Appendices to UK ODA and sustainable development report

Appendices to IIED report to commissioning NGOs

November 2019, with minor updates in March 2020

Contents

Appendix A. Responses to Freedom of Information Act requests

A.1 Department for Business, Energy & Industrial Strategy

Department for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

T +44 (0)20 7215 5000 - Public enquiries
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E foi.requests@beis.gov.uk

www.gov.uk/beis

Mr Tom Bigg
request-583006-97549520@whatdotheyknow.com

FOI2019/12288

09 July 2019

Dear Mr Tom Bigg,

Thank you for your email of 13 June where you requested the following information:

The Secretary of State for International Development recently stated DFID's ODA spend on climate and environment for FY20 will be £1.1 billion (see here: https://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fdfidnews.blog.gov.uk%2F2019%2F05%2F29%2F&data=02%7C01%7Cfoi.requests%40beis.gov.uk%7Cab0ee8a6154346558ed308d6f0001a7f%7Ccbac700502c143ebb497e6492d1b2dd8%7C0%7C0%7C636960280565401660&sdata=UvQx3Jjrcz6Q7Lb8VLdS0RRD%2FBqcmTOYQOgqFxoFY5w%3D&reserved=0...).

Please can you provide a breakdown of planned ODA spend on climate and environment in the current financial year across all BEIS-managed budgets.

Under the Freedom of Information Act 2000 ('the Act'), you have the right to:
- know whether we hold the information you require
- be provided with that information (subject to any exemptions under the Act which may apply).

The Department for Business, Energy and Industrial Strategy (BEIS) is expected to spend £355m on climate and environment related ODA in FY19 (April 2019 – March 2020). We have a large pipeline of programmes this financial year and the exact allocations to each programme will be finalised throughout the year.

This figure does not include all of the ODA research and innovation spend in fields relevant to climate and environmental issues. Research and innovation ODA expenditure is frequently through large interdisciplinary programmes that are not disaggregated by theme in advance. They will be covered, in addition to all BEIS ODA spend, at the close of the year as part of publication of the national statistics on UK aid spend. Please see this link for further information on the publication of these statistics: https://www.gov.uk/government/organisations/department-for-international-development/about/statistics

Appeals procedure

If you are dissatisfied with the handling of your request, you have the right to ask for an internal review. Internal review requests should be submitted within two months of the date of receipt of the response to your original request and should be addressed to the Information Rights Unit:

Information Rights Unit
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET
Email: FOI.Requests@beis.gov.uk

Please remember to quote the reference number above in any future communications.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF

Yours sincerely**,**

The Department for Business, Energy and Industrial Strategy

A.2 Department for Environment, Food & Rural Affairs

Department for Environment Food & Rural Affairs

Nobel House
Area 1E
17 Smith Square
London
SW1P 3JR

T: 03459 33 55 77
helpline@defra.gov.uk
www.gov.uk/defra

Mr Tom Bigg
request-583005-008cc10f@whatdotheyknow.com

Our ref: FOI2019/12753
11 July 2019

Dear Mr Bigg,

REQUEST FOR INFORMATION: Budget on Climate and Environment

Thank you for your request for information of 13th June about budget on climate and environment spending. We have handled your request under the Environmental Information Regulations 2004 (EIRs).

The EIRs apply to requests for environmental information, which is a broad category of information defined in regulation 2 of the EIRs. Public authorities are required to handle requests for environmental information under the EIRs. They give similar access rights to the Freedom of Information Act 2000 (FOIA).

"The Secretary of State for International Development recently stated DFID's ODA spend on climate and environment for FY20 will be £1.1 billion (see here:

https://dfidnews.blog.gov.uk/2019/05/29/...).

Please can you provide a breakdown of planned ODA spend on climate and environment in the current financial year across all DEFRA-managed budgets."

The majority of the information you have requested on Defra's Official Development Assistance (ODA) projects has been published online on the Department for International Development (DFID) website at the following link:

https://devtracker.dfid.gov.uk/department/DEFRA#page-2

Darwin, Darwin Plus and the Illegal Wildlife Trade Challenge Fund are ODA funded International Grant Schemes that deliver many small projects each year. Project details for these international grant schemes are published online at:
http://www.darwininitiative.org.uk/ and https://www.gov.uk/government/collections/illegal-wildlife-trade-iwt-challenge-fund

As this is already publicly available and easily accessible to you in another form or format, regulation 6(1)(b) of the EIRs exempts Defra from providing a copy of the information with this response to your request.

However, I understand that the information relating to some of the projects is still awaiting publication. This is being withheld as it falls under the exception in regulation 12(4)(d) of the EIRs, which relates to incomplete data or material in the course of completion.

In applying this exception, we have had to balance the public interest in withholding the information against the public interest in disclosure.

We recognise that there is a public interest in disclosure of information concerning spending on climate and the environment. On the other hand, there is a strong public interest in withholding the information because the information has yet to go through its final assessment and checking procedure, we consider that providing information now on an ad hoc basis would divert valuable resources away from ongoing work and require staff to invest additional time into publishing the same information twice. We also consider that disclosure of this information now would be misleading as figures needs to be finalised and and confirmed. Therefore, we have concluded that in all the circumstances of the case, the information should be withheld at this time. However, we aim to publish details of these newer projects by the end of July, where they will be available at the link given above.

I enclose an Annex giving contact details should you be unhappy with the service you have received.

If you have any queries about this letter please contact me.

Yours sincerely

Guy Mawhinney
Information Rights Team
InformationRequests@defra.gov.uk

Annex

Complaints

If you are unhappy with the service you have received in relation to your request you may make a complaint or appeal against our decision under section 17(7) of the FOIA or under regulation 11 of the EIRs, as applicable, within 40 working days of the date of this letter. Please write to Nick Teall, Head of Information Rights, Area 1E, Nobel House, 17 Smith Square, London, SW1P 3JR (email: InformationRequests@defra.gov.uk) and he will arrange for an internal review of your case. Details of Defra's complaints procedure are on our website.

If you are not content with the outcome of the internal review, section 50 of the FOIA and regulation 18 of the EIRs gives you the right to apply directly to the Information Commissioner's Office (ICO) for a decision. Please note that generally the ICO cannot make a decision unless you have first exhausted Defra's own complaints procedure. The ICO can be contacted at:
Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

A.3 Foreign and Commonwealth Office

Foreign & Commonwealth Office

Central FOI Unit
Foreign and Commonwealth Office
King Charles Street
London SW1A 2AH

Website: https://www.gov.uk

Tom Bigg
Email: request-583003-1c124b25@whatdotheyknow.com

23 July 2019

Dear Mr Bigg,

FREEDOM OF INFORMATION ACT 2000 - REQUEST REF: 0562-19

Thank you for your email of 13 June 2019 asking for information under the Freedom of Information Act (FOIA) 2000. You asked:

The Secretary of State for International Development recently stated DFID's ODA spend on climate and environment for FY20 will be £1.1 billion (see here: https://dfidnews.blog.gov.uk/2019/05/29/doubling-dfids-investment-on-climate-change-and-the-environment/).

Please can you provide a breakdown of planned ODA spend on climate and environment in the current financial year across all FCO-managed budgets, including the Prosperity Fund.

I can confirm that the FCO does hold information relevant to your request.

Allocations for 2019-20 FCO programmes which include ODA spend on climate and environment are as follows:

Fund	ODA Allocation for financial year 2019-20
Conflict Stability and Security Fund Current forecast spend is across the following FCO delivered CSSF programmes: Commonwealth 18-20 Fund: Sustainability Programme (Enabling Commonwealth Marines Economy and Pacific Facility for Nationally Determine Contributions) The UK government is committed to delivering the communique from the Commonwealth Heads of Government Meeting in April 2018. As part of that commitment we are supporting programme activity to contribute to delivery of elements of the communique that refer to climate change.	£4,851,000

Colombia: Security and Access to Justice for Peace Programme (Forests and Peace). An unfortunate consequence of peace, if not correctly managed, is accelerating deforestation. To address deforestation in conflict-affected areas in Colombia, the CSSF has piloted activity linking the reintegration of ex-combatants to environmental protection. Working with the Ministry of Environment the project has brought former fighters together with local communities to design livelihoods like eco-tourism and growing cocoa that offer alternatives, not only to violence, but to activities such as cattle rearing that damage the environment. The programme is planning to scale up such experiments in combining forest-protection with peace in future years.	
<u>International Programme</u> Planned spend under the International Programme includes expenditure under Frontline Diplomatic Enabling Activity in support of FCO Priority Outcomes workstream. This workstream, which is devolved to our missions overseas, is designed to respond quickly and tactically including in response to short-term opportunities that arise. As such, there may well be further expenditure in Financial Year 2019-20 which is not planned at this time.	£208,915
<u>Cross-government Prosperity Fund (PF)</u> Certain FCO-led Prosperity Fund programmes are expected to deliver climate and environment benefits, however many programmes are still in the inception phase and therefore subject to change. A more detailed update on activities involving climate change and environment will be included in the Fund's next annual report. The Prosperity Fund supports the inclusive economic growth needed to reduce global poverty. Despite economic progress made over the past decade, around 60% of the world's poor still live in middle income countries; constrained from attaining their full potential by persistent development challenges such as inequality, rapid urbanisation and climate change. Countries like China, India, Brazil, Mexico, and South Africa are becoming key markets for global goods and services and are increasingly the much needed source of investment into other developing countries. It is in our and the rest of the world's interest to build inclusive sustainable growth in these countries. Please note that this is a cross-government fund. As such programmes are delivered by a range of HMG departments. The Prosperity Fund programmes integrate a range of different project components to tackle poverty and advance inclusive growth. The figures provided are based on forecast data and assumed applicability to climate change and environment.	£42,000,000

This allocation information does not include allocation information on Climate or Environment related fellowships or scholarships (including Chevening).

More information on the FCO's use of ODA can be found on www.gov.uk. In addition to the programme spending identified above, the FCO works on behalf of the whole of HMG to tackle the global threat of Climate Change by: galvanising international action; promoting the role and impact of COP26, including bidding to host it; and taking a global leadership role.

Once an FOI request is answered, it is considered to be in the public domain. To promote transparency, we may now publish the response and any material released on gov.uk in the FOI releases section. All personal information in the letter will be removed before publishing.
If you would like a review of our decision, or if you wish to make a complaint, please write to the Central FOI Unit, Foreign and Commonwealth Office, Room WH2.177, King Charles Street, London, SW1A 2AH. E-mail: foi-dpa.pmcs@fco.gov.uk. You have 40 working days to do so from the date of this letter.

You can apply directly to the Information Commissioner. However, the Information Commissioner will not normally make a decision unless you have first exhausted the complaints procedure provided by the FCO. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF.

Yours sincerely,

Central FOI Unit

For information about how the FCO handles personal information please see our Personal Information Charter

A.4 Department for International Development

Department for International Development

UKaid from the British people

Mr T Bigg
request-583004-06xxxxxx@xxxxxxxxxxxxxx.xxx

Tel: 01355 843366
xxx@xxxx.xxx.xx

11 July 2019

Dear Mr Bigg,

Freedom of Information Request F2019-208

Thank you for your Freedom of Information request dated 13 June 2019 in which you asked for the following information:

"The Secretary of State for International Development recently said he wants to see a doubling of DFID spend on climate and environment by 2024, from the current £1.1 billion expected to be spend in the current financial year (see here). Please can you provide a breakdown of planned spend in the current financial year across all DFID budgets, to show how the £1.1bn figure has been calculated."

The Department for International Development (DFID) has made indicative plans as to how it would expect to spend £1.1 billion on climate change in 2020/21. However, all future plans are subject to revision, and individual programmes that will spend in 20/21 are currently at a variety of different stages of design and implementation. DFID expects the three main spending directorates to deliver as follows:

	Expected spend
Country and Regional Programmes	£0.5 bn
Economic Development Programmes	£0.2 bn
Policy[1], Research and Humanitarian Programmes	£0.4 bn
Total	**£1.1 bn**

Further information relevant to your request can be found in the following links to the parliament.uk website:

261277
265583
265584

[1] Includes teams leading on different sectors such as climate and environment

DFID's climate finance will be delivered through its teams based in developing countries, staff based in the UK whose programmes operate across a region or in multiple countries, and contributions to multilateral climate funds such as the Green Climate Fund and the Global Environment Facility.

