a preliminary assessment of available documents, interventions for which limited information was available were excluded;
- Interventions with committed funds of less than DKK 10 million were excluded, with the exception of Kenyan and Vietnamese interventions.

The resulting sample includes all interventions active in either Kenya or Vietnam, since these were the target countries for the evaluation. Excepting this bias, the sample was considered to be reasonably representative of the Climate Envelope based on characteristics of intervention size, scope, intervention modality and partner institution. Most (but not all) of the interventions in Kenya and Vietnam are relevant to at least one of the selected sub-evaluations (see Annex 1).

A purposive sampling approach was applied (both those that meet the above criteria as well as those that are outside of the above criteria) to ensure that the final selection included some interventions from the wider climate change portfolio. This included:

- Seven small interventions from across the portfolio (with budgets of less than DKK 10 million)
- Seven interventions that commenced between 2008 and 2010 (pre-fast start)

Using these two sampling methods, a total of 43 interventions were identified for the detailed portfolio analysis. Of these interventions, the majority (34) were the subject of further analysis as part of the country, institutional and thematic sub-evaluations (see Annex 1).

In the energy and climate finance (thematic) sub-evaluations, additional interventions were included due to the difficulty of identifying key findings and generating meaningful conclusions from a small and very diverse sample of interventions. These interventions were not included as part of the detailed portfolio analysis and not included in Annex 1. Instead they are described in the climate finance and energy sub-evaluations (Annexes 9 and 10 respectively).

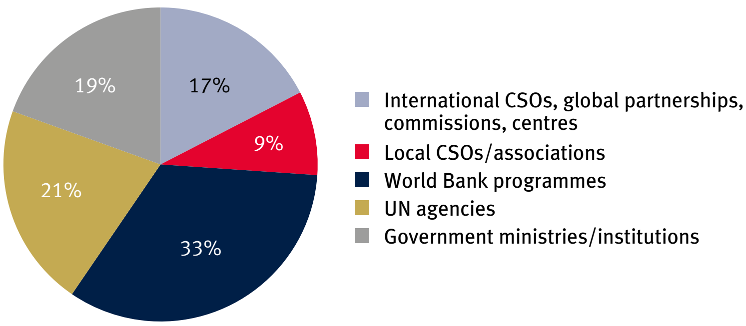
The 43 interventions represent 73% of the total climate portfolio for the five-year period. A breakdown of annual allocations is provided in Table 2. The comparatively low coverage for 2011 is due to the exclusion of the support provided to the Global Green Growth Institute from the selection of interventions, as this was subject to a separate independent evaluation.

The selected interventions were managed by a range of implementing partners. The largest proportion of funding went to World Bank programmes (33%), followed by almost equal support to UN agencies and bilateral support to government ministries and institutions (22% and 20%). The detailed breakdown is presented in Figure 2.

Table 2 Proportion of total allocations

Year	Total annual allocation (DKK million)	Selected projects (DKK million)	% of annual allocation
2008	207	25	12%
2009	216	140	65%
2010	314	301	96%
2011	378	226	60%
2012	471	462	98%
Total	1,586	1,154	73%

Figure 2 Sampled Projects by Implementing Partner – Total DKK 1.2 billion



2.3 Evaluation Matrix

The evaluation matrix is the guiding framework through which evidence was collected and analysis conducted. The evaluation matrix was based on OECD/DAC criteria (relevance, effectiveness, efficiency, impact and sustainability). The matrix covers topics identified during the inception phase that were thought to be of particular interest (see Table 3). Between two and four questions were defined for each on each topic.

Two types of questions were considered:

1. Performance questions that consider the progress of climate change portfolio investments (found predominantly under relevance, efficiency and effectiveness criteria);

2. Strategic evaluation questions that consider the interventions' likelihood of achieving Denmark's strategic objectives and contribution to international and national dialogues and progress on climate change (predominantly under impact and sustainability criteria).

The evaluation matrix (Annex 2) provides the detailed framework for the evaluation.

Table 3 Evaluation criteria and topics

OECD/DAC Criteria	Question topic
Relevance	1. Internal Alignment
	2. External Alignment
Efficiency	3. Reducing Costs
	4. Maximizing synergies
Effectiveness	5. Delivering Results
	6. Mobilising resources
Impact	7. Contribution
	8. Attribution/Influence
Sustainability	9. Longevity of impact
	10. Internal lesson learning

2.4 Theory of Change

A theory of change (ToC) is an outcomes-based approach for describing the overall logic of an intervention. It encourages critical thinking in the design, implementation and evaluation of initiatives and interventions. It can be used to describe the inputs, outputs, outcomes and impact for a single intervention or a programme composed of multiple activities (such as the Danish climate change portfolio), and sets out the assumptions and pathways required to move from one to the other.

A ToC is helpful for demonstrating how financial inputs through a wide range of outputs can assist in the production of a limited range of significant impacts. It can be used also to guide the selection of indicators for assessing the contribution or attribution of outputs to impacts. A ToC provides a mechanism for articulating complex causal changes, where a logframe provides a more linear approach.

A ToC can be developed at different levels. The one described in this report is a portfolio level ToC, which explores the programme elements to identify two or three dominant causal pathways that underlie the majority of the interventions. In addition, the assumptions and causal pathways that determine the combination of the efforts within the portfolio are also explored.

The intervention logic of the climate change portfolio is implicit in the strategy and policy documents produced by the Danish Government, but had not been explicitly documented. Therefore, during the evaluation inception phase, a ToC for the portfolio was developed in consultation with MFA and MCEB (see Figure 3 for a simplified version). This ToC presents only the Danish interventions, but other influences and financing are implicit in the assumptions, particularly influencing the pathways beyond outputs.

Figure 3 Danish climate assistance – Theory of Change

INPUTS

Context:
- Denmark has taken a high profile role in promoting action on climate change, particularly since the Copenhagen COP
- Since 2005, Denmark has spent approx. 2.3 billion DKK on more than 130 projects in at least 50 countries, with a major programmes in Kenya and Vietnam
- There is a broad domestic consensus for international climate support, but increasing interest in results/VFM

What are the opportunities?
- Denmark is a respected international donor, with potential to influence IFIs and national donors as an engaged partner
- Denmark has cultivated key relationships with specific countries (e.g. Kenya and Vietnam) and with key partners
- Denmark has significant technical expertise in a number of sectors (renewable energy, waste, water)

Provision of funding and staff, supported by MFA and MCEB institutional structure funding and staff from Poverty and Global Frame expertise:

Danish Climate Change Support

Poverty Frame: Resilience/ access

Global Frame: Mitigation

ACTIVITIES

Supporting national governments:
- Policy development: NAMAs, FITs, standards, NAPAs, risk screening:
- Financial management through budget tracking systems, climate fund design
- Capacity building through training, knowledge products, decision frameworks

Scaling clean, resilient technology:
- Support national R&D/ innovation strategies (e.g. energy, food, water, agriculture)
- Promote private sector markets (e.g. wind, energy efficiency, water, waste, buildings)
- Facilitate access to finance (e.g. innovative instruments, risk sharing)

Promoting community & social equity:
- Pilot community programmes (e.g. energy, forestry, REDD+, resilience plans)
- Mainstream resilience in social policy (food for work, energy access, health)
- Promoting inclusive green growth (e.g. job creation)

Building international architecture
- Promote private sector partnerships (e.g. wind, energy efficiency, water, waste)
- Support innovation strategy (Energy, food, water)
- Facilitate access to finance
- Financial scaling

OUTPUTS

Policy and institutional
- Policy development and mainstreaming
- Climate budgeting and funds
- Improved institutional capacity and decision making

Technology and infrastructure
- Danish expertise and technologies leveraged in international markets
- National innovation and deployment strategies developed
- Finance mobilised at scale for climate relevant infrastructure investment

Community and social
- Community led responses to climate change
- Alignment of social protection and climate resilience
- Inclusive green growth and job creation

Global climate architecture
- Sufficient and accessible climate finance
- Successful conclusion to international negotiations
- Alignment of donor and IFI policies and approaches

OUTCOMES

Strengthened national and sub-national climate change policy and institutions frameworks

Development, deployment and scale up of climate-relevant technologies and infrastructure

More socially inclusive approaches to climate change adopted

More robust international political and financial architecture

IMPACT

Greenhouse gas emissions are reduced to ensure global warming is kept below two degrees centigrade threshold

Increased climate resilience for at risk communities, particularly vulnerable and marginalised groups

GOAL

Developing countries achieve low carbon, climate resilient and socially inclusive growth

ASSUMPTIONS
1) Going from Inputs to Activities:
Danish climate assistance
- Provides a clear and coherent strategic framework that allows for smart partner selection and activity programming
- Promotes activities that have a clear demand among partners and end beneficiaries, based on consultation, co-development
- Targets its funds at activities that support the international agenda on climate change, whilst ensuring that they are new and additional
- Has effective procurement and programming processes that result in efficient transition from design to implementation
- Uses its institutional and budget structures to disburse funds and technical assistance in a timely manner

ASSUMPTIONS
2) Going from Activities to Outputs:
Danish climate assistance
- Ensures that its portfolio is structured, managed and resourced in an efficient way
- Uses logframes, indicators, targets and results frameworks to monitor and manage project outputs
- Builds relationships with relevant stakeholders to facilitate project implementation and uptake
- Effectively exploits synergies with other Danish structures and programmes (e.g. Global/Poverty Frame, country programmes)

ASSUMPTIONS
3) Going from Outputs to Outcomes:
Danish climate assistance
- Successfully mobilises external finance, technology and expertise to support delivery (both Danish and non-Danish)
- Supports wider Danish development assistance aims, and seeks to find synergies with relevant programmes and structures
- Selects the most effective interventions to achieve outcomes, using theory of change processes and feedback loops
- Delivers outcomes that can be attributed to Danish inputs at a level higher than its pro-rata share of finance

ASSUMPTIONS
4) Going from Outcomes to Impact:
Danish climate assistance
- Is able to achieve transformative change that delivers longer term outcomes once project funding is disbursed
- Uses diplomacy to influence the wider policy and financing debate among donors, IFIs and national governments
- Builds the evidence base for demonstrating the potential for effective action
- Impacts the lives of beneficiaries beyond those directly engaged by the programme portfolio
- Uses ex-post monitoring and on-going situational analysis to assess wider impacts at a macro-level

Strong evidence
Medium evidence
Weak evidence

The ToC has been produced retrospectively for the climate change portfolio, which diminishes its value for evaluation in that it was not in place at the time the interventions evaluated were planned. As it was generated retrospectively, it cannot act as true intervention logic for the Climate Envelope, but it does represent its unintended intervention logic, as realised by pragmatic decisions made over time. It aims to take account of the complexity and diversity of the portfolio and helps examine how specific interventions at the country and multilateral level contribute to the achievement of the strategic objectives, although it is by no means exhaustive. The causal links that underpin the ToC could be further explored, but this was not an objective of the evaluation.

2.5 Detailed Portfolio Analysis

The detailed portfolio analysis involved a review of the evaluation matrices created for all of the interventions within the sample. To ensure comparable intervention information was captured, pre-agreed templates and score sheets were completed by the evaluators during the sub-evaluations. An ordinal scorecard (0-5) was used to assess progress of each of the 43 interventions in the sample against the five OECD/DAC criteria/10 main question areas (Table 3 above).

To provide a general assessment of the relevance of the selected interventions to the Danish climate change and development policies and strategies, as reflected in the ToC (Figure 3 above), the evaluators provided information on the relative importance of the two ToC areas of impact and the four outcomes by assigning values of either 3 (primary focus), 2 (secondary focus), 1 (minor focus) or 0 (no focus or not relevant at all) for each. The percentage of total budget (of all 43 interventions) assigned each 'focus' score was collated to better understand the relative links between the overall portfolio and the ToC.

The detailed portfolio analysis relies entirely on information contained in the individual evaluation matrices, which were primarily populated with information from documents provided by the client or publically available sources. This included programme proposals, funding decisions, intervention appraisals and reporting information. When there was overlap with the sub-evaluations, the evaluation matrices included additional information from semi-structured interviews with programme managers.

2.6 Sub-Evaluation Analysis

The sub-evaluations were based on the same evaluation framework as the detailed portfolio analysis (see Annex 1). However, the questions were modified to increase their relevance to the sub-evaluation.

