

Swedish development cooperation and climate change: Is there potential for better mainstreaming?

Introduction

Development cooperation by industrialized countries is an important avenue for helping developing countries to manage the risks of climate change. Thus, it is crucial to ensure that aid-funded projects and programmes are designed with full consideration of climate risks, so that they are robust to future climate changes, reduce vulnerability, and reduce greenhouse gas emissions.

Sweden has made efforts to “climate-proof” its development cooperation and to “mainstream” climate change within it, but what has that meant in practice? This policy brief, the first in a series on the Nordic countries produced as part of a NORD-STAR research project, examines that question.

Sweden’s ODA priorities

Swedish official development assistance (ODA) is overseen by two different government departments. The Ministry of Foreign Affairs (MFA) provides the general guidelines for development cooperation and is mostly responsible for ODA flowing through multilateral channels. The Swedish International Development Cooperation Agency (Sida) implements the MFA’s guidelines and is responsible for bilateral ODA.

A central principle of Swedish ODA is that it should be based on the needs and priorities of poor people. The cornerstone of Swedish development aid is the 2002 government bill *Shared Responsibility: Sweden’s Policy for Global Development* (Government of Sweden 2003), which aims to provide a coherent policy for the entire Swedish development cooperation system.

Another important policy document, *Global Challenges – Our Responsibility* (Government of Sweden 2008), lists Sweden’s main priority areas: oppression, economic exclusion, climate change and environmental impact, migration flows, infectious diseases and other health threats, and conflicts and fragile situations. In addition to these priority areas, Sweden’s develop-



Fishermen in a mangrove in Southeast Asia. Mangroves offer crucial protection from coastal storms.

Key findings

- In mainstreaming climate change, a donor country’s policy design and funding choices will determine how deeply climate change is integrated into official development assistance (ODA) and how easily climate and development aid can be distinguished. Sweden has embarked on a path of full integration, blurring the lines between climate and development finance.
- Although Sweden’s ambitions at the political level to integrate climate change considerations throughout its development portfolio have been made clear, this high-level message does not translate into concrete guidance for the staff of the Swedish development agency (Sida).
- Through Sweden’s Special Climate Change Initiative, 1.2 billion USD has been made available for climate change activities through both bilateral and multilateral channels. It is unclear, however, what is included in Sweden’s definition of “climate finance”. Sweden’s climate finance is reported as ODA – raising the concern that it is not “new and additional” as agreed under the United Nations Framework Convention on Climate Change (UNFCCC).

ment cooperation is guided by three cross-cutting themes: democracy and human rights; environment and climate change; and gender equality.

A new development platform issued this year (Government of Sweden 2014) synthesizes the government’s overall priorities and explains the roles and responsibilities of Sida and the MFA. The new platform is intended to clarify the previous complex network of supplementary policies, priorities and strategic documents.

Sweden is widely considered an international leader in providing high-quality aid. In a recent review, the Development Cooperation Directorate (DAC) of the Organisation for Economic Co-operation and Development (OECD) celebrated Sweden as a provider of crucial leadership within the international donor community (OECD 2013a). Sweden has consistently exceeded the UN ODA target of 0.7% of gross national income (GNI), and has allocated more than 0.9% of GNI to ODA every year since 2005 (see Table 1). In 2012, the Swedish ODA budget was about 5.2 billion USD), with Tanzania, Mozambique and Afghanistan as the biggest aid recipients.

Roughly 69% of Swedish ODA in 2012 (the latest year for which detailed data are available) was disbursed as bilateral assistance, channelled mainly through Sida. The focus of that bilateral aid was on 32 priority partner countries; 42% of that aid was country-programmable, i.e. delivered from Sida directly to the recipient country. The remaining 58%

Table 1. Swedish ODA over time

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
ODA (million USD)	2,400	2,722	3,362	3,955	4,339	4,732	4,548	4,533	5,603	5,242
% of GNI	0.79	0.78	0.94	1.02	0.93	0.98	1.12	0.97	1.02	0.99

Source: OECD (2013b)

was delivered through thematic and regional channels as well as non-governmental channels, including NGOs and public-private partnerships.