Please contact me, quoting reference number F2019-208, if you have any questions about this letter.

If you are unhappy with the service we have provided and wish to make a complaint or request a review of our decision, you should write to the Information Rights Team at the address shown in the footnote below or email xxx@xxxx.xxx.xx within 40 working days of the date of this letter.

If you do make a complaint and are not content with the outcome, you may apply directly to the Information Commissioner for a decision. Generally, the Information Commissioner cannot make a decision unless you have exhausted DFID's complaints procedure. You can contact the Information Commissioner at the following address: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

Yours sincerely

Alison Marshall
Information Rights Team
Department for International Development

Appendix B. Overview of selected recent policy commitments and reports

B.1 UK 25-Year Environment Plan

The 25-Year Environment Plan[2] (released in January 2018) includes a broad range of commitments intended to "leave the planet in a better state than we found it" through a set of actions that will "ensure that this country is recognised as the leading global champion of a greener, healthier, more sustainable future for the next generation".

The Plan focuses primarily on domestic actions, though the transnational dimensions (e.g. fisheries, air pollution, CO2 emissions) are addressed. Chapter 6 on 'Protecting and improving our global environment' is most relevant for this review. It sets out broad-brush commitments on climate change, biodiversity, forests, agriculture and sustainability. There is less clarity on trade-offs between other government priorities (e.g. the growth focus in the Africa Strategy) and the ambitions expressed here. More specific commitments and ambitions include:

- Illegal wildlife trade (IWT): the UK will continue to be a "global leader"
- Global action to halt deforestation (notably aiming for achievement of the targets set in the 2014 New York Declaration on Forests)
- Support for a wide range of activities to keep global warming below 1.5°c
- Cross-Whitehall action to implement the SDGs including focus on domestic actions with global impact (resource consumption, emissions etc.)
- Phase out of unabated coal-fired electricity by 2025
- Targeted financial help to developing countries in managing their biodiversity and tackling IWT
- UK to play a leading role in developing an ambitious post-2020 international biodiversity strategy
- Prosperity Fund programmes in China, India, Brazil, Mexico and South East Asia to use ODA to provide expertise about regulating clean energy markets, improving the flow of finance to low carbon projects, and building up capacity to improve regulation
- Ambitious rhetoric on forests and agriculture but little concrete action or change of policy. Reference to DFID funding for the IFAD-led Adaptation for Smallholder Agriculture Programme, though the increase cited (to £484 million) was in 2014–15
- Some ambitious language on "leaving a lighter footprint on the global environment", e.g. "We will develop a trading framework that supports foreign and domestic policy, sustainability, environmental and development goals. In this way we will help make sure that the global environment is properly protected, and that threats of extinction are greatly reduced."

B.2 UK Voluntary National Review on SDG Implementation

The UK Voluntary National Review[3], which came out in June 2019, collates a wide spectrum of activities relevant to the 17 SDGs. It is a useful compendium of government expenditure, policy commitments and also actions by NGOs, companies and devolved government and local authorities. Some specific points:

- The ODA statistics are taken from the previous set of data, not the figures released in April 2019.
- Rory Stewart foreword emphasises importance of engagement of all sectors of society in achievement of sustainable development; also significance of the five 'Ps'(people, people,

[2] HMG (2018) A green future: Our 25 year plan to improve the environment.
[3] HMG (2019) Voluntary national review of progress towards the Sustainable Development Goals United Kingdom of Great Britain and Northern Ireland, June 2019.

prosperity, peace and partnership) in the SDG preamble. Development Initiatives (DI) summed up its response to the VRN as follows:

> "The VNR emphasises the central importance of inclusive economic growth in driving progress. While few would dispute this sentiment, there is no agreed definition of what inclusive growth looks like, and DI's analysis confirms that the income gap between the poorest 20% and the rest is growing globally, and in most countries, despite economic growth. This highlights the fact that current patterns of growth are not sufficiently inclusive to achieve the ambitions of Agenda 2030 in eradicating poverty, reducing inequality and leaving no one behind. Government policies need to support growth to ensure the benefits are more inclusive and that specific groups of the population are not missing out."

B.3 Net zero carbon emissions by 2050

In June 2019 the government amended the Climate Change Act 2008 to include the commitment to achieve net zero carbon emissions by 2050. The amendment was made against a warning from the Chancellor on the huge cost involved in meeting the commitment. The UK is the first G7 country to set a time-bound target for becoming carbon neutral, though other OECD countries have set similar or more ambitious aims: Finland has set a 2035 target, while within the UK Scotland passed legislation in September 2019 to achieve carbon neutrality by 2045. While the UK commitment has been widely welcomed, there are four major concerns relevant for this report:

- Achievement of the target depends on 'embedded' or 'imported' carbon — including international transport plus emissions resulting from activity in other countries to generate goods then exported to the UK: "industries like aviation or shipping could be given a free pass to carry on as usual, in exchange for paying for things like tree-planting abroad. This is morally unacceptable because it shifts the burden to developing nations and shirks the UK's full responsibility for the climate emergency."[4]
- The 2050 deadline has been criticised as too far into the future. As noted, other countries have set earlier targets while key advocacy groups have pushed for the UK's date to be moved forward (e.g. Extinction Rebellion call for achievement by 2025; WWF and others by 2045).
- As explained in the IPCC report on Global Warming of 1.5°c [5], any pathway to stay within 1.5°c requires massive carbon sequestration and absorption, and probably human intervention to deflect the sun's rays. Global governance regimes to ensure decisions on use of these technologies at the scale required are not in place.
- The UK commitment includes provision for a five-year review, at which point the government has the option to row back if other countries are not showing similar levels of action. This risks undermining the certainty needed for all sectors of society, and also gives future administrations the chance to abandon the current path.

B.4 Commitment to double ODA for climate and environment by 2025

In a speech at the United Nations in September 2019, Boris Johnson confirmed a verbal commitment made in May by then international development secretary Rory Stewart to double aid for climate change and environment by the 2025/26 budget year. This represents at least £5.8 billion in additional funding over the next five years. Much of this funding will be channelled through newly created instruments. Approximately £1 billion will go to "British scientists and innovators" to develop new technology for addressing climate change in developing countries, through the Ayrton Fund, to be jointly administered by BEIS and DFID. Environmental protection is being addressed through a £220 million International Biodiversity Fund for endangered species and habitats and a £100 million Biodiverse Landscapes Fund

[4] Newsom, R (2019) Explained: Theresa May's 'net zero'. WTF is it, will it be any good?. Greenpeace blog, 12 June 2019.

[5] Rogelj, J et al (2018), Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development. In: *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty.*

focusing on mangroves and forests. A £175 million package to address climate risk in developing countries has also been announced.

While the expansion of aid for climate and environment has been welcomed by civil society, the new instruments have attracted some concern[6]. The Ayrton Fund has been criticised for diverting aid towards UK scientists and away from developing countries despite the UK's commitment to untied aid. NGOs have also questioned whether the environmental protection funds adequately address poverty and the needs of poor people in developing countries, as aid is intended to do.

[6] Edwards, S (2019) UK pledges £1.3B for climate an biodiversity but aid experts flag concerns. Devex blog, 24 Sept 2019.

Appendix C. ODA special funds and alternative channels

C.1 CDC Group plc

Main messages and recommendations

1. **Focus on the big picture:** Is CDC the best vehicle for ODA spend to have the maximum impact, in line with DFID's core mandate and sustainable development principles?
2. **Green the CDC investment portfolio:** This could be transformational through requiring, for example, equity clients to report on their fossil fuel investments; it would also entail prioritisation of investments with clear environment and development benefits. The International Finance Corporation is making efforts to do this,[7] which would provide a useful point of reference.
3. **Does CDC money reach the local level, where it most needed?** CDC could put greater focus on ensuring investment is made in the poorest cities and regions and supports locally driven initiatives and job creation.
4. **… and a key step to change the portfolio is to improve CDC's investment criteria** so development and sustainability outcomes are prioritised much more than at present.[8]
5. **… with a particular focus on climate change** through an integrated and holistic climate change screening and evaluation process and policies for *all investments*.[9]
6. CDC's commitment to job-creation is important, but it is vital to prioritise **decent work for women and men and sustainable, green jobs** — as stressed by Parliament's International Development Committee (IDC) Chair Steven Twigg at the CDC Annual Review on 1 July 2019.
7. There is some good practice and positive examples to build on in CDC's portfolio — notably its investments in **renewable energy** (£260.4 million in 2017) though this is undermined by verifiable investment in fossil fuels (c. £50 million in 2017).[10]

Background

CDC was founded in 1948. It is the UK's official development finance institution (DFI) and is wholly owned by DFID. CDC has a dual focus: first, creating jobs and growth; second, generating a financial return. A more focused investment strategy was initiated in 2012, concentrating CDC's focus towards lower-income and fragile states in Africa and South Asia (including specific Indian states). Increased emphasis was placed on development impact, and a Development Impact Grid was put in place to screen potential investments and ensure finance is targeted at countries and sectors with significant potential for development impact, using two main criteria: the investment challenges of the country or region in question and the potential for job creation.

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[7] Le Houérou, P (2018) A new IFC vision for greening banks in emerging markets. Devex Opinion, 8 October 2018.

[8] See for example questions proposed by CAFOD (internal document) for inclusion in CDC reviews of potential investments:

- Will the investment generate decent jobs for poor and marginalised groups such as women, or precarious and badly paid jobs?
- Will it increase pollution which affects the livelihoods of the poor?
- Will it improve access to essential goods and services for the poor?
- Will the investment achieve or undermine CDC's commitment in its 2017 Annual Review to "make a lasting difference to people's lives"?

[9] See Grantham Institute submission to the inquiry by the House of Commons Select Committee on International Development on: UK aid for combating climate change, September 2018. "This is important both to signal UK commitment to climate action, but also to identify and mitigate risks from potential losses to which all CDC investments will be exposed in future because of climate change."

[10] CAFOD (2018) CDC's contribution to the Sustainable Development Goals, CAFOD Rapid Assessment, December 2018.

In 2015 CDC received £735 million from DFID — its first injection of new capital for 20 years. From 2015 to 2018 it received new capital investments from DFID totalling £1.8 billion. The Business Case for further recapitalisation of CDC was approved in 2017 — this covers five years to 2022 and permits up to £3.5 billion of additional capital to be provided. Total CDC assets are projected to rise from £2.8 billion in 2012 to over £8 billion by 2021.

The increase in ODA provided to CDC reflects wider trends among donor countries. Between 2002 and 2014 new investments by DFIs have increased from $10 billion to around $70 billion per year — an increase of 600%, and now equivalent to half of all ODA spend.[11]

Commitment to sustainable development?

CDC's 2017–22 Strategy[12] emphasises the centrality of the SDGs for CDC's new approach — though interpretation of the Goals does not place much emphasis on ecological systems and nature-based assets, or on challenges of extreme poverty and marginalisation:

> "The new UN Global Goals set everyone's sights on 2030 and, with DFID, we discussed our shared ambition to do even more to help countries transform into flourishing economies that will provide jobs and livelihoods, raise incomes, deliver goods and services and end poverty for their citizens." Graham Wrigley, *Introduction to CDC Strategic Framework, 2017–21*

There is clearly a danger that the breadth of the SDGs enables CDC (and others) to claim to be delivering on the Goals while cherry-picking the elements that best fit with current priorities and operating model.

The Strategy commits CDC to "protecting against environmental damage and the harmful effects of climate change", though it is less clear how this is reflected in investment decisions.

Have any potential CDC investments been turned down primarily on environmental grounds?

The Strategy identifies Goal 1 (eliminating poverty) and Goal 8 (decent work and economic growth) as core to its purpose, with strong emphasis on Goals 3,4,7,9 and 17. CDC commits to focus on two further Goals up to 2022: "We are committed over the next five years to supporting women's economic empowerment (Goal 5) and combatting climate change (Goal 13)."

