IOB Evaluation

# A Good Climate for Development

## Periodic Review Dutch Climate Policy 2016-2022

Executive summary



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Climate action is an increasingly urgent issue. Global warming increases the risk of natural disasters. This increased risk affects poor people and the least-developed countries in particular. They experience severe consequences of extreme weather events, droughts and floods, and they have the least means to cope with them.

This periodic review evaluates the Dutch climate policy for development from 2016 to 2021 (hereafter referred to as the international climate policy), with updates up to 2022.

The main question for the study was: How has the Dutch international climate policy supported developing countries? This report presents conclusions and recommendations.

This report is mainly based on three evaluations by IOB: on climate finance (2021), climate diplomacy (2023) and climate adaptation (2023). In addition, IOB studied climate mitigation, interdepartmental coordination and deforestation. Finally, this report also draws on preliminary findings from ongoing research for a periodic review of policy coherence on water, food security and climate change.

## Findings

### Policy and assumptions

The international climate policy of the Netherlands is in line with the goals of the Paris Climate Agreement to reduce global warming (mitigation) and to support adaptation to climate change. However, in its reconstruction of the policy theory, IOB found that certain underlying assumptions were incorrect.
In particular, the idea that the interventions studied would automatically reach poor groups was not correct: a spill-over or trickle-down effect to poor and vulnerable people is not assured. For this to happen, implementing agencies must promote greater ownership by (poor) target groups, involve them in decision-making and better address their specific needs. Good climate adaptation interventions require contextualised analyses of vulnerabilities and exposure to climate risks prior to the policymaking phase.

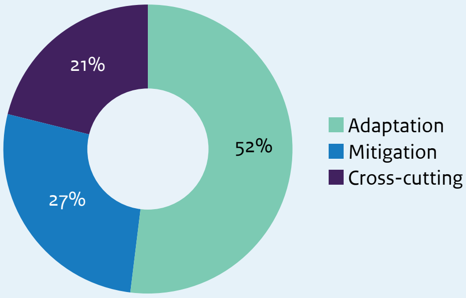


Dutch climate diplomacy has focused on mitigation, but it also aims for a balanced share of climate finance for adaptation. An implicit assumption in the diplomatic campaign to raise other countries' (mitigation) targets was that the Netherlands has the credibility to advocate for the higher ambitions of other countries. This credibility would increase if the Netherlands performed well in reducing greenhouse gas emissions, provided adequate climate finance and sufficient support for adaptation in vulnerable countries. The Netherlands performs well on the latter two points but not on the first: national climate policy is insufficient and our $CO_2$ footprint is too large.[1]

The climate policy set by Foreign Trade and Development Cooperation (BHOS) focuses on poverty reduction: increasing the resilience of people in developing countries to climate change and investing in their access to renewable energy. Promoting a transition to renewable energy contributes to reducing greenhouse gas emissions in the longer term. In 2016-2022, the policy was to focus on both adaptation and mitigation. 52% of the total public climate finance went to adaptation interventions, 27% to mitigation and the rest to a mix of both (as shown in Figure 1).

1 $CO_2$ footprint is an indicator to compare greenhouse gas emissions of different actors, expressed in tonnes of $CO_2$ equivalent. See IOB's evaluation of climate diplomacy, '[Rising seas, raising ambitions: Evaluation of Dutch climate diplomacy 2018-2021]', 2023. Different institutions have written about the Dutch footprint. For instance, PBL, '[Eensluidende oproep vijf mondiale milieuverkenningen tot versterkte actie]', 14 Sept. 2020.

**Figure 1.** *Percentage of expenditures to adaptation, mitigation and cross-cutting (mixed) activities in 2016 up and until 2022.*[2]




The assumption underlying this policy is that, on the one hand, climate adaptation is urgently needed to help people and regions become resilient to climate change and, on the other hand, that action to mitigate global warming is crucial to minimise further risks. The second issue, preventing further warming, is a priority for action in more developed countries. In contrast, the overarching goal of development cooperation, poverty reduction, requires special attention on the first issue: adaptation, building resilience and reducing the exposure of the poorest groups to climate-related risks.

A final assumption concerns climate finance: policy assumes that private investments mobilised by public finance are additional – in other words, that they would not have been made without that public support.[3] The research by IOB has shown that this was indeed the case where (1) innovative projects were supported that are very relevant for development or (2) when there was a reasonable chance of continued private financing and scaling up in the free market. However, IOB found that some public-private programmes, for example subsidies for value chains, were neither innovative nor likely to facilitate scaling up to commercial finance and were therefore assessed as being less additional. In addition, some climate funds mobilise additional finance primarily from development banks and other public funds, rather than from truly new and (therefore) additional commercial and private investors.