Support for multilateral organizations made up 35% of Swedish ODA in 2011, and has nearly doubled in the past 10 years in absolute terms. Sweden supports more than 50 different multilateral organizations, and is the top provider of core funds to several UN agencies.

What does it mean to 'mainstream' climate change in ODA?

The idea of mainstreaming climate change in development cooperation has been widely embraced but is contested. A key concern for developing countries is that rather than providing climate finance that is "new and additional" to existing ODA, as stipulated under the UNFCCC, donor countries will divert financial resources from other development activities. To the extent that mainstreaming blurs the lines between climate finance and ODA, it could make it more difficult to hold donor countries accountable for meeting their commitments on either front. Yet given the major role of development in reducing (or potentially increasing) climate risks, failing to mainstream would also be counterproductive.

For donor countries, resolving this dilemma involves choices on two levels: policy design and funding. On the design side, a country may choose to screen specific types of development interventions – e.g. in long-lived infrastructure – to ensure they are robust to future climate risks. Screening can be a first

step towards the full internalization of climate concerns in ODA, where good development and reducing climate risks are seen as going hand in hand, similar to how gender equality or environmental sustainability are often integrated into ODA. Design choices may further involve the development and application of specific tools and procedures to ensure that climate risks are taken into account in the daily practice of development officers.

Funding choices can be more challenging: Should climate change mitigation and adaptation be financed via existing ODA budgets, or should separate programmes and budgets be established? If the former, should existing ODA budgets be scaled up by the full amount allocated to climate finance? And if a project serves both climate and development purposes, how much of its budget should be recorded as "climate finance"? Such choices are related to the profile of climate change risks in a donor country's development policy, where separate funds for climate change could enhance the visibility of a donor country's contribution to climate finance.

Both types of choices are important, but one is far more politically charged than the other. Design choices are made mostly at the operational level and tend not to be very controversial, focusing on technocratic issues such as the merits of different approaches and procedures, and assigning responsibility for implementation. Funding choices, by contrast, directly relate to international policy debates on climate finance and ODA, and will thus likely be more contentious. Importantly, they entail a significant trade-off: fully internalizing climate risks means