Recent analysis of CDC's portfolio shows investments in fossil fuel programmes continues to feature, for example:

- Expansion of the Azito gas-fired power plant in Côte d'Ivoire. Level of CDC investment is unclear.
- Heavy fuel oil power plant in Sierra Leone. Again, CDC investment not specified.
- Moheshkhali Floating LNG project — Bangladesh's first liquefied natural gas import terminal. CDC provided a project finance loan of $25m in 2017.

A further 20 investments in fossil fuel-based initiatives since 2016 are detailed in the list of current and recent CDC investments.

Assessments of CDC

The Independent Commission for Aid Impact (ICAI) reviewed CDC's investments in low-income and fragile states in March 2019[13] and gave a low review score (amber/red — which indicates "Unsatisfactory achievement in most areas, with some positive elements. An area where improvements are required for UK aid to make a positive contribution"). The ICAI review flags a number of areas of concern which are relevant for this report, though it does not provide a focus on CDC's environmental performance or environmental factors in its investment decision-making process. Key ICAI conclusions to note:

[11] ODI and CSIS (2016) *Development Finance Institutions Come of Age: Policy Engagement, Impact, and New Directions*.
[12] CDC Group (2017) Investing to transform lives: Strategic framework 2017-2021.
[13] ICAI (2019) CDC's investments in low-income and fragile states: A performance review.

- CDC has so far failed to establish a credible local presence in Africa — only seven investment staff based there to date.
- New investments have been concentrated in a small number of larger economies, and in the finance services and power sectors. CDC has faced challenges in finding viable direct investment deals, particularly in Africa.
- CDC does not do enough to assess potential development impact when making its investment decisions — though this has improved since introduction of development impact cases in 2018.
- There is a lack of sufficient monitoring and evaluation mechanisms and therefore of learning on development impact.

The joint CDC/DFID response accepted all the main ICAI conclusions, and set out how action to address each is already underway. However, major concerns remain that in recent communications, CDC is drawing attention to a limited number of showcase examples, while progress in shifting the mainstream of its work is not sufficiently evident.

In 2018 CDC conducted an evaluation of the representation of women in its portfolio and revealed that it is currently at a low level. This is now seen as a priority for change: CDC has convened a new "gender finance collaborative" alliance of 15 organisations (not clear on its scope and mandate).

C.2 Prosperity Fund

Main messages and recommendations

1. A number of interviews indicate concern among NGOs and independent research organisations that Prosperity Fund procurement is dominated by a small number of major commercial contractors. Prosperity Fund capacity to assess climate and environment impacts of its investments remains weak, and the level of buy-in from senior staff appears to be very low. This is of concern given its growing portfolio and use of ODA.
2. Given the scale of funding channelled through the Fund, and the fact that it is almost entirely ODA resourced, it is right to ask whether the Prosperity Fund is the best vehicle through which to achieve poverty eradication — in particular in the poorest countries.
3. The Fund's record on sustainable development is patchy, and senior management do not give strong emphasis to tracking emissions or environmental impacts from their investments. Continued funding for fossil fuel programmes is a real concern.

Background

The Cross-government Prosperity Fund "aims [to] support the inclusive economic growth needed to reduce poverty in partner countries." The Fund's budget is £1.2 billion over 7 years, with investments focused on ODA-eligible middle income countries. Creating "opportunities for international business including UK companies as a result of this economic growth" is cited as a secondary benefit.

Written evidence provided by Platform London to the IDC in April 2019 indicates that the Fund spent approximately £1.8 million on oil and gas projects between 2016 and 2018. According to the Prosperity Fund's Annual Report 2016–2017, the Fund financed 13 oil and gas projects out of a total of 395 projects.

Commitment to sustainable development?

The IDC was critical of the Fund in its inquiry on UK aid for combating climate change,[14] contrasting the approach to considering and measuring climate impact with the importance placed on these issues by CDC. The IDC report recommended this should be addressed:

> "The Government should make explicit that climate change is a strategic priority that is to be integrated into all aid spending. As a first step towards this, the Prosperity Fund

[14] IDC (2019) UK aid for combating climate change. Eleventh report of session 2017-2019. HC 1432.

should urgently develop an approach that indicates the climate relevance of their investments."[15]

Assessments of the Prosperity Fund

In its 2017 review of the Fund, ICAI warned that the rapid scale-up of funding presented management and governance challenges and recommended a slower pace of growth plus increased transparency. ICAI also called for increased focus on rigour in ensuring funded programmes were ODA eligible and met key development objectives — in particular gender equality.[16]

In its 2018 update assessment ICAI recognises some progress in the areas of concern but concludes that "more could be done to ensure that development goals are the primary purpose of programmes".[17]

C.3 Conflict, Stability and Security Fund (CSSF)

Main messages and recommendations

1. Explore the 'Fusion Doctrine' further, to understand implications for cross-government prioritisation and strategy, and potential effect on current commitments to development and sustainability. Also explore scope to push for sustainability to be at the heart of increased strategic coordination, not completely absent as seems to be the case now.
2. Consider support for calls to reorient CSSF and related instruments towards longer-term peace-building – including work led by Saferworld, and the Labour Party commitment to "shift from reactive crisis management to coherent, effective and sustainable peacebuilding and conflict prevention".[18]
3. A stronger focus on sustainable development outcomes.

Background

CSSF was created in April 2015, in the final month of the Coalition Government. The Conflict Pool (the instrument it replaced) had joint oversight from DFID, Ministry of Defense and FCO; CSSF is controlled by the National Security Office (NSO), with no direct accountability to DFID. Its purpose is to bring together cross-government expertise that is relevant to conflict prevention and post-conflict reconciliation.

Budget

Funds available to the Conflict Fund in FY15 totalled £180 million. The stated intention is to increase the CSSF budget to £1.3bn by FY20 (the current year). A breakdown of the budget was presented to Parliament by David Lidington as Minister for the Cabinet Office in July 2018, showing total spend of £1.28 billion in FY19. The ODA contribution was £597 million, the bulk of which went to nine regional funds (£415 million).

CSSF has come under heavy criticism from a range of sources in recent years. The Labour Party has called for it to be scrapped and replaced with a 'Peace Fund'.[19] ICAI gave CSSF an amber/red rating in its March 2018 review, identifying serious concerns over the adequacy of its aid programming, poor results management, and "weaknesses in programme management which may compromise effectiveness and value for money".[20] Saferworld have put forward a seven-point proposal for substantial change to UK peace and conflict funding.[21] This includes a much more joined-up, long-term and political approach to conflict avoidance and post-conflict reconciliation.

[15] Ibid.
[16] ICAI (2017) The cross-government Prosperity Fund — A rapid review.
[17] ICAI (2018) ICAI follow-up review of 2016-17 reports.
[18] Osamor, K (2018) A world for the many not the few: The Labour Party's vision for international development. Labour Party Policy Paper, March 2018.
[19] Osamor (2018) op. cit.
[20] ICAI (2018) The Conflict, Stability and Security Fund's aid spending: A performance review.
[21] Brooks, L (2018) Investing in Peace: Recommendations for UK Funding., Saferworld blog, 25 September 2018.

The Cabinet Secretary Mark Sedwill is the UK National Security Adviser, and therefore the principal authority for CSSF. The 2018 National Security and Capability Review (NSCR)[22] produced under Sedwill's auspice focused on an overarching 'Fusion Doctrine':

> "The Fusion Doctrine starts with strategy. We must identify the most effective and efficient combination of ways to achieve the government's objectives over the long term, anticipating how adversaries and allies could react to avoid unwanted second and third order effects. … Many capabilities that can contribute to national security lie outside traditional national security departments and so we need stronger partnerships across government and with the private and third sectors. A wide range of government departments contribute to making the UK a harder target for those who wish to do us harm and the social reform departments help address the root causes of individual vulnerability to exploitation by organised crime groups and extremists. Many technological challenges are best addressed through partnership between the public and private sector. This approach is also vital internationally where security, trade and development partnerships are often mutually reinforcing."[23]

This is worth quoting at length because it signals intent at the highest levels of the civil service and government to achieve much greater integration and coherence in pursuit of security objectives across a spectrum of government policy and action, and beyond to companies and civil society actors. Planned actions as a result of the NSCR include merging the secretariats of CSSF and the Prosperity Fund into a single Funds Unit. This will be chaired by the Minister for the Cabinet Office and will "drive greater consistency in standards and improve the quality of delivery including by building capability and expertise to improve poverty reduction, security and prosperity impacts".[24]

Commitment to sustainable development?

Although CSSF has a broad remit to focus on conflict avoidance and threats to security, its most recent Annual Report[25] does not address threats from climate change and environmental factors at all, and these are not reflected in the National Security and Capability Review either.

Blending of ODA and non-ODA funding means it is more difficult to assess the uses of CSSF funding than for fully ODA supported initiatives. The fundamental purpose of CSSF activity is also harder to disentangle — although there is some rhetoric in CSSF and NSO documents about the interests of the poorest countries and people, the largest areas of ODA spend in FY19 include the Middle East and North Africa regional budget (£177.1 million) and peacekeeping (£84.8 million). More ODA is spent via CSSF in Europe and the Americas (£66.1 million) than in sub-Saharan Africa (£58.9 million).

C.4 Private Infrastructure Development Group (PIDG)

The Private Infrastructure Development Group (PIDG) is a multilateral infrastructure development and finance organisation established in 2002 by four donor agencies including DFID to address the market failures that were impeding infrastructure development in poor sub-Saharan and Asian countries. The overwhelming majority of PIDG's funding (around 70% overall[26] and much higher in some years[27]) has come from DFID in the form of ODA. DFID's current four year (May 2018-March 2022) commitment to PIDG is £426 million. Other "owners" include the Netherlands Ministry of Foreign Affairs, the Dutch Entrepreneurial Development Bank, the Swiss Secretariat for Economic Affairs, Australian Aid, the Swedish aid agency Sida, Germany's KfW Development Bank and the World Bank's International Finance Corporation. Its stated purpose is "to combat poverty in the poorest and most fragile countries through pioneering infrastructure – helping economies grow and changing people's lives". It employs ODA and other donor country funding earmarked for development to leverage private infrastructure investment. According to its website, over its lifetime it has invested $3.6 billion in funding from its

[22] HMG (2018) 'National Security and Capability Review.
[23] Ibid.
[24] Ibid.
[25] HMG (2018) Conflict, Stability and Security Fund: Annual Report 2017/18
[26] Global Witness (2019) In aid of who? The obscure investment fund using UK aid money to finance climate change around the world.
[27] National Audit Office (2014) Oversight of the Private Infrastructure Development Group. Report to the Comptroller and Auditor General.

owners to leverage $35.8 billion in private investment. It claims that its approximately 200 projects have created over 240,000 new jobs and provided 243 million people with access to new or improved infrastructure.

A 2014 NAO governance review of PIDG[28] found that its multilateral set-up made it challenging for DFID to provide the level of oversight and control that its scale of investment should require. As a result, at least some PIDG investment fails to clearly support stated UK aid priorities regarding poverty, environment and climate change.

A 2017 assessment commissioned by PIDG on its alignment to the SDGs[29] found that while PIDG has made a demonstrable contribution to poverty reduction, it lacks tools to measure poverty in its target populations, which are essential for assessing the affordability and accessibility of its investments. It also flagged seven goal areas for which PIDG investments have sometimes had a negative impact. These include the goals on terrestrial and marine environment, climate change, energy, gender equality, inequality and inclusive growth.

More recent research by Global Witness[30] bears out these concerns regarding negative development impacts of some PIDG investment. It found that PIDG has invested over £750 million, most of it coming from UK ODA, in fossil fuel energy projects, representing slightly more than half of its total investment in the energy sector. Despite a stated commitment to support countries to transition to low carbon infrastructure, PIDG has continued to finance fossil fuel programmes in recent years, seeing them as necessary in some cases “as a transitional source of power”.

[28] National Audit Office 2014, op. cit.
[29] Maginnes, EC and Ashley, C (2017) Final report: PIDG alignment to the Global Goals.
[30] Global Witness 2020, op. cit.

