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EVALUATION OF THE INTERNATIONAL CLIMATE FINANCE

**How is Belgium tackling the global climate
challenge in vulnerable countries? - *Policy note***



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The final report will be cited as follows: Special Evaluation Office of the Belgian Development Cooperation/SEO (2021), *Evaluation of international climate finance. How is Belgium tackling the global climate challenge in vulnerable countries?*, Development Cooperation, FPS Foreign Affairs, Foreign Trade and Development Cooperation, Brussels.

EVALUATION OF INTERNATIONAL CLIMATE FINANCE

HOW IS BELGIUM TACKLING THE GLOBAL CLIMATE CHALLENGE IN VULNERABLE COUNTRIES?

POLICY NOTE

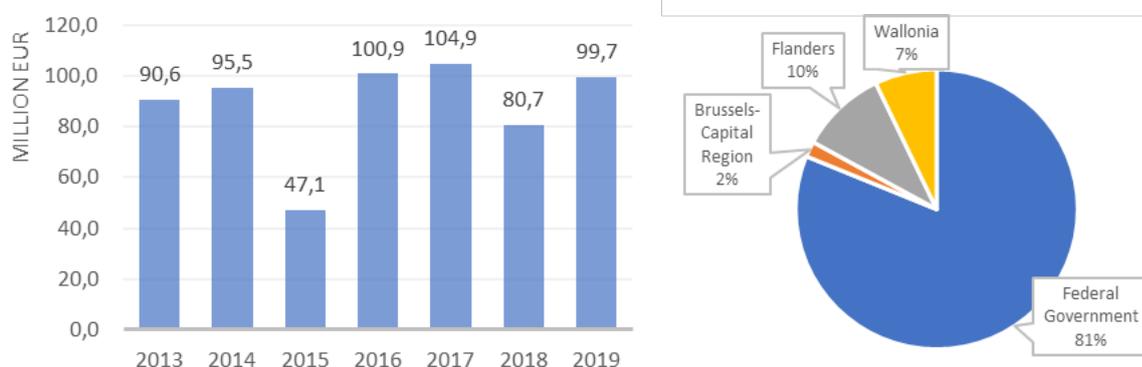
In the context of the implementation of the Paris Agreement, the COP26 climate summit in Glasgow, and the globally growing concerns about the size and impact of climate change, an independent evaluation of Belgium's federal contribution to International Climate Finance has been commissioned by the Special Evaluation Office for Belgian Development Cooperation to ADE and Trinomics with support of CLIMACT.

The evaluation covered Belgian federal government aid over the period 2013 to 2019. It sought to answer the following central question:

"Do the frameworks and tools used by the federal government, contributing to international climate finance, enable meeting the climate needs of partner countries, and make an impact in line with federal priorities?"

Climate finance refers to local, national or multilateral financing that seeks to support mitigation and adaptation actions that will address climate change. It is drawn from public, private and alternative sources of financing. Belgian 'international climate finance' is the finance it directs towards developing countries for climate action; it is largely composed of Official Development Aid (ODA, 97%). The federal government's climate financing accumulates to half a billion (504 million) EUR over the period 2013-2019 and represents the bulk (81%) of Belgium's international climate spending.

Belgian contribution to international climate finance, 2013-2019



Source: ADE/Trinomics based on DGD data

DIVERSE CLIMATE ACTION, INTEGRATED WITHIN WIDER DEVELOPMENT WORK AND FOCUSED ON ADAPTATION

Belgium's international climate action is predominantly directed towards climate adaptation in Least Developed Countries (LDCs), particularly on the African continent. Climate adaptation seeks to adjust to current or expected climate impacts. Belgium also has some interventions aimed at climate mitigation, with the objective of limiting global warming and its related effects. Belgium chooses to concentrate its support to partner countries on climate adaptation because adaptation receives less support internationally and because, although they are the least responsible for greenhouse gas (GHG) emissions, developing countries stand to suffer most from climate change whilst being less equipped to adapt to it.