2.7 Key Limitations

The monitoring and evaluation (M&E) of climate finance and climate change interventions face significant challenges. While the international community has agreed to scale up climate finance to developing countries, there is an increasing interest in the transparency of these commitments. Transparency of this type requires an internationally agreed-upon M&E framework with common metrics and methodologies, some of which do not yet exist.

The scope and depth of the evaluation was constrained by certain characteristics of the portfolio, including:

- **Absence of an overarching strategy for the Climate Envelope**. The strategic and policy documents available were relevant, but the absence of a specific strategic document, intervention logic and formalised delivery processes for the Climate Envelope since its establishment has diminished the evaluability of the portfolio, particularly for assessment against relevance.

- **The lack of evidence in some intervention documentation**. Documentation was made available by the MFA for all interventions. Staff at both MFA and MCEB in Copenhagen were open and responsive to information requests and available for meetings as requested by the evaluators. However, the documentation did not necessarily include information required to respond to all evaluation questions. This is to be expected as the evaluation was designed after the selection and administrative requirements were agreed for the interventions, including reporting requirements, and in many cases interventions had been completed. The lack of information against specific evaluation questions has resulted in some questions not being assessed, particularly for projects that relied solely on secondary data sources.

- **Staff turnover**, both in the Danish Government and implementing partner organisations, resulted in some gaps in collectable evidence as knowledgeable staff moved on.

- **The relative youthfulness of the portfolio**. Given that the focus of the evaluation was on interventions starting between 2010 and 2012, intervention outputs were not always complete and, therefore, evidence of outcomes and impacts were difficult to ascertain.

- **The focus on two target countries**. Field visits to bilateral interventions outside of Kenya and Vietnam were not part the evaluation scope. This reduced the diversity of views and evidence available to the evaluation.

3 Findings

Section 3.1 summarises the results of the detailed portfolio analysis, to give the reader an overview of the performance of the portfolio against the OECD/DAC criteria. Subsequently, in Sections 3.2 to 3.6, findings from the sub-evaluations are consolidated using the same OECD/DAC criteria. A summary, based on the results of the detailed portfolio analysis, is provided at the start of each section. Finally (in Section 3.7), the impact and outcomes articulated in the theory of change are compared with the expected impacts and outcomes of the 43 selected interventions.

3.1 Detailed Portfolio Analysis

A detailed assessment of each of the 43 interventions was conducted. The analysis was structured by OECD/DAC criteria as stipulated in the terms of reference for the evaluation. Evidence for each project was collected to support analysis against 10 criteria. Scores (ranging from 1 to 5) were assigned to each of the 43 interventions based on the evidence collected to support each statement. The proportion of funding attributed to each score was then calculated (based on the funding value of interventions for each score divided by total funding value for the 43 interventions evaluated). The results are shown in Table 4.

It was not always possible to generate a score for an intervention based on the available evidence, and this is reflected in Table 4. The findings from the analysis of the 43 interventions are included within the summary of findings at the beginning of each of the subsequent sections (3.2 to 3.6).

Given that the 43 interventions represent approximately one-third of the total number of interventions and 80% of total funding, the results should be reasonably representative of the performance of overall portfolio.

It is important to note that the assessment for relevance was made primarily against alignment to national level policies or based on evidence included in project appraisals. Where possible, this was triangulated with interview data, but this was only possible for a limited number of cases.

The key findings from Table 4 are summarised at the beginning of Sections 3.2-3.6, against the relevant OECD/DAC criterion.

Table 4 Portfolio assessment overview based on funding percentages

Key	In each row, the highest score is dark shaded and the second highest light shaded	5 – Strongly positive 4 – Positive 3 – Inconclusive	2 – Limited 1 – Weak n/a Insufficient information

Evaluation Question	5	4	3	2	1	n/a
Relevance of the interventions?						
1. The project is aligned with Denmark's climate change and development policies	78%	21%	0.7%	0%	0%	0.4%
2. The project responds to external partner priorities and international climate change commitments	70%	29%	0.5%	0%	0%	0.4%
Efficiency with which they were delivered?						
3. The project has been designed and structured in such a way as to maximise efficiency and deliver value for money	4%	42%	40%	7%	3%	4%
4. The project has successfully exploited synergies with other internal or external systems or programmes	2%	51%	34%	9%	0%	4%
Effectiveness in achieving the stated aims?						
5. The project has been effective in meeting its outputs and reaching its desired outcomes	2%	34%	36%	18%	2%	8%
6. The project has successfully mobilised external finance, expertise and technology (Danish and non-Danish) to support results	5%	54%	25%	3%	3%	11%
Impact from the changes that have occurred?						
7. There is evidence that the overall impact of the project has been, or is likely to be, achieved within a realistic time frame	0.2%	38%	40%	13%	0%	9%
8. There is evidence that Denmark's contribution and influence is greater than its pro rata share of funds committed	2%	25%	50%	0%	0%	23%
Sustainability of the resultant changes?						
9. The project has delivered results that are likely to have a transformative effect on, e.g., finance, policies or markets	6%	45%	31%	4%	5%	9%
10. Lessons and best practices have been identified and shared for Danish climate policy makers and wider development community	3%	40%	33%	3%	2%	18%

3.2 Relevance

Summary: There is strong evidence that the interventions assessed in the detailed portfolio evaluation are relevant to Denmark's policies and external priorities.

There is strong to moderate evidence for the statement "the intervention is aligned with Denmark's climate change and development policies and strategies" in 41 cases (98.9% of the total sample budget). There is no evidence against the statement. There is strong to moderate evidence for the statement "the intervention responds to external partner priorities and international climate change commitments" in 41 cases (99.1% of the total budget). Again, there is no evidence against the statement. (This summary is based on the results in Table 4.)

Finding 1: There is strong evidence that interventions funded through the climate change portfolio are relevant and aligned with Denmark's international commitments on climate change.

The 2010-2012 Climate Envelope represents the Danish Government's contribution to the commitment made as part of the Copenhagen Accord. The separation of approval for the climate envelope from that of mainstream development assistance finance, as stipulated in the Danish Finance Act, was intended to demonstrate the additionality of Denmark's commitments, although the envelope continues to be administered as an integral part of Danish ODA in the MFA. Denmark's continuation of climate change finance after the initial Fast Start Finance period is evidence of the operationalisation of the agreement at COP16 in Cancun. Denmark has been a supportive donor to international climate action, as demonstrated by its support to earlier interventions, as discussed in the introduction, well before the Climate Envelope was established[2].

Whether the climate envelope fulfils Denmark's commitments under the UNFCCC to provide 'new and additional' finance is difficult to assess in practice. The Climate Envelope represents only approximately 20% of Danish climate relevant ODA as reported through the OECD/DAC Rio Markers system, and the underlying volume of climate relevant funds from outside the climate envelope are somewhat variable on a year-by-year basis. However, the structural separation and ring-fencing of the climate envelope, and the decision to maintaining annual funding at DKK 500 million each year since 2012 has acted as a strong statement of public commitment to this additionality principle.

Denmark has been actively engaged in the international dialogue on climate targets, including mitigation targets. This is evidenced by consistent Danish support for the negotiations around climate finance and global agreements on financing mechanisms, which are seen as mandatory requirements for a global agreement on climate change. Similarly, the sampled portfolio included Denmark's support to regional capacity building for developing countries ahead of COP15, which brought together participants from multiple countries in Latin America, Small Island States and Africa. This is highly relevant to Denmark's commitment to building international policy dialogue and consensus.

2 Climate Finance: Annex 9, F1 and F2.

Finding 2: There is strong evidence that interventions funded through the Climate Envelope are relevant and aligned with high-level Danish national development and climate change policies and strategies.

Across the sample of interventions assessed and highlighted by the sub-evaluations, there was strong evidence of the relevance of funded interventions to Danish policies, including the 2005 Climate and Development Action Plan, which acted as the guiding policy for much of the Climate Envelope. There is alignment with more recent policies include the *Strategic Framework for Growth and Employment* (2012), the objectives outlined as part of the Green growth pillar articulated in *The Right to a Better Life* (2012), and *A Greener World for All* (2013).

Notes from the grant committee meetings for many of the sampled interventions, which summarised the goals and financial information on funded interventions, made reference to the most relevant policy to the investment. In some cases, the references are very specific: for example, the 2010 CARE Danmark Africa Learning Programme (ALP) references *the Climate and Development Action Plan* and Energy Sector Management Assistance Program (ESMAP), which references *A Greener World for All*. However, the referenced policies are not always specific. Policy references in notes from grant committee meetings are more general. For example, the documents for the support to the extraordinary sessions of negotiations in Bangkok (in the lead up to COP15) make general references to the intention of Danish climate policy and its interest in involving developing countries in a new climate agreement.

There was strong evidence that the institutions and financing modalities supported by the climate change portfolio were relevant to Danish financing priorities. This may be unintended or a result of historic investment, which was then more clearly articulated after the evaluation period. An example of this can be seen in the more recent MFA Organisational Strategy (2013-2017), which commits Denmark to supporting the World Bank and IFC. An estimated 35% of the overall portfolio was channelled through the World Bank, including support to the Climate Investments Funds (CIF), the Partnership for Market Readiness (PMR), the Energy Sector Management Assistance Program and the Forest Carbon Partnership Facility (FCPF). This support is also aligned and relevant given Denmark's commitment to be an active supporter of multilateral mechanisms and solutions to climate change, as set out in the 2013 Danish Multilateral Cooperation Analysis[3].

Finding 3: Policies guiding programming decisions were initially very broad, reflecting both the scope of the UNFCCC agenda and the political pressure to demonstrate commitment to the Copenhagen Accord. However, there is strong evidence that strategic objectives and priorities have become clearer over time.

Interventions analysed as part of the main focus of the evaluation (funded in 2010-2012) should be responsive to the *Danish Climate and Development Action Programme* (2005). Despite a separation into the Poverty and Global Frames in 2012, the Climate Envelope continued without a clearly documented strategy for the separate Frames or for the whole portfolio. The overarching objective of the Climate Envelope is to provide finance for interventions that enable developing countries to reduce emissions and adapt to climate

3 World Bank: Annex 8, F1 and F2.

change in order for them to prepare and implement a new global climate change agreement.

With such a broad objective, all interventions that cover climate adaptation or mitigation and referenced a relevant policy could potentially be considered for Climate Envelope funding. This opportunistic approach to intervention selection has resulted in a very broad portfolio of funded interventions[4]. As a result, it was a challenge for the evaluation to find an intervention that was irrelevant, as the broad definition of relevance allowed for all investments to be justified.

In the absence of clear guidance, detailed prioritisation strategy, consolidated results framework or targets to guide Climate Envelope investment decisions, the evaluation relied on the ToC that was developed in the inception phase to assess the relevance of the portfolio. All 43 interventions were assessed as relevant and aligned with the high level impacts articulated in the ToC, which is to be expected. There is further discussion on the findings of the ToC analysis and the portfolio in Section 3.7.

There is strong evidence that the strategic policy frameworks guiding Danish programming have become more detailed and strategic, as evidenced by the MCEB description of objectives within the Global Frame.

Finding 4: There is strong evidence of a focus on Danish technical expertise and priority areas in mitigation within both the Poverty Frame and Global Frame.

Denmark has been taking domestic action to address climate change. It is one of the leading nations in terms of implementation of domestic sustainable energy policy. For example, Denmark has grown its economy by 78%, maintaining the same energy usage whilst reducing CO_2 emissions (MCEB 2012a). There is strong evidence that Denmark is one of world leaders in energy efficiency, building energy efficiency and renewable energy[5].

There is strong evidence that Denmark builds on this technical expertise to inform intervention design as demonstrated by the Global Frame and Poverty Frame support to energy interventions. For example, in Vietnam, six out of the 11 interventions and 89% of the total budget have a primary focus on GHG emissions reductions[6]. Four of these interventions in particular have a strong focus on energy efficiency and renewable energy, of which three of these are part of the Global Frame while the other one is not part of the Climate Envelope.

This focus on energy efficiency is also articulated in the 2012 Danish Growth Strategy for Vietnam which seeks to intensify policy dialogue and promote specific activities in the areas of climate, energy and green growth. MFA administered interventions are, in contrast, more broadly determined through bilateral dialogue, resulting in interventions less directly oriented to Danish technology and expertise.

4 Policy: Annex 4, F3.
5 Energy: Annex 10, F6.
6 Vietnam: Annex 5, F1.

As MCEB has had programme management responsibilities for part of the Climate Envelope from 2012 onwards, most of the investments included in this evaluation were administered by MFA. However, there is strong evidence that MCEB funded interventions in China, South Africa and Mexico are directly relevant to areas of specific Danish expertise, and focus on building energy efficiency, wind deployment and grid integration of renewable energy[7].