Appendix D. DFID's Safeguarding System

DFID introduced a comprehensive environment safeguard system in 2003. It changed significantly twice — being revised in 2010 with a new emphasis on climate, and then replaced by overarching DFID 'smart rules' in 2014. The following observations are drawn from DFID documents, discussions with the DFID Head of Profession Environment and Climate, and OECD DAC discussions. The overall message is a loosening of environment/climate change mandatory requirements, but a potentially positive (if little realised) approach to multiple mainstreaming of all issues that matter to sustainable development.

2010 Climate and Environment Assessment (CEA): The CEA safeguard system was mandatory for every planned expenditure above £400 (*sic*). It screened projects into three standard categories from A (high environment/climate change risk) to C (no risk). CEA was designed to be a collaborative dialogue from the beginning of the process, the project proponent and Climate and Environment (CE) Adviser working together to realise 'do-more-good' outcomes and not simply 'do no harm'. Yet CE Advisers had a certain power — to sign off CEAs and responses in the intranet budget system -- meaning that it was mandatory for project managers to address the CEA, or their project development would grind to a halt.

2014 Smart Rules[31]: Environment/climate change (env/cc) concerns are now just one component of the 2014 'DFID Smart Rules'. These provide 100+ pages of "core guidance" for all DFID programming and management. They were introduced primarily to streamline the 2,000+ pages of guidance of all sorts that had accumulated over the years — the burgeoning DFID 'rule book', which included the CEA. One positive potential of the Smart Rules is thus to make multiple issue mainstreaming' possible, at least in theory. However, env/cc are low down in the Rules' hierarchy:

- 10 principles — the highest-level definition of what is 'smart' — do not address env/cc.
- 37 rules — to help in the whole programme cycle — include nothing on env/cc.
- 9 operating qualities — technical, risk management, use of evidence, value for money, economic appraisal, partnership, development effectiveness, transparency, commercial standards.
  - Within 'technical quality' are 'sustainability and resilience' and 'avoid doing harm'. These include overt env/cc concerns, but also give clues about what DFID might mean by 'sustainability' — stability, equity, long-term view, good governance.[32]
  - There is an Environment and Climate Smart Guide (internal access only) to elaborate on 'sustainability and resilience' and 'avoid doing harm'.

DFID could thus claim that env/cc/sustainability are 'mainstreamed' — but they are not given priority. A 2014 ICAI review[33] stated that all the technical qualities were important enough to be elevated to a principle.

What has been the impact of the changing approach to safeguards? In 2016 the Head of Profession conducted an informal review of both the previous mandatory CEA system and the later integrated (but effectively voluntary) Smart Rules:

- The **CEA** system's impacts are revealing:

[31] DFID (2019) Smart Rules: Better programme delivery. Version XII: Effective 1 October 2019-1 April 2020.
[32] **Ensure sustainability and resilience:** "How will you generate lasting benefits for citizens in the face of possible future shocks (e.g. political, economic, security, environmental, social, climatic)? How do you support resilient households, firms, institutions, societies and environments capable of coping with uncertain futures? This could include: supporting opportunities to deliver climate and environmental benefits; fostering positive change in the political settlement; contributing to peace and stability; providing a stable and good investment climate in which firms can operate and create jobs; promoting rights and choice; and/or addressing underlying gender barriers." **Avoid doing harm** "by ensuring that our interventions do not sustain unequal power relations; reinforce social exclusion and predatory institutions; exacerbate conflict; contribute to human rights risks; create or exacerbate resource scarcity, climate change and/or environmental damage; and/or increase communities' vulnerabilities to shocks and trends. Ensure that our interventions do not displace/undermine local capacity or impose long-term financial burdens on partner governments." Sustainability also figures under 'programme design and delivery standards', where it implies long-term fit and legacy. (Ibid, p. 17)
[33] ICAI (2014) Rapid review of DFID's Smart Rules.

- When the CEA system started, DFID senior management assumed that about 25% of all DFID business would have significant env/cc implications, i.e. classed as A or B.
- But over five years, about 75% of all business had env/cc implications (about 10% were screened as A and 70+% B) — three times as much as assumed.
- With CE Advisers having to sign off CEAs and responses in the intranet budget system, senior managers perceived the CEA to be a bottleneck, and many put CE advisers under pressure to 'tick the box'.
- Indeed, CE Advisers had to be strong to resist often very senior managers. Where they had the personal clout, time and resources to make the process more of a *collaborative dialogue* from the beginning of the process, the project evolved in an env/cc-positive way before the sign-off stage was reached. Result — better projects. (However, the added value input of the CE Advisers was invisible to the DFID system.)

- The **Smart Rules** system has env/cc embedded — if at an operational rather than strategic 'theory of change' level. But they have no requirement to record why a project proposer/manager did or did not consider any of the Technical Qualities as relevant. Without that record, env/cc is effectively voluntary, and accountability is low. It also made it difficult to assess the added value over its first two years.[34] Nonetheless:
    - 65 large-scale DFID business cases did have some kind of env/cc assessment — this corresponds to about 70–80% of DFID's spend volume — so little drop in attention to env/cc over 2014–16 (and again, evidence that DFID's work has env/cc implications).
    - Only two or three of these assessments were not particularly good in assessing env/cc risks.
    - However, about 20 assessments missed rather obvious positive env/cc opportunities. Even if most DFID economists would not have thought these opportunities were priorities, it could have been useful information for partners.

Current trends. It is likely that, since 2016, attention to aspects of cc has been good, but there has been a drop-off in attention to other env aspects and the effective voluntary nature is not robust enough in today's world of increasing env/cc risk. This is in part related to the absence of any DFID environment strategy — so it is not clear what the environment priorities are.

Evolution. The safeguarding system needs to evolve to deal with the kinds of programmes DFID supports. There are two issues here. Firstly, if aid to env/cc is to double, there will be pressure to ensure quality and the need to clarify and perhaps tighten up the criteria. Secondly, the broader safeguard problem is now more subtle: DFID does not directly spend big money on roads and dams — rather it is the many indirect impacts of how, e.g. 'economic development' and 'public financial management' support turn out. Progressive developments that may influence the safeguarding system include a Resilience Oversight Group at senior civil service level to give a high-level steer on all cross-cutting work, and refreshing the Country Development Diagnostic.

[34] We were given the results of the informal surveys verbally, but not permitted the papers.

Appendix E. Overview of case studies of UK-supported sustainable development programmes

E.1 Darwin Initiative and the IWT Challenge Fund

Background

The Darwin Initiative was announced by the UK government in 1992 at the Rio Earth Summit, and began as a programme of what was then the Department for Environment Transport and the Regions (DETR) and subsequently became DEFRA. The stated objective of the initiative was to help countries "rich in biodiversity but poor in resources" to meet their commitments under the newly announced Convention of Biological Diversity (CBD). In 2008 the focus on the CBD was extended to other biodiversity conventions included the Convention on Migratory Species and the Convention on International Trade in Endangered Species.

A number of significant changes have taken place since 2011:

1. 2011: DFID started to co-fund the initiative — previously all funds had been non-ODA from DEFRA. From the 2012 to 2015 round applicants had to nominate whether they were applying to the DFID portion of the fund or the DEFRA portion. Any applicants to the DFID portion had to be able to demonstrate a contribution to poverty alleviation, whereas applicants to the DEFRA portion did not.

2. 2012: A new sub-fund — the Overseas Territories Environment and Climate Fund known as 'Darwin Plus' — was established, replacing the previous FCO and DFID-funded Overseas Territories Environment Programme.

3. 2014: A 'sister' fund — the Illegal Wildlife Challenge Fund (IWT-CF) was launched, following the London Conference on Illegal Wildlife Trade (the first few IWT-CF projects being drawn from applications to the main Darwin fund)

4. 2014: The Darwin Initiative became 100% ODA funded, administered via DEFRA's new ODA team.

Since 1992, and including all projects awarded in April 2019, 1,169 Darwin projects have been funded in 159 countries, with a total UK government investment of £166.9 million. For the IWT-CF, £23.3 million has been committed to 75 projects since 2014.

Commitment to sustainable development

Since becoming ODA-funded (and from the start for the IWT-CF), with the exception of Darwin Plus, the Darwin Initiative has had an explicit focus on linking biodiversity conservation with poverty alleviation, with the following implications:

- Project proposals have to make a clear case that they are addressing both biodiversity conservation and poverty alleviation (specific questions on each are asked in the proposal template) including through appropriate log frame indicators.

- Projects are only eligible in upper-middle-income countries (UMICs) if a very clear case can be made that this will generate lessons or other benefits for poorer countries (so, for example, UMICs may be included in multi-country projects with a focus on sharing experiences, but a project would not be eligible if it was solely focused on a UMIC). For Darwin Plus projects, Montserrat, St Helena, Tristan da Cunha, and the Pitcairn Islands are the only Overseas Territories (OTs) that are eligible for ODA funding. Funding for projects in other OTs comes from non-ODA sources from FCO and Defra. The largest proportion of funding (34%) goes to sub-Saharan Africa. Table E1 shows the numbers of projects funded in each region to date.

- Since 2017 projects have had to specify how they are addressing the SDGs (both in the proposal and in the annual reports). And in the latest round, (May 2019) the UNFCCC was added to the list of conventions supported by the fund.

- The Fund is committed to capacity building and encouraging increasing numbers of applications from developing countries, rather than from UK or other developed country leads. Proposals have to specify how the project will contribute to capacity building, of whom, and to what end.
- Each year the main Darwin Initiative identifies a number of priority issues which projects are encouraged to address. Demonstrating the change in approach of the fund from its establishment as a pure biodiversity fund with projects focussed on species taxonomy etc., recent priorities have emphasized the linkages between biodiversity and development. One of the priorities of the current round, for example, is "securing the benefits of biodiversity for the poorest communities and those most vulnerable to the degradation of the natural environment by tackling issues such as agro-biodiversity, food and water security, and biodiversity and health."

Table F.1 Number of Darwin Initiative projects and IWT CF projects funded to July 2019 by region (data from LTS annual report to DEFRA 2019)

	Darwin Projects	IWT CF Projects
Asia	**267**	24
Caribbean	**15**	0
Central America	**63**	3
Europe & Central Asia	**77**	2
International	**49**	6
North Africa/Middle East	**21**	0
Pacific Islands	**39**	0
South America	**138**	1
Sub-Saharan Africa	**343**	39
UK Overseas Territories	**157**	n/a
TOTAL	**1,169**	**75**

E.2 Ecosystem Services for Poverty Alleviation (ESPA)

ESPA was the UK's official response to the Millennium Ecosystem Assessment. Commissioned by DFID, NERC and ESRC, and designed in consultation with DFID and a committee of science and policy experts, ESPA ran for nearly ten years (2009–2018). With a budget of nearly £44 million, 74% from DFID, it was DFID's largest environmental research programme at the time, achieving a reasonably successful balance of attention to environment and poverty, and science and policy.