Belgium's climate action strategy, so as to maximise effects, seeks to integrate climate issues cross cuttingly within wider development cooperation work. It is undertaken mostly through traditional grants, rather than concessional loans, guarantees and export credits. Its focus is on the most vulnerable countries.

A variety of areas of action

Belgian climate related Development Cooperation covers a wide range of sectors including agriculture, education, energy, environment and waste management, governance, health, humanitarian aid, water & sanitation, and sustainable cities. Many rural development projects seek to adapt to climate change by promoting a climate resilient rural economy and job creation. For example, the PARERBA project does so through establishing irrigation perimeters and improved agricultural management associated with local value chain support and small enterprise development. In the energy sector, the KivuWatt project seeks to mitigate climate change by extracting methane gas, which naturally accumulates at the bottom of lake Kivu, to produce electricity whilst avoiding methane leakage and limiting the use of diesel generators.



Garden perimeters in the Sahel
(PARERBA project, Enabel, Senegal)



Methane gas extraction platform on Lake Kivu
(KivuWatt project, BIO, Rwanda)

In accordance with national policies and Belgium's prioritisation of adaptation, agriculture was the largest sector of support. It represented a third of Belgian international climate finance in aid volume, and half of Belgium's bilateral climate related interventions, as there are many smaller interventions.

A variety of implementation tools

Belgian international climate action is delivered through a variety of complementary tools. Bilateral tools provide development cooperation actors with a strong ownership of their action and visibility while multilateral funding offers the advantage of ensuring the continuity of climate action by limiting its dependence on the Belgian political context.

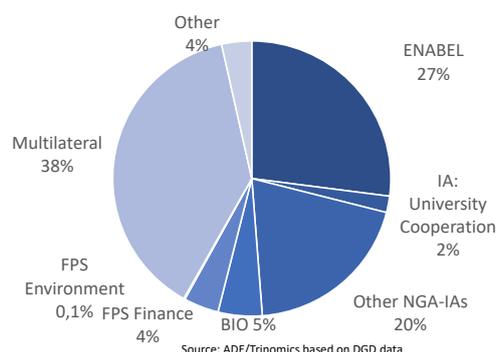
Around 38% of Belgium’s international climate finance is currently channelled through multilateral climate-specific funds, such as the Green Climate Fund (GCF), the Adaptation Fund (AF), the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF)¹. The remaining 62% are channelled through specific bilateral cooperation programmes, earmarked for a given country and implemented by different partners.

A variety of development operators

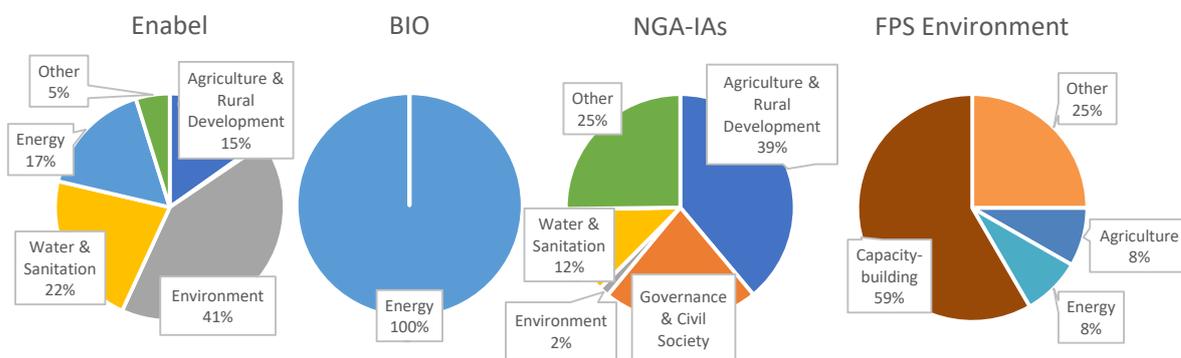
Belgian climate action is delivered through a range of development actors: the Belgian Development Agency Enabel, the Belgian Investment Company for Developing Countries (BIO), non-governmental and institutional actors, the FPS Public Health, Food Chain Safety and Environment, as well as multilateral organisations. Enabel manages the largest share of Federal climate finance (27%). It is followed by non-governmental and institutional actors (20%), which represent almost three quarters of climate related interventions as they manage smaller projects.

