Volume 2 Annexes

# Independent evaluation of the climate approach of SECO's economic cooperation division since 2017

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# Independent evaluation of the climate approach of SECO's economic cooperation division since 2017

## Commissioned by the Economic Cooperation Division of the State Secretariat for Economic Affairs of Switzerland (SECO)

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# Annex A Portfolio analysis

**Step 1 – Data extraction**
The first step included the extraction of all bilateral, global and regional/continental interventions of SECO under the strategies 2017-2020 and 2021-2024.

The criteria used in data extraction were the following:

- time criterion: 2017-2022 related to the commitments years covered by the evaluation.
- status criterion: released, partially closed and closed commitments.
- other criterion: selection of all commitments falling under the tab "Count as projects L2 WBS 1.

**Step 2 – Filtering process**
In this step commitments were filtered as to various criteria used in the analysis, i.e., non-climate funding, climate relevant funding, climate weighted funding, Rio markers 1 and 2, climate adaptation and mitigation, SECO business lines, SECO channel partners etc.

Climate weighted funding is based on the SECO weights:

| CCA | CCM | sCCA | sCCM |
|---|---|---|---|
| Adaptation | Mitigation | % Adaptation | % Mitigation |
| 0 | 0 | 0% | 0% |
| 0 | 1 | 0% | 50% |
| 0 | 2 | 0% | 85% |
| 1 | 0 | 50% | 0% |
| 1 | 1 | 25% | 25% |
| 1 | 2 | 35% | 50% |
| 2 | 0 | 85% | 0% |
| 2 | 1 | 50% | 35% |
| 2 | 2 | 50% | 50% |

Highlights from the portfolio analysis[1] can be summarised as follows:

- The funding for climate has increased overall, from the 2017-2020 strategy period to the current 2021-2024 period - both in absolute terms and as a share of the total SECO portfolio.[2] The level of climate finance (weighted) has risen from approximately 30% to 38% of total SECO commitments.
- Climate weighted commitments exceeded actual disbursements by a significant margin, attributed to over-programming. Particularly in the first year of the strategy period, there was a substantial disparity between commitments and disbursements.
- Most of the financing is marked as Rio marker 1 (significant or mainstreaming), but there is also a significant share marked as Rio marker 2 (climate as a principal objective). In Ghana most climate commitment had RM2.
- Mitigation receives 62% of funding, while adaptation receives 38%.
- The climate intensity of SECO countries varies with Peru, Indonesia, and Ghana receiving the largest volumes of climate finance. The most climate-intense countries are Tajikistan, Serbia, and Peru.

[1] The portfolio analysis is based on SECO's climate-weighted commitment finance figures, which use the methodology for Rio Marker 1 and 2 weights developed by SECO. The SECO weighing percentages can be found in Annex A - portfolio analysis. Figure 1 provides a comparison of the climate-weighted data with climate-relevant data (project finance commitments that address climate change, whether Rio Marker 1 or Rio Marker 2, calculated at 100%).
[2] References made to Switzerland's International Cooperation Strategies

- Multilateral Development Banks (MDBs) are the most important implementing partners for climate. This finding reflects the overall importance of MDBs as implementing partners. The most climate-intense cooperation is with third-party governments and the Swiss private sector, although the volume is small.
- The disbursement rates were high in collaboration with the Private Infrastructure Development Group, the private sector beyond Switzerland, and Regional Development Banks, and comparatively low in collaboration with recipient government and NGOs.
- Across business lines, urban development and infrastructure is by far the most climate intense business line. Growth-promoting economic policy is the second-heaviest in terms of volume, but it has the least focus on climate as a share of the total volume.
- The disbursement rate was high in the rules-based trade systems and corporate social responsibility business lines, while there was a considerably low disbursement rate, below 50% of the actual commitments, observed for growth-promoting economic policy and innovation-friendly business environment initiatives.

*Figure 1 Share of climate in SECOs total commitments 2017-2022*

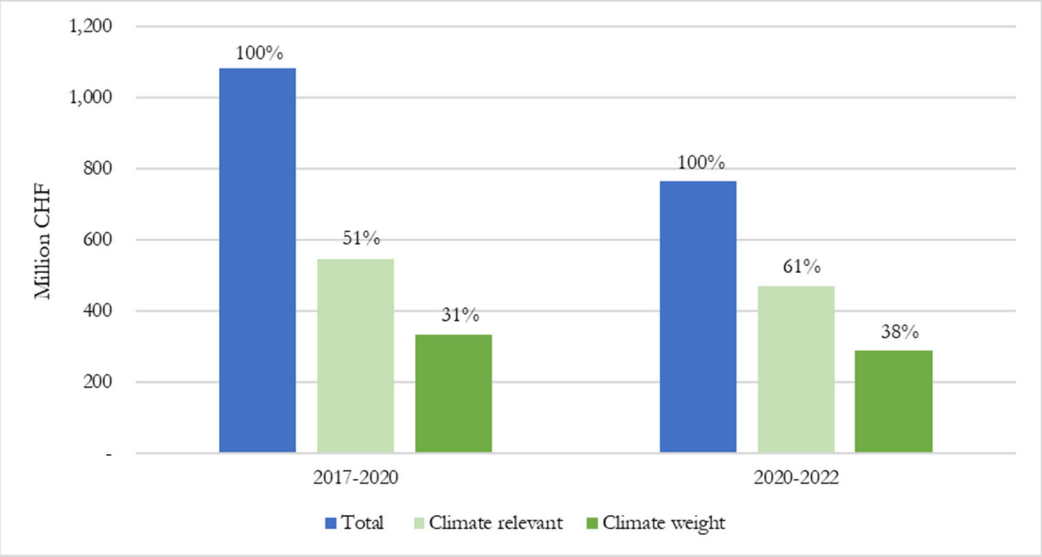



Figure 1 shows that the climate intensity of the SECO commitments increased from the 2017-2020 strategy period to the present 2021-2022 both in terms of climate relevant climate finance and climate weighted-finance. In the 2017-2020 strategy climate relevant finance came to 51 pct. of commitments compared to 61 pct. in the 2021-2022 strategy period. Similarly, the volume of weighted climate commitments as a share of total committed volumes increased from 31 pct. in the 2017-2020 period to 38 pct. in the 2021-2022 period.

*Figure 2 Trends in climate finance 2017-2022. Climate weighted commitments*

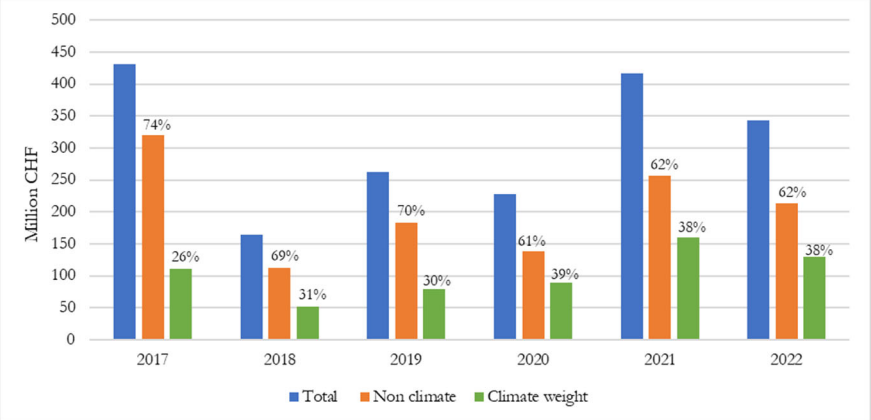


*Figure 3 Climate weighted commitments vs. actual disbursements, 2017-2022*

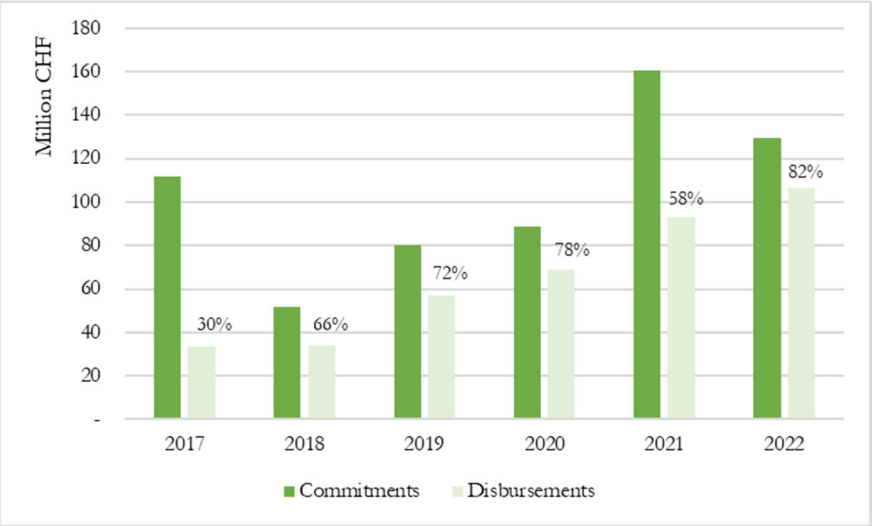



Figure 2 shows that the weighted climate commitment volumes as a share of the total volume of SECO ODA have on the whole been increasing from 2017-2020 and levelling off in 2021 and 2022. Figure 3 shows that the weighted climate commitments exceeded actual disbursements by a significant margin, reflecting the continued increase in funding. Particularly in the first year of the strategy period, there was a substantial disparity between commitments and disbursements due to a peak in new commitments at the start of the strategy period, while disbursements were spread out over subsequent years.

