Mainstreaming climate change in Norwegian development aid: Reconciling climate priorities with aid delivery procedures

Introduction
Development cooperation is an important means to assist developing countries in managing and reducing climate change risks. Therefore, it is crucial to ensure that aid-funded projects and programmes are designed with full consideration of climate risks, in order for these activities to be robust to future climate changes while reducing both vulnerability and greenhouse gas emissions.

In recent years, Norway has been one of the world’s largest donors of climate-related aid. The Norwegian government has proclaimed that “[e]nvironmental issues and vulnerability to climate change are to be taken into consideration in all Norwegian aid” (MFA 2011, p.76).

But what does this mean in practice? This policy brief, third and final in a NORD-STAR series on mainstreaming of climate change in Nordic countries’ development assistance, examines this question.

Norway’s ODA priorities
Norway’s official development assistance (ODA) policies and programmes are outlined in the annual national budget, and are ultimately determined by the Norwegian government. The Ministry of Foreign Affairs (MFA) administers most of the aid in collaboration with embassies in partner countries. The MFA also formulates strategies for ODA, and oversees its management and implementation. The Norwegian Agency for Development Cooperation (Norad) is the main implementing agency, working under the MFA’s organizational structure.

Norway’s development policy is broadly aimed at poverty reduction, social justice, and sustainable development, with a view to helping developing countries to take control over their own development. The country’s main policy paper on this topic, Climate, Conflict and Capital (MFA 2009), situates development policy in a wider context of foreign policy and security issues, and outlines Norway’s strategic approach in the three areas recognized as the main challenges for combating poverty: climate change, violent conflicts, and the lack of capital.

In another policy document, Towards Greener Development (MFA 2011), Norway has identified four pillars of its policy in the area of environment and development: (i) acting as a driving force and bridge-builder in international processes; (ii) promoting low-emissions economic growth; (iii) promoting the maintenance of ecosystem services; and (iv) helping developing countries adapt to climate change.

Since the 1990s, Norway has set aside roughly 1% of its gross national income (GNI) for aid, making it one of the few countries that has consistently exceeded the 0.7% ODA/GNI target set by the Organisation for Economic Co-operation and Development (OECD). The 1% goal has made in Norway the largest donor, relative to the size of its economy.
among the OECD countries. In 2013, the Norwegian aid budget was US$5.6 billion.

In 2011, about 73% of Norwegian ODA was disbursed in the form of bilateral assistance. ODA allocations are primarily based on the UN and its multiple agencies. Norway has moved away from bilateral channels and started using multilateral institutions. For the multilateral funding allocations, Norway prioritizes the UN and its multiple agencies. In 2011, 25% of Norway’s net ODA was distributed to the core budgets of multilateral organizations (MFA 2009; OECD 2013).

Climate change mainstreaming in Norway’s ODA
Climate change mainstreaming involves “the integration of policies and measures to address climate change into ongoing sectoral and development planning and decision-making, so as to ensure the long-term sustainability of investments as well as to reduce the sensitivity of development activities to both today’s and tomorrow’s climate” (Klein et al. 2005, p.284).

The idea of mainstreaming climate change in ODA 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”, as stipulated under the United Nations Framework Convention on Climate Change (UNFCCC), donor countries will divert funds from other development activities. To the extent that mainstreaming blurs the lines between climate finance and ODA, it could also 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 in internalizing climate concerns in ODA, similar to how gender equality or environmental sustainability are often integrated into ODA. From this perspective, good development and reducing climate risks are seen as going hand in hand. Other design options include creating and applying specific tools and procedures to ensure that development officers take climate risks into account in their daily practice.

Funding choices can be more challenging: Should climate change mitigation and adaptation be financed via existing ODA budgets, or through separate programmes and budgets? 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”? Separate budgets make it easier to distinguish climate finance from ODA, and can enhance the visibility of a donor country’s contribution to climate finance. But there is a significant trade-off, as this may artificially separate two goals that are closely intertwined. 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 assigning responsibilities. Funding choices, by contrast, directly relate to international policy debates on climate finance and ODA, and can be more contentious.

Norwegian ODA and climate change mainstreaming

Design choices
Quality assurance of environmental and climate change-related aspects of Norwegian development cooperation has three main components: strategic advice on how environmental risks can be assessed and incorporated; reviews of development cooperation portfolios in light of addressing environmental and climate change concerns (climate proofing and “greening”); and knowledge development for personnel (MFA 2011).

To this end, Norad has developed a practical guide, Assessment of Environmental and Social Sustainability and Climate Change

Table 1. Norwegian ODA over time

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tr>
<td>ODA (million USD)</td>
<td>2,044</td>
<td>2,198</td>
<td>2,794</td>
<td>2,945</td>
<td>3,735</td>
<td>4,006</td>
<td>4,081</td>
<td>4,372</td>
<td>4,756</td>
<td>4,753</td>
<td>5,581</td>
</tr>
<tr>
<td>% of GNI</td>
<td>0.92</td>
<td>0.87</td>
<td>0.94</td>
<td>0.89</td>
<td>0.95</td>
<td>0.89</td>
<td>1.06</td>
<td>1.05</td>
<td>0.96</td>
<td>0.93</td>
<td>1.07</td>
</tr>
</tbody>
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Source: OECD (n.d.)

Figure 1: Mainstreaming choices for donors.