Finding 5: There is strong evidence from Kenya and Vietnam that Danish bilateral support is aligned and relevant to national policies and strategies within partner countries, building on strong participatory inputs to design and formulation.

There is strong evidence that Danish support is country-driven and relevant to national policies. This is highlighted by the findings of the country case studies. For example, in Kenya, the 2010 National Climate Change Resilience Strategy (NCCRS) was the first Kenyan policy document on climate change. One of the prioritised objectives is '*robust adaptation and mitigation measures needed to minimise risks associated with climate change while maximising opportunities*'. The evaluation found strong evidence that Danish projects were not only aligned with the NCCRS priority strategies but also priority interventions. The Denmark-funded activities of the Community Development Trust Fund (CDTF) and Soroptomist International Kenya focus on afforestation and diversified livelihoods, which are both discussed in the National Climate Change Action Programme (NCCAP). Similarly, the Kenya Association of Manufacturers (KAM) activities respond directly to a national policy requirement for energy audits[8].

There was strong evidence that interventions supported by CARE Danmark were developed on the basis of demands from partner countries[9]. The Southern Voices intervention builds on previous support, *A stronger voice from the developing countries in the international climate negotiations* (2009-10), which responded to a demand for additional support to marginalised voices driven by the international negotiations and national policy.

There was strong evidence of the use of consultative processes within participating countries, resulting in projects that were relevant to the needs of final beneficiaries. In Kenya, all selected fast start projects involved consultation processes with their beneficiaries prior to their award, in order to understand beneficiaries' priorities for climate change interventions[10].

The World Bank has sometimes been criticised for its limited country consultation, but the programmes funded through the Climate Envelope have applied a country-led approach. The interventions under the Climate Investment Funds (Pilot Program for Climate Resilience (PPCR), Forest Investment Program (FIP), and Scaling up Renewable Energy in Low Income Countries (SREP)) are led by country strategies developed between the host government and the relevant multilateral development banks. Another World Bank Group programme, the Partnership for Market Readiness (PMR) also follows a country-led strategy with each participant receiving a grant to

7 Energy: Annex 10, F6.
8 Kenya: Annex 6, F3.
9 CARE Danmark: Annex 7, F2.
10 Kenya: Annex 6, F4.

develop country-level proposals. A survey of participant PMR countries indicated that the partnership was highly relevant to their needs[11].

The focus on in-country engagement is regarded as a strength but may also contribute to slower programme implementation. This can be observed in MCEB/Low Carbon Transition Unit (LCTU) interventions in South Africa and Mexico where the search for partnerships and formalisation of the agency-to-agency approach have slowed implementation.

3.3 Efficiency

Summary: There is moderate evidence that the individual interventions assessed in the detailed portfolio evaluation are efficiently structured and managed, and successfully exploited synergies. However, the picture is mixed, with some evidence against.

There is moderate to strong evidence for the statement that "the intervention has been structured and managed in such a way as to maximise efficiency and deliver value for money" in 21 cases (46.5% of total sample budget) but inconclusive evidence in 16 cases (39.6% of total budget). There is moderate to strong evidence for the statement that "the intervention has successfully exploited synergies with other internal or external systems or programmes" in 25 cases (53% of total budget) but inconclusive evidence in 13 cases (33.9% of total budget). There was also moderate evidence against both statements in some cases (6.9% and 9.3% of total budget respectively). (This summary is based on the results in Table 4.)

Finding 6: The process of formulating, programming and approving activities under the Climate Envelope is subject to delays. Once approved, however, there is evidence that intervention and programme funds are disbursed in a timely fashion. Recent efforts to improve the efficiency of Climate Envelope processes are having positive results although institutional arrangements within the Danish Government may have slowed progress.

The process of formulating activities under the Climate Envelope during the period of evaluation (2010-2012) was generally subject to delays, with funds and interventions being approved late in each given year. This was particularly true in the early years of the Climate Envelope where MFA and MCEB, like other donors, were under pressure to develop a funding pipeline while struggling to establish an appropriate management structure. Reasons for the slow approval processes include difficulties in the institutional relationship between MCEB and 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 interventions within the Envelope demanding a high level of administrative inputs[12]. The 2015 Climate Envelope is expected to be approved in September 2015.

11 World Bank: Annex 8, F3.
12 Policy: Annex 4, F5.

There is some evidence that the development of a coherent approach to climate finance has been hampered by the institutional arrangements around the Climate Envelope[13]. Staff and expertise are dispersed across institutions. The separation of administrative and technical roles for Global Frame interventions between MFA and MCEB has been positive; it has also resulted in some additional requirements and may contribute to a lack of clarity in terms of oversight and governance. For example, there is a lack of clarity over roles that fall between technical and administrative functions, such as preparing ToR.

This lack of clarity impacts Global Frame interventions more significantly, where administrative and technical management is split between the two ministries, which could contribute to a potential gap in terms of responsibility for grantee management, reporting, feedback and follow up[14]. For example, MCEB and the Danish Energy Agency (DEA) seem to be leading on the governance of some Poverty Frame initiatives (*e.g.* the Partnership for Market Readiness (PMR) with limited evidence of administrative oversight within MFA. For the Global Climate Partnership Fund (GCPF), which had been funded by both Poverty and Global Frame, it was not clear to the evaluation which institution was taking the primary lead role.

The number of climate finance initiatives funded has created a significant staff demand in terms of oversight. There is some evidence that the mismatch between the number of interventions funded and available dedicated staff is preventing Danish government officers from engaging fully during programme implementation, with contact often restricted to annual governance or board meetings. The funding arrangements for MFA's administration of the Climate Envelope are opaque. It should be noted that efforts have been made by both MFA and MCEB to improve the efficiency of the process over time.

Denmark has been generally efficient in its disbursement of funds once interventions have been approved. Funds have been disbursed by MFA to external climate finance initiatives in a timely and efficient manner. The majority of disbursements from the embassy to the Fast Start Climate Change Programme grantees in Kenya were made in a timely fashion[15]. Disbursements in Vietnam were found to be less timely, although exceptions were noted[16].

Partners appreciate the reliability with which Denmark applies to its commitments. This helps to support the continuity of project work and avoids stop-start cycles of activity that can dramatically reduce efficiency in 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.

13 Finance: Annex 9, F7.
14 Finance: Annex 9, F7.
15 Kenya: Annex 6, F6.
16 Vietnam: Annex 5, F3.

Finding 7: The lack of financial data coupled with the lack of assessment of resources used by outcome, whether through value for money (VFM) analysis, cost benchmarking, or partner selection, makes relative performance very difficult to measure. There is some evidence that Climate Envelope interventions offer VFM, but the picture not consistent.

The World Bank uses standardised charge rates for multi-donor trust funds and it is not usually possible for individual donors to negotiate. These rates are regularly benchmarked by the World Bank and the cost base forms part of the ongoing discussion between shareholders, donors and the executive. One of the main reasons that Denmark used the World Bank to implement many Climate Envelope interventions is its ability to achieve economies of scale and management efficiencies. However, there is little evidence to suggest that other programming options were considered as alternatives to World Bank programmes[17].

In respect of the Climate Investment Funds (CIFs), they remain the largest climate funds in the world. MFA staff report the facility offered the only realistic opportunity to follow through on Denmark's commitment to the Fast Start period and to scaling up climate finance. However, the CIFs have offered efficiencies: a shared secretariat for the Pilot Program for Climate Resilience (PPCR), Forest Investment Programme (FIP) and Scaling up Renewable Energy in Low Income Countries (SREP) has allowed a level of cost sharing that would normally be supported through separate administrative structures. Likewise, the transfer of the Small Island Developing States (SIDS) DOCK programme management to the Energy Sector Management Assistance Programme team has allowed for some operational efficiencies between these two programmes. The Partnership for Market Readiness offers donors a centralised technical assistance platform allowing the sharing of costs.

Denmark has generated efficiencies by providing multiple tranches of funding to the large climate funds. This has helped improve management efficiency in terms of avoiding additional design and oversight costs associated with new programmes. For example, this has been the case with PPCR, FIP, Danish Climate Investment Fund (DCIF), and Global Climate Partnership Fund (GCPF). In some cases, Climate Envelope funds have been blended with other environmental funds (*e.g.* DCIF), thereby creating funding synergies[18].

The evaluation found limited evidence that alternative delivery-partner options were considered from a value for money perspective when selecting the interventions implemented by CARE Danmark (Southern Voices and Adaptation and Learning Programme for Africa, or ALP). While they were subject to proper appraisal processes, the choice of partner appears to have been made on the basis of strong existing relationships between MFA and CARE Danmark. ALP arose from an unsolicited proposal sent by CARE Danmark to MFA. CARE Danmark offered a relatively straightforward opportunity to engage on community level climate change issues, support civil society advocacy and promote the adaptation agenda in both developing countries and at international negotiations[19].

17 World Bank: Annex 8, F5 and F6.
18 Finance: Annex 9, F6.
19 CARE Danmark: Annex 7, F3 and F4.

CARE Danmark interventions have been managed in a cost-efficient manner. Despite some delays, funds have now been fully disbursed, and the use of no-cost extensions has allowed for smooth transition between funding. The interventions have efficiently made use of a broad range of international networks to provide wide geographical coverage at low cost using a small grants structure. Adaptation Learning Programme (ALP) has in particular made effective use of funds through using a network structure (with an expert hub in Nairobi) to cover four countries of focus. This implementation structure is being replicated for the extension of ALP.

In Vietnam, project documents provide scant information on specific reasons for the selection of management or implementation modalities. There is evidence to suggest that most structures are used either because they functioned well in the past; or because they are determined by the implementation partner organisation[20].

A somewhat positive picture emerges from Kenya, where VFM criteria were implicit during the selection of partners and VFM assessments were applied after the implementation of the grants. For example, the embassy commissioned a VFM assessment (undertaken by Orgut) of a selection of interventions from 2010 to 2011 through the Fast Start Climate Change Portfolio (FSCCP, used specifically for Kenya). The interventions demonstrated very good VFM[21]. However, VFM issues have arisen with some partners in the second phase of funding, related to lower than expected efficiency related to call for proposal processes.

In the design stage of Climate Envelope interventions, appraisal teams are not required to compare a range of potential implementation modalities when considering how best to achieve a strategic outcome. Therefore, the somewhat inconsistent picture that emerges from the examples given above is unsurprising.

Finding 8: There is strong evidence that Danish bilateral support is complementary to the ongoing work of other donors and nationally led activities in-country. There was some evidence of linkages between Danish-funded interventions and the portfolios of partner institutions. However, no evidence was found of a strategic approach to identification of synergies between implementing partners or across the Climate Envelope portfolio.

In Vietnam, the evaluation noted a high level of coordination between Danish-funded Climate Envelope interventions and non-Danish partners working on similar activities. Concrete examples include the UN-REDD programme (with many non-Danish partners), Southern Voices, International Work Group for Indigenous Affairs (IWGIA) (co-financing with non-Danish partners), Mangroves for the Future (working with Oxfam, among others), close collaboration between Low Carbon Energy Efficiency programme activities and the International Finance Corporation (IFC) (on the implementation of the energy efficiency building code), as well as with the Swiss (on the financial mechanism), United Nations Development Programme (UNDP) (building on results of previous UNDP support to the sector), and with USAID.

20 Vietnam: Annex 5, F3.
21 Kenya: Annex 6, F7.

There is some evidence of synergies between Danish funded interventions in Vietnam, including in particular the Climate Change Adaptation and Mitigation programme (CCAM) and Low Carbon Energy Efficiency programme (LCEE). The latter was strongly guided by the former, the same programme officer in the embassy of Denmark in Hanoi manages the two programmes, and there are plans to employ a joint monitoring and evaluation (M&E) officer for both programmes[22]. Likewise, the UN-REDD intervention and the IWGIA intervention provide complementary support; with Centre for Sustainable Development in Mountainous Areas (CSDM) providing the capacity and advocacy needed to increase participation in the REDD+ process, with the UN-REDD intervention supporting the overall framework for the operationalisation of the REDD+ process[23].