*Figure 4 Distribution by Rio Marker of climate weighted commitments 2017-2022*

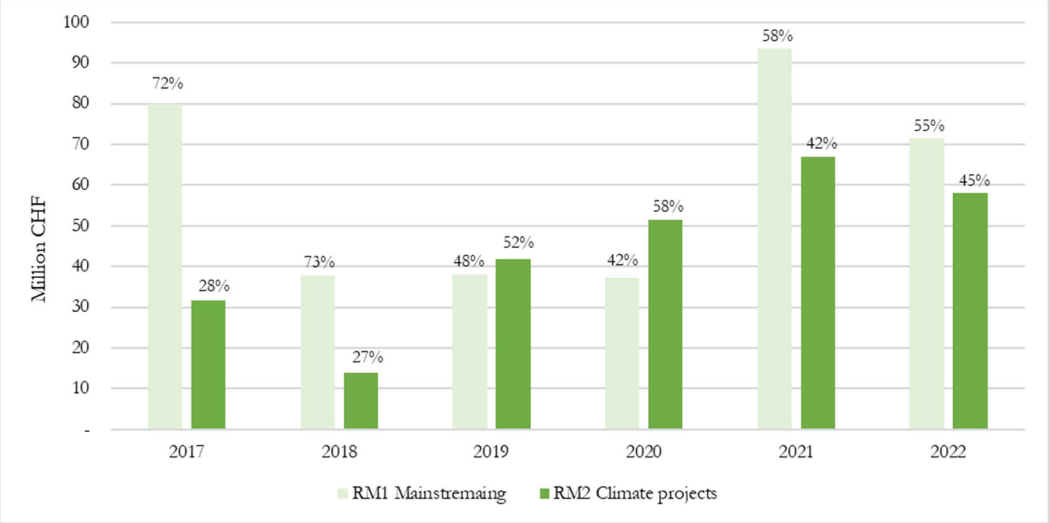



Figure 4 shows the weighted climate commitments divided by Rio Markers. The disbursement rates ranged from 60% to 65% of the actual commitments, showing no significant deviation across the Rio markers (figure 5).

*Figure 5 Climate weighted commitments and actual disbursement across Rio markers*

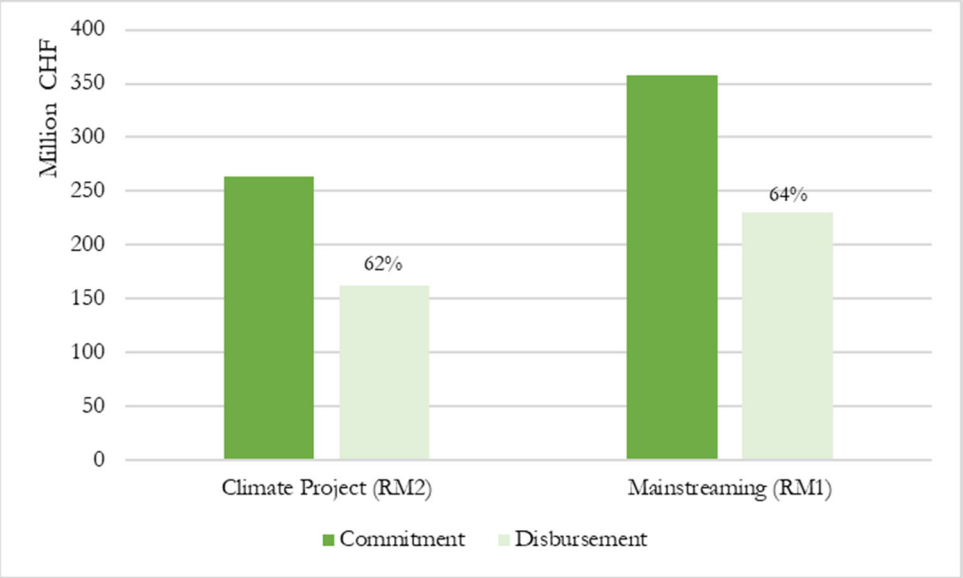



*Figure 6 Distribution of climate weighted commitments 2017-2022 by climate change mitigation and adaptation.*

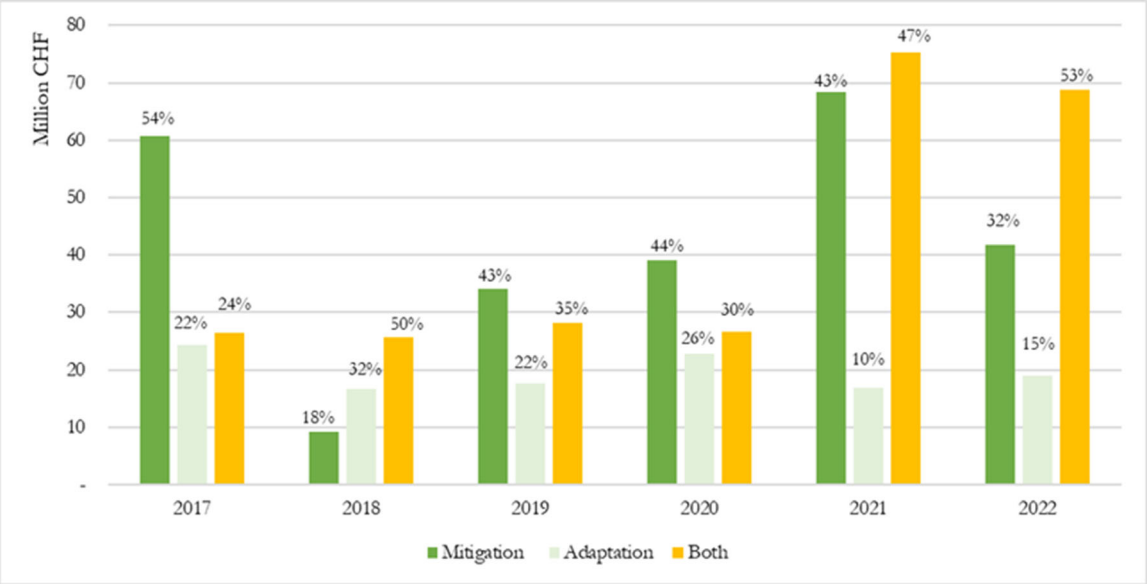



Figure 6 shows climate weighted commitments divided by mitigation and adaptation. Overall, mitigation surpassed adaptation considerably in the period under evaluation. There is a pattern of a high degree of mitigation in the first year of the strategy period probably due to a need for longer planning required for mitigation initiatives compared to adaptation initatives to lay the groundwork for GHG emissions reduction and, overall, due to the urgency and priority to address the root causes of climate change through mitigation efforts (figure 6). Figure 7 below shows no major shifts in Rio markers and mitigation/adaptation between the two strategic periods. However, mitigation funding increased, and adaptation funding decreased, in relative terms, by four pct., for both Rio Markers. There was no significant deviation observed between disbursements for mitigation and adaptation - both remained below 70% of the actual commitments (figure 8).

*Figure 7 Climate change mitigation and adaptation distributed by Rio Markers and strategic periods. Climate weighted commitments*

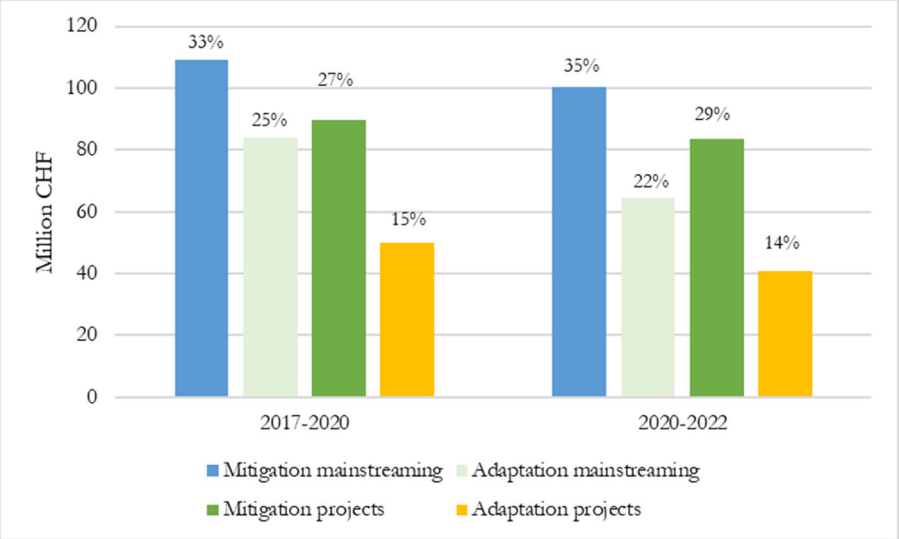



*Figure 8 Climate weighted commitments and actual disbursements in mitigation and adaptation*