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Increased NICFI’s autonomy and ability to function effectively. There are no conflicting mandates (Norad 2014; Bade 2012). This has the authority of the Ministry of Climate and Environment. The authority over NIFCI. In 2014, NIFCI was placed entirely under the authority of Minister Erik Solheim, who also served as Minister of Development. After Solheim stepped down in 2012, however, the institutional setup became problematic, because now two different ministries had partial authority over NIFCI. In 2014, NIFCI was placed entirely under the authority of the Ministry of Climate and Environment. The budget still comes from ODA, managed by Norad, but Solheim oversaw it in his capacity as Minister of Development. After Solheim stepped down in 2012, however, the institutional setup became problematic, because now two different ministries had partial authority over NIFCI. In 2014, NIFCI was placed entirely under the authority of Minister of Environment and Development, visits a nomadic cattle-herding tribe in Abyei, Sudan, in 2010.}

**Funding choices**

All of Norway’s climate finance is considered part of its ODA. One challenge in assessing Norway’s funding choices is that climate finance is spread over many different budget lines, and within a budget line there are multiple budget items. Thus, quantifying climate-specific ODA can be difficult. For the 2010–2012 period, most of the official Norwegian climate finance statistics were reported as “fast-start finance” (FSF) under the UNFCCC. The FSF-initiative aimed to mobilize US$30 billion in “new and additional” finance in 2010–2012 to assist developing countries in pursuing climate-resilient, low-carbon growth. The primary part of Norway’s FSF was channelled through multilateral organizations, which accounted for about 70% of the total funding, about US$1.2 billion (UNFCCC 2013).


With a pledge to disburse about US$517 million (3 billion NOK) annually, NICFI is the single largest activity within Norwegian development cooperation (MFA 2009; Norad 2014). However, NICFI has been criticized for slow disbursement of funds, which in part can be explained by the fact that the initiative utilizes results-based payments. This conflicts with Norwegian financial regulations for ODA, which provide for disbursements to be made based on demonstrated need. Support for activities classified as targeting both mitigation and adaptation increased from US$29 million to US$91 million between 2010 and 2012 (UNFCCC 2013).

The challenges around NICFI points to the complex issue of how much relative emphasis should be put on the development (poverty reduction) versus the environmental (climate and biodiversity) elements of NICFI. The core expertise on development assistance resides primarily with the MFA and Norad, whereas the Ministry of Climate and Environment is more concerned with climate change objectives. This division may have contributed to bureaucratic complications and a lack of coherent decision-making within NICFI (McNeill 2015; Norad 2014).

**Change Risk Management (‘Climate Proofing’) (Norad 2010).** This guide facilitates the review of development aid portfolios, and aims to help evaluate the climate vulnerability of the development programmes in Norway’s partner countries. The screening of a programme starts with a classification of the programme’s social and environmental impacts, along with its possible climate risks. The process continues by identifying alternative measures, improving planning, and minimizing the negative environmental impacts and enhancing the positive ones (Norad 2010).

In 2007–2008, Norad carried out environmental and climate change assessments in five partner countries. They concluded that the mainstreaming of climate change in aid projects had not been effective, and in most of the reviewed countries, no mainstreaming had taken place at all (Norad 2011; OECD 2013).

The main responsibility for incorporating cross-cutting issues such as climate change in development cooperation projects lies with the programme managers, and there are no guidelines or mandatory requirements on how to integrate these issues. As a consequence, the quality of the integration of cross-cutting issues into programmes is highly dependent on the competencies of individual programme managers, which in turn leads to varying outcomes for different projects (Norad 2011; OECD 2013).

In recent years, Norwegian engagement with environmental and climate change issues has increased significantly, most visibly through Norway’s International Climate and Forest Initiative (NICFI), launched in 2007. The initiative focuses primarily on reducing emissions from deforestation and forest degradation (REDD+), providing results-based payments to countries and projects.

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Policy considerations

- The effectiveness of mainstreaming of climate change in ODA currently depends on the relative competencies of individual programme managers. There is a need for increased capacity and better guidelines for programme managers to screen development projects and programmes for climate change implications and impacts.

- The new institutional structure for NICFI has increased its efficiency and has clarified the responsibilities of different government departments. However, tensions remain between traditional, project-based ODA approaches and the country-wide, results-based approaches deemed necessary to make REDD+ funding a success.

- Except for the fast-start finance period (2010–2012), there are no specific data for Norway’s climate finance contributions. Climate-related aid is spread over several budget lines, with multiple budget items within each budget line. Further clarity on how Norwegian climate finance is accounted for could highlight how much Norway is contributing to climate change activities.

Whether NICFI or Norway’s FSF can be considered new and additional as dictated under the UNFCCC is not entirely clear. Norway states that all its funding over the 0.7% ODA/GNI target should be counted as climate finance, which would be a significant amount of the country’s total ODA, given that Norway reserves about 1% of its GNI for ODA every year. This definition of “new and additional” climate finance is supported by many developed countries, but thus far there is no international agreement on what “new and additional” actually means. A more critical view would suggest that Norway’s FSF cannot be considered new and additional, since the country already committed to delivering 1% of its GNI as ODA in 2009, before the FSF period started (Moe et al. 2013).

References


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, Malin Lindgren, and Harro van Asselt. It is the third of three in a series on ODA and climate change mainstreaming in the Nordic countries (Denmark, Norway and Sweden).