There is evidence that Danish interventions in Vietnam are not and never were a coherent 'programme'. Mostly, they operate independently and are implemented by a broad array of unconnected partners. Examples of interventions where increased coordination might have been beneficial include the Climate Resilient Shrimp Production project under CCAM and the mangrove-shrimp poly culture project that Mangroves for the Future is working with. There was a surprisingly low level of awareness of many in-country partners of the United Nations Environment Programme-Danish Technical University (UNEP-DTU) activities, despite their relevance to other projects.

In Kenya, good donor coordination between interventions was evident. Funding for the Africa Enterprise Challenge Fund-Renewable Energy and Adaptation to Climate Technologies (AECF-REACT) grant was pooled with funding from DFID, the Swedish International Development Cooperation Agency (Sida) and the Netherlands. This enhanced management and reporting efficiencies, though reduces opportunities to attribute results to Danish funding. Under CARE Danmark, Danish funding was pooled with funding from Finnish Aid, DFID and the Austrian Government, generating similar efficiencies.

In Kenya, there was some evidence of synergies within the portfolio of interventions funded. For example, there were linkages between Kenya Association of Manufacturers (KAM) and Business Sector Programme Support (BSPS) II on resource audits and linkages between AECF-REACT and Community Development Trust (CDTF) in one project in Baringo, where an energy producing private company was receiving financing from AECF-REACT and the suppliers (community) were being supported for delivery of raw material (biomass) by CDTF. However, synergies between these interventions, with respect to the development of energy efficiency technologies, could have been enhanced. Enterprises funded through the Climate Innovation Centre would have benefitted from an initial linkage with KAM to improve understanding of relevant energy-efficiency technology designs[24].

There was limited evidence to demonstrate that activities financed through the World Bank have achieved synergies with other Climate Envelope interventions. A notable exception is the Forest Investment Programme, which has increasingly aligned its operations with the work of UN-REDD and the Forest Carbon Partnership Facility. These programmes are increasingly supporting country level alignment.

22 Vietnam Annex F4.
23 Vietnam: Annex 5, F4 and F5.
24 Kenya: Annex 6, F8.

3.4 Effectiveness

Summary: Evidence that the interventions assessed were effective in achieving outputs and outcomes is inconclusive. However, there is moderate evidence that the financial resources required for the interventions are being effectively mobilised.

There is moderate to strong evidence for the statement "the intervention has been effective in achieving its outputs and reaching its desired outcomes within the project timeframes" in 16 cases (35.4% of sampled total budget) but evidence is inconclusive in 15 cases (36.3% of total budget). There is moderate to strong evidence for the statement "the intervention has successfully mobilised external finance, technology and expertise to support the achievement of results" in 26 cases (58.2% of total budget) but evidence is inconclusive in 10 cases (24.8% of total budget). There is also moderate to strong evidence against both statements in some cases (21.7% of total budget). (This summary is based on the results in Table 4.)

Finding 9: There has been good progress towards achieving planned intervention outputs, with a few exceptions. However, assessing achievement of outcomes is not easy, partly due to inadequate monitoring and reporting, but also because many investments are still too young to produce their intended outcomes.

At output level, there was strong evidence of positive results achieved at many levels across the portfolio. In Vietnam, the following outcomes have been achieved from interventions funded by the Danish climate portfolio[25]:

- Elements of the UN-REDD programme have been highlighted as a 'success story' internationally. It is one of the few countries to progress from "getting ready for REDD" to implementation, and moved to Phase 2 in 2013. The first phase has made significant progress towards establishing REDD+ readiness architecture, including REDD+ Action Plan and MRV framework.

- Despite the relatively small amounts of funding allocated to civil society, important results have been generated. The Climate Change Working Group (CCWG) or Southern Voices have made important in-roads in its ability to network, advocate, and influence. CCWG is now considered to be an active multi-stakeholder working group on climate change in the country.

- Centre for Sustainable Development in Mountainous Areas (with Climate Change Partnership support) is now a member of the executive board for the national REDD+ programme, and this is considered to be a significant development, given the sensitivity of discussion surrounding indigenous peoples (ethnic minorities) in Vietnam. The Climate Change Partnership support has also enabled CSDM to prepare for REDD+ partnerships on the ground in community forests.

- Good progress was noted on the two Nationally Appropriate Mitigating Actions (NAMAs) supported by the Facilitation Implementation and Mitigation Readiness (FIRM) project. There is a plan to achieve the target of 5% renewable energy share of the total national commercial primary energy. The monitoring, reporting and

25 Vietnam: Annex 5, F7.

verification (MRV) frameworks for the two NAMAs are developed and there are efforts being taken to identify possible sources of funding.

Similarly, in Kenya, most interventions financed by Climate Envelope (2010-2011) were effective in delivering outputs, and to some extent, immediate outcomes. Projects in Phase 2 are still being implemented. Successful outputs and outcomes include:

- CARE's Adaptation Learning Programme (ALP): The Garissa County Integrated Development Plan has integrated the participatory scenario planning introduced by the programme for forecasting and adaptation planning. The participatory scenario planning is now being rolled out across all counties in Kenya.

- Community Development Trust: Electricity consumption has been reduced by 75% due to solar installation by Kisauni Polytechnic, which has resulted in over 90% savings on monthly bills; firewood consumption has been reduced by 60% in over 200 homes due to the use of improved energy efficient cook stoves. With respect to adaptation, the construction of sand dams has resulted in increased water harvesting and availability of irrigated water in some areas.

- International Work Group for Indigenous Affairs: Communities have been empowered to make more informed decisions, for example women groups de-stock early and save money to buy animals after a drought. Changes in attitude and behaviour with respect to deforestation had been noted, resulting in forest regeneration, increase in water supply and reduced conflicts in Loita. Food security has improved due to a switch to using irrigation in the dry season, as opposed to relying on rain fed agriculture.

- Kickstart International: On average, 354 households (against a target of 200 set in the proposal) experienced increased income of about USD 350 during the 12 months of using the "money-maker" pump, which they have purchased as a result of the layaway financial platform. 222 households had finished paying for the pump and were using it by the end of the project. They grow higher value crops more often and have better access to markets all year round than compared with rain fed crops.

However support to AECF-REACT resulted in less positive outcomes. As 80% of the companies that received support were start-up companies, and of the seventeen contracted, only four solar system companies are delivering outputs. The rest have been terminated or considered unlikely to achieve targets[26].

Interventions managed by CARE Danmark have been effective in achieving outcomes. The mid-term evaluation of Southern Voices Programme (SVP) found that the networks involved in the programme had increased their advocacy capacity and were engaging with national governments on climate policy and finance issues.

26 Kenya: Annex 6, F9.

The most recent annual review by DFID gave the Adaptation Learning Programme (ALP) the second highest rating possible, noting that the programme had achieved many of its targets ahead of schedule and that it was on track to meet its target number of beneficiaries. ALP has been particularly successful in piloting community-based adaptation approaches and has demonstrated some success in the upscaling of these models for adoption in national policy. These successes include the adoption of the participatory scenario planning models in Kenya and the integration of Community Based Adaptation into local development plans in Ghana[27].

The World Bank Group has received positive evaluations from DFID's Multilateral Aid Review (2011), and in the 2012 Multilateral Organisation Performance Assessment Network assessment, of which Denmark is a member. MFA also undertook multilateral cooperation reviews in 2012 and 2013, which assessed the World Bank as one of the most relevant and effective institutions receiving Danish funding. Nevertheless, programmes financed through World Bank have been relatively slow in implementation. There has been a strong focus on upstream preparatory work and pipeline development, resulting in a lack of tangible downstream results. For example, by late 2014, the Pilot Program for Climate Resilience had only disbursed USD 60.7 million from total programme commitments of USD 1.2 billion. This has been primarily a result of delays in presenting projects and country investment plans for approval. World Bank programmes are beginning to report on outcomes, but these are currently either related to policy development or to expected outcomes that will occur during investment stage or during country level implementation[28].

The effectiveness of large climate finance initiatives in achieving outputs and outcomes is difficult to measure due to the long timescales required for pipeline development and investment approval. The lengthy process of developing country investment plans and pipelines has slowed progress. For example, by late 2014, Scaling up Renewable Energy in Low Income Countries (SREP) had approved projects totalling USD 136 million (17% of pledges), but had made disbursements of only USD 10 million. As interventions are not yet implemented, outputs are still expected, but not achieved. For example, SREP expects to deliver 524 MW of clean energy capacity and 5 million people with improved access to energy. The 2014 independent evaluation of the Climate Investment Funds identified these challenges (the slow progress of implementation and the lack of transformational outputs).

Progress has been quicker in some cases. For example, by the end of 2014, the Global Climate Partnership Fund had disbursed USD 160 million of sub-loans that were delivering lifetime savings of 15.9 million MWh of energy savings and more than 5.6 million tCO_2e in greenhouse gas emission reductions[29].

There is evidence that the China programme is very effective. This is demonstrated by the strengthening of the Chinese National Renewable Energy Centre (CNREC), a research unit that is now embedded in the national energy research and decision making infrastructure and has a strong reputation in country[30].

27 CARE Danmark: Annex 7, F7.
28 World Bank: Annex 8, F9 and F10.
29 Finance: Annex 9, F9.
30 Energy: Annex 10, F10.

Finding 10: The effectiveness of the climate portfolio has been affected by the institutional arrangements, with both positive and negative consequences arising from the structure.

The Poverty Frame and the Global Frame have different purposes as defined by the Finance Act, and thus different geographical foci. The split of the Climate Envelope and the introduction of the separate Global and Poverty Frame structure have resulted in some positive outcomes, such as the improved institutional relationship between MCEB and MFA (by effectively separating responsibilities and providing a level of autonomy to MCEB in programming choices)[31]. This reflects an implicit decision by MFA not to seek to influence the Global Frame programming in the interests of efficiency and timing. The split has allowed a focus on middle income countries, which are more relevant from a mitigation perspective. It has also helped to engage sector expertise from MCEB and its agencies (in particular DEA), and to leverage Danish climate change and energy competencies for development interventions. 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 difficulties and delays in agreeing the annual portfolio have sometimes led to expedited approval and appraisal processes, caused by both timing and political pressures. This may have resulted in rushed design and selection of interventions (for example GGGI, SIDS DOCK and South Africa), which then required further engagement or remedial intervention to ensure their eventual successful implementation.

The split into two Frames has also created some structural challenges that impact the effectiveness of the portfolio. These include barriers to developing a coherent strategy for the Climate Envelope, reduced opportunity for cooperation, knowledge sharing and communication, and the increased difficulties in planning a balanced portfolio. The effective operation of the current system relies on political goodwill and personalities. It also limits the ability to develop interventions that apply a holistic approach to mitigation and adaptation. It should be recognised that despite the lack of an overarching strategy, respondents report increasing cooperation and joint funding between the two Frames, including co-financing of the Green Climate Fund among others.

Denmark continues to provide significant volumes of climate relevant development assistance outside the Climate Envelope, including substantial sums from the environment sector. However, the structural separation of the Climate Envelope from mainstream development assistance (and the separation of the Global and Poverty Frame) may have made mainstreaming of climate change in development assistance more complex[32].

31 Policy: Annex 4, F8.
32 Policy: Annex 4, F8 and F9.

Finding 11: Evidence for effectiveness in leveraging[33] additional finance is mixed and no consistent picture emerges.

In Kenya, Denmark works with a range of partners for joint funding of interventions, including DFID and the Netherlands on the financing of Africa Enterprise Challenge Fund-Renewable Energy and Adaptation to Climate Technologies (AECF-REACT) and with DFID, Austria and Finland in the Adaptation Learning Programme (ALP). All grantees in Kenya, except Soroptimist International, Kenya demonstrated evidence of successfully leveraging additional funding from other donors once they received Fast Start Financing, which served as catalytic funding[34]. While Denmark was the originator of ALP, DFID was the first and largest investor. Finland and Austria have made additional contributions[35].

Some of the interventions in Vietnam have demonstrated evidence of leveraging limited amounts of additional funding for specific activities. Facilitation Implementation and Mitigation Readiness has created incentives to encourage local banks to provide credit lines to partners interesting in implementing National Appropriate Mitigation Actions (NAMAs). The Swiss Development Cooperation provided additional financing to the Climate Change Partnership between International Work Group for Indigenous Affairs (IWGAI) and Asia Indigenous Peoples Pact (AIPP), enabling the integration of Cambodia in the partnership. However, it is important to note that significant leveraging for scaling up or expanding objectives has not occurred[36].