Whereas Enabel and non-governmental and institutional actors deal more with climate adaptation, BIO and FPS Environment have focused more on climate mitigation action. Indeed, BIO focused on renewable energy development; FPS Environment mostly on institutional strengthening and capacity building of partner country climate-related institutions; and Enabel and non-governmental and institutional actors on climate adaptation through agricultural development, natural resource management, water and sanitation projects, as well as disaster relief.

Federal contribution to international climate finance, by actors, 2013-2019



Sector distribution of contribution to international climate finance of the 4 main actors, 2013-2019



¹ Note that core finance to multilateral partner organisations such as specialised UN agencies (the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) or the Global Environment Facility – (GEF)) is not reported, by Belgium, as climate finance.

FPS Environment provides limited amounts of International Climate Finance (200.000 to 400.000 EUR annually) but, beyond the technical assistance it supports, it possesses specific expertise (climate policy, emission inventory, etc.) and nurtures an extensive network both nationally and internationally. This enables it to play an important role as a facilitator of climate action.

Moreover, the FPS Finance, Finexpo, Credendo and the Belgian Corporation for International Investment (SBI-BMI), while climate action is not their core business, still provide international climate finance.

MAIN ISSUES CONFRONTING BELGIAN CLIMATE ACTION

Significant results but not in line with climate challenges

Belgium demonstrates a strong commitment at international level associated to high-level conceptual and technical expertise which earn it respect and influence within international climate diplomacy fora.

Moreover, Belgian climate action has obtained diverse climate adaptation and climate mitigation results. In particular, Belgian action supported climate adaptation through the promotion of water harvesting and more sustainable water management both for human use and agriculture; it also strengthened the climate resilience of partner countries through improved soil management and coastal protection, in particular through mangrove conservation and exploitation. It contributed to climate mitigation through reforestation and sustainable forest management as well as through the development of renewable energy sources, solar, wind or geothermal, and the promotion of more efficient energy management. Such activities fostered carbon sinks or contributed to diminishing GHG emissions as long as economic development does not cancel such positive effects.

Nonetheless, resources and guidance dedicated to federal climate action implementation did not match diplomatic efforts, and though this is also the case for other countries, the impact of Belgian climate action is not in line with the extent of climate challenges.

Further climate prioritisation potential

Belgian federal climate action covers a wide range of relevant issues, addressing climate change mostly as a cross-cutting factor within more classically development orientated interventions and combining it with wider environmental considerations. However, it needs to be further prioritised within development work which currently lacks a climate specific focus.

Indeed, Belgian climate action presents an added value largely grounded in the Belgian general approach to development. Climate change is generally only a secondary consideration when identifying programmes, while the primary objective is development cooperation. Aside from the FPS Environment, limited attention is provided to partner country climate related institutions, policies and strategies, such as Nationally Determined Contributions (NDCs) or National Adaptation Plans (NAPs). Besides, local institutions overseeing climate action lack capacity and clout to create a favourable environment for climate action. As a result, a significant margin of improvement remains in terms of further developing and integrating climate action within the Belgian Development Cooperation portfolio.

BIO and Enabel consider that they integrate climate in their project identification processes. In practice, project preparation integrates Environmental, Social and Governance (ESG) assessments or Environmental and Social Impact Assessments (ESIA) often based on the IFC's Environmental and Social Performance Standards. Nonetheless, these are not granular enough to support a climate integration exercise at project level.

In BIO's case, emission thresholds for CO₂ and other greenhouse gas (GHG) pollutants (NO_x, methane, etc.) are examined, and compliance to international norms/guidelines is ensured; but though respecting emission thresholds limits negative climate effects, the logic is not that of active engagement in climate change mitigation.

In addition, Belgian climate actors lack personnel and financial resources to orientate and coordinate climate action. Their resources are not aligned with institutional mandates, and financial tools are not focused enough on climate action.

It should also be recalled that as a consequence of projects being categorised as climate relevant by the Climate, Environment and Sustainable Development service of DGD, some actors, particularly amongst non-governmental and institutional actors, are not conscious of being labelled as "climate actors".