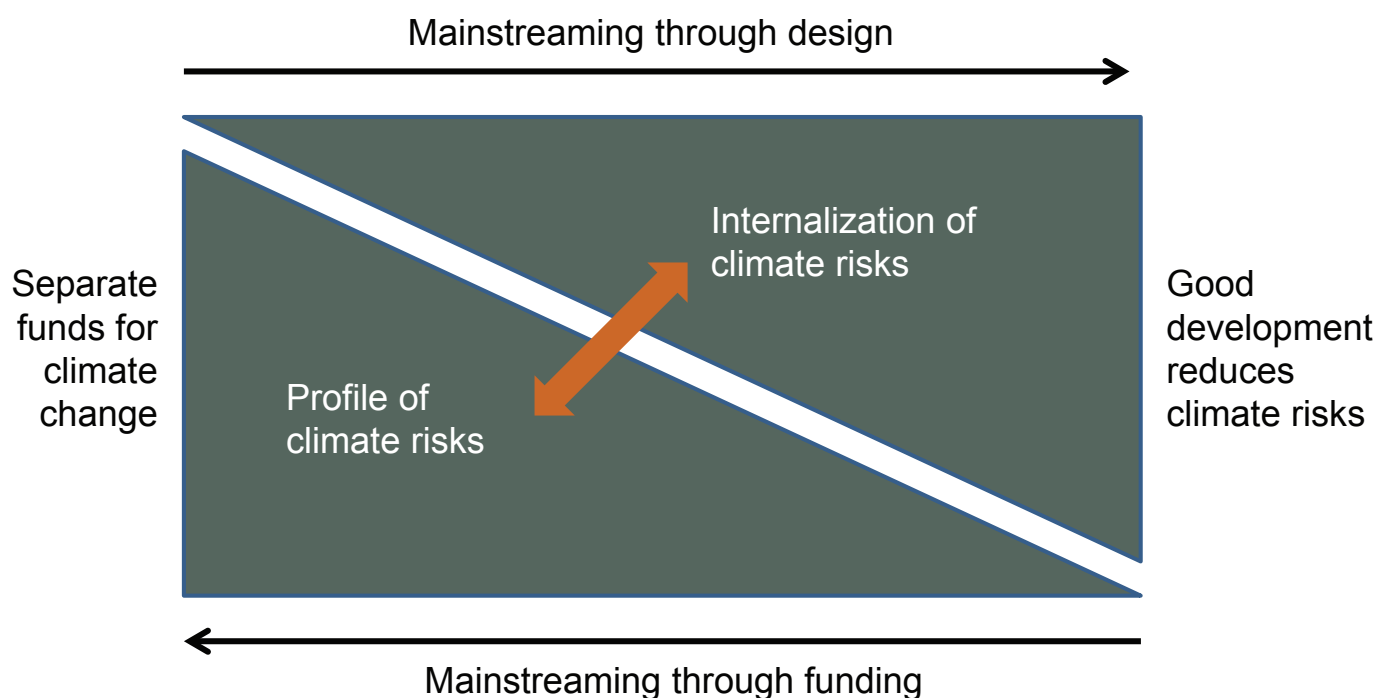


Figure 1: Mainstreaming choices for donors.



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Joseph Mwigai Michuk, a former coffee farmer in Gatei, Kenya, now grows passion fruit instead.

that that the climate profile of ODA becomes less visible; conversely, funding ODA and climate finance separately may artificially separate two goals that are closely intertwined.

How has Sweden mainstreamed climate change in ODA?

Design choices

The Swedish development platform, issued in March 2014, prioritizes improving the environment, limiting climate impacts, and increasing resilience to environmental impacts, climate change and natural disasters. This means, effectively, that Sweden aims to fully internalize environmental and climate considerations in its development policy and practice.

The platform also emphasizes the need for scaled-up climate finance, particularly for adaptation. However, beyond these general assertions, the policy does not discuss mainstreaming, nor does it specify which tools and procedures should be used for integrating climate considerations. In other words, while the MFA has successfully formulated a high-level message on the importance of climate change for its development aid, it has not translated that message into concrete guidance for the daily practice of Sida staff.

Sida's own regulations suggest that, before any funding is approved, the officer reviewing the proposal has to ensure that environmental and climate issues are taken into account, including the positive and negative effects of the programme/project itself, as well as climate change impacts on the programme/project. However, an internal evaluation found that environmental concerns could be better integrated into Sida's work and that meeting the existing requirements was too cumbersome for staff. It therefore suggested using simpler tools and raising staff awareness of these issues (Brunnström et al. 2006).



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Swedish Environment Minister Lena Ek, right, and Patrik Brodd, of her staff, at COP19 in Warsaw, November 2013.

An aid management system adopted in 2012, TRAC, is helping to address those concerns. TRAC is meant to serve as a strategic entry point for programme officers in the preparation, implementation and follow-up of cooperation strategies. It includes guidelines and procedures for screening aid investments, as well as a help desk run by the Swedish University of Agriculture Sciences and the Centre for Environment and Sustainability in Gothenburg.

The help desk provides support to Sida on demand, providing advice and strategic guidance on environmental integration at the policy, programme and project levels. The aim is to use TRAC to address environmental issues at every stage of the ODA process, from the preparation of strategies up to the reporting of results.

One challenge for Sida is that it has very few climate experts on staff: as of May 2014, it had one climate policy specialist in its policy support unit, and a few other environment and climate experts in operative departments. Instead of relying on in-house expertise, programme officers usually decide how to mainstream in cooperation with the implementing partner.

Although Sida interacts with other agencies with climate-related expertise, such as the Ministry of Environment, the latter mostly provides input on a general level, not on individual projects and programmes. The Ministry of Environment plays a larger role in informing decisions about multilateral development cooperation, which is managed by the MFA.

Funding choices

Sweden has not chosen to create a separate climate finance mechanism, but rather includes climate finance in its ODA. Funding for environmental protection, including climate change, has steadily increased. In 2008, Sweden announced its intention to invest 607 million USD in a four-year (2009–2012) special climate change initiative. The objective was to support long-term efforts for climate change adaptation in the Least Developed Countries and contribute to the efforts of developing countries to limit greenhouse gas emissions. Sweden later folded this initiative into a 1.2 billion USD contribution to the UNFCCC's fast-start finance initiative.