While CARE Danmark's Southern Voices Programme has not attempted to leverage additional finance, but has made good use of networks to leverage results. The Southern Voices Programme is implemented by a geographic and thematic network of four Danish civil society organisations (CSO), two international CSOs and 18 regional networks. The mid-term evaluation recognised that the increase in activities was a result of this approach[37].

Through its climate finance investments, Denmark has provided strong and consistent support to the international climate finance architecture, and those funds supported have successfully mobilised significant volumes of co-finance. For example, by the end of 2014, the Climate Investment Funds (CIFs) supported by Denmark had successfully mobilised more than USD 2.4 billion of donor funds for direct investment in climate related projects and investments. The Green Climate Fund (GCF) remains under development and is only expected to be fully operational in late 2015. There are already pledges in excess of USD 10 billion, of which Denmark has pledged and committed approximately USD 70 million[38].

33 The leveraging effect of Danish investment in climate funds depends on how the concept of leverage is defined. In this context, the term is used to describe any form of finance that is contributed by other organisations as a direct result of a Danish contribution.

34 Kenya: Annex 6, F11.

35 CARE Danmark: Annex 7, F8.

36 Vietnam: Annex 5, F8.

37 CARE Danmark: Annex 7, F7.

38 Finance: Annex 9, F8.

The World Bank programmes have a strong focus on co-finance and leverage is a key outcome indicator[39]. For example, Pilot Program for Climate Resilience (PPCR) reports co-finance of 1.6:1 in terms of additional finance to programme funds, with Scaling up Renewable Energy Program reporting up to 8:1 as a leverage ratio. In addition to pilot country governments and Multilateral Development Banks, major co-financing partners to the PPCR include: Bill and Melinda Gates Foundation, Global Facility for Disaster Risk Reduction, Global Agriculture and Food Security Program, Global Environment Facility, Global Disaster Risk Reduction Facility, and bilateral partners from Australia, Korea, Norway and the United Kingdom.

However, the largest co-financing partner for Climate Investment Fund (CIF) interventions are the Multilateral Development Banks (MDB), consistent with the CIF mandate to build on existing or planned MDB operations and to use CIF resources to further enhance these operations beyond business-as-usual. Most CIF operations are blended or support an on-going MDB project, and it is not clear how much might be properly classified as additional leverage.

Many of the climate finance initiatives report strong mobilisation and leverage effects, but there is no clear picture on what leverage means or how it should be measured[40]. Denmark had early success in mobilising private climate finance through the Danish Climate Investment Fund (DCIF) by attracting four major private sector investors. The DCIF has mobilised DKK 775 million from MFA and DKK 225 million from the Danish Investment Fund for Developing Countries, and expects to take positions in projects with a value of between DKK 8 and 9 billion. Other examples of funded instruments targeting leverage include the Green Climate Partnership Fund (GCPF), which expects to leverage private capital by a factor of up to 5:1, and the Energy Savings Insurance Instrument (ESI), which aims to overcome key financing barriers encountered by companies when investing in energy efficiency measures.

Finding 12: There are good examples of application of Danish expertise, technology and know-how, but these tend to be the exception rather than the norm.

There is limited evidence that Danish-based research, civil society and commercial capacity is 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 testing a model to align Danish core strengths with the needs of partner countries. Danish governmental expertise is housed within this unit, which is responsible for coordinating expertise from other groups, such the meteorological service. This is an effective approach for transferring Danish public sector expertise in the energy sector through bilateral programmes. The Danish Government is reviewing it as a potential model for other forms of bilateral cooperation[41].

Cooperation with the Danish commercial community is opportunistic, with some involvement of Danish technology and consultancy support particularly in the bilateral energy programmes. Internally there is pressure to include Danish industry and support markets for Danish companies. The China programme has one component for Chinese-

39 World Bank: Annex 8, F11.
40 Finance: Annex 9, F11.
41 Policy: Annex 4, F10.

Danish pilot projects to showcase Danish technologies[42]. The Danish Climate Investment Fund (DCIF) has made an explicit commitment to support interventions where there is Danish commercial participation and has attracted a number of Danish institutional investors. Elsewhere, UNEP DTU is leading a consortium providing inputs to Energy Sector Management Assistance Programme (ESMAP) support to Renewable Energy Resource Mapping Initiative (wind).

However, while there are natural areas of promotion, particularly in areas of core competencies, it is important to note that export promotion alone cannot support greater use of Danish commercial expertise. Large Danish companies tend to manage their own commercial diplomacy, or engage directly with the MFA and Danish embassies where support is required. There is little evidence from two countries evaluated that the climate change portfolio has delivered commercial opportunities to Danish companies at scale.

In Vietnam there do not seem to be any efforts underway to involve Danish private sector with the Facilitation Implementation and Mitigation Readiness (FIRM) or NAMAs, although both are in sectors with a high level of Danish expertise (wind and pig waste. However, Danish companies have not had a significant presence in Vietnam to date. In contrast, there are numerous examples of engagement with non-Danish third party regional and international expertise[43]. In Kenya, the Danish embassy did attempt to promote Danish expertise in energy but this was found to be too expensive. The partner organisations (KAM and AECF-REACT) sourced cheaper expertise within the region or from India[44].

The Danish Civil Society Organisation (CSO) community feels increasingly separated from the work of the Climate Envelope, due to both the introduction of the new separate Civil Society in Development (CISU) climate funding mechanism for Danish CSOs, the emphasis on large scale energy and green growth programmes and the decentralisation of programming and budgets to Danish embassies[45]. This has both reduced the opportunity for direct access to relevant ministries and made it more difficult to help developing country CSOs access finance and support. 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.* Sustainable Energy for ALL (SE4ALL) hub.

3.5 Impact

Summary: Evidence that the interventions assessed in the detailed portfolio evaluation were likely to achieve impact within a realistic timeframe is inconclusive. Evidence that Denmark's influence is greater than its pro rata share of funding is also inconclusive. In both cases, however, there are some positive signs.

There is moderate evidence for the statement "the overall impact of the intervention has been, or is likely to be achieved within a realistic timeframe" in 17 cases (37.7% of the total sample

42 Energy: Annex 10, Box 1.
43 Vietnam: Annex 5, F9.
44 Kenya: Annex 6, F10.
45 CARE Danmark: Annex 7, F11.

budget); and inconclusive evidence in 16 cases (40.5% of total budget). There is evidence against the statement in three cases (9.1% of total budget). There is moderate to strong evidence for the statement "there is evidence that Denmark's contribution and influence is greater than its pro rata share of funds committed" in 12 cases (27.3% of total budget). Evidence is inconclusive in 14 cases (49.8% of total budget), but there is no evidence against this statement. (This summary is based on the results in Table 4.)

Finding 13: Given the relative immaturity of the Climate Envelope, it is too early to say what sort of long-term impact has been achieved, or has the potential to be achieved.

The evaluation found limited evidence of the achievement of the longer-term impact of the climate change portfolio. This is to be expected given the immaturity of interventions and the number that are piloting new approaches, which can take a longer time to result in change.

Where bilateral projects have been completed, there are signs of promising impacts. For example, In Vietnam, only five of the ten interventions were completed, representing only 31% of country funding. However, for the completed interventions, there has been some early evidence that impact will be achieved. This is particularly true for UN-REDD, whose intended impact was to make Vietnam ready for REDD implementation by 2012 through the establishment of systems, capacities and economic incentives for the conservation of forest carbon stocks[46]. While access to potential carbon payments was an initial incentive, there have been other benefits, including increased awareness of REDD related issues and integration of these issues into socio-economic development plans. However, there have been some concerns raised in the country progress reports about the long-term impact, including the lack of sustained capacity in government. In Kenya, the KAM energy audits in Kenya have led to savings in energy, a reduction in CO_2 emissions and potentially more profitable companies[47]. These energy efficiency savings are scalable and could ultimately have an impact at national level.

In the World Bank portfolio, it is too early to see concrete evidence of the long-term impact of the programmes. However, there are early indicators of positive impacts related to policy and market level changes. For example, there is evidence that the Partnership for Market Readiness has successfully influenced political will and enhanced local capacities in a clear, direct and innovative way that responds to national demand[48].

In the CARE Danmark sub-evaluation, limited evidence of long-term impacts achieved by the interventions was found. For example, in the Southern Voices Programme, the mid-term review recognised that while there had been success in building advocacy capacity, there was less success in influencing climate change policies to benefit poor and vulnerable people[49]. This is in part due to the lack of in-country capacity by the partner countries, as well as the slow pace of the international negotiations and associated finance mechanisms that could generate incentives to improve inclusive policy making.

46 Vietnam: Annex 5, F10.
47 Kenya: Annex 6, F12.
48 World Bank: Annex 8, F13.
49 CARE Danmark: Annex 7, F10.

Finding 14: Evidence for the effective use of monitoring and evaluation (M&E) systems is mixed. Danish institutional partners are making good use of logical frameworks and M&E systems. Many Climate Envelope interventions have M&E frameworks, but most are not applying them effectively and associated indicators are not being measured. There is strong evidence that impacts are poorly articulated and robust measurement of common impact indicators is absent. The Climate Envelope does not benefit from an overarching results framework, which makes evaluation challenging.

The evaluation found that the quality of the monitoring and evaluation systems varied significantly between interventions, often dependent on the quality of systems in use by each implementer. There was strong evidence to suggest that improvements could be made to better operationalise M&E systems to ensure that results across the portfolio are captured effectively.

Every intervention included in the Vietnam evaluation (except the first phase of the Low Carbon Transition Unit) had a reasonably well-developed results framework with defined outputs, outcomes, and sometimes, impacts, as well as associated indicators. However, there was some evidence that these M&E systems are not properly implemented and progress against these indicators was not usually reported during implementation. For example, the MFA-financed component of the Mangroves for the Future intervention has a logical framework with indicators that are not reported. The June 2014 review noted that progress reporting does not effectively document progress towards objectives.

In Vietnam, two interventions, including the support to Facilitation Implementation and Mitigation Readiness (FIRM), rely partially on outputs of government monitoring systems. While it is planned that effective monitoring of greenhouse (GHG) emissions will be reported, current FIRM reports are activity based. For the Low Carbon Energy Efficiency (LCEE) programme support, there has been more of an effort on ensuring a monitoring system of GHG emissions reductions. This is also linked with a more recent focus at the MCEB (LCTU) central level on developing a central indicator set. This aims to aggregate information across all LCTU interventions into a set of realistic, measurable and applicable indicators, which could then be adapted at the country level.[50]

In Kenya, the evaluation found that the absence of an overarching M&E framework for the Climate Envelope resulted in difficulty in synthesising outcomes and impacts. Instead the embassy relied on the outputs of partner M&E systems. The quality of these outputs is varied and in cases where Danish support was part of bigger programmes financed by other partners, such as Community Development Trust Fund (CDTF) or Africa Enterprise Challenge Fund-Renewable Energy and Adaptation to Climate Technologies (ACEF-REACT), there was no specific reporting framework to capture the impacts of the Danish contribution[51]. It should be noted, however, that there was strong evidence that the Danish embassy in Kenya has been supportive of improving monitoring and evaluation systems applied by partners, including financing the design of a system for the National Climate Change Action Programme (NCCAP).

50 Vietnam: Annex 5, F6.
51 Kenya: Annex 6, F13.

CARE Danmark has made good use of results frameworks and evaluations. It has reported against the logical framework on an annual basis, and in the case of ALP has been subject to an annual review by DFID. Although the programmes do not have longer term-ex-post impact monitoring structures, this form of longer-term support has allowed for better outcome and impact assessment than is possible with one-off initiatives[52].

The World Bank makes extensive use of results frameworks and Denmark is active in pushing for improvements. At an institutional level, Denmark uses the World Bank Scorecard to report progress on a number of indicators, of which a small number are relevant to climate change (*e.g.* emission reductions per year). Denmark has also been active in pushing for the improved results frameworks and monitoring within World Bank interventions.

In Kenya, as there were no requirements for interventions to conduct impact assessments, the evaluation found limited evidence of systems for effective *ex-post* impact assessments. Impact assessments were planned for only three of the nine institutions funded through the Fast Start Climate Change Programme[53]. A similar picture emerges from Vietnam, where only the Climate Change Partnership intervention had some form of impact evaluation[54]. Similarly, there was limited evidence of plans for *ex-post* monitoring to assess the transformational effect of World Bank interventions[55].

No overarching indicator framework had been developed or applied to the Climate Envelope during design or implementation. The lack of overall portfolio level indicators and methodologies has created inconsistency in indicator application. For example, within the portfolio in Kenya this has limited meaningful aggregation or comparison of impact across the portfolio.