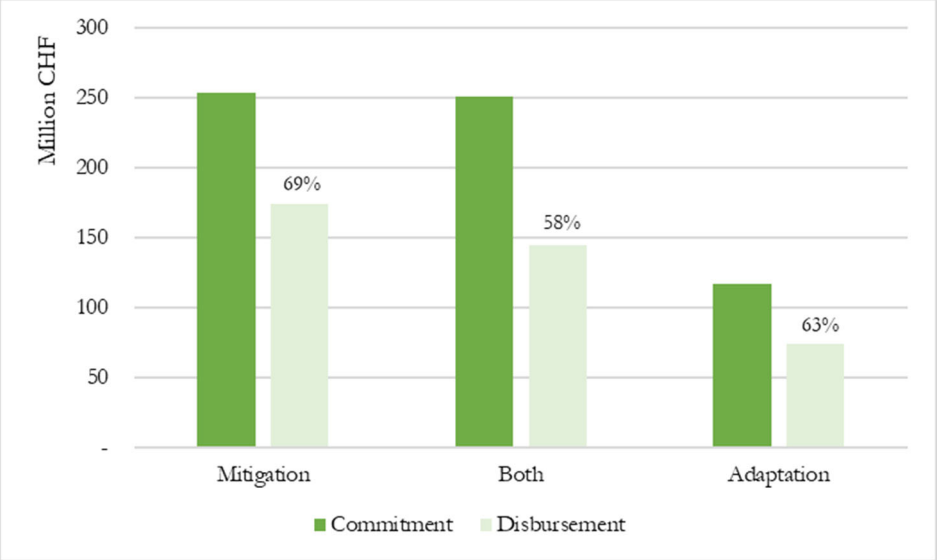
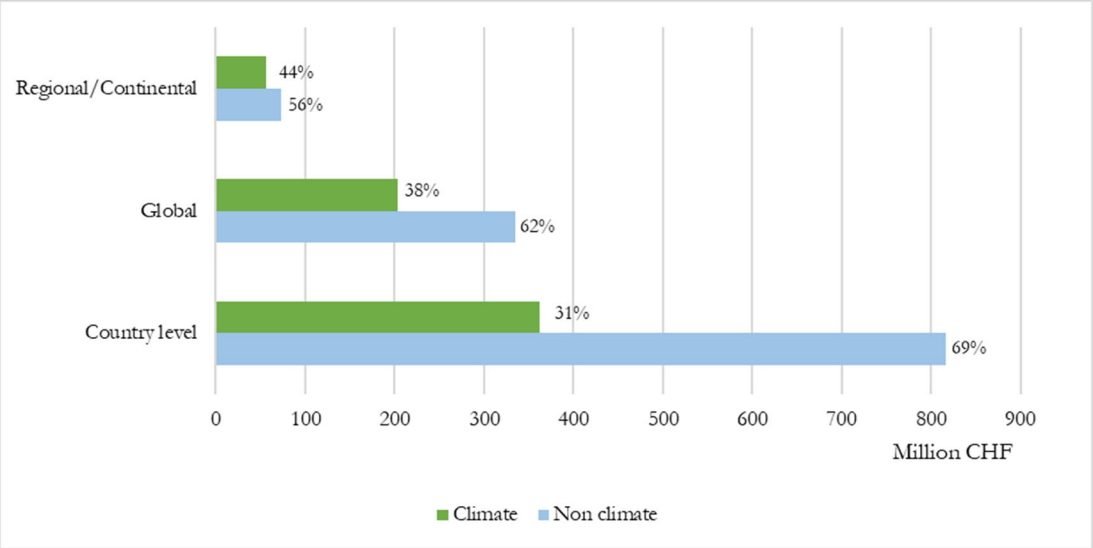



*Figure 9 Type of cooperation 2017-2022: Bilateral, global and regional: Climate weighted commitments*



Cooperation at the country level makes up most of the SECO portfolio but is the least climate intense. Of the country-level cooperation, 31 pct. is for climate (weighted), this includes a substantial share of cooperation channelled through multilateral organisations. The climate intensity for regional/continental interventions is higher than for global efforts (figure 9). Figure 10 below indicates increased climate weighted commitments for all cooperation types from the strategy period 2017-2020 to the current strategy period 2021-2024 and a considerable increase in climate intensity for regional/continental cooperation.

***Figure 10 Type of cooperation in two strategic periods. Climate weighted numbers.***

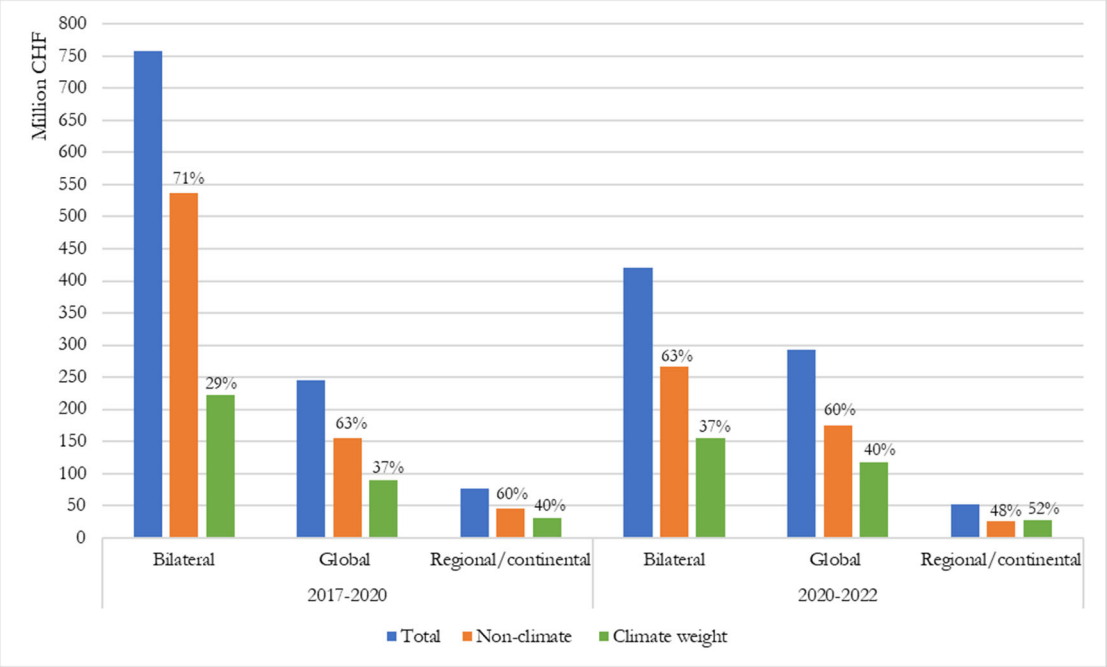



***Figure 11 Climate intensity 2017-2022 in SECO priority countries. Climate weighted commitments.***

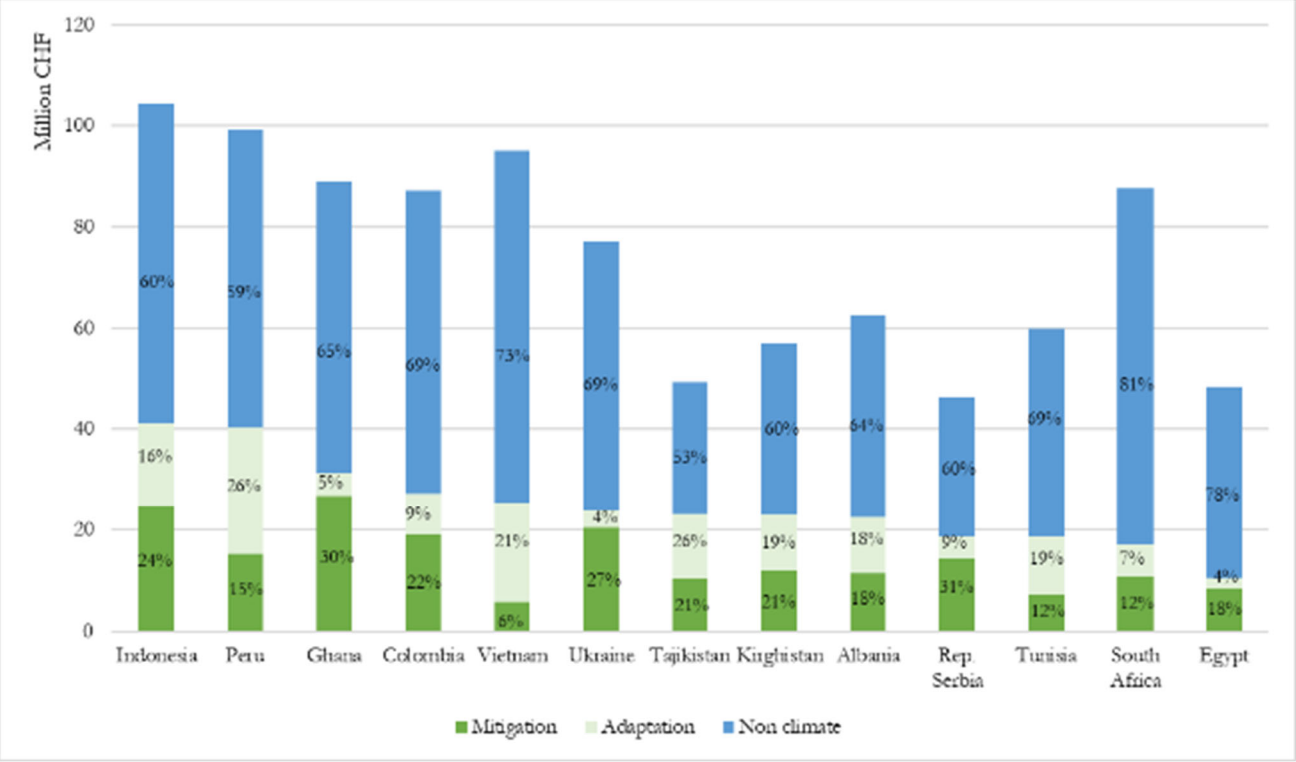



Figure 11 shows that the climate intensity varies across countries The most climate vulnerable countries among SECO priority countries are Egypt, Ghana, and Vietnam and the climate intensity of the SECO

portfolio is low in both Egypt and Vietnam (below 30 pct).[3] The most climate intense country is Tajikistan, followed by Serbia, Kyrgyzstan and Albania in the East, and Peru, Ghana, and Indonesia in the South. Annex 1 gives a break down as to Rio marker 1 and 2 for all priority countries – showing that most countries have a higher share of Rio Marker 1 compared to Rio Marker 2, except Vietnam, Tajikistan, and Tunisia.