Nearly 1,000 scientists from 160 institutions engaged stakeholders through 125 research projects to explore policy-critical questions in 53 countries. ESPA's 350 published papers have hugely augmented the literature on the links between the apparently intractable challenges of poverty elimination and environmental conservation. In a policy context paralysed by the complexities of these links, ESPA pioneered a shift away from a partial and linear understanding of "ecosystem services alleviating poverty", towards a richer understanding of the many feedbacks between social and ecological systems. ESPA's metrics, frameworks, models and other inventions have helped to make more intelligent decisions in many countries, in part due to the emphasis given to in-country researchers engaging with in-country policymakers and policy influencers. There was an emphasis on synthesising learning across its many projects:

1. **ESPA science:** ESPA insights provide a more integrated and equitable approach to uniting poverty, development and environment agendas, and achieving the SDGs:
    - Shifting mind-sets from 'win–win' to identifying (hidden) trade-offs and developing modelling tools to make these trade-offs explicit and support policy decisions
    - A focus away from simple financial poverty to wellbeing and its multiple dimensions (emphasising disaggregated data)
    - Addressing trade-offs through a justice framework which encompasses recognition, procedure and distribution

2. **ESPA programmatic learning:** ESPA was a pioneering interdisciplinary research programme, focused on delivering development impact, and has critical lessons for informing future funding calls and research agendas. The key lessons were:
    - Spending sufficient time to build ethical and equitable relationships
    - Ensure interdisciplinary skills in the programme/project team, and
    - Use a theory of change approach.
3. **ESPA findings:** There are many of these. Relevant sustainable development findings include:
    - Demonstrating how the way in which poverty is measured influences which development actions are taken — by governments, external donors, by communities themselves — and whether people are better off as a result
    - Highlighting where biodiversity is a major contributor to human health and wellbeing
    - Revealing that land use intensification (which often involves heavier water use) is undermining the provision of multiple ecosystem services and threatens attainment of several SDGs
    - Showing how peri-urban areas of developing countries can be sustainably managed to support societies: enhancing food security, cycling nutrients, providing ‘green lungs’ and other vital services
    - Illuminating major gaps in scientific understanding about how ecosystem goods and services flow between rural and urban areas
    - Showing how scientists and communities can work together to use information technology to command an understanding of the natural environment — and use this evidence to better manage environmental risks
    - Warning how simplistic ‘solutions’ to climate change are neither inherently ‘pro-poor’ nor good for the rest of the environment — e.g. many approaches to forest conservation activities and climate-smart agriculture approaches.

ESPA brought together the initially sometimes conflicting priorities of DFID, NERC and ESRC for a period long enough to establish a strong shared vision for participatory, decision-centred science. It was graded highly (A+) by DFID it its end of programme review and provided a precedent for the design of the Global Challenges Research Fund (GCRF) -- although those involved in ESPA believe GCRF could have picked up far more lessons of best practice. However, ESPA’s closure has also resulted in the large community of practice no longer being well-networked, the well-organised website being maintained only to a very limited degree, and a large number of potential entry points for ESPA’s research having no coordinated follow-up. Nonetheless, following a one-year hiatus, DFID has now designed a follow-on research programme of similar financial magnitude: Reversing Environmental Degradation in Africa.

E.3 International Climate Fund/International Climate Finance (ICF)

Background

The International Climate Fund was established in 2011 with an initial five-year (2011–2016) budget of £3.87 billion, managed jointly by DFID, DECC (now BEIS) and Defra. Its stated goal was to support international poverty reduction by helping developing countries to adapt to the impacts of climate change, take up low-carbon growth and tackle deforestation. It was replenished with £5.8 billion for a further five years in 2016.

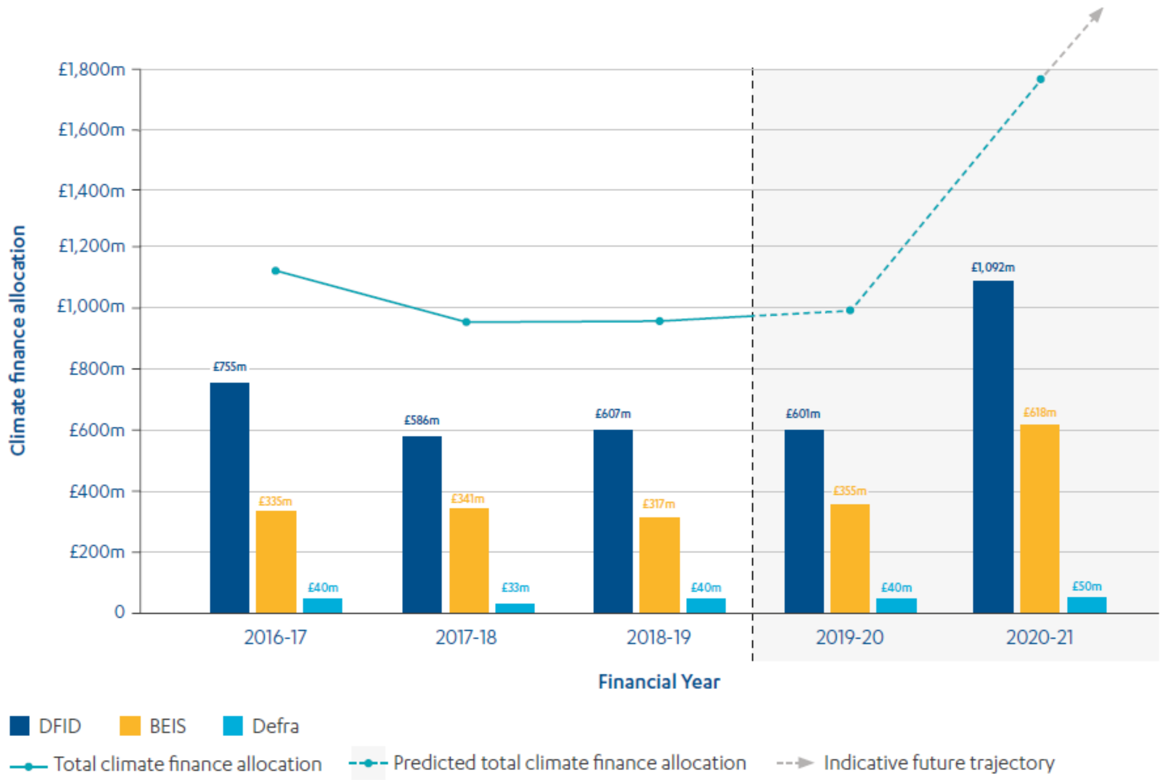
BEIS’s primary focus is on low carbon development in countries with high or growing emissions, with an emphasis on accelerating decarbonisation, making markets work and halting deforestation.

DFID focuses on helping countries anticipate and cope with climate change, as well as supporting low carbon development. This includes climate resilient food and water supplies, infrastructure and delivery of essential services, as well as supporting sustainable economic growth.

Defra focuses on mitigation and adaptation through sustainable natural resource management, food security, and protection of biodiversity with a strong focus on forestry, including mangroves. Defra is by far the junior partner as far as budget allocations are concerned, with the majority of funds managed by DFID (Figure E.3a).

In the first phase, the finance was disbursed through a cross-government fund, the International Climate Fund, which had joint oversight by the three departments. Since April 2016, each department has had devolved responsibility for managing its own programme, although there remains a cross-government strategy board and a management board.

Figure E.3a. International Climate Finance budgets by government department



Source: ICAI (2019) International climate finance: UK aid for low-carbon development: a performance review.

Commitment to sustainable development

According the UK government's latest annual report on ICF,[35] between 2011/12 and 2018/19, it is estimated that ICF programmes have:

- supported **57 million people** to cope with the effects of climate change;
- provided **26 million people** with improved access to clean energy;
- reduced or avoided **16 million tonnes** of greenhouse gas emissions (tCO2e);
- installed **1,600 MW** of clean energy capacity; and
- mobilised **£3.8 billion public** and **£1.4 billion private finance** for climate change purposes in developing countries.

It is hard to get a clear picture of the commitment to sustainable development across the portfolio, however, since the ICF funds a diverse variety of initiatives. Defra, for example, has funded initiatives on low-carbon agriculture through restoring deforested land on small and medium farms in Brazil; sustainable forest landscape management in Zambia and Indonesia; a blue carbon fund for conserving

[35] DFID (2019) 2019 UK climate finance results.

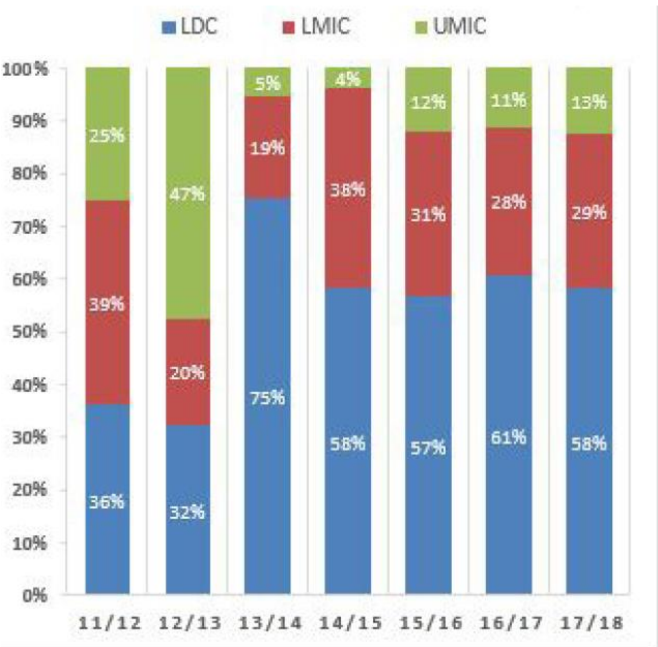
and restoring mangroves; as well as contributions to the GEF and other multilateral initiatives. Specific projects appear to have a strong sustainable development focus. The £10 million Blue Forest Initiative, for example, includes objectives on carbon sequestration and forestry management, fisheries management and improvement, mangrove livelihood diversification, and community health and women's empowerment. Contributions to multilateral initiatives such as the GEF are, however, harder to assess.

BEIS funds a wide variety of projects focussing on emissions reductions — for example establishing emissions trading systems in low income countries, the Renewable Energy Performance Platform, which focuses on sub-Saharan Africa and the UK PACT (Partnering for Accelerated Climate Transitions) and Clean Energy Transitions programme which focus (to date) on UMICs. Some have a clear on the ground sustainable development focus, e.g. deforestation free supply chain initiatives through the Partnership for Forests project. In other cases, it is harder to see the ODA or sustainable development impact.

In the first phase of the ICF DFID funds supported similar stand-alone projects including the Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED) initiative (see section E.4 below). More recently, however DFID has sought to integrate climate finance into its broader development portfolio — e.g. making infrastructure investments resilient to climate change and making it harder to assess the impact of the ICF per se compared to other development spend.

A large majority of ICF funding goes to LDCs and LMICs although a sizeable proportion benefits UMICs (Figure E.2b). Furthermore, evidence presented to the IDC 2019 enquiry on climate finance[36] pointed out that many LDCs and other very vulnerable countries are left out. Evidence presented to the IDC also highlighted considerable variability in the extent to which ICF projects were benefitting the poor. When asked specifically how ICF measures its contribution to poverty alleviation the DEFRA minister agreed that this was unclear and that, for DEFRA, the main focus was on outcomes in terms of carbon. The Key Performance Indicators of the ICF also do not lend themselves to measuring poverty impacts directly but do capture how many people have been assisted to cope with climate change and other measures we know are important for tackling poverty, such as the access to clean energy.

Figure E.2b. Spread of ICF funding to between richer and poorer countries



Source: IDC (2019) UK aid for combatting climate change.

[36] IDC (2019) UK aid for combating climate change. Eleventh report of session 2017-2019. HC 1432.

Assessments of the ICF

ICAI has conducted two reviews of the ICF. The first in 2014[37] covered all three founding objectives of the fund: climate change adaptation, low-carbon development and sustainable forest management. The second[38] focused just on the low carbon development component of the portfolio. In the 2014 review ICAI noted that "after a challenging start, it has built up significant momentum and is now well placed to deliver on its ambitious objectives. While many of its investments have had long lead times and remained unproven, there is evidence of early impact in a range of areas." The 2019 review was less positive, however, noting that BEIS had a clear strategy for focusing on energy emissions in middle income countries, but that DFID, while having a "convincing approach" to low-carbon development in the energy sector, lacked a clear strategy in other sectors, including in integrating low-carbon investment across its entire portfolio. For example, ICAI noted DFID's 2015 infrastructure strategy makes only passing references to low-carbon development objectives, despite this being a key sector for low-carbon development given the long lifespan of infrastructure investments. There are no references to low-carbon development in DFID's WASH strategy or in its conceptual framework on agriculture.

Furthermore, ICAI noted that "the overall strategy for UK International Climate Finance has not been updated since 2011, leaving key elements of the approach unclear and potentially opening up a strategic gap around support for low-income countries. The 2019 IDC review of climate finance[39] also highlighted concern with DFID's approach, noting in particular that not integrating climate change across its portfolio is flawed development practice and that "DFID should not be tapping into the International Climate Finance budget to subsidise what it should be doing anyway." DFID and DEFRA were both also criticised for short term (two- to three-year projects) with short extensions rather than longer term (e.g. eight year) funding, which would allow for better planning. DFID have also ended projects — even those scoring A+ — rather than extending or upscaling initiatives which are working and appear to have potential for transformative impacts.