## Effectiveness

In climate diplomacy, the lobbying campaign from 2018 to 2021, its strategy, cooperation and communication were largely effective. The most active embassies contributed to putting ambitious climate targets on the agenda and setting ambitious climate targets and energy transitions in their host countries. It is plausible that in some cases the Netherlands contributed to higher climate targets and relevant decision-making, to the extent that concrete results can be attributed to the Netherlands.

IOB studied climate adaptation policies and programmes in Bangladesh and Mozambique. Little is known about the effectiveness of the interventions of adaptation measures. One reason for this is the limited use of analyses of vulnerability and exposure to climate risks (such as flooding). Adaptation strategies are implemented only to a certain extent, and monitoring and evaluation are limited as well. While this suggests low effectiveness, it also raises the possibility of underreporting of results.

Based on a review of some major climate funds and programmes, IOB concludes that little is known about the number of people reached and the outreach to specific target groups, such as poor and vulnerable groups, women and small farmers.[4] Reports on the number of tonnes of greenhouse gas emissions avoided ($CO_2$), where available, are not entirely reliable either. However, some evaluations, notably that of the Access to Energy Fund (AEF), show that it is plausible that these targets will be met. The funds and programmes reviewed struggle to meet targets for the share of expenditures on climate

2 When it is unknown to what extent interventions are relevant for adaptation or mitigation, the term ‘cross-cutting’ is used. This is often the case with contributions to multilateral organisations.

3 In this context, additional means that an intervention leads to results that would not have been achieved without it.

4 The text refers to IOB research (in 2023) on the following nine funds and programmes: AEF, CAFI, CCA, CIO, DFCD, EnDev, ESMAP, GCF and GCF. In addition, LDCF was assessed using an analysis framework from the IOB evaluation on climate adaptation.

adaptation and for least-developed countries, although evaluations (in particular of the Dutch Fund for Climate and Development and the Green Climate Fund) show that the share for adaptation is close to the targets set.[5]

In terms of climate finance, the Netherlands has met four of its general policy objectives and targets in most of the years studied:
1. It spent a reasonable amount – a 'fair share' of international climate finance – of 1.25 billion euros a year from around 2020;
2. More than 50% of climate finance is allocated to adaptation;
3. More than 50% is allocated to low-income countries;
4. The share of private sector finance in Dutch climate finance is around 50%.[6]

A point of criticism, however, is that climate finance is not provided in addition to ODA (over and above the existing budget for development cooperation), whereas in the climate negotiations it was agreed that support for climate action in developing countries would be 'new and additional'.

Furthermore, as indicated above, the additionality or value added of mixed public-private (blended finance) is not always guaranteed either. The additionality of public support needs to be constantly secured and assessed, as markets for renewable energy (solar and wind power) develop quite quickly. Also, the co-financing mobilised by the climate funds sometimes comes from other development banks rather than commercial investors, which means that the actual leverage is less than official figures suggest. On the positive side, the funds and programmes reviewed have added value (are additional) where they promote innovation.

## Relevance



For interventions to be effective, they must meet the needs of the target groups: poor, vulnerable and marginalised households and groups. There is little information available about this. In Bangladesh and Mozambique, IOB found that the participation of marginalised groups in adaptation projects was limited and that programmes struggled to reach them. Although the ministry intends to support these groups, particularly women, IOB found little evidence that their needs have been adequately addressed. It is plausible that there is insufficient guidance during the implementation phase and that target groups are only reached to a limited extent. Nor did the projects reviewed show an automatic trickle-down effect. Programmes that involved marginalised groups in the design and implementation of adaptation projects benefited from this approach: it resulted in more relevant projects with a sustained impact.

An extra effort is needed to reach marginalised groups: for reasons of time, capacity and efficiency (it is more expensive to reach the poorest people and harder to achieve results), this extra effort is often not made. A similar picture emerged from the evaluation of climate finance (2021). One explanation is that many programmes, particularly in the area of mitigation, aim to improve the enabling environment for market development, or to help build networks and capacities. Such programmes usually do not provide services and products that reach target groups directly either.

## Coherence

The most striking finding regarding policy coherence and climate change is that Dutch national policy and international policy are not aligned. Although the Netherlands has increased its mitigation ambitions in recent years, in practice, implementation has been lagging. For instance, the reduction of support for the fossil fuel sector has only recently begun.[7] This reduces the credibility of the Netherlands as a climate advocate.