*Figure 12 Climate intensity 2017-2022 in SECO countries with complementary measures*

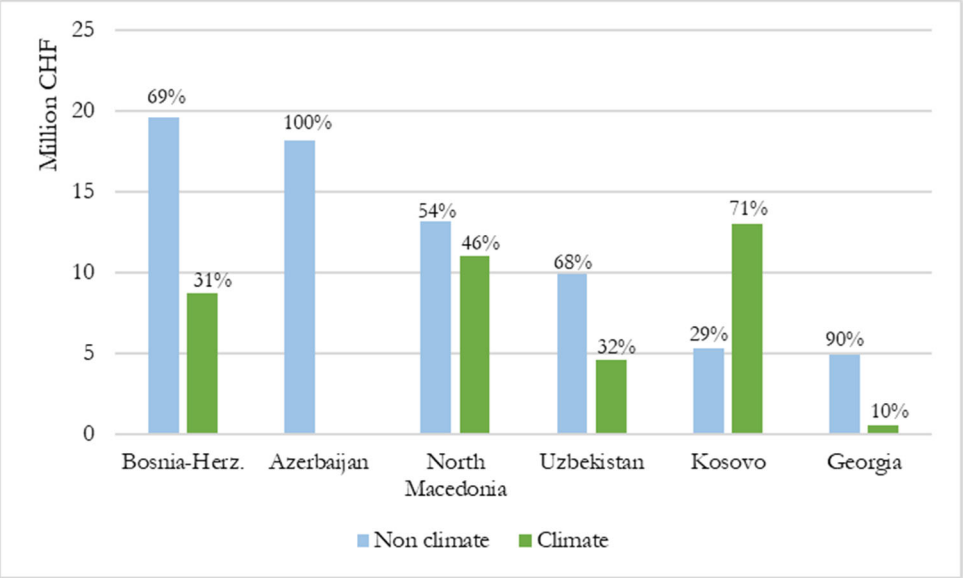



Figure 13 shows climate intensity among countries with complementary measures. Kosovo stands out as the most climate-intense country among both, complementary and priority countries.

[3] University of Notre Dame: Climate vulnerability index: https://gain.nd.edu/ more under Choice of countries for case studies.

*Figure 13 Breakdown of Rio markers in priority and complementary countries*

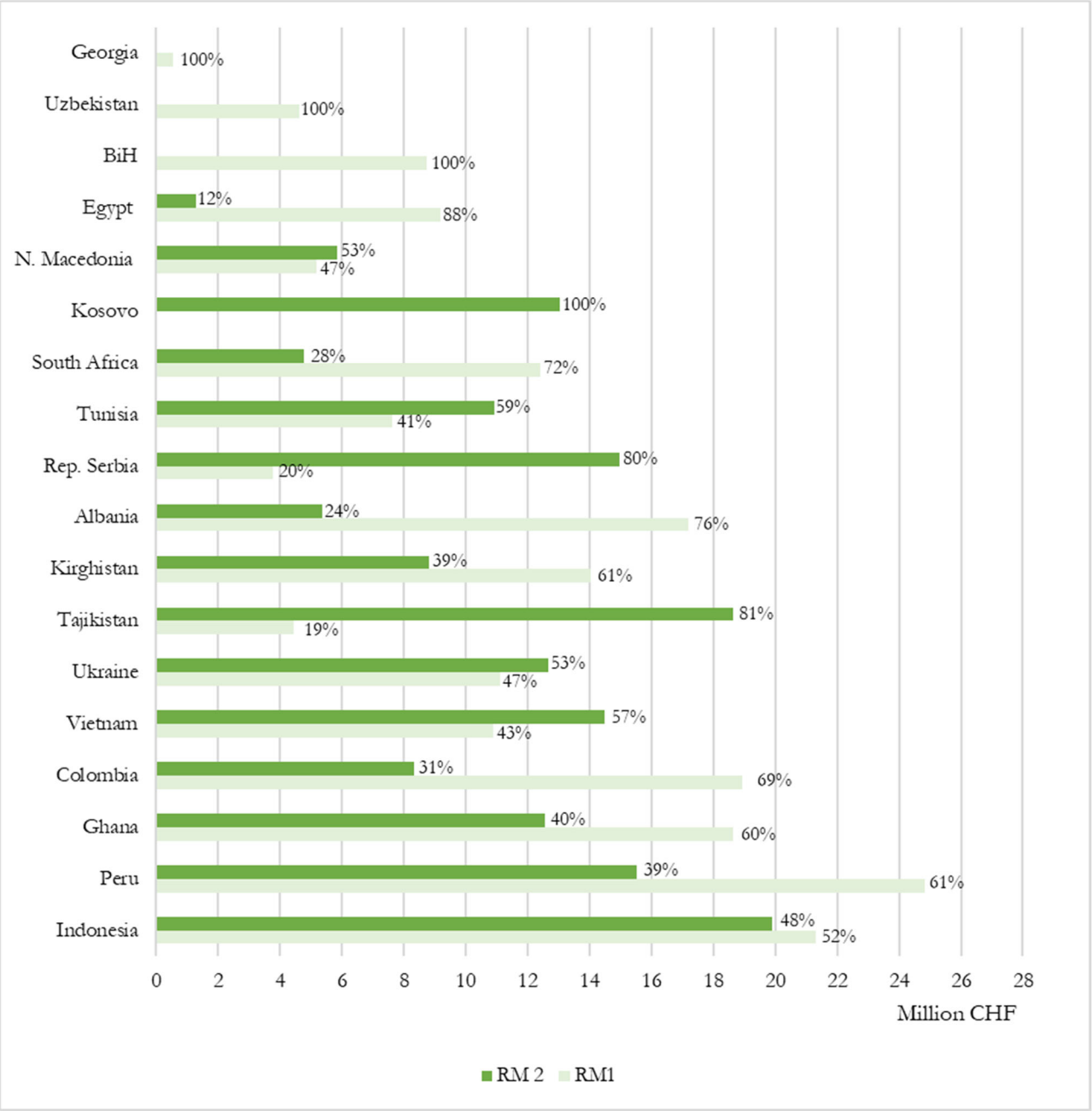



Figure 14 gives a break down as to Rio marker 1 and 2 for all priority and complementary countries – showing that the majority of countries have a higher share of Rio Marker 1 – mainstreaming/significant compared to Rio Marker 2 targeted/principal, except Vietnam, Ukraine, Tajikistan, Tunisia, Serbia, Kosovo, and North Macedonia.