Belgian climate action is not framed by a clear vision and criteria

A federal climate policy, prepared by DGD, exists but has not been jointly elaborated and approved by all federal actors so as to allow it to fully support the coherence of Belgian climate action.

Though Belgian climate action responds to needs of partner countries and their populations, specificities of climate action and what distinguishes it from more general environmental action are not clear to all Belgian development actors. Shared and explicit Belgian climate related goals and targets do not frame Belgian climate action, limiting method and focus.

In Senegal's central region, Enabel is supporting the implementation of an "Agropole" which aims at providing a market for agricultural products in the region, bulking them and supporting their transformation and marketing. The "Agropole" promotes carbon neutral forms of product transformation. However, to properly understand the impact of such a model, not only should the "Agropole" itself be followed but the agricultural modes of production which procure agricultural products to it should also be evaluated, to see how far the concerned value chains can really be associated with climate friendly investments. It is presently unclear how far such a position is integrated within the model, at least at the level of local partners.

Moreover, the various Belgian development operators involved in climate action do not work in sufficient combination. Climate action coordination remains ad-hoc and too limited in Belgium for funding provided through bilateral and multilateral cooperation channels. In general, too few climate-related synergies or partnerships between Belgian interventions and/or actors are noted. Greater coordination is hindered by the lack of dedicated resources and orientation as to what is sought in terms of climate action.

Belgian development actors lack a clear vision and strategic guidance as to the extent of prioritisation of climate goals with respect to wider development objectives. They would benefit from clearer guidance as to which development models are coherent with global climate change related objectives and how far economic development can still accommodate increasing GHG emissions in the North and in the South. In terms of the energy sector, this implies conveying a clearer idea of what a stable electrical grid implies and what a healthy energetic mix may be. In the agricultural sector, it implies clearer guidelines as to what types of agricultural models should be supported: what levels of input use are acceptable? How far can water be extracted from the various types of water tables? What type of agricultural marketing models are coherent with climate action? In the environmental sector, levels of expected recycling associated to waste

management should be more clearly indicated, as well as acceptable levels of pollution and human footprint, particularly GHG emissions, associated with economic development.

BIO's investment strategy does not identify agriculture as an area of potential climate action. Clearer guidance as to expectations in terms of climate action could lift such apparent incoherencies.

A clear Belgian policy and vision, backed up with corresponding criteria, is a tool for Belgian development actors to rely on when integrating climate considerations during project formulation with partner country authorities, particularly if country priorities are not sufficiently climate orientated and trade-offs may be needed between alignment with country policy and climate action.

Effective development action in need of more concrete climate expertise at project level

The Belgian Development Cooperation is valued for its field experience, its contacts with local partners, detailed knowledge of the local context, flexibility and capacity to understand and adapt. Characteristic for the Belgian Development Cooperation is the 'qualitative' dimension of its climate finance in the sense that Belgium provides a higher proportion of climate finance through grants than most other countries, thus reaching more vulnerable populations more effectively.



Providing water to an irrigation perimeter through solar powered pumps
PARERBA project, Enabel, Senegal

Various characteristics of the Belgian Development Cooperation and climate action are conducive to climate results. Geographical concentration helps achieve impact. It also strengthens knowledge of context and is conducive to a territorial approach. Territorial approaches are themselves adapted to climate action as they i) promote systemic work favourable to multisectoral challenges and synergies; ii) favour participation of local communities; and iii) are inherent to an effective implementation of several low carbon and resilient developmental models.

However, although recently initiated thematic portfolios offer new opportunities to increase contributions to climate action in a global, coordinated and synergistic way, the tools at the disposal of development actors to integrate climate action are not sufficiently hands-on and are largely under used. More explicit and structured climate action formulation, implementation and monitoring processes and tools are lacking.



