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# Climate change assistance provided to the developing countries

# 1. Introduction and conclusion

## 1.1. Purpose and conclusion

1. This report concerns the part of Denmark's overall development assistance that has focus on climate – the so-called climate change assistance. Climate change assistance supports the developing countries in their efforts to reduce CO<sub>2</sub> emission and adapt to the impact of climate change. Particularly the developing countries are affected by the impact of climate change, and in the future climate change assistance is expected to make up a greater proportion of Denmark's total expenditure for development assistance. In the fiscal acts for 2020 and 2021, the government took the first steps to increase climate change assistance and make climate mitigation a pivotal point in Denmark's development cooperation.

In recent years, international and national political efforts to strengthen global response to the climate threat have increased and, among other things, led to the adoption of the Paris Agreement in 2015. With the ratification of the Paris Agreement, Denmark committed to making financial resources available to the developing countries to help them reduce their CO<sub>2</sub> emission and adapt to the impact of climate change. It appears from Denmark's strategy for development policy and humanitarian action – *The World 2030* – that Denmark will assist the developing countries in implementing their adaptation and reduction plans as part of performing the Paris Agreement. This task, which is generally undertaken in an environment characterized by complicated processes that involve and are affected by several stakeholders and factors, requires a willingness to take risks and adopt innovative approaches.

Climate change assistance, including funding for the Climate Envelope, is allocated to the Ministry of Foreign Affairs in the Danish finance act and administered by the Ministry of Foreign Affairs in compliance with Act no. 555 of 18 June 2012 on International Development Cooperation. The Climate Envelope is administered jointly by the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities. In 2015, the Ministry of Foreign Affairs implemented an evaluation of the Climate Envelope, covering the years from the creation of the Envelope in 2008 up to and including 2015. The evaluation concluded that for several of the projects it was too early to assess, how they had contributed to realising the overall performance targets, but that the time had come to *focus the efforts and place more emphasis on monitoring and providing evidence of outcome*.

### **Development assistance**

Development assistance covers both financial assistance and technical support provided by developed countries to countries in need of support. In 2017, Denmark's development assistance made up 0.7% of GNI, in accordance with the UN target.

### **The Paris Agreement**

The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change (UNFCCC) which was adopted at the COP21 Conference in Paris in 2015. 195 countries have signed the agreement, and the 171 countries that have ratified the agreement are committed to financing and mitigating global warming by reducing greenhouse emission (CO<sub>2</sub>) through green transition and climate adaptation.

### **The Climate Envelope**

This was created in 2008 under the finance act as part of Denmark's development assistance. The purpose of the Climate Envelope is to support developing countries reduce CO<sub>2</sub> emission and adapt to climate change. For instance, the Climate Envelope has financed a water resources management programme in Uganda aiming to make the population more resilient to the impact of climate change.

2. Rigsrevisionen initiated the study in October 2019 based on a risk assessment of the area, its increasing financial importance and the growing political interest in the area, which combined made it relevant to examine the level of knowledge of the scope of the Climate Envelope and its outcomes.

3. The purpose of the study is to assess whether the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities support the transparency of climate change assistance provided with the objective of achieving the greatest possible outcome.

The report answers the following questions:

- Is the Ministry of Foreign Affairs supporting transparency of climate change finance?
- Is the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities supporting focused climate change assistance?
- Is the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities supporting collection of data on the output and outcome of climate change assistance?



## Main conclusion

**The Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities are only to some extent supporting the transparency of Denmark's climate change assistance provided to developing countries with the objective of achieving the greatest possible outcome. As a consequence, the two ministries have only limited opportunities to assess whether Denmark's climate change assistance is effective in helping the developing countries to reduce their CO<sub>2</sub> emission and adapt to climate change.**

### **The transparency of spending on climate change assistance is only supported by the Ministry of Foreign Affairs to a limited extent**

The study found that the method applied by the Ministry of Foreign Affairs to calculate climate change assistance follows the OECD's guidance concerning climate indicators. In its report to the United Nations, the Ministry of Foreign Affairs describes the method applied to calculate how much Denmark spend on climate change assistance. Without making reservations for or describing the method of calculation applied, the statement of spending on climate change assistance is also used in other contexts like, for instance, the statutory reporting to the Danish parliament on Denmark's climate change policy in 2018.