The IDC review also highlighted the ICF commitment to an equal balance of funding between adaptation and mitigation. This 50:50 split is at odds with the global average where only 20% is allocated to adaptation. While commending this enhanced investment in adaptation, evidence submitted to the IDC suggested that a better approach would be to emphasise climate compatible development, seeking a triple win of mitigation, adaptation and development, achieved in an integrated manner.

The ICF has its own cross-government MEL programme called COMPASS. Many of the findings highlighted by the ICAI and IDC reports are also reflected in COMPASS evaluations (available here: https://devtracker.dfid.gov.uk/projects/GB-1-203516/documents).

E.4 Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED)

BRACED was a DFID-funded £130 million ICF initiative that aimed to increase the resilience of climate vulnerable people through 15 programmes in 13 African and Asian countries already being affected by climate change. BRACED was originally conceived as a 10-year programme, with an initial testing, knowledge sharing and capacity-building phase followed by a scaling out phase. Its time frame was cut back to just one three-year phase at its inception in January 2015, though some of the programmes were eventually extended until September 2019.

BRACED's approach was to:

- provide grants to organisations in programme countries to develop and test new technologies and approaches;
- derive and share learning from those experiences with stakeholders both within and across countries;

[37] ICAI (2014) The UK's International Climate Fund.
[38] ICAI (2019) International climate finance: UK aid for low-carbon development: a performance review.
[39] IDC 2019 op. cit.

- use that learning to support capacity development and influence changes in policies and practices.

Each BRACED programme was comprised of a package of projects implemented through consortia of national, international and UK partners. The programmes operated under the overall management of a lead international NGO partner. BRACED also involved a substantial cross-programme knowledge management component run by a consortium of six international NGOs and research institutes.

BRACED underwent an independent "final" evaluation[40] in September 2018 (while several programmes were in fact still operating). It found that BRACED programmes had resulted in a number of positive outcomes at individual and household level, including increased incomes, improved food security, improved agricultural practices and access to financial services. Programmes also positively influenced local and national institutions and policies and improved people's access to climate information. Evidence of improved social inclusion for disadvantaged groups was less strong.

The April 2019 IDC inquiry on UK aid for combatting climate change[41] provided further evidence that many activities resulted in tangible positive change for climate-vulnerable people, as well as highlighting promising new approaches. BRACED was for example praised for focusing its efforts "on the poorest and most vulnerable communities" and supporting "innovative mechanisms for getting climate finance to the local level".

Evidence of whether these positive outcomes resulted in increased resilience for poor households is less clear. According to a 2018 ICAI performance review on building resilience to natural disasters[42], the quantitative indicators used in BRACED's log frame proved inadequate for measuring resilience, and were eventually supplemented by a new tool, Key Performance Indicator 4 (KPI4), whose complexity and resource-intensiveness made it challenging to use at operational level.

BRACED's theory of change was based on creating transformational change through a range of activities operating at different scales, from household to national, and informed by ongoing learning. Such an approach requires multiple partnerships, alliances and communication networks, which take considerable time to develop. It also depends on iterative approaches that allow for testing and adjustment. Both the final evaluation and the IDC review concluded that the short time frame of the programme did not allow much of that ambition to be achieved. Individual projects operated more or less like independent pilots, although some innovations and achievements were absorbed into local and national institutions post-programme. The shortened time frame also appears to have undermined the original ambition of nested platforms for knowledge sharing and joint analysis among stakeholders within and between programmes. Instead most of the collection of evidence, distillation of learning and dissemination of knowledge was carried out by the overall BRACED knowledge manager.

In the IDC review, DFID staff refuted criticism regarding the short time frames of BRACED programmes, arguing that many had been extended for a further year. That however overlooked the larger point regarding the time it takes to create the type of change BRACED was aiming for or to implement the multi-level, multi-partner strategy it was built on. It also overlooked the confusion and eventual disappointment of country partners, who were initially offered ambitious 10-year programmes, and in the end given much less.

E.5 Poverty Environment Initiative (PEI)

PEI has helped to mainstream the environmental issues that face poor people into developing countries' policies, plans, budgets and capacities. UNDP and UNEP, coordinators of PEI, ensured that ministries of finance or development were the lead national agencies, given their prominence in planning, budgeting and review, but also that ministries of environment were key players.

Since 2005, PEI's work in all developing continents has influenced: 24 national and 4,214 local development plans, 93 sector strategies, 84 budget processes, and 56 M&E systems. Key instruments include: public climate and environment expenditure reviews; economic studies of environmental (in)action; and environment-proofing national investment codes and agreements.

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[40] Leavy, J, Boydell, E, McDowell, S and Sladkova, B (2018) Resilience results: BRACED final evaluation.
[41] IDC 2019 op. cit.
[42] ICAI (2018) Building resilience to natural disasters: a performance review.

This has resulted in increased investment and recurrent expenditure on inclusive environmental activity, notably in inclusive and climate-smart agriculture and forestry, “green villages”, and renewable energy. It has improved vertical and horizontal coherence across the institutions of government, e.g. with integrated poverty/climate/environment metrics for monitoring, and new forms of coordination. And is has leveraged considerable investment — not only from within the UN system but with other donors and the private sector. Coordinated by UN national offices, PEI is acknowledged as one of the premier examples of ‘One UN’ coherence.

IIED is currently drawing together the lessons from PEI in Africa, noting these elements of success in contributing to sustainable development:

1. **A programmatic approach: a participatory, adaptive country process integrating action on poverty and the environment.** PEI’s programatic approach has evolved as a result of diverse experience in many countries, locations and sectors. It embraces the whole activity cycle from stakeholder engagement and diagnosis through to planning, financing, capacity mobilisation, implementation, review, learning and adaptation — but does so by working with existing country systems led by the Ministry of Finance and Planning.

2. **Joint United Nations programming model.** PEI is recognised as an example of ‘best practice’ in coordination across the United Nations, having evolved as a UNDP-UNEP partnership. The joint programming model is soundly based on results-based adaptive management by the two UN agencies.

3. **Economic analysis.** PEI has helped countries to make the economic case for action on connected poverty and environment challenges: First through a *range of economic analytical tools and methodologie*s: the resulting country or sector studies clearly demonstrate where sustainable environment and natural resource management can achieve key development objectives. Secondly through *public climate/environment expenditure reviews and influencing budgeting processes,* which have improved both public and private finance flows.

4. **Multi-dimensional poverty indicators and assessments.** PEI has pioneered participatory and science-based construction of indicator sets for critical poverty-environment interactions, and embedded many of them in government planning, census and monitoring systems. This has improved attention to the non-financial areas of deprivation that really matter to poor people.

5. **Knowledge dissemination and management.** PEI’s experience is summarised in several guidance materials such as a comprehensive *PEI Handbook, Investment Guidance* and *Budgeting Toolkit* and a multi-country knowledge resource of studies and process documents. All can be found on the PEI website.

6. **Institutional and other improvements to make countries fit for achieving sustainable development.** These include public policies and plans, integrated sector programmes, institutional mechanisms, funding and financial mechanisms, people and capacities, and country data and knowledge. They are assets of each African country, to be recognised, built upon and supported. *Often* they may be the firmest foundation for an integrated approach to tackling poverty and environment challenges in a given country.

PEI is now moving to a new phase in 2019, and many ‘learning’ publications from the first 15 years are imminent. Its name has changed to *Poverty Environment Action for the SDGs (PEA)*.

Lead: UNDP and UNEP

Donors: EC, Sweden, Norway, Spain, UK (DFID contribution coming to a close)

More at: www.unpei.org

Appendix F. Comparison with other donors

F.1 Headline messages

DFID is not unique among development cooperation actors in finding sustainable development challenging in its breadth, complexity and conceptual vagueness. However, other donors do single out UK ODA in certain ways.

UK ODA is often admired by its development cooperation peers for:

- the high quality and significant number of DFID's professional cadre of advisers working on environment, climate, and livelihoods — although this cadre is less well networked globally and in many low income countries (LICs) than in the past.
- DFID's earlier pioneering work on sustainable livelihoods, national sustainable development strategy processes, poverty-environment links (notably for biodiversity), solid waste management, and climate change adaptation — but it has lost these leads except the last.

Yet peers and country partners alike are often frustrated by frequent changes in UK ODA policy and procedures. These changes, along with the lack of an enduring, robust and embedded approach to sustainable development in UK ODA, appear to compromise both the long-term balance of economic, social and environmental activity, and the consistent engagement with poor groups and the environment, that are needed for sustainable development.

UK ODA could learn from peers in the following areas, in each of which the UK is currently weak. Examples are given later in this section, several of them the result of multilateral effort rather than that of individual bilateral donors:

- Establishing a strong and consistent legal mandate that will ensure that sustainable development is the outcome of aid — and that it is robust to political and internal leadership 'noise'
- Refreshing and more strongly embedding the DFID safeguard compliance system — enriching it with multiple mainstreaming techniques that combine all cross-cutting issues relevant to sustainable development
- Establishing prioritisation frameworks to make sensible choices for handling the many SDGs — so that sustainable development becomes less vague and better rooted in the breadth of LIC needs
- Improving the categorisation, recognition and reporting of projects that contribute to sustainable development
- Setting and managing expenditure targets to incentivise particular sustainable development outcomes — such as may now be needed for biodiversity and pollution
- Networking all advisors (not just climate and environment) on sustainable development issues and improving interdisciplinary skills essential to handle sustainable development issues
- Engaging with and supporting in-country civil society and small business in sustainable development dialogue and plans

UK ODA could work alongside peers in several areas where all face similar challenges:

- Sharing, streamlining and/or standardising the many safeguard and planning tools and facilities that are currently used, so they are robust to LIC sustainable development requirements
- Giving much greater attention to working with partner countries in sustainable development dialogue, diagnosis, capacity mobilisation, and national sustainable development system-building
- Ensuring multilateral climate and environment funds support balanced sustainable development, by addressing the environmental impacts created by a focus on carbon, and are inclusive and accessible

- Improving organisational learning about achieving sustainable development within and amongst development cooperation agencies
- Influencing prevailing economic development paradigms and improving the economic case for sustainable development strategies and activities

UK ODA is not alone in facing many challenges in supporting sustainable development in developing countries. Effectively integrating a developing country's economic, environmental and social objectives is a highly context-specific and long-term affair involving many factors and actors in understanding and making often-fundamental trade-offs. Until the SDGs were agreed in 2015, the development cooperation community had no universally agreed framework of goals and targets that enabled them to enter orderly dialogue with individual countries. Some donors developed their own approaches to sustainable development, in addition to working together in the OECD DAC and jointly with multilaterals. We draw on this experience below, focusing on:

- Bilateral development cooperation, which is close to the UK's 0.7% commitment level
- OECD-DAC joint learning, in which the UK has often been prominent
- Multilateral institutions' approaches to sustainable development which have become influential and/or in which the UK has been a key player

This section does not seek to benchmark the UK against others — existing data is inadequate, and this exercise was not resourced to generate new data. But this section does identify trends and norms across the sector, highlight specific experiences from named donors from which the UK can learn, and note where the UK is ahead of or behind trends against six sustainable development 'building blocks'.

F.2 Trends and donor approaches across six sustainable development building blocks

1. Policy commitment — sustainable development mandate, legal basis and strategy

Mandate. OECD members involved in the peer learning exercise concluded that a strong, consistent *and clear* legal basis for tackling sustainable development is essential. Sweden and the European Commission (EC) in particular have benefitted from this over many years. In the absence of this, many donors have had to rely on political leaders' and senior management's interest in and interpretation of sustainable development, which is not always consistent or continuous. The UK's International Development Act (IDA) is not clear enough and is inadequately complemented by operational strategies.