*Figure 14 Implementing partners for climate weighted commitments[4].*

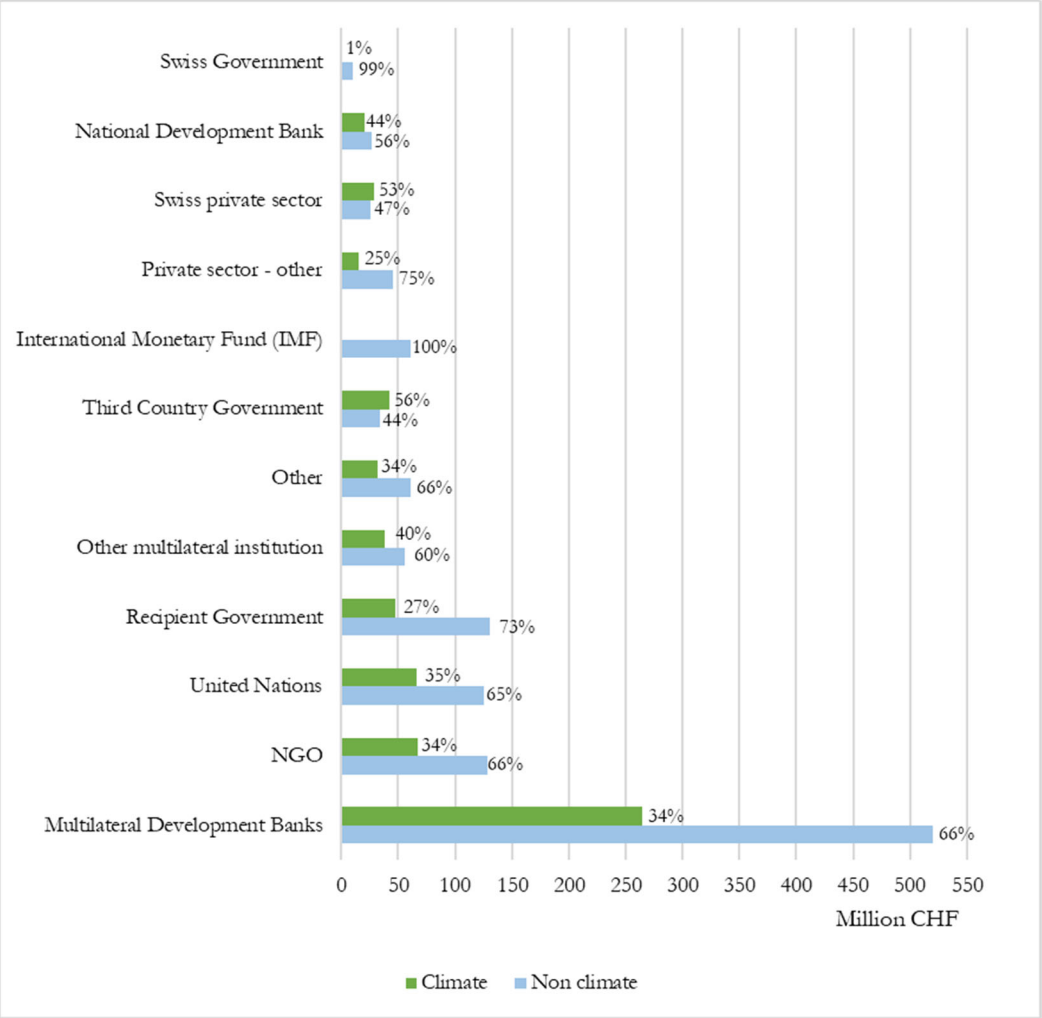



Figure 15 shows – the multilateral development banks are the most important implementing partners for SECO – and they are the most important partners for implementing climate weighted commitments. More than 30 pct. of SECO funding channelled through MDBs was for climate. Among the MDBs, the WBG is by far the largest implementer of SECO assistance – with slightly above 30 pct. for climate, whereas cooperation with IDB and EBRD is more climate intense (figures 16 and 17). Other important implementing partners are UN, and recipient governments, here the share of climate is less than 30 pct. Among UN organisations, cooperation with UNDP and ILO is climate intense (more than 50 pct. in the case of UNDP), whereas cooperation with UNIDO, UNCTAD is less so (figure 18). Cooperation with international NGOs are considerably more climate intense than with Swiss NGOs (figure 19). Under the new strategy, cooperation with MDBs, NGOs, and the UN is more climate intense than before (figure 15) due to a substantial increase in climate funding channelled through the World Bank, IADB, African Development Bank and UNDP. In contrast, cooperation with EBRD and a number of UN agencies have become considerably less climate intense (figures 16 - 18). As regards NGOs, the new strategy brought about the engagement of national NGOs over climate issues – 85 pct. of funds entrusted to recipient country CSOs are for the climate. (figure 19).

When it comes to disbursements, there were higher disbursement rates in collaboration with the Private Infrastructure Development Group, the private sector beyond Switzerland, and Regional Development Banks. In contrast, disbursements were notably low compared to commitments made to recipient governments, the NGO sector, KfW, and National Development Banks (figure 20).