Access to climate expertise can still be improved. Though Belgian climate expertise has been strengthened, none of the development cooperation operators declare possessing specific in-house experts on climate change. Specific climate expertise is called upon on an ad hoc basis at key moments of an intervention but not internalised within Belgian operators. Considering Belgium's cross cutting approach to climate action, this model appears efficient. However, it relies on: i) basic foundation knowledge being internalised within each Belgian operator (so as to enable them to know when it is necessary to call upon more specialised expertise); and ii) good access to specific and hands-on climate expertise. Such factors are not institutionalised enough.

The Programme d'amélioration des services de l'eau potable et de l'assainissement en milieu rural (PASEPAR) called upon international expertise to support its water management approach. The FPS Environment works through external technical assistance. BIO would appreciate having more access to forestry and agroforestry expertise so as to develop its activities in these sectors. In Tanzania, Bos+ complemented its global experience on forestry with the local expertise of the Mpingo Conservation and Development Initiative, an East African forestry-focused NGO.

Belgian climate action is weak in terms of leveraging private finance. It does not possess adequate tools to strongly involve the private sector. The private sector is only marginally involved in climate action.

Finally, due to the limited monitoring and evaluation processes focused on climate action and the lack of climate-specific indicators, it is difficult to measure climate results, particularly in terms of quantifying adaptation effects. Adequate data to measure effects, their sustainability and cost effectiveness is not available. It is unclear for instance, how far co-benefits in terms of economic development may cancel the positive effects obtained in terms of climate adaptation and mitigation.



RECOMMENDATIONS

Three main recommendations emerge from this evaluation:

- Recommendation 1: Clarify priorities and provide guidance and adequate resources to development actors involved in climate action, in line with the global climate challenge.
- Recommendation 2: Be strategic by leveraging Belgian operational field experience, best practice and recognised added value. Maintain hereby the focus on adaptation, least developed countries, and integration of climate action within general development cooperation work rather than on specific climate action.
- Recommendation 3: Strengthen the Belgian climate action operational framework, notably in terms of climate integration procedures, monitoring & evaluation, financial mechanisms, access to expertise, private sector involvement and institutional exchanges.

Details are provided for each of them in the set of specific recommendations summarised in the figure below.

Conclusions

C1: Response to needs, added value but insufficient mainstreaming and lack of climate specific focus

- C1.1 Focus on adaptation and LDCs and response to needs and climate challenges of partner countries
- C1.2 Added value related to general dev. cooperation know-how and practice but not specific to climate issues
- C1.3 Geographical concentration and territorial approaches conducive to climate results
- C1.4 Limited attention to climate-related institutions & frameworks in partner countries

C2: Lack of clear vision and prioritisation of climate goals with respect to development objectives

- C2.1 Strategic guidance and criteria lacking
- C2.2 Method in climate mainstreaming lacking

C3: Lack of operability at field level

- C3.1 Operational channels, tools & instruments for delivering specific climate action lacking
- C3.2 Specific climate expertise not internalized but external capacities are efficiently called upon on an ad hoc basis
- C3.3 High level of conceptual climate expertise and diplomatic capacity but less hands-on field work expertise
- C3.4 Coordination and synergies too limited
- C3.5 Amounts of private ICF leveraged insufficient
- C3.6 Attention given to M&E lacking

Recommendations

R1: Clarify priorities and provide guidance and adequate resources to development actors

- R1.1 Strengthen strategic guidance: defining a Belgian climate action vision and related criteria
- R1.2 Rise to the global climate challenge, operationalise guidance and align resources with mandates

R2: Be strategically by leveraging field experience, best practices and recognised added value

- R2.1 Maintain focus on adaptation, LDCs and mainstreaming climate action within general development action
- R2.2 Capitalise on Belgium dev. cooperation field experience
- R2.3 Promote a territorial approach to climate portfolio design
- R2.4 Strengthen entities overseeing climate action in partner countries

R3: Strengthen the Belgian climate action operational framework

- R3.1 Develop clearer climate mainstreaming procedures and specific financial mechanisms
- R3.2 Improve access to specific and hands-on climate expertise
- R3.3 Institutionalise exchanges on climate action at the level of Belgian International Cooperation actors
- R3.4 Support private sector climate investment
- R3.5 Develop a climate specific M&E framework

Source: ADE



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