Sweden reports annually on its disbursement of ODA to the OECD. In accordance with OECD guidance, Sida uses different indicators to identify the nature of each contribution: one "general" environmental marker (ENV) and three "Rio-markers" on adaptation (CCA), mitigation (CCM), and biodiversity and ecosystem services (BES).

Sida's help desk for the environment assessed how relevant those markers were to the benefits that were likely to be delivered. The report found a low level of accuracy and possible overuse of the climate-related markers in the sense that climate change was marked as a lower-priority objective in many projects. Simultaneously, remarkably few projects stated climate change as a principal or significant objective, despite the inclusion of fast-start finance in the report's analysis (Wingqvist et al. 2011). A high share of contributions are likely relevant to environmental policy objectives, even if they are not explicitly stated as an objective, and there are large uncertainties in assessing the relevance, as the marking often relies on subjective judgements from individuals about likely benefits.

Policy considerations

- Sweden is seeking to mainstream climate change primarily by fully internalizing climate considerations throughout its development portfolio. This approach acknowledges the strong links between reducing climate risks and development, but poses challenges for monitoring the contribution of Sweden to climate finance, as it is not entirely clear how development activities contribute to climate objectives. Given its strategy, the Swedish government needs to enhance the transparency of its contributions to climate objectives that may need to go beyond the OECD's system of reporting climate finance through the "Rio markers". Such efforts should be aimed at developing a system of consistent and clear reporting of how certain development activities contribute to reducing climate risks.
- Sweden's ambitions to mainstream climate change into development cooperation are, on a high level, clearly charted. However, the high-level message from MFA has so far failed to reach the daily practice of Sida staff. This means there are no clear incentives to follow through on the high-level commitments. A dialogue between the MFA, Sida leadership and Sida staff in partner countries would provide an important first step to discuss how the high-level message can be translated into changes in the daily practice of Sida staff.
- Given Sweden's increasing ambitions to integrate climate issues throughout its development work, enhancing Sida's in-house expertise may be useful. The integration of climate change in Swedish development assistance is challenging because of limited capacity within Sida on this issue. Climate change expertise among Sida staff in embassies in partner countries – where many important decisions are made – is mostly lacking. This is an important challenge not only for Sida, but also for the MFA, who need to follow through on their high-level commitment by offering education and training possibilities for Sida staff, with a view to further expanding Sida's capacity on climate change.

Sida's over-reporting of the policy markers is symptomatic of a larger question in climate change mainstreaming: whether current guidance from the OECD's Development Assistance Committee is sufficient, given the scope for multiple interpretations by different donors. It signifies the challenge of identifying what is "climate"-related for individual projects and programmes, and the inherent subjectivity of such choices.

Is Sweden's climate finance 'new and additional'?

Sweden's choice to make its climate finance contributions from its ODA budget exposes it to criticism that the climate spending is not "new and additional" as agreed under the UN-FCCC. However, there is no international agreement on what "new and additional" actually means. One common definition – supported by many developed countries, including Sweden – is that climate finance should be additional to the ODA target of 0.7% of GNI. Still, the definitional and reporting challenges discussed above make it difficult to know precisely how much aid was delivered, when, and what counts as climate finance. The data presented in Table 1 show that Sweden's total ODA has remained at about 1% of GNI since 2006, even as substantial new climate finance commitments were made.

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The Nordic Centre of Excellence for Strategic Adaptation Research (NORD-STAR) aspires to a Nordic region that can adapt sustainably to the impacts of climate change and the consequences of climate policy. Pursuing innovative science, sound economic analysis and effective communication, NORD-STAR aims to enable Nordic stakeholders to design and implement successful adaptation policy and practice. NORD-STAR fosters a strategic approach to climate adaptation, making a novel contribution to the Nordic adaptation knowledge base. NORD-STAR is funded by the Norden Top-Level Research Initiative sub-programme "Effect Studies and Adaptation to Climate Change".

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This policy brief was written by Adis Dzebo and Harro van Asselt. It is the first of three in a series on Nordic (Denmark, Norway and Sweden) ODA and climate change mainstreaming.