[4] Other multilateral institutions – Private Infrastructure Development Group

*Figure 15 Climate intensity of MDBs, NGOs, and UN in two strategic periods*

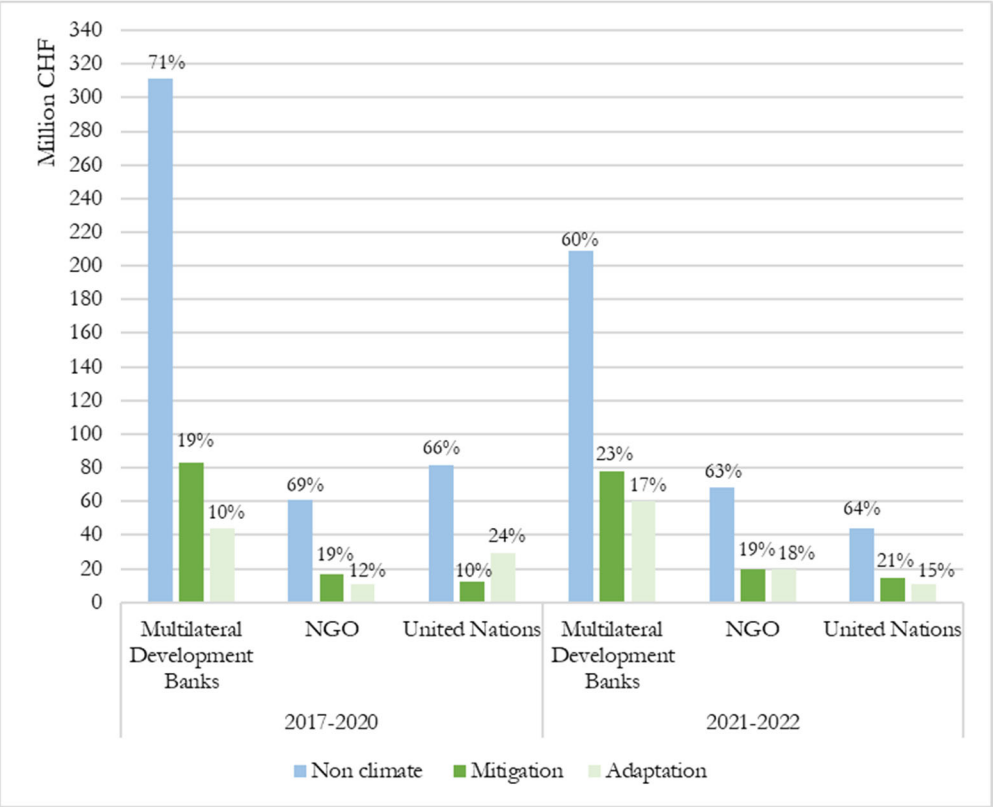



*Figure 16 Multilateral Development Banks*

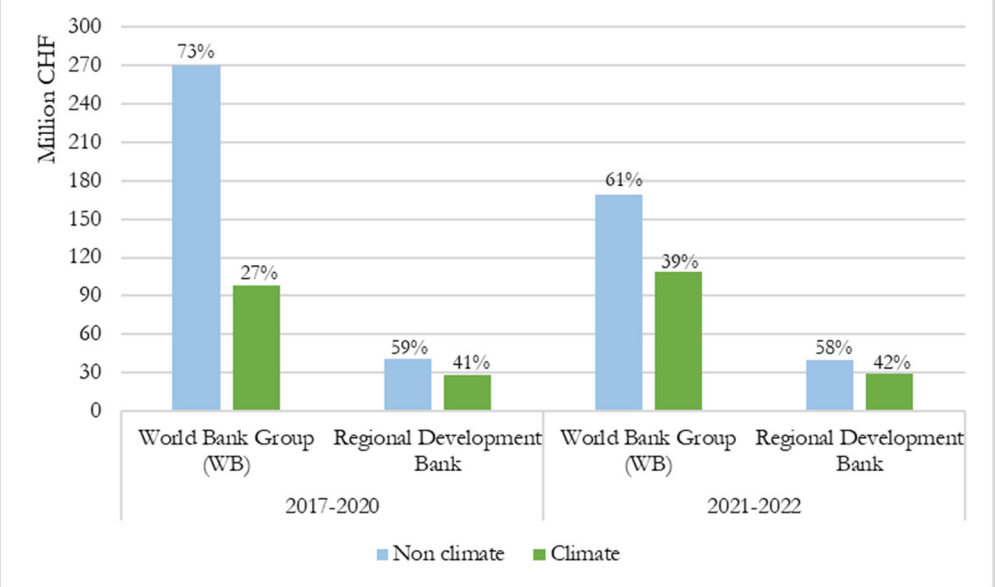


*Figure 17 Regional Development Banks*

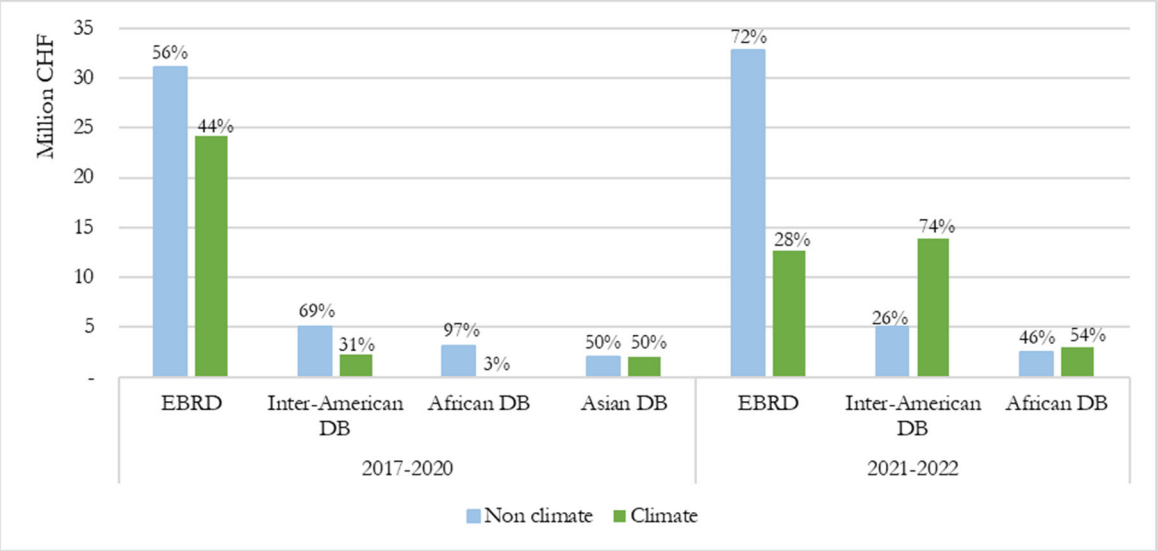



*Figure 18 United Nations*

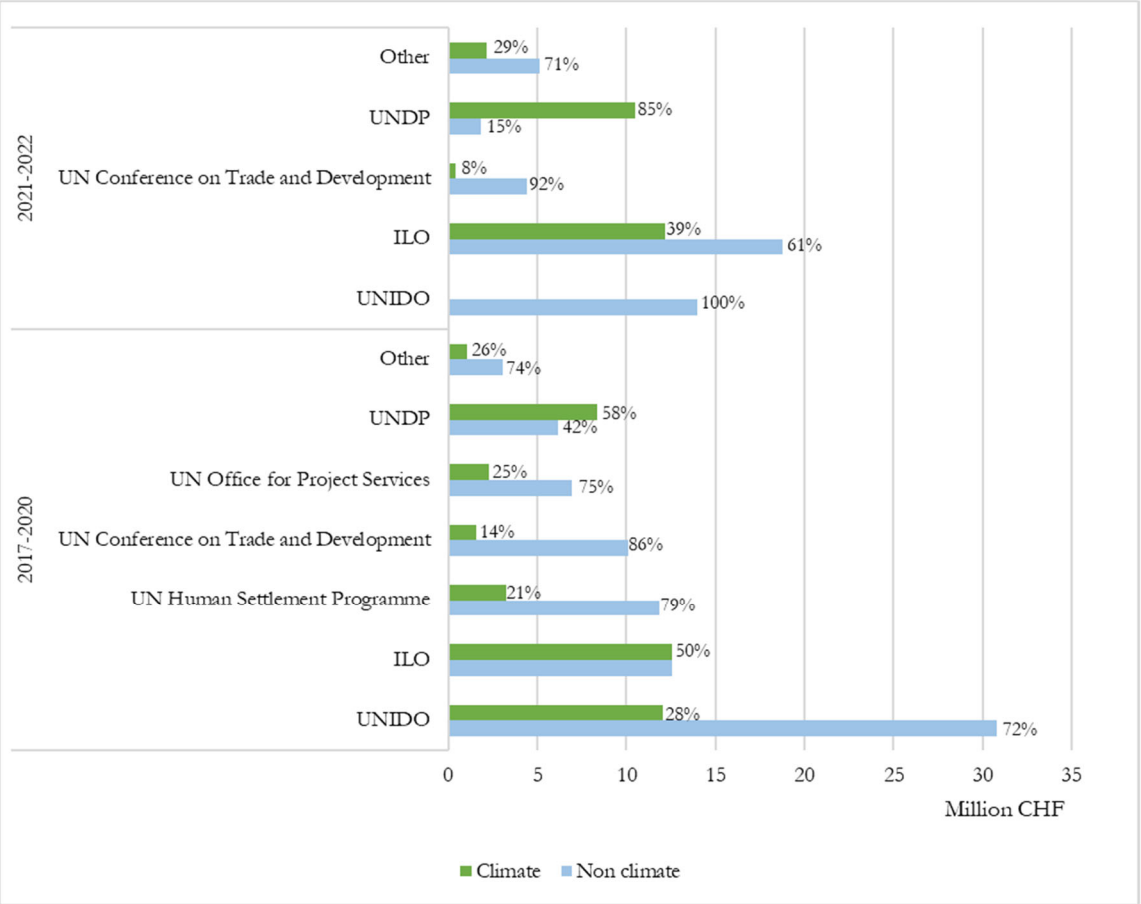


*Figure 19 NGOs*

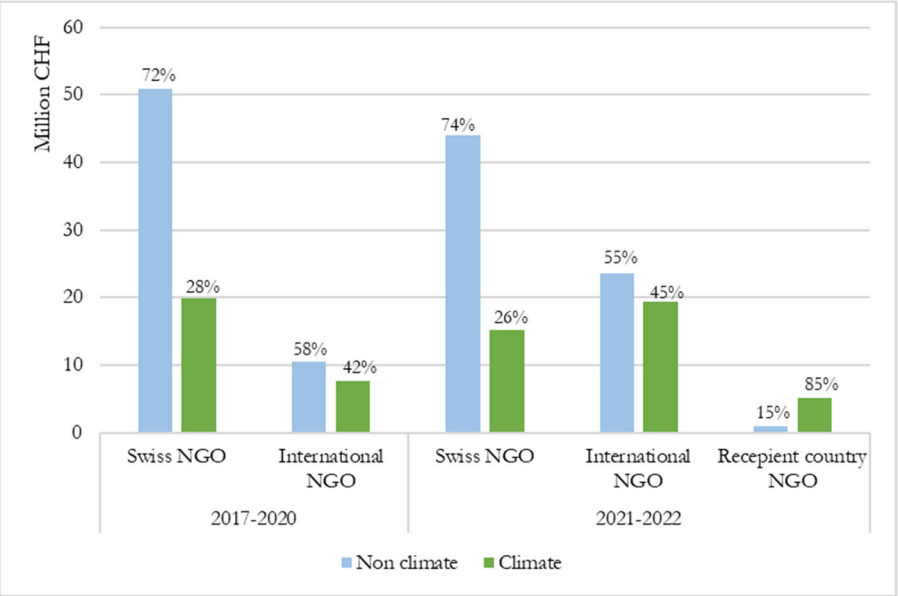



*Figure 20 Climate weighted commitments and actual disbursements across the type of implementing partners.*

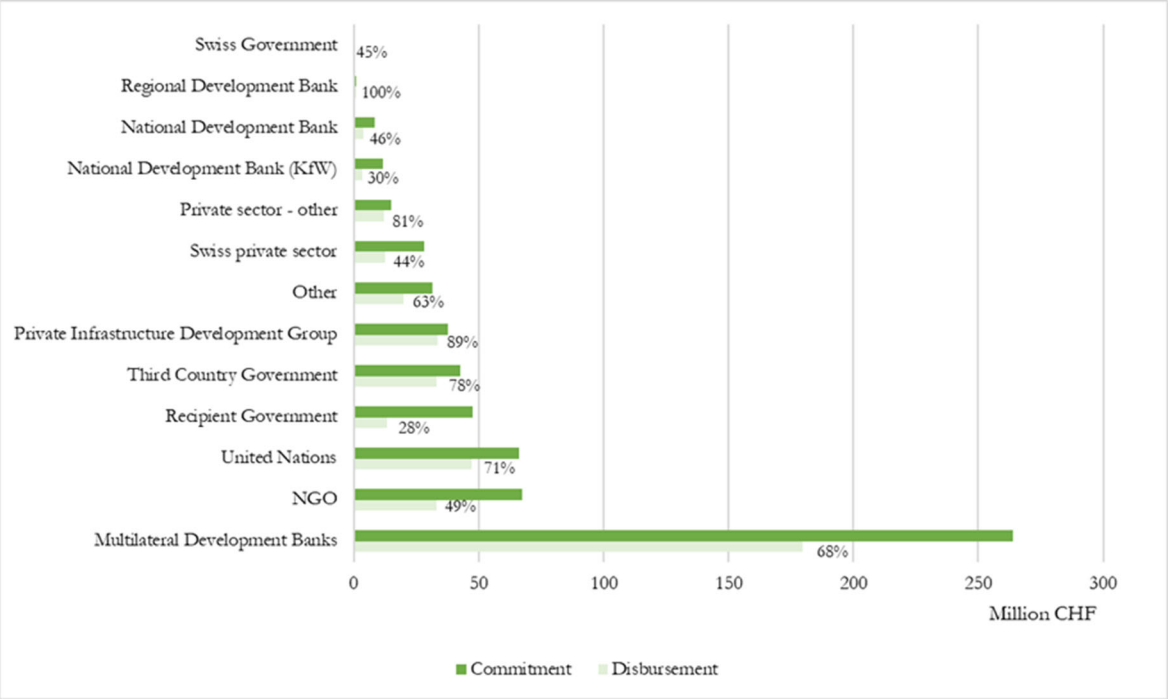


*Figure 21 SECO Business lines and climate intensity 2017-2022. Climate weighted commitments.*