Vision. Most donors are facing two policy trends that have direct implications for sustainable development: increasing attention to climate and formal government commitment to the SDGs:

- *Climate change has been the dominant trend.* It accounts for 20% of the EC ODA budget, and 28% of Sweden's. The OECD is aiming for complete alignment of aid with the Paris Agreement. There has been much progress, especially in climate adaptation, but it is often treated as a single issue, not intimately connected to sustainable development. Consequently, climate crowds out other environment and sustainability issues. The UK is no exception here although DFID at least puts 'climate and environment' on the same page.
- *A more recent trend is to begin to address the SDGs.* For many DAC members, like Germany and the Netherlands, this is now formal policy. However, most agencies are finding it difficult to implement recent commitments to the SDGs. The challenge is that sustainable development potentially expands the aid agenda. Aid staff become paralysed by its vast scope and complexity — the huge set of SDG targets is not helping. Most agencies are as yet doing little more than explaining their development cooperation in SDGs terms — an accounting exercise rather than using the SDGs framework in planning. This is broadly the case for DFID, whose staff know that sustainable development is vague unless locally interpreted, but do not have the frameworks and procedures for sustainable development prioritisation — particularly where it is most needed, in country programming.

Other recent policy trends could be promising for sustainable development: 'feminisation' of the development agenda and 'multiple mainstreaming' of cross-cutting issues. A feminised agenda opens up to many related issues of environmental rights and services, as Global Affairs Canada has found. The trend of bringing together several cross-cutting issues, such as gender and rights as well as climate and environment, has begun to open up approaches to multiple mainstreaming that cut across old sectoral silos and yield new views of development success.

The prevailing development paradigm among donor staff, especially its leaders, strongly affects how sustainable development is interpreted. Many staff in development cooperation will (usually quietly but sometimes openly) talk about ideological divides. The prevalent divide is between those who believe economic growth is the principal strategy and income poverty reduction the major aim (as with DFID, where economists are typically the major decision-makers) and those who believe a greater breadth of wellbeing is the aim, notably through strategies that develop and use social and natural capital too. Where economic growth is the main strategy, sustainable development is perceived as being too dispersive of effort, although climate change has been recognised as a risk to economic growth that needs to be handled.

Effective approaches that donors use to prioritise and balance the sustainable development agenda include:

- **Mandate.** EC Development Cooperation staff are clear that several long-standing EU treaties and laws have created a very strong foundation for its clear and enduring commitment to sustainable development. Each has added strength, as now with the 2017 New European Consensus on Development. This sends clear signals to all staff and has incentivised ambitious, continuing and consistent effort immune to political fashion. Sweden's Policy for Global Development demands a whole-of-government approach to sustainable development in other countries and has improved the handling of sustainable development complexities, encouraging cross-departmental working, especially but not only between Foreign Affairs, embassies, Sida and the Swedish Environmental Protection Agency. Neither the UK's IDA nor the fluctuating approaches to Whitehall coherence offer the same clarity, coherence and consistency.
- **Political leadership and coherence.** Some countries have embedded sustainability for many years. Sweden has been a consistent champion of sustainable development since hosting the first UN Conference on the Human Environment in 1972. Sida staff believe that sustainable development is "in their DNA" and welcome institutional mechanisms to express it. In the UK, sustainable development has suffered rather than benefitted from chopping and changing politicisation of sustainable development (and more usually its neglect).
- **Multiple mainstreaming.** Where once sustainable development was principally heard of in aid agencies through occasional and one-way 'environmental mainstreaming' campaigns, development cooperation is now evolving ways to integrate multiple dimensions. Sida has established five perspective which need to be considered in all of its operations — environment/climate, gender, human rights, poor people's perspective, and conflict. France and Germany have introduced very similar cross-cut priorities. The UN is working similarly, e.g. IFAD has established a new Environment, Climate, Gender and Social Inclusion Division, which is a source of innovation for integrated planning. DFID has streamlined its thousands of pages of programming rules into 100+ pages of 'Smart Rules', but these have demoted environmental aspects and do not aim at a clear overarching concept such as sustainable development.
- **Building on climate.** Having established climate funds, there is recent innovation in using these to support nature/biodiversity-based solutions by the EC, France, Germany and Sweden.
- **SDGs as a planning framework.** The SDGs and green economy are the most compelling frameworks currently available for organising aid to achieve sustainable development. In response to new Netherlands legislation, the aid agency DGIS is beginning to address the SDGs: its current policy says, "the guiding principles for Dutch development cooperation policy are the SDGs" (although these are not in fact principles), which "offer the ultimate prevention agenda for avoiding conflict and instability", two major concerns of DGIS. It has what it calls a "broad-based SDG relationship" with ten countries whose level of development is low, where DGIS activities are organised according to individual SDGs: education, employment, women's rights, sexual health and

reproductive rights, food, water, climate and the rule of law. In other words, it is comprehensive support through multiple 'pots' (and, typically, aid recipients also simply divide up the ostensibly indivisible set of SDGs among the same old siloed ministries). However, DGIS is aware of the cross-cutting challenge: it says the SDGs will demand new finance vehicles, digital technologies and partnerships to "work in new ways" to achieve multiple SDGs. Germany's development agency GIZ has also selected the SDGs as an organising framework for its work, using five operational principles to find a way through the SDGs' complexities: integrated approaches, shared responsibilities, universality, focus on the disadvantaged, and transparency. This has been designed to help developing countries to prepare national SDG plans. In contrast, the UK has done very little on the SDGs — simply preparing a retrospective national report which touches on aid.

- **Inclusive green economy as an alternative integrated paradigm.** The EC's circular economy concept is seen as a more compelling framing than the SDGs — as it addresses economic activity and governance that will *deliver* the SDGs. It has been deployed in high-level visits to developing countries by EC commissioners and Directors General, opening up policy dialogue on the economics of sustainable development for those 60+ countries that are aiming at national green economy/green growth plans. Circular economy, of course, only addresses some physical and financial aspects of sustainable economies and ignores issues of wellbeing and distribution. This is why GIZ also deploys an inclusive green economy framework in LICs (as well as the SDGs) finding that this has more appeal in some developing countries with finance authorities and businesses. UK ODA has not explored circular or green economy concepts (although DFID supports the Global Green Growth Institute).

Gaps in sustainable development coverage. Reflection by DAC peers on their current portfolios arrived at a consensus on two sustainable development issues which are not adequately addressed by development cooperation, including by the UK (except by Defra and DFID's research programme):

- *Biodiversity and the ocean* are experiencing growing interest among DAC members, albeit generally from a low base apart from biodiversity support from the USA, France and Germany (with about €300M, €450M and €500M budgets respectively). New commitments are illustrated by Sida's 15% biodiversity integration target, and the EC's intention to double biodiversity aid. Until very recently, the economic rationale for biodiversity has not been recognised in the same way as for climate. For climate, a single unit — carbon — and a price for it have helped, along with many years of IPCC science and the evident risk to economic growth. Biodiversity has been more 'slippery' in this sense, but the recent IPBES report[43] and the imminent global targets to be set by the Biodiversity Convention Conference of Parties in 2020 are attracting new thinking. This is also the case in the UK: building on IPBES, a framing of 'people and nature thriving together' is in discussion.
- *Environmental pollution and associated environmental health issues* have generally become neglected in favour of global public goods, despite clear evidence of their poverty and gender links. DAC members concluded on the need to take account of the full range of environment issues relevant to development, notably local environmental health issues that especially affect women and girls in LDCs and fragile states: access to water and sanitation, exposure to vector-borne diseases, indoor and outdoor pollution, and environmental health impacts of humanitarian work e.g. sanitation and energy use in refugee camps. DFID has much experience that it could draw on, although programmes today are not at the same scale as in the past.

2. System for sustainable development delivery — procedures and tools

There are a number of trends which affect the fitness of development cooperation to support sustainable development:

[43] Scholes, RJ, Montanarella, L, Brainich, E, Brainich, E, Barger, N, ten Brink, B, … Willemen, L (eds) (2018) *IPBES (2018): Summary for policymakers of the assessment report on land degradation and restoration of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services*. IPBES, Bonn, 1–44.

Safeguards. Eighty per cent of DAC members operate environmental and social safeguards. All of them say that these are often treated as in-house 'policing' and 'hurdles' — at its worst, 'brake on development' -- that elicit simple tick-box responses rather than fundamental shifts in project design. This has led to a well-meaning trend to shift towards a 'do-more-good' approach, and not simply 'do-no-harm' by screening out bad practice. In some cases, including DFID, this has had the effect of safeguards losing their power, becoming effectively voluntary with lower scrutiny and follow-up. DAC members feel the trick is to make the interaction between mainstream development officers and environment/sustainability experts more collaborative, starting early, and well-resourced — with a balance of attention to potential co-benefits as well as mandatory treatment of risks (risks from the project to environment and people, and environmental and social risks to the project's success).

There is also a trend to supplement project safeguards that produce narrow impact statements on e.g. the environmental risks of roads and dam construction (the kinds of project that UK ODA is doing less of) with broader strategic assessments which address the many knock-on impacts of policy work. With UK ODA now supporting broad economic and private sector development, it needs to deploy more such strategic assessments (and it has experience of Social and Environmental Appraisals).

Mobilising country sustainable development systems. Given increased understanding that sustainable development strategy needs to be defined and owned locally, there is a surprising trend away from donors engaging in in-country dialogue and diagnosis on sustainable development and related risks, and reductions in in-country sustainable development capacity mobilisation. The important need for country sustainable development systems and donor sustainable development systems to complement each other has been neglected (in part the result of policy decisions not to impose donor information, ideas and debate on developing countries). DAC members no longer prepare country environmental profiles or host in-country sustainable development dialogues. This is much regretted — the EC's Country Environmental Profiles are still used even if outdated, and the Defra-run Strategic Sustainable Development Dialogues from around 10 years ago with China and other middle income countries were felt to have opened many doors to sustainable development.

Prioritisation and clear outcome focus. Donors urgently feel the need to prioritise among the SDGs, or among the wide range of environmental issues, and to progress beyond sustainable development as a concept to envisioning clear sustainable development outcomes. This is a common response to the mainstreaming fatigue that pressure to adopt a comprehensive approach is creating. The challenge is, instead, to inspire action through a much clearer vision of what can be achieved, and so to focus limited resources and energies. Improved country policy dialogue needs to be a part of this prioritisation.

Development cooperation agencies tend not to have a fully functioning sustainable development system yet. Bilaterals may have niche sustainable development units and safeguards, but not yet overarching sustainable development frameworks and mechanisms; and fragmented, single-issue (fashion-driven) sustainable development programmes but not coherent sustainable development country visions. Recent SDG legislation may change this, but at present there is more of a reliance on multilaterals to take the lead in sustainable development.

Yet there are some effective sustainable development system components among development cooperation agencies:

- **Financial expenditure targets for sustainable development.** Many DAC members have instituted financial targets to incentivise management to support sustainable development. Although initially thought to be a blunt instrument, finance targets for climate and environment have been widely thought to be effective if kept under review. France, Germany, and now EC and Sweden, having noted the relative lack of attention to biodiversity, are now deploying financial targets to incentivise and report on it (e.g. Sida's 15% biodiversity integration target and the EC's commitment to double aid for biodiversity). France incentivises integrated effort: 50% of funding must help both gender and climate goals.
- **An embedded compliance system.** Sida believes that it is important for its system to reflect government norms at the highest level of practice. All Swedish government departments are required to have a formal Environmental Management System (EMS): Sida's legal mandate for its own EMS helps to draw serious staff attention to integrating both positive and negative sustainability issues. Sida usefully deploys it to support its three roles of development financier, analyst and

dialogue partner. Canada has a more bespoke system: a specially designed Environmental Integration Process to ensure rigour throughout the programme cycle (most agencies tend to focus at the planning stage), addressing both do-no-harm and do-more-good issues. France has a sustainable development unit to challenge its sector teams, which is designed to fulfil the mandatory requirements for top managers to deliver quality development.