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5 C. Michaelis et al., 'Evaluation of the Dutch Fund for Climate and Development's project origination approach', itad, 2021. Van Bork et al., 'External evaluation of the Dutch Fund for Climate and Development (DFCD)'. Inception Report, SEO, 2023. Independent Evaluation Unit, 'Forward-looking performance review of the Green Climate Fund – Final Report', GCF, 2019. Independent Evaluation Unit, 'Second performance review of the Green Climate Fund', GCF, 2023.

6 The amount of 1.25 million euros a year includes approximately 50% private sector financing that has been mobilised by public finance.

7 In this context, developing countries criticise developed countries for often still investing in fossil fuels and not living up to their commitments on climate finance for developing countries.

On the other hand, the coherence between development cooperation policy in the area of water management and international climate policy is generally good, as IOB has seen in Bangladesh and Mozambique. The Netherlands has supported governments there in developing long-term strategies, in particular the Bangladesh Delta Plan 2100 and the Beira Master Plan.

### Sustainability

IOB has identified three ways to achieve sustainability (lasting results) of policy interventions:
1. Local ownership and participation. The evaluation of climate adaptation concluded that ownership and participation contribute to the sustainability of results. Government institutions are involved in many programmes in Bangladesh and Mozambique, which contributed to adequate ownership. Nevertheless, results are not automatically sustained, especially if local governments lack the capacity to follow up. The involvement of marginalised groups was also found to contribute to the sustainability of results, but their involvement was in fact limited.
2. Government policy. Sustainability can also be influenced by government policy. Climate diplomacy is a good way of doing this, especially when it is supported by technical assistance and knowledge sharing. In Bangladesh and Mozambique, IOB concluded that the Netherlands worked well with the government on long-term strategies for water management and the development of delta areas.
3. Market development. When climate funds and programmes make a project, technology, investment or product attractive enough for commercial markets to take up, scale up or replicate, the chances of sustainable results increase. Most climate relevant funds seek to promote market development in this way. Climate Investor One and the Dutch Fund for Climate and Development clearly contribute to this process by investing in renewable energy. Both successful technological innovation and scaling up increase the chances of achieving sustainable results. However, one finding from the evaluation of climate finance is that the transfer of projects to more commercial investors has not been systematically integrated into the funds' system. More generally, some development projects are not financially viable and therefore not sustainable: they end when the financing ends.



Finally, it is important to note that climate funds and programmes often aim for long-term transformative change, such as a transition to sustainable energy systems. Only a few of the evaluations of the funds and programmes reviewed make statements about this: they suggest that transformative change is still far out of reach.[8]

### Efficiency

The underlying studies provided several findings on efficiency (sometimes referred to as cost-effectiveness):
- The climate funds are reasonably efficient in terms of administrative costs: relative to their total expenditure, these costs are low compared to the finance mobilised by other investors. The governance of the large global funds, on the other hand, especially the Green Climate Fund, is characterised by bureaucratic and political issues, leading to slow decision-making and long pipelines of project proposals.
- In the context of policy reconstruction, the question of efficiency arose as to whether it had been necessary for the Netherlands to set up new funds (such as the Access to Energy Fund, Climate Investor One and the Dutch Fund for Climate and Development). There are several reasons for setting up new funds: it makes the Netherlands more visible as a donor; it encourages innovation; and these funds can target specific Dutch objectives. On the other hand, they require extra money and an extra effort. The weight given to the importance of being visible and innovative, and therefore the desirability of setting up new funds, is ultimately a political decision.
- The effectiveness of climate spending as a whole, the relationship between input and outcome, is difficult to assess at present because the long-term effects (outcomes) and the impact of most of the ongoing interventions are still unclear.[9] Many funds have been established relatively recently, whereas the duration of the projects is understandably long. There are emerging intermediate effects of the new

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8 One reason for this is that transformative change is largely beyond the sphere of influence of these funds and of the Netherlands and takes a long time to achieve.

9 Outcome means the likely or achieved short-term and medium-term changes and effects of intervention outputs (products, goods and services). Impact refers to the positive and negative, primary and secondary, long-term effects of development interventions. Source: OECD, What are results? - OECD.