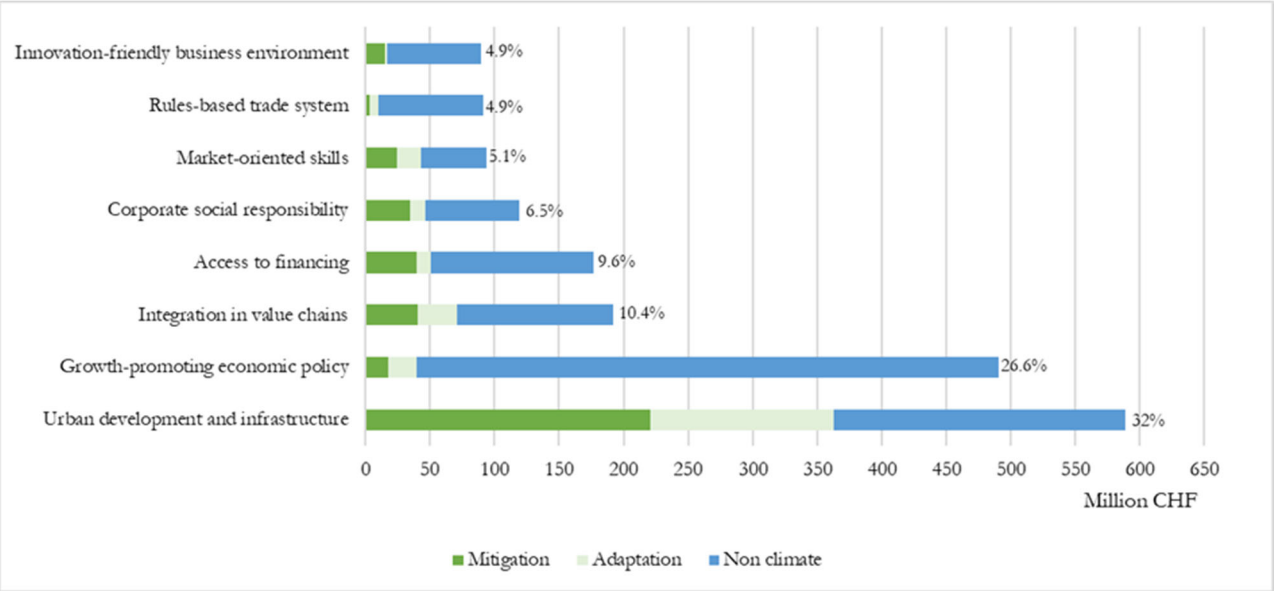



Figure 21 gives and overview of the climate intensity of each of the SECO business lines. *Urban development and infrastructure* is by far the most climate intense business line. *Growth promoting economic policy* is second heaviest in terms of volume but also the business line with the least focus on climate as a share of total volume. For the rest of the business lines there is some focus on climate, except *Rules based trade system* that is very low. The disbursement rate for climate finance committed to rules-based trade systems and corporate social responsibility was notably high. However, there was a considerably low disbursement rate, below 50% of the actual commitments, observed for growth-promoting economic policy and innovation-friendly business environment initiatives (figure 22).

*Figure 22 Climate weighted commitments and actual disbursement across business lines.*

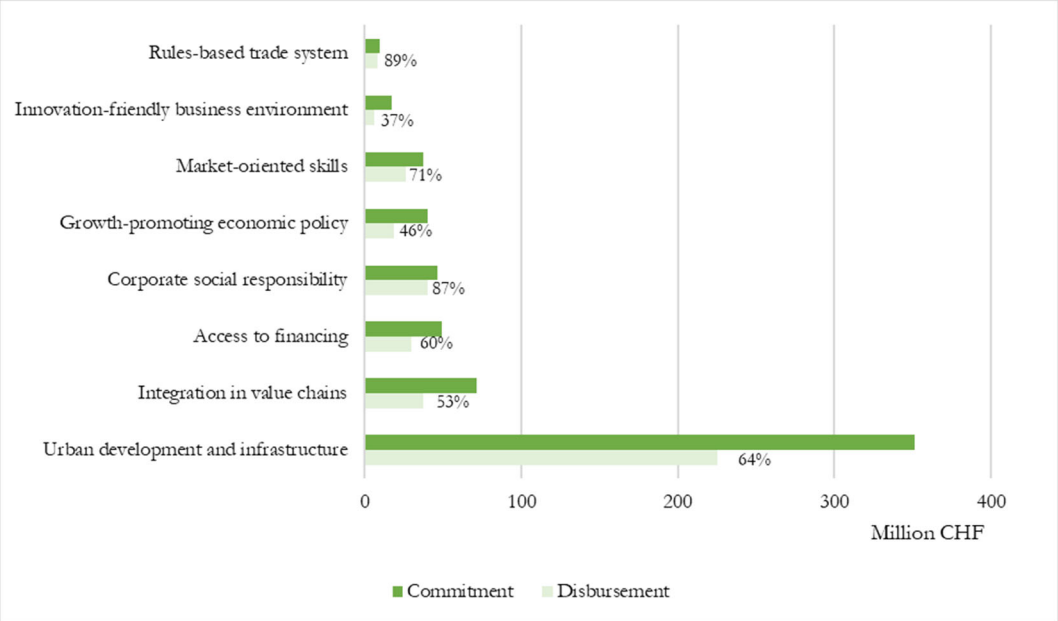


*Figure 23 Rio markers per business line*

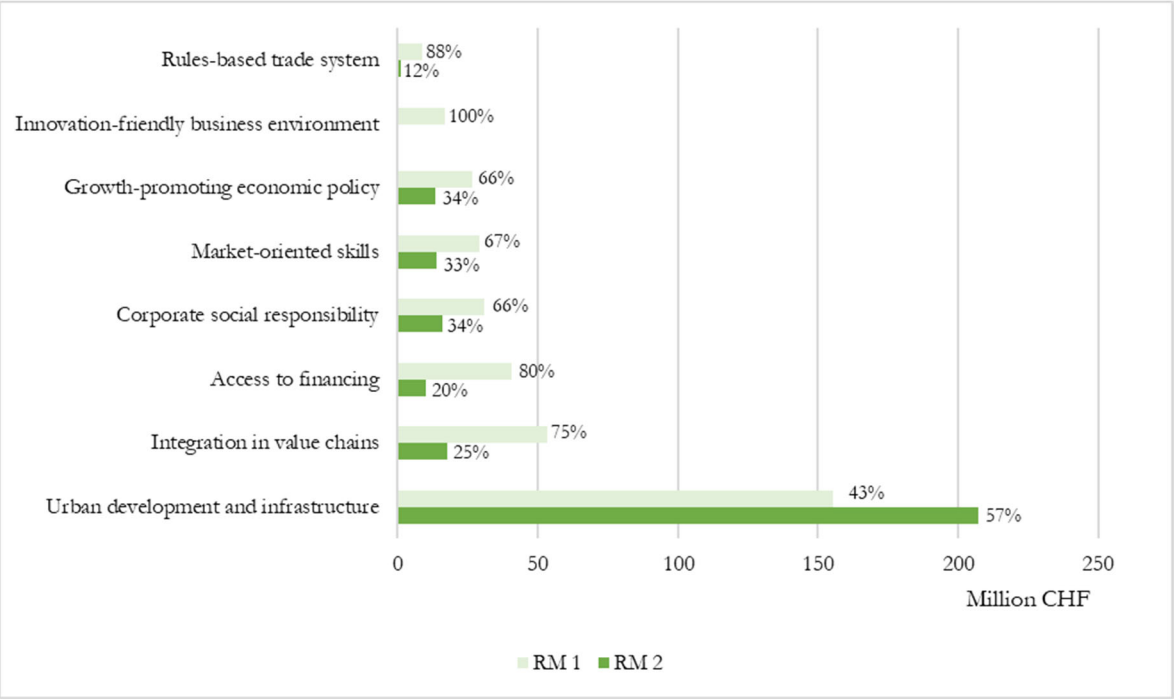
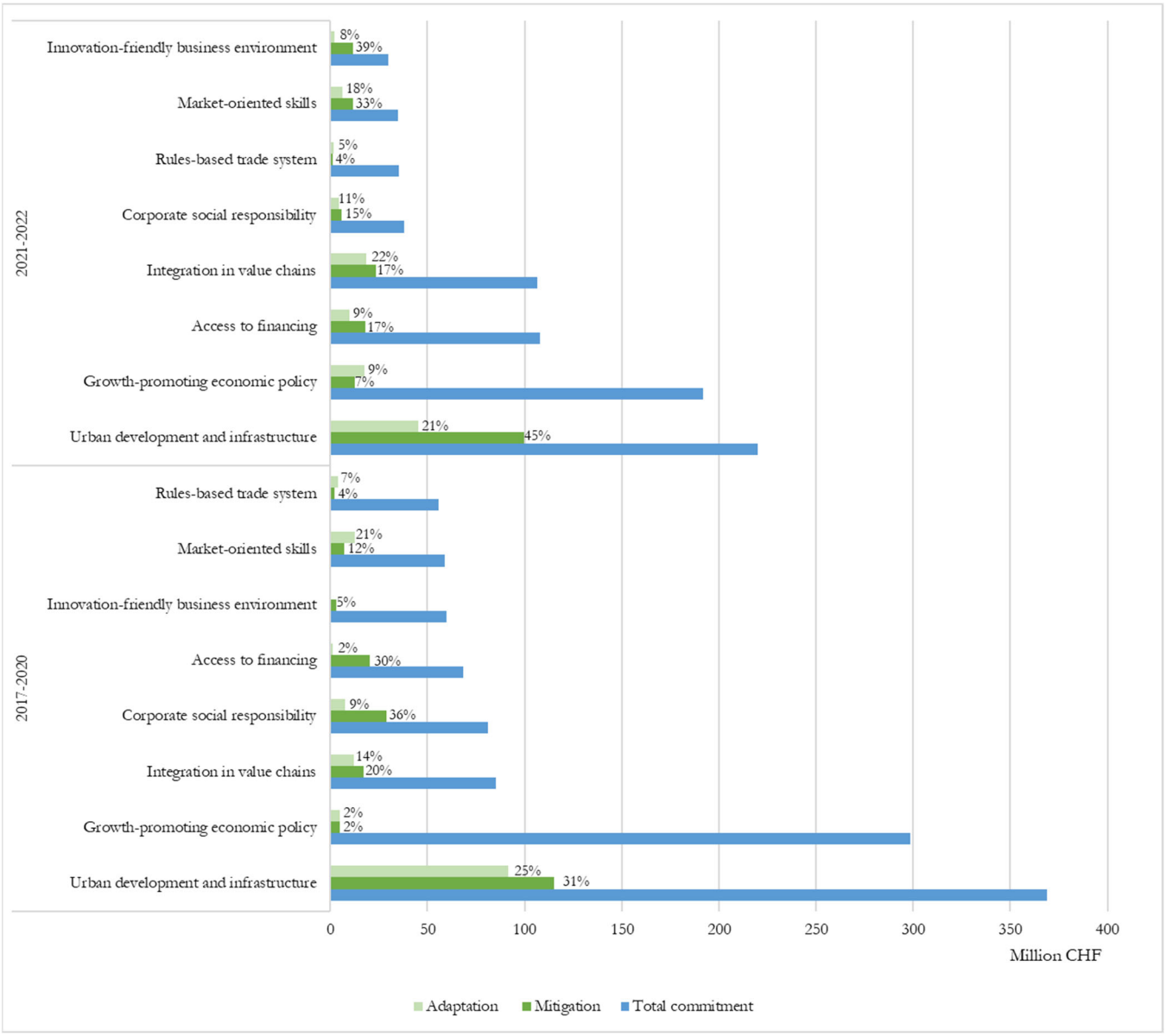