- **Coherent standards.** There has been an IFI process to streamline and harmonise safeguards; and now there is a similar process across UN agencies. This is getting to grips with the challenges and trade-offs noted above.
- **Easier and more appropriate ways to approach integration.** Swiss development cooperation has a coherent safeguard framework, CEDRIG (climate, environment and disaster risk reduction integration guide) that has three 'windows': 'Light' for scoping, 'Strategic' for policies and major programmes, and 'Operational' for projects. This means less time and goodwill is wasted than approaches which are not pitched at the right level.
- **Prioritisation and planning frameworks for sustainable development.** These are rare for sustainable development: Sida's '5 perspectives' are reflected in its Multi-Dimensional Poverty Assessment framework, which is used across all programming and review. But there is not yet consistency across donors, or routine use of any one international framework. There are several well thought-through approaches: national sets of poverty/environment indicators from UN Poverty Environment Initiative (to which DFID contributed); a set of five green economy principles and ten priority actions from all of the main international Green Economy actors (GIZ played a lead role); and a complex but rigorous SDG prioritisation framework developed by SEI based on the many interactions between individual SDGs, ranging from indivisible to mutually cancelling out (Sida supported this).[44]
- **Country sustainable development systems.** Several donors have relied on key multilateral programmes to develop country sustainable development systems, but seem not to have actively engaged with them. Two examples that are supported by DFID include: the UNDP-UNEP Poverty Environment Initiative which has helped many ministries of finance or development to review public expenditure on environment and climate, to examine the economics of sustainable development, and to lead pilot activities; and the World Bank's WAVES programme which has helped to integrate natural capital information into national accounts and economic modelling.

3. Capacity for sustainable development delivery — leadership, expertise and institutional roles

Recent OECD DAC discussions have revealed how donor staff responsible for environment and sustainable development are under increasing pressure. They are usually few compared to the size of budgets. In most agencies sustainable development is covered by environment/climate advisors, who are not always able to cover the breadth of economic and social dimensions required to make the full case for sustainable development. The advisers are increasingly decentralised and lack critical mass in any one place. They must consider and report on large numbers of factors, both legal safeguard requirements and political priorities. Yet their powers tend to be relatively 'soft' — informational and moral rather than financial and positional, i.e. close to decision-makers. They too often depend upon sustainability and environment becoming a political priority, and need to grasp opportunities which often turn out to be temporary or unsatisfactory.

Discussions have emphasised how DAC donors need the following: a substantial professional cadre with environment and climate expertise, judiciously posted; all professional cadres understanding sustainable development and their roles in it; internal sustainable development learning and knowledge-sharing, networking and coordination across different departments; and the ability to mobilise environment and sustainable development expertise quickly.

[44] A test application in Sweden found that progress towards SDG targets 16.6 (effective institutions), 12.1 (sustainable consumption/production), and 8.4 (resource efficiency) generate the most positive influence on other SDGs in Sweden.

Examples of good donor practice include:

- **Sustainable development/environment central 'help desks'.** Central facilities set up either in-house (EC, a cross-departmental environment and climate facility) or outsourced (Sida, a call-down contract involving leading universities) provide at least advice on demand (Sida) but may also have a proactive mandate to drive change (EC).
- **Sustainable development/environment networking.** Many donors have their own voluntary internal networks to provide critical mass amongst scattered advisers — which tend to revolve around HQ. However, the Swiss Agency for Development and Cooperation is also supporting regional networking between its own advisers and regional and national professional networks. This is proving to be of mutual benefit in prioritising among the many potential sustainable development issues and ensuring locally appropriate responses to them.
- **Sustainable development cadre development and management.** GIZ is widely admired for its large staff cohort experienced in sustainable development and placed in-country in substantial numbers; observers from developing countries and DFID alike suggesting that there is no real substitute for this. Cadre management is an area where DAC members continue to hold DFID in the highest regard, the head of profession (HoP) model enabling both professional standards and appropriate placement of very experienced advisers who cannot unlearn good practice, even if the DFID policy context has become unconducive to it. Among environment and sustainable development staff in most donors, the main need is to improve understanding of the economics of sustainable development and the ability to generate good business cases, especially to influence private sector and blended finance. The current efforts of all DFID HoPs to extend sustainability understanding to all professional cadres is very promising — and in turn should help to improve the economics/business strategy of environment/climate advisers.
- **Training modules for staff.** There is much that can successfully be copied from good practice among DAC members. Sida is now doing a needs assessment, having pioneered multiple approaches to helping many staff progress through understanding *why* environment and sustainable development to *how* to achieve it. There are growing calls from DAC members to share courses and facilities, which could have the effect of 'raising all boats', improving networking and saving costs.
- **Interdisciplinarity and holistic perspectives.** There is a promising shift from sustainable development matters being handled solely by environment professionals towards interdisciplinarity, although there are not yet standardised models for this. Beyond traditional specialist expertise, sustainable development requires a wide range of attitudes and abilities to: understand different perspectives; link and trade off diverse economic, social and environmental issues; think long-term and holistically; and drive institutional reform. This contrasts with — but must also influence — standard economic and sector skills. In DAC circles, there is a trend to innovate in institutional mechanisms that bring disciplines together to tackle cross-cutting issues, as in Sida's five Hubs (bringing together the contact people for five cross-cut issues in each department) and Networks for all people across the organisation interested in each cross-cutting issue. The EC no longer treats mainstreaming as a campaign of pushing particular issues but is beginning to shape it as a development methodology for handling multiple issues (though the methodology is not yet tied down).

Knowledge for sustainable development delivery — information on how environment, society and economy interact, and effective technologies

Too little empirical information on the state of sustainable development in developing countries, and on donors' sustainable development results. The knowledge base of most DAC members on sustainable development has been comparatively weak until recently — development cooperation has been driven by narrow financial poverty, health, security, economic efficiency and economic growth targets. This has affected the information deployed and the lenses used in monitoring and evaluation.

Every DAC member responding to the 2018 OECD/IIED learning survey said that M&E of sustainable development is tough, and the results are incomplete and without qualitative indicators. Aid reporting on sustainable development is principally framed by the DAC 'Rio Markers' — self-reporting on whether programmes aim to contribute to action on the 1992 Rio Conventions on climate change (mitigation or adaptation), biodiversity and desertification, and whether this aim is 'significant' or a 'principal objective'. This is very unreliable, at best being a guide to financial commitments rather than results. In addition, there have been one-off detailed evaluations of individual programmes against bespoke sustainable development criteria, but these are almost never brought together, and so no DAC member we know of has sustainable development baselines and timelines.

Too much normative information. In contrast to the lack of information on the state of sustainable development in countries and sectors, and on the sustainable development impact of aid programmes, there is a vast amount of donor guidance and tools for achieving sustainable development. As such, much of this guidance is purely normative and inadequately tested. There are several attempts to organise and rationalise this guidance, e.g. by the OECD on integrating climate change adaptation in development cooperation, UNDP/UNEP on environment mainstreaming, and UNDESA on sustainable development assessment — yet proliferation persists.

Value of international frameworks. The imperative for national SDG reporting has recently challenged DAC members' use and generation of information. Most donors have begun to group their commitments (and some performance measures) under the 17 SDGs, albeit retrospectively. Like the Rio Markers, this is still an accounting exercise rather than a means to really find out the state and dynamics of sustainable development. International scientific evidence has also been important, even if its influence is indirect — notably the IPCC, and there are signs of IPBES being treated seriously by some donors rethinking their approaches to biodiversity and land quality.

Examples of good donor practice include:

- **A shared knowledge base on sustainable development.** The Global Green Growth Knowledge Platform (GGKP) is an open-access facility for which the World Bank, the UN, OECD and the Global Green Growth Institute share responsibility, and to which over 40 others contribute. Donors including DFID saw that each of the four agencies was planning to bring together knowledge management programmes on green economy and encouraged the current GGKP collaboration. The GGKP is a gateway to a vast array of sustainable development documentation searchable by country, sector and theme. GGKP's knowledge working groups review the state of this information and identify new ways for filling knowledge gaps. Although organised around green economy, it offers a very practical approach to sustainable development and — crucially — covers economic, fiscal, investment and trade aspects of sustainable development that are often ignored.
- **Aid statistics.** Sida's Statistical Handbook has been designed to help its officers more accurately record a project's inclusion of environmental assessment, active use of environmental information, setting of specific environmental objectives and activities, and monitoring of them. Thus, Sida is able to add a lot more information to the usual yes/no Rio Markers.
- **Organisational learning about sustainable development.** Most DAC members have found the formal OECD Environet and the informal Poverty Environment Partnership (PEP) to be the most conducive means for learning about the roles and performance of development cooperation in sustainable development and, especially, environment. Given that environmental specialists are a minority in their agencies, working together has been valuable and increased the evidence base. Environet and PEP have provided very useful forums in the absence of in-house organisational learning about sustainable development, although DFID has been much less active in the last few years (the OECD is in the lowest rank of multilateral priorities for DFID). Recently, Sida and the EC have made commitments to improve their own organisational learning on environment, both driven by their respective environment facilities.

5. Engagement and empowerment for sustainable development delivery — stakeholder voice, capacity and partnerships

- Sustainable development requires significant understanding of local contexts and engagement with country stakeholders, but prevailing development cooperation paradigms no longer encourage this. Over the years, the scope of donor-country policy dialogue and programming has narrowed down to finance and development ministries, together with key social and economic sector ministries. Few donors any longer support the strengthening of environment authorities (Denmark was a key supporter, and Germany still is) and almost none prepare country environment information. There is increasing engagement with local leading private sector actors, but not yet support for the critical, long-term business of sector transformation — changing business incentives, practices, and investment towards sustainable development. And roles for local civil society remain quite limited except as occasional service delivery agents.

- With developing countries now struggling to prepare national SDG plans, there is an increasing imperative for donors to open up country policy dialogues on sustainable development. None of this is routine as yet.

Examples of good practice:

- **Empowerment of LIC environment/sustainable development authorities and building country systems.** The EC has been a pioneering and patient supporter of four programmes for in-country mainstreaming: the UNDP-UNEP Poverty Environment Initiative (PEI) and its follow-up programme Poverty Environment Action for the SDGs (PEAS), the Global Climate Change Alliance Plus initiative (GCCA+), the Green Economy Coalition and the Switch to Green Flagship initiative. All four have been going for over a decade, resulting in strengthened capacity in-country, institutional reform, increased finance flows, greater societal demand and support, and early changes in sustainable development outcomes. In addition, UNDESA/UNDP have been working on ways to assess countries' readiness and capacity for sustainable development.

- **Civil society mobilisation for sustainable development in LICs.** The EC has been supporting the Green Economy Coalition in 7 countries to mobilise civil society dialogue and influence on UN-supported government national green economy plans. This has effectively complemented otherwise top-down initiatives with improving societal demand for green economy. The most striking result is a rich range of locally led community and small enterprise initiatives being recognised and supported by national green economy processes, and more constructive civil society-government interaction.

6. Finance for sustainable development delivery — financial resources and mechanisms

Dedicated climate funds. The major trend in sustainable development financing has been the increase in both dedicated climate funds and climate expenditure targets for mainstream finance instruments (EC 20%, Sweden 28%). Climate finance could be key for catalysing sustainable development if it is more broadly interpreted, e.g. making links to nature-based and community-based solutions. But some of the dedicated funds (notably Global Environment Fund and Green Climate Fund) are difficult to access, especially for generating local public goods such as pollution control and sustainable natural resource management, rather than global public goods such as climate action.

Private sector and blended finance. Beyond specialised sustainable development finance, a major trend is towards private sector and blended finance and the role of aid in guarantee instruments. Many DAC donors are concerned to ensure that good safeguards are applied, and that these new instruments support sustainable development e.g. in providing longer-term finance, reducing risks from innovative approaches and leveraging mainstream investment.

Examples of good donor practice:

- **Domestic investment.** Several bilaterals have supported the PEI to conduct public climate and environment expenditure reviews in collaboration with LIC finance ministries. In several cases, e.g., Rwanda, Mozambique, Tanzania, this has directly resulted in increased government budgets for environmental action in support of poverty reduction. However, the lessons of this have not yet been internalised in donors' own operations.

- **Blended and private sector finance.** EC-DEVCO, European Investment Bank.