The evaluation found strong evidence to suggest that it will be a challenge to measure impact without improvements to M&E systems. For example, it is not currently possible to measure one of the key impacts of the Climate Envelope, contribution to the reduction in GHG emissions. However, the situation is changing. MCEB have produced a draft criteria framework in order to start a process of measuring progress in climate mitigation, so improvements in M&E are expected for Global Frame interventions.

Finding 15: There is strong evidence to support Denmark's approach to building on existing relationships and use of phased funding with the aim of improving the likelihood of longer term impacts.

Most interventions focus on capacity building, policy development and institutional support, where the speed of implementation is typically slow. Much of the portfolio sampled has built on previous interventions funded by Denmark and other partners, suggesting that Denmark's approach is to build on existing relationships to increase impact.

52 CARE Danmark: Annex 7, F6 and F9.
53 Kenya: Annex 6, F13.
54 Vietnam: Annex 5, F10.
55 World Bank: Annex 8, F13.

The Vietnam evaluation provides ample evidence to support this finding. For example, the United Nations Environment Programme-Danish Technical University (UNEP-DTU) intervention builds on previous funding phases and existing Danish relationships with Ministry of Natural Resources and Environment (MONRE) since 2001. Similarly the Southern Voices support in Vietnam evolved from an earlier phase of support[56]. This is echoed by evidence from Kenya, where Danish funding for Community Development Trust Fund (CDTF) builds on previous support through the past natural resource management intervention in country. Similarly, Denmark has also built strong relationships with the Ministry of Environment, Water and Natural Resources who are current partners. In China, Denmark has been providing support to the CNREC since 2005 and it has developed through three phases of support. The institution is now a stable, almost self-funding institution that is an important and effective partner to the Chinese Government[57].

There was also some strong evidence of improved intervention design as a result of the incremental funding approach. For example, the CARE Danmark evaluation found that by delivering long-term funding through multiple phases, long-term impact can be tracked in a way that is not possible in more discrete interventions. In particular this applies to developments in government policy and processes on adaptation. The final evaluations effectively become a mid-term corrective evaluation for the next phase of funding[58].

Finding 16: There is some evidence that Denmark has been successful at influencing international policy agendas and multilateral processes in areas of Danish expertise.

The evaluation found some evidence of success in influencing policy objectives and agendas, and in particular in thematic areas of strength and technical expertise within either MFA or MCEB. While there are a few examples, one particular success is the Energy Sector Management Assistance Programme (ESMAP), where the development of an agenda on sustainable energy and fossil fuel reform is a result of significant and timely engagement by both MFA and MCEB staff. Denmark has had influence over ESMAP, as it is one of the two largest donors and participates in ESMAP's consultative group, which is the formal channel for reporting and monitoring. It is an active partner, together with the UK, in setting ESMAP's agenda[59]. Secondment of MFA staff to work for UN-REDD also had a positive effect. Denmark has actively promoted the reform and streamlining of Climate Investment Funds results frameworks within the annual governance meetings. Denmark shares a seat with other donors, including in the overall Strategic Climate Fund trust fund committee, as well as on several sub-committees, include Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR) and Scaling up Renewable Energy Program (SREP)[60]. There are also examples of active Danish engagement on the board of the Green Climate Fund and the NAMA Facility.

The independent review of the Third World Bank Organisational Strategy found that Denmark's influence on the Bank Group is more than would be expected based on its financial contributions, which in relation to other donors remains relatively small.

56 Vietnam: Annex 5, F2.
57 Energy: Annex 10, F16.
58 CARE Danmark: Annex 7, F9.
59 World Bank: Annex 8, F14.
60 Policy: Annex 4, F12.

This is supported by evidence from programme managers, who cited that Denmark's influence was enhanced by its focus on a selected list of development considerations, including gender and indigenous peoples. Apart from ESMAP, there was limited evidence to suggest that Denmark had a significant influence in promoting consensus on the World Bank's approach to renewable energy.

There is some evidence to suggest that Danish policy has not been sufficiently nuanced to provide added-value or thought leadership to international processes and multilateral arrangements. In multilateral platforms there was evidence to suggest that Denmark was only moderately involved on technical issues, and while seen as a positive and reliable supporter of the multilateral agendas, relies on the chosen partners to deliver on the agenda.

3.6 Sustainability

Summary: There is moderate evidence that the interventions will be sustainable and that results are potentially transformative. There is moderate evidence that lessons had been shared amongst Danish policy makers. However, there is little evidence to suggest that these lessons are then being used to inform planning and future decisions.

There is moderate to strong evidence for the statement "the intervention has delivered sustainable results that are likely to have a transformative effect" in 19 cases (50.5% of total budget). The evidence is inconclusive in 15 cases (31.3% of total budget). There is evidence against the statement in four cases (9.2% of total budget). There is moderate evidence of "lessons and best practices from the intervention have been identified and shared for the benefit of the Danish climate policy makers and wider development community" in 18 cases (43% of total budget), inconclusive evidence in 14 cases (33.0% of total budget) and moderate to strong evidence against the statement in two cases (5.8% of total budget). (This summary is based on the results in Table 4.)

Finding 17: There is evidence that some of the investments within the portfolio could be transformative, although it is too early to assess the long-term sustainability of measures that do not relate to policy and regulation.

In Vietnam, there was limited evidence of sustained, systematic and transformative change. However, a few examples emerged where the mechanisms supported have a high transformational potential. For example, there is strong evidence that the UN-REDD programme supported has had an important impact on the policy for and practice of domestic forestry. This includes the mainstreaming of REDD principles into district land use planning process in the Lam Dong province.[61]

In Kenya, there is some evidence that interventions have delivered transformational change within a given sector, through influencing the design of relevant policies. Examples include: the Kenya Association of Manufacturers (KAM) intervention, which has influenced the design and implementation of the Minimum Energy Performance Standards for appliances within the country, including motors, air conditioners,

61 Vietnam: Annex 5, F12.

and refrigerators and lighting and the International Work Group for Indigenous Affairs (IWGIA) intervention, which was instrumental in the establishment of the Indigenous People's Steering Committee at the national level, helping to ensure that the draft Climate Change bill considered the impacts on indigenous communities[62]. There is less positive evidence of sustainability on other projects in the portfolio.

Through influencing research agendas and providing funds and tools for long-term energy policy research and energy planning, Danish support is or has been able to influence in a catalytic and comparatively lean manner. Good examples of this sustainable approach include China National Renewable Energy Centre (CNREC) and Energy Sector Management Assistance Programme (ESMAP).

While funding for the programme began before 2010, there is strong evidence to support the sustainability of the investment in CNREC as it has graduated from direct budgetary support into a self-sustaining research institution. This is evidenced by the funding leveraged for the next five-year work plan, which includes support from the UK-based Children Investment Fund Foundation, as well as contract work for the Chinese National Energy Administration (NEA) and National Development and Reform Commission (NDRC)[63].

There is strong evidence of sustainability of some of the policy advocacy efforts of the CSOs supported through the Climate Envelope. For example, CARE Danmark's interventions report influence on relevant policy development in Zimbabwe, where CSOs have successfully engaged with the Government to produce a national climate change response strategy[64]. Similarly, in Vietnam, Centre for Sustainable Development in Mountainous Areas (CDSM) has influenced the inclusion of Indigenous People's concerns in relevant policies and strategies[65].

Finding 18: There is strong evidence that the sustainability of impacts is dependent on continued international support for climate change action and transfer of lessons to future climate change financing mechanisms.

In Vietnam, the sustainability of LCEE and FIRM is highly dependent on the financial mechanisms (under development) that encourage investment in renewables and energy efficiency technologies.

Much of the role of the World Bank in terms of channelling climate finance will transition to the Green Climate Fund (GCF), once it is operational and donors are comfortable with its capacity to manage financial flows (as outlined in the sunset clause of the Climate Investment Funds (CIFs)[66]). Thus, there is evidence to suggest that the long-term sustainability of investments in the CIFs and other financing mechanisms is dependent on the ability to transfer learn lessons to the GCF and avoid similar challenges, including slow pipeline development and complicated results frameworks. Whilst increasing the likelihood of sustainable impacts, the sustainability of investments does not necessarily imply that sustainable impacts will be achieved.

62 Kenya: Annex 6, F16.
63 Energy: Annex 10, F16.
64 CARE Danmark: Annex 7, F12.
65 Vietnam: Annex 5, F12.
66 World Bank: Annex 8, F18.

There is strong evidence that the sustainability of CSO advocacy requires continued support to help disseminate and use knowledge products. Danish funding and engagement has been central to CARE Danmark programmes, but more recently Danish engagement and funding has diminished. Although Denmark had a key role in the Adaptation Learning Programme design, it was neither the first nor largest donor to the programme. Denmark currently provides 30% of total intervention funds. The programme is currently fundraising for additional funds for a follow-on programme to continue its progress[67]. Again, the sustainability of Danish and other donor funding does not necessarily imply the sustainability of impacts.

Finding 19: There is limited evidence of a systematic approach for storing, sharing and synthesising knowledge and learning lessons from the climate change portfolio in a way that could better shape Danish climate policies and strategies for the future. However, there are signs of improvement.

While there were several examples of informal processes for knowledge capture and sharing, there was less evidence of more systematic processes for lesson sharing, though there have been more recent efforts, including the introduction of the bi-annual green growth seminars.

In Vietnam, there was evidence that all interventions included some review process. There is some evidence that recommendations are adopted and implemented. There is limited evidence that the important lessons learned from programme implementation, including the Climate Change Partnership, are being used to influence Danish strategy. There is no formal mechanism to ensure that this happens effectively.

Evidence from Kenya suggests a real interest in lesson learning and use of these lessons into the design of future activities. This is exemplified by the efforts of the embassy to commission two lesson learning studies during the lifetime of Kenyan interventions, and the use of the 2014 study to guide the development of Danish Climate Change programme (2015-2020)[68].

There is strong evidence that the World Bank programmes are successfully capturing and disseminating knowledge from programmes to partners. However, with the exception of Energy Sector Management Assistance Programme (ESMAP), there is limited evidence of uptake or influence of these lessons into Danish policy and programming[69]. Similarly, there was good evidence that CARE Danmark interventions had robust systems to capture lessons and that knowledge with MFA was shared, but there was generally limited response by the MFA[70].

67 CARE Danmark: Annex 7, F13.
68 Kenya: Annex 6, F14.
69 World Bank: Annex 8, F18 and F2.
70 CARE Danmark: Annex 7, F15.

3.7 Links between Impacts/Outcomes of Interventions and the Theory of Change

As part of the detailed portfolio analysis, the evaluation compared the impact and outcomes articulated in the ToC (developed retrospectively in the inception phase) with the expected impacts and outcomes of the 43 selected interventions.

This assessment goes beyond the ToR for the evaluation. However, it is has been included:

- to provide some insight into the balance of mitigation/adaptation activities under the climate change portfolio;
- to better understand the strategic direction and coherence of the climate change portfolio;
- to validate the proposed ToC.

An ordinal score card was developed to assess the primary, secondary and minor focus of each of the 43 interventions in relation to the impact and outcomes. Aggregation of the scorecard results are captured Figures 4 and 5. According to the scoring method, an intervention could deliver more than one impact and multiple outcomes.

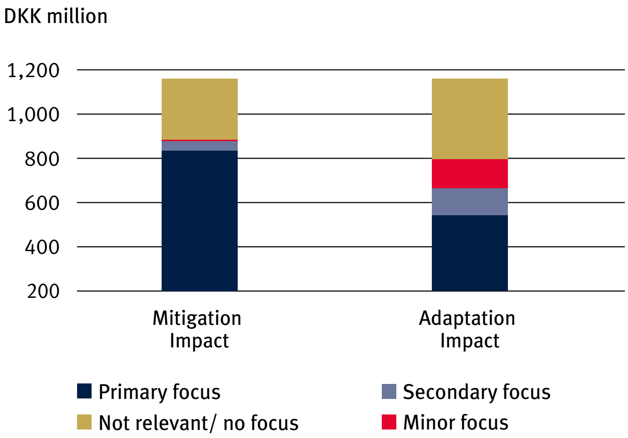
Finding 20: There is evidence that the portfolio is more focused on mitigation than adaptation.