funds, such as the number of people in developing countries who have gained access to energy, but it is difficult to attribute outcomes and final impacts. Monitoring and evaluation are rather inadequate: for instance, results reported in terms of tonnes of $CO_2$-emissions avoided, are not fully reliable.
- The IOB evaluation on climate finance focused on whether public-private investments were 'additional' to the market. This was the case for funds promoting innovation or market development, such as Climate Investor One and the Dutch Fund for Climate and Development. On the other hand, IOB saw some public-private projects (1) in the area of food and value chains that could have been financed by the private sector as well, or (2) that promoted products that were not commercially viable (even though that was the intention), or (3) projects that only reached rich people. It is not efficient for the ministry to invest ODA in such projects as long as development additionality is a policy priority.[10]
- In theory, it is efficient for funds to be 'revolvable'. This means that the money provided by a fund must be repaid so it can be reused for development projects, for instance in the form of loans. However, some funds are systematically more revolving than the Directorate-General for International Cooperation (DGIS) has requested, which makes it plausible that the fund generally takes less risk than needed to be developmentally additional – in other words, it does not prioritise development objectives (reaching the poorest people and countries, promoting new technologies) and/or climate objectives (adaptation and resilience) well enough.
- Climate diplomacy, which involves lobbying and working with like-minded players with relatively few resources, is a relatively cheap way to exert influence. It does cost capacity, but if other players are mobilised, as the Netherlands constantly did in the 2018-2021 campaign, the pressure is increased and a greater impact can be achieved than the Netherlands could achieve on its own.

## Conclusions and recommendations

Three of the objectives of Dutch climate finance were achieved or almost achieved: the share of adaptation finance (more than 50%), the share for low-income countries (more than 50%) and the share of private sector climate finance mobilised (around 50%). In addition, the amount that the Netherlands considers a 'fair share' – 1.25 billion euros a year – was reached in 2019, 2021 and 2022. One explanation for this is that the Ministry of Foreign Affairs has worked continuously and consistently towards these objectives, using ODA resources and manpower. Points of criticism that detract from these positive conclusions are that Dutch climate finance was not really 'new and additional' to ODA and that the rules for reporting on climate finance were not very precise. This has led to different reporting practices among donors.



In its climate diplomacy (2018-2021), the Netherlands applied an effective strategy: DGIS engaged embassies and like-minded actors and mobilised a lot of effort, making it plausible that the Netherlands contributed to more ambitious climate objectives in target countries. It contributed to agenda-setting and in some countries even to policymaking.

The other conclusions of this evaluation are more critical. They are presented below and linked to five recommendations.

*1. Attention to vulnerable groups and climate risks through analysis and monitoring and evaluation (M&E)*
The projects reviewed tend not to pay sufficient attention to vulnerable groups and climate risks, and there is often a lack of good analysis and strategies in this context.

10 ODA is official development assistance, from the budget of the Ministry for Foreign Trade and Development Cooperation.

**Recommendations:**
Integrate climate considerations into projects, structurally and from the outset. Encourage policy departments and embassies to use existing analyses and scenarios on climate change, risks and vulnerability of specific groups, including in the area of gender, or – if not available – encourage them to develop such analyses. Ensure that projects apply a 'climate lens' (ex-ante analysis).

Improve monitoring and evaluation systems to track implementation and results and to promote reaching objectives and target groups: more context-specific M&E, with a focus on long-term results, and evaluations that look back over a longer period.

### *2. Integrated long-term strategies for water and food security*

The use of long-term strategies for climate change, water and food security contributes to coherence and sustainability. There are good long-term strategies for water management that take account of climate change, such as the delta plans in Bangladesh, Mozambique, and Vietnam, which have produced good results. In the area of food systems, however, such strategies have not yet been properly developed.

**Recommendation:**
Develop and support integrated long-term strategies for water management and food security that fully mainstream climate change. In that context, work as closely as possible with local authorities.

### *3. Marginalised groups and a just transition*

The climate funds and programmes reviewed do not adequately target marginalised groups and a 'just transition'.

**Recommendations:**
In their governing boards and in dialogue with financial institutions, funds, programmes and implementing agencies aim to target climate finance to the poorest countries and groups most vulnerable to climate change.

Second, provide capacity and financing for climate 'loss and damage' to support the establishment of the new fund under the UNFCCC. Consider providing the extra resources needed for this in addition to ODA.

### *4. Private investment and additionality*

A focus on mobilising private sector investment will result in extra financing, but the additionality (added value) of such public-private financing is not always guaranteed.

**Recommendation:**
Continue to encourage private investment but ensure that the public financing for this is additional. By systematically using the expertise and guidelines of organisations such as the Development Assistance Committee of the OECD, the additionality of the contributions can be assessed.

### *5. Coherence*

Dutch national policy, which continues to support the fossil fuel sector and has a large climate and environmental 'footprint', is not in line with international climate policy, where the Netherlands is indeed very ambitious in tackling climate change and making value chains sustainable.

**Recommendations:**
Assuming that a new cabinet will continue the commitment to climate objectives,

Focus on circular agriculture, phasing out support for the fossil fuel sector and making the transition to sustainable consumption and production, for instance through legislation and regulations.

Support producers and producing countries to prevent deforestation and use diplomacy to persuade non-European countries to make value chains more sustainable.

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