Due to the method applied by the Ministry of Foreign Affairs, a number of activities are included in the statement that, based on the relevant programme descriptions, do not concern climate change. This is particularly true of the reviewed country programmes and programmes concerning support to Danish NGOs, that include climate issues only as sub-objectives. It is therefore Rigsrevisionen's assessment that the method applied by the Ministry of Foreign Affairs presents an inaccurate picture of the scope of much of the climate change assistance. The ministry can do more to support more accurate calculation of spending on climate change assistance in order to improve the transparency of climate finance.

The Ministry of Foreign Affairs agrees that the method applied for calculation of the climate change assistance is inaccurate for major country programmes and support to NGOs. The ministry is taking steps to adopt a more accurate approach and has launched various pilot projects.

### **The Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities support focused provision of assistance from the Climate Envelope, whereas focused climate change assistance provided through development assistance programmes outside the Climate Envelope is only to a limited degree supported by the Ministry of Foreign Affairs**

The study found that the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities support focused provision of assistance financed through the Climate Envelope. In 2016, the two ministries defined a set of guidelines for the Climate Envelope in order to strengthen the strategic focus of funding earmarked for climate change. For instance, the guidelines list a number of principles concerning the types of outcome that should be supported.

### **Selection of programmes**

The study is based on review of 38 selected development programmes, running in the period from 2016 to 2018 and 15 programmes that have been finalised in 2018 or 2019. The 38 selected programmes are not representative of Denmark's total climate change assistance and cannot be generalized to cover the entire population of programmes reckoned as climate change assistance. The 38 selected programmes make up 47% of the total climate change assistance finance reported in the period from 2016 to 2018. The programmes have been selected based on, among other things, their financial importance.

The World 2030 - Denmark's strategy for development cooperation and humanitarian action - which was developed by the former government, sets the general framework for focusing Denmark's development assistance. Rigsrevisionen notes that the strategy only to a minor extent sets direction for the prioritisation of various climate change initiatives in the developing countries. In September 2020, the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities - and five other ministries - developed a strategy for Denmark's global climate change initiatives that is expected to facilitate focused climate change assistance in the future.

As for the programmes reviewed by Rigsrevisionen, the study shows that the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities have set targets for the programmes, in accordance with their own guidelines. However, Rigsrevisionen notes that in the programmes, where climate issues are referred to only as sub-objectives, reference to climate issues in the targets is limited, when seen in relation to the subsequently reported amounts of climate assistance.

**The Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities predominantly support collection of knowledge of the output and outcome of the Climate Envelope funding, but knowledge of the output and outcome of climate change assistance provided outside the Climate Envelope is only to a limited extent supported by the Ministry of Foreign Affairs**

The study found that the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities monitor how climate-related outputs develop in connection with their ongoing monitoring of the Climate Envelope programmes. On the other hand, the study found that the majority of climate change programmes outside the Envelope that are administered only by the Ministry of Foreign Affairs and where climate issues are often only included as sub-objectives, climate-related outputs are only to a limited extent subject to ongoing monitoring and follow-up on conclusion.

The study found the same to be true for monitoring of climate-related outcome, where programmes under the Climate Envelope also, to a larger extent than the other programmes, include follow-up on outcome after finalisation of the programmes. Contrary to the considerations that followed the evaluation of the Climate Envelope in 2015, the Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities are not carrying out any follow-up on the individual outcome indicators across the Climate Envelope programmes. Rigsrevisionen notes that the most recent evaluation across programmes with focus on climate change assistance, was the evaluation of the Climate Envelope in 2015. However, the ministry has in 2019 and 2020 taken steps to make two evaluations of climate change adaptation and CO<sub>2</sub> reduction relating to programmes initiated under and outside the Climate Envelope. The results of these evaluations have not yet been published.

It is Rigsrevisionen's assessment that knowledge of the output and outcome of climate change assistance is particularly limited for climate change assistance provided in programmes, where climate is included only as one out of several sub-objectives. Climate-related targets have only to some extent been set for these programmes outside the Climate Envelope. Due to the limited knowledge of climate-related output and outcome, the ministry lacks the knowledge required to adequately focus climate change assistance in the future.

**Output and outcome**

According to the Ministry of Foreign Affairs, output and outcome targets must be set for all programmes. Output is defined as planned results of a programme like, for instance, products or services, that are intended to lead to the desired outcome like, for instance, increased capacity building, CO<sub>2</sub> reduction or climate adaptation. The Ministry of Foreign Affairs' guidelines also operate with a concept of impact which refers to long-term effect.