A large proportion of the interventions (27, or 66.5% of the total selected budget) had a primary focus on the reduction of greenhouse gas emissions (**mitigation impact**). A much lower proportion (19 interventions, 36.1% of total selected budget) focused on increasing climate resilience (**adaptation impact**). The split of the Climate Envelope into the two separate Frames has not greatly influenced the percentage of projects that focus on mitigation and adaptation. It is important to note that Denmark also makes significant climate-relevant commitments through other development assistance funds (as reported in the Rio Markers), and that these are more likely to be pro-poor and adaptation-oriented (agriculture, water, disaster risk management) than mitigation-oriented.

Similarly, a large proportion of the interventions (26, or 66.5% of total budget) had only one primary focus area (either adaptation or mitigation). There was only one intervention, the Community Development Trust Fund in Kenya that had a primary focus on both impacts. Some interventions (16, or 16.9% of total budget) demonstrate a secondary focus on the second impact, which suggestions more cross-cutting interventions.

All 11 of the international CSO-financed interventions had a primary focus on climate resilience (adaptation) (8.6% of the total budget), with one exception (IUCN pro-poor REDD). There were a significant number of non-CSO lead interventions (nine) that had a primary focus on climate resilience, including the Pilot Programme for Climate Resilience (PPCR) (17.9% of total budget) and the Global Environment Facility Least Developed Countries Fund (GEF-LDCF) (6.9% of total budget).

Figure 4 Impact level focus of selected portfolio



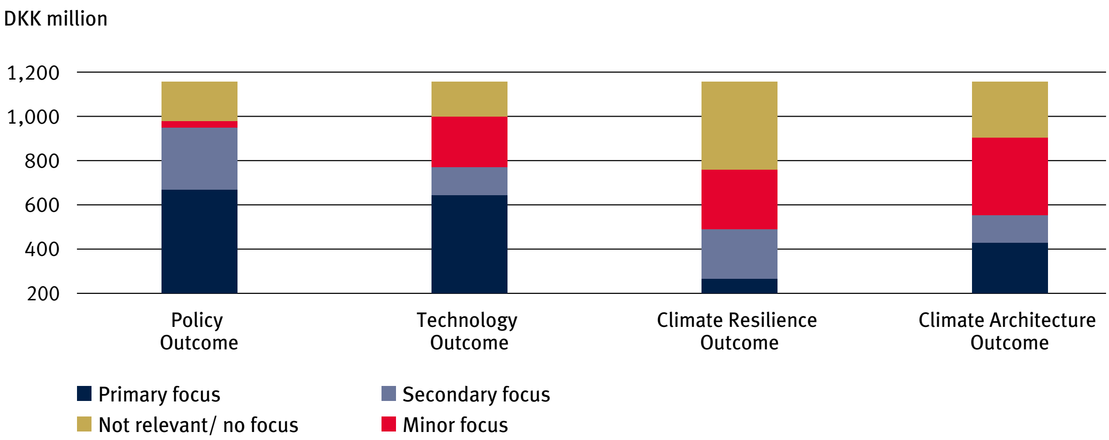
Finding 21: At the outcome level, projects primarily focus on policy changes and deployment of climate relevant technologies.

At the outcome level, the primary focus is relatively evenly distributed between strengthening national and sub-national climate change policy and institutional frameworks (**policy outcome**: 23 interventions, 58.1% of total budget) and the development, deployment and scale up of climate relevant technologies (**technology outcome**: 23 interventions, 55.9% of total budget). This is shown in Figure 5.

The **climate resilience outcome**, which related to the adoption of more socially inclusive approaches to climate change, received the least focus (14 interventions, 23% of selected intervention allocations). Many of the interventions focusing on this outcome were CSOs, including the CARE Danmark Adaptation Learning Programme (ALP), Southern Voices, Climate Change Partnership (IWGIA) and Mangroves for the Future IUCN-MFF. The forestry sector support (Pro-Poor REDD, UN-REDD, FIP) also had a primary focus on this outcome.

The **climate architecture outcome** was relevant to 13 interventions (37.1% of the selected intervention budget).

Figure 5 Outcome level focus of selected portfolio



The portfolio demonstrates a significant bias towards mitigation impact, rather than adaptation, despite the fact that the majority of these interventions were funded as part of the Poverty Frame. This provides evidence to suggest, that while there is no articulated strategy, there has been an implicit strategic direction for the portfolio, where interventions that favour mitigation and reduction in emissions are more likely to be designed and funded than those focused on climate resilience alone. However, it would be useful to formalise this strategic direction and ensure that it occurs from concerted effort rather than opportunistic decisions.

Finally the analysis validates the ToC developed in the inception phase, as all the interventions analysed above clearly contribute to the impacts and outcomes articulated in the ToC.

4 Conclusions

4.1 Strategic Frameworks

Conclusion 1: Through its climate change portfolio, Denmark has been a consistent and reliable supporter of international climate change programmes and initiatives. The investments made by Denmark have been highly relevant to international and national priorities and have been aligned to commitments from other donors. Investments in the World Bank infrastructure have been important and aligned to Danish commitments in the absence of a negotiated UNFCCC agreement and the uncertainty around the establishment of the Green Climate Fund. In the scope, relevance and delivery of its portfolio, Denmark appears to compare favourably with other, similar donors.

Conclusion 2: Bilateral interventions are usually the result of consultation and are therefore well-aligned with national priorities and demands. The flexible approach Denmark applies to programming decisions has also been responsible for a portfolio that meets local demands.

Conclusion 3: There is no clear overarching strategy to guide funding prioritisation or guidance on the desired balance of theme, modality or geography. Paired with the desire for demand driven interventions, this has resulted in an opportunistic approach to project origination and selection. There have recently been positive signs, including the introduction (in 2012) of the two Frames with a greater focus on areas of Danish expertise, such as promotion of sustainable energy and resource efficiency policy; and efforts by MCEB to draft a framework to help focus the Global Frame. However, these efforts are not properly integrated. Under these circumstances, it is very difficult for Danish government staff to prioritise project concepts, to coordinate funding decisions or to maximise impact of the Climate Envelope of a whole. The lack of a strategic framework also makes it very difficult for the evaluation to assess the climate change portfolio against the OECD/DAC criteria, in particular for relevance.

4.2 Planning Processes

Conclusion 4: A range of institutional factors, including the single-year budget process for annual planning and the separation of expertise across institutions, have adversely affected the time available for detailed intervention design and appraisal processes. The inclusion of large numbers of separate interventions within the Climate Envelope has implications on complementarity and duplication of efforts, and adds high level administrative demands. While the Technical Advisory Service has strong appraisal and evaluation skills, staff resourcing constraints and time pressure limit the ability to apply evidence-based decision making to programming decisions and lead, inevitably to delays in approvals. The result is a reduction in the efficiency and effectiveness of processes for agreeing funding.

Conclusion 5: Important information is neither readily available nor fully utilised during decision making processes. The challenges described above have resulted in some missed opportunities, including consideration of synergies and overlaps between investments. Improvements in information management could contribute significantly to the overall effectiveness of the Climate Envelope. The evaluation found limited evidence of intervention selection based on value for money or other factors that could impact effectiveness or increase the influence of an investment. This is particularly important for support to multilateral agencies, where Danish climate finance is relatively small in comparison with other donors. Use of evidence of the efficiency or effectiveness of different investments would be useful to guide future decision making.

Conclusion 6: **Although not formalised, measures to limit project and programme risks and increase efficiency and effectiveness are already widely deployed.** The implementation of projects and programmes through trusted partners, such as CARE Danmark or the World Bank has been shown to be effective. The use of existing in-country relationships, as demonstrated by the examples in Vietnam and Kenya makes good use of the capacity of partner institutions to manage and oversee projects, to build local capacity and to contribute to the likelihood of achieving long-term project impact.

Conclusion 7: Central planning processes in Denmark are also improving. The situation described above was particularly true in the early years of the climate change portfolio, when the MFA, like other donors, was under pressure to develop a project pipeline and fulfil international commitments to climate change. Historically, this approach has produced some ineffective interventions, such as the South African Renewable Energy programme. Efforts have been made by both MFA and MCEB to improve the efficiency of the process over time. However, it is not clear whether this is also matched by improvements in process and substance (*e.g.* quality of programming design), but this lies outside the scope of the evaluation.

4.3 Monitoring, Evaluation and Learning

Conclusion 8: There is good progress toward achievement of project outputs, in both adaptation and mitigation interventions across the climate change portfolio. However, the achievement of portfolio outcomes is more difficult to assess as the bulk of intervention reporting focuses on inputs, activities and outputs. The portfolio has no specific reporting requirements. There appears to be little demand from the Danish Government to require implementing entities to include specific reporting requirements that would allow indicators to be aggregated or compared across the portfolio. MCEB have recently developed country specific draft indicator frameworks, but it is not currently envisioned to be applicable more widely. Without an overall reporting framework for the Climate Envelope, it is very difficult to understand the contribution of interventions to desired wider impact, such as a reduction in GHG emission reductions, even though this impact is the major driver for investment.

Conclusion 9: While there is some focus at the outset of an intervention on the reporting framework applied, the quality of the reporting is often affected by the capacity of the implementing entity. There appears to be no formal process for following-up and reviewing the reports received to ensure that result frameworks are reported against appropriately. This is due in part to staffing constraints caused by the historic mismatch between the number of staff and number of interventions and Denmark's tendency to select trusted institutions as partners. There is also limited engagement on many multilateral interventions. This has resulted in the adoption of a trusting approach towards implementing partners, often allowing larger donors to provide more oversight and management guidance. The exception here is ESMAP, where Denmark has pursued a more proactive role in influencing decision-making.

Conclusion 10: While lesson learning activities have been usefully influencing adaptive management of ongoing programmes, the subsequent integration of the findings and lessons from projects into Climate Envelope programming has been ad hoc **and limited to date.** Robust reporting can generate useful lessons that are useful in informing future programmes. Given the complexity of climate change related issues, particularly the challenges of adapting to climate change, lesson learning should be fully integrated into Climate Envelope planning processes. The lack of a systematic or strategic approach to capturing lessons between institutions, the mismatch between MFA staff technical expertise and programme focus as well staff resource constraints limits the ability to absorb lessons learned at the institutional level. A systematic review of information from other donor's experiences could be useful given the limited empirical base from climate change.

4.4 Impact and Sustainability

Conclusion 11: It is too early to assess the long-term impacts of Danish investments. There is currently insufficient evidence of impact achieved. Partially, this is due to the absence of clear impact indicators for the portfolio. However, even with such monitoring, this would be expected given the youthfulness of many of the interventions and the long timeframes required for impacts from the more innovative projects and pilot schemes. If some of these innovations are successful, such as the new energy efficiency insurance mechanism, the Climate Envelope may result in transforming markets. However, the long-term impacts of the Climate Envelope is strongly tied to a range of factors, such as international negotiations, national policy and regulation, markets and support from other parties to help scale up Danish pilots. These factors are outside of Denmark's direct control and, therefore, uncertainty remains.

Conclusion 12: Investment in international policy processes and enabling policy environments for climate change is an area in which Denmark has been influential and in which project impacts could be seen as being most sustainable. New policies may lead to substantial impact, but attribution of impact to Danish investment in processes was not possible for any of the projects selected. Denmark has been influential in the policy agenda internationally by setting agendas (*e.g.* the fossil fuel subsidy discussions) and nationally (*e.g.* detailed building regulations).

4.5 Institutional Arrangements

Conclusion 13: While the 2012 split of the Climate Envelope into the Global and Poverty Frame addressed some of the organisational challenges experienced in 2009-2011, it has resulted in a greater difficulty in coordinating decisions and activities across the two independent ministries. It is unclear if the funding arrangements allocated for the two separate ministries for administration of the Climate Envelope are sufficient. The two Frames have separate objectives, geographic focuses and approaches. The institutional separation decreases the potential for synergies and will require efforts to capture the opportunities for mainstreaming and the opportunities for maximising mitigation, adaptation and development co-benefits across the portfolio.

Conclusion 14: Cross-agency communication and coordination could be improved, particularly in relation to the oversight and governance of interventions. There is good technical expertise within the MFA Technical Advisory Services, but it is not clear that this is always well utilised, particularly given the lead role played by MCEB on mitigation activities. The current approach to coordination generally relies on political goodwill and the personalities of individuals. With a high level of staff turnover (normal for the ministries concerned) a more systematic approach to coordination and division of responsibilities is needed to maximise the comparative advantage of the two ministries. This is particularly important as there will be an increasing need for coordination between the two Frames to reduce potential duplication of investment across the two ministries. There is already close cooperation in the co-financing of the Green Climate Fund.

Conclusion 15: The split of the Climate Envelope has been positive for accessing the sector level expertise at MCEB, improving institutional relationships and improving the alignment of Danish technical expertise and development assistance objectives. This has resulted in some complications, but the split has generated useful efficiency. It is currently Government's aim to have multiple ministries engaged in the delivery of development assistance, where there is appropriate skills and expertise. While this is valuable and can potentially optimise the use of Danish expertise, it increases the need for effective communication, collaboration and cooperation among all engaged parties.

5 Recommendations

Recommendation 1: A strategy for the Climate Envelope should be developed

Existing government policy documents do not provide an adequate strategic basis for effectively allocating Climate Envelope resources. A strategy should set out priority objectives and activities for mitigation and adaptation, which would help focus climate finance and increase its impact. It could provide guidance, based on evidence, on appropriate funding modalities, target institutions, geography for sector different types of intervention. There are two possible approaches to the development of the strategy:

1. *An integrated strategy is developed by MFA and MCEB for the whole Climate Envelope*. The advantage of this approach is a more coherent approach, and greater opportunity for creating synergies between Poverty Frame and Global Frame projects. The disadvantage is the greater complexity in decision-making, particularly during project identification and design phases, and increased demands on staff resources in both ministries.

2. *Two separate strategies are developed for the Poverty Frame (by MFA) and Global Frame (by MCEB)*. The advantage of this approach is better alignment with the objectives of the two ministries and increased planning efficiency and effectiveness. The disadvantage is that combined development, adaptation and mitigation objectives are likely to be missed.

Given the current focus of the Danish Government and of international climate funds on climate resilient green growth, which requires both adaptation and mitigation issues to be addressed in an integrated manner, the evaluation team recommends the first approach.

Whilst maintaining a clear focus on the pro-poor agenda, the strategy should consider a better alignment with Denmark's national strengths. These lie in renewable energy, energy efficiency, flood control, storm forecasting, insurance and other approaches that are necessary for mitigation and adaptation. In addition to helping establish a stronger Danish identity in the climate "market place" and a greater "bang for its buck" in deployment of climate finance, the approach will have greater resonance with the Danish private sector and possibly Danish tax-payers as well.

The strategy should set out explicit guidance on the investment of Climate Envelope finance in larger climate funds, covering preferred instruments, modalities, innovativeness and risk appetite. Approaches for measuring the performance of investments should be defined and future investment decisions modified accordingly. It could also include guidance that would support project design and selection for the relevant non-climate envelope ODA investments.

The strategy should include a fully developed theory of change (ToC). Some progress on developing an overarching ToC for the climate envelope has been made under this project, through two facilitated ToC workshops with MFA and MCEB personnel. These efforts should be taken further, with further clarification of outputs, outcomes and impacts, identification of evidence-based assumptions and indicator development (see below). Incorporation of the ToC in the strategy will underscore its importance and validity.

Finally, the institutional arrangements should be put in place to ensure that projects put forward under the climate envelope are consistent over the programming cycle with the envisaged strategy and theory of change. This could be done explicitly at both the Programme Committee and External Grant Committee stage, which already is useful for quality assurance of project concepts.

Recommendation 2: The structure and administration of the Climate Envelope should be improved. Project design decisions should be informed by evidence gathered from the portfolio.

The split between adaptation and mitigation funding should be reappraised after the Climate Envelope strategy (see Recommendation 1) has been developed. Climate finance could be allocated according to the strategic objectives (to be determined). Developing strategic objectives based on a predetermined budget for adaptation and mitigation is unlikely to maximise efficiency. However, Denmark's international commitments (for example to the Copenhagen Accord) and the need for consistency in approach may constrain options. If an equal split is considered to be an appropriate balance, the Danish Government should manage the tendency to bias funding towards mitigation projects, particularly within higher income countries. It should ensure that adaptation and rights-based approaches to climate change receive adequate coverage within both the Climate Envelope and more broadly within development assistance.

Despite early action on climate change mainstreaming under the Danish Climate and Development Action Programme, and the continued blending of the Climate Envelope and other development assistance funds, there are still barriers to mainstreaming. The climate envelope does not have a mainstreaming mandate, and is somewhat internally focussed as a financing vehicle, allowing the Danish Government to demonstrate its commitment to climate finance and external programming obligations. While the climate envelope responds to the pressure to demonstrate additionality, it ignores the fact that approximately 80% of Danish climate relevant assistance (as reported to the OECD/DAC) comes from sources outside of the Climate Envelope. If possible within the current or future mandate of the Climate Envelope, consideration should be given to at least using some part of the Climate Envelope funds to improve the climate relevance of Danish development assistance. The model of the UK International Climate Fund (ICF) should be considered, where a significant proportion of funds are allocated to sector programmes that can demonstrate mainstreaming or climate additionality.

Efforts should be made to improve the overall effectiveness of the Climate Envelope, and reduce barriers to cross-ministerial cooperation on cross-cutting climate finance issues. Split institutional responsibilities, particularly for low carbon programmes, risks impeding transfer of knowledge and reducing the effectiveness of outcomes. Further efforts to mainstream mitigation, adaptation and development co-benefits across the portfolio, and more coherence between adaptation and mitigation activities are required.

In both MFA and MCEB, project identification, design and appraisal processes (pre-disbursement of funds) should be improved. There is a key step currently missing from the existing processes: there should be a procedure for incorporation results from improved monitoring and evaluation activities (see Recommendation 3) into design and appraisal processes. This step has the potential to greatly improve the quality of project design.

Given that both ministries face human resource constraints and assuming that this situation is unlikely to change in the near future, processes need to be simplified or streamlined to avoid delays that affect project quality. Options include ensuring that an appropriate number of projects are processed, increasing the efficiency of procedures in both ministries and/or moving to a multi-year budgeting and planning cycle, which would provide more time for project identification and design.

More effort should be placed on the development of the evidence base and use of preparatory research to guide decision making. Better knowledge management is required. Learning opportunities exist (for example project reviews and appraisals, joint learning and coordination meetings, advisor seminars) but information is not generally collated effectively or stored in a useful way. Formalisation of channels of communication, and information exchange between MFA and MCEB, and between both ministries and Danish embassies would help capture important evidence, facilitate the exchange of experiences and joint learning and enhance institutional "memory". Greater access to information would help all parties make decisions throughout the lifecycles of Danida projects. This could be achieved through improved data storage and information exchange, and/or more a harmonised and consistent approach to reporting requirements (see Recommendation 3). It might also take the form of communities of practice around key thematic areas (*e.g.* climate finance, community based adaption, sustainable energy), bringing together those engaged within a given thematic area in MCEB, MFA and bilateral programmes. Responsibilities for different aspects of knowledge management and communication across the ministries should be clear and included in individual job descriptions. Voluntary initiatives are unlikely to be sustainable.

Recommendation 3: Consistent monitoring, evaluation and learning frameworks should be developed, disseminated and applied to all future Climate Envelope projects. Data generated should be used to improve the Climate Envelope strategy and decision-making relating to project design and selection.

The intervention logic of projects should relate to the theory of change for the Climate Envelope. This will help ensure that the project outputs remain focused on and aligned with the outcomes and impacts of the Climate Envelope. Effort should be put into developing a set of indicators that permit consistent and comparable assessment of performance against outputs, outcomes and impacts across the envelope, where possible. These should feed into the M&E frameworks.

Clear and consistent sets of M&E frameworks should be developed for use on projects, country programmes and for investment in international climate funds. These should be implemented across the Climate Envelope projects so that there is consistency in use of frameworks and indicators. Country partners in particular should be provided with clear guidance and information to help them align their proposals with the intervention logic and to ensure reporting against a common set of agreed indicators that are capable of aggregation at programme level.

Greater use of cost-efficiency and value for money indicators should be made in bilateral projects. Costs per output produced should be quantified so that benchmarking activities can be undertaken. This is particularly important in pilot or demonstration projects, where the willingness of others to adopt the proposed model will depend on the existence and credibility of cost-benefit analyses.

Much greater attention should be paid to *outcome* monitoring in bilateral projects, with clear methodologies established. Clearer guidance should be given to institutional partners so that the frameworks they use reflect Danish frameworks as far as possible. Existing M&E systems should provide the foundation for these improvements. A new framework should accommodate national M&E systems, which have been carefully developed with Danish support over many years.

Emphasis should be placed on the importance of lesson learning in the M&E process. There are lesson learning opportunities for ministry staff, but these tend to be informal and do not build institutional knowledge in a sustainable manner. Where not currently practiced, country programmes should adopt learning strategies that leverage the experience of development partners. Lesson learning activities should generate short summaries and "information nuggets" that can feed effectively into both local and central planning and decision-making processes.

It will be necessary for MFA and MCEB to establish a process for aggregation of the results of diverse projects and for the assessment of the Danish contribution/attribution to outcomes and impacts in the ToC. This evidence will be extremely valuable in project design and in the refinement of strategic objectives. It will be equally valuable in providing the necessary evidence for reporting to parliament and to the public on the achievements of the Climate Envelope.

Given the modest size of the Danish budget and limited staff resources in the ministries, monitoring, evaluation and learning frameworks need to be designed accordingly. Emphasis should be placed on capturing high quality information on specific aspects of the ToC that are important to Denmark, rather than attempting resource-sapping measurement and analysis of wide-ranging indicators. Inclusion of M&E objectives in the strategy for the Climate Envelope will help to provide consistent and efficient implementation of M&E frameworks. It may be appropriate to outsource the M&E function for the Climate Envelope to an external supplier.

Recommendation 4: Better use should be made of limited Danish financial resources.

Denmark has already made commitments to provide finance for multilateral climate funds. Remaining funds should focus on innovation and leverage. Although bilateral funding can lead to successful project outcomes, the scalability of these outcomes may be limited. Interventions in climate policy and climate finance appear to offer the greatest prospect of transformational change.

A more carefully planned and strategic use of funds should be made. Investments should support Danish strategic objectives. Use of Danish funds to cover the riskier aspects of other MDB or DFI investments should be carefully considered and risk balanced with rewards that relate to issues of particular importance for Denmark.

To maintain its influence, the Danish Government should be more proactive in its engagement with the ongoing implementation of larger World Bank projects, particularly given the share of Climate Envelope funding that the World Bank receives. For example, there is a danger that active Danish engagement with the Green Climate Fund will decline once the fund is operational and that influence will be lost.

Where possible, the Danish Government should consider targeting its resources to programmes and thematic areas where it believes it can add the most value. Good examples include Energy Sector Management Assistance Programme (ESMAP) and the systemic approach to energy supply management and demand in Danish energy projects. This will enable influence to be maintained, creating a strong claim for a high level of attribution of results.

The ministries should encourage greater national level engagement and capacity building on climate finance initiatives. Country programmes should explain how their programmes will encourage co-financing, leverage of additional public and private funds, and build national capacity around climate finance or support innovation. Greater clarity should, in turn, generate more resources to support Danish strategic objectives.

More pragmatism around the participation of the private sector in bilateral programmes is required. If private sector involvement is critical, it should be accompanied by a clear strategy to deliver achievable and realistic objectives. If private sector finance is required, a more focused effort to de-risk potentially attractive mitigation and adaptation investment opportunities, particularly in the energy sector. The financial benefits to private sector involvement need to be made clear.

Recommendation 5: National policy-influencing strategies should be more clearly defined in the overarching Climate Envelope strategy and in the country programmes to maximise Danish impact. CSOs should be engaged more effectively to assist their development.

The Danish Government should be clearer and more proactive in its approach to influencing national policy agendas. Policy influencing guidelines should be referenced in the overarching strategic framework and developed further for national policy initiatives. Policy influencing strategies should be more clearly defined in country programmes.

Pilot and demonstration projects that have the potential to influence policy should be designed to enable project outputs to demonstrate scalability. Cost-benefit analysis should be embedded to make the financial case for further development and investment.

The potential for civil society partners to provide innovative approaches should be recognised and their involvement in policy influencing strategies should be clarified and formalised. MFA and MCEB should explore how best to leverage the valuable climate expertise within the Danish CSO community, given the scaling down of direct financial support and the decentralisation of programming to the embassies.

MFA should ensure that it can dedicate sufficient staff resources and time to engage on adaptation and rights-based issues from a strategic planning and learning perspective. There is eagerness within the Danish CSO community to engage in such discussions, but there is no clear outlet or formalised structure for continued engagement on these important topics.

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