Figure 23 presents an overview of Rio Markers per business line – the only business line with an overweight of Rio Marker 2 is *urban development and infrastructure* whereas for other business lines, mainstreaming is dominant. Figure 24 indicates higher climate intensity with the new strategy in most business lines, especially in the *market-oriented skills and innovation-friendly business environment*, whereas the *CRS* business line is much less climate intense now than under the previous strategy.

*Figure 24 Climate intensity of business lines in two strategic periods. Climate weighted commitments.*




Figures 25 and 26 show that the WEIN unit is in charge of the largest climate volume in SECO, managing by far the largest share of climate projects in SECO - Rio marker 2, followed by WEHU and WEIF. Mainstreaming is heavy in WEHU, WEIN, and WEIF. There seems to be an increase in climate portfolio in WEIN and WEIF with the 2021-2024 strategy, which could reflect an overall increase of climate funding in SECO. There has also been an increase in climate commitments managed jointly by two or more SECO units (figure 26).

*Figure 25 SECO Operational units and climate intensity 2017-2022. Climate weighted.*

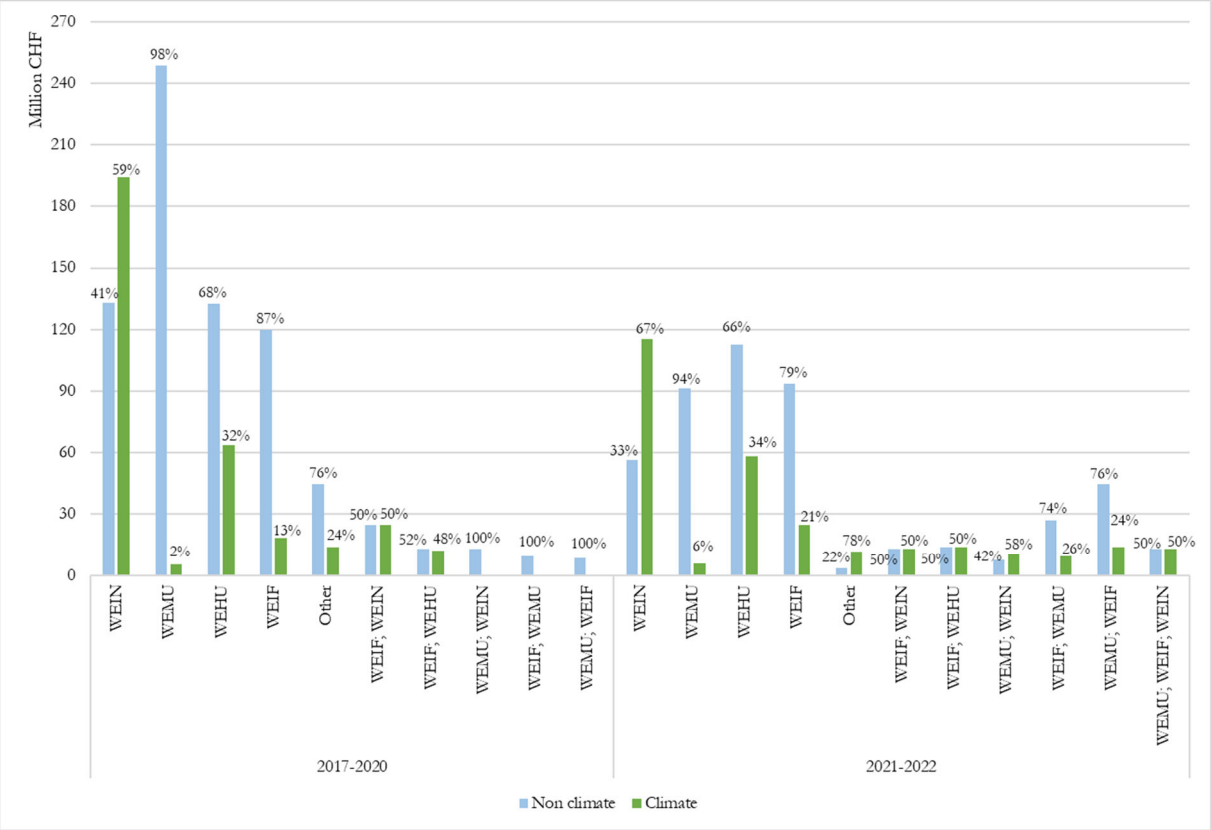



*Figure 26 SECO Operational units and Rio markers 2017-2022. Climate weighted.*

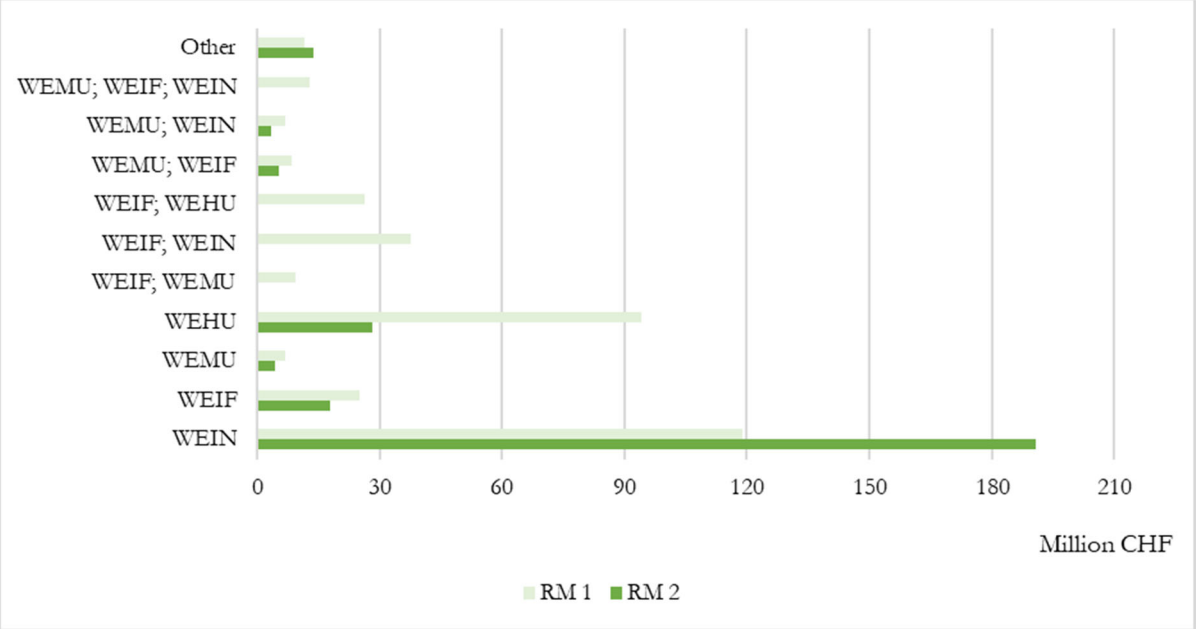



Figure 27 suggests that gender seems to be addressed in approximately 50 pct. of SECO's climate commitments. Figure 28 suggests that gender seems to receive greater attention in the adaptation portfolio than in the mitigation portfolio. Additionally, Rio Marker 1 financing seems to exhibit a higher degree of gender sensitivity compared to Rio Marker 2, as illustrated in Figure 29. Nevertheless, the interpretation of these findings needs to be careful, as a comprehensive scrutiny and nuanced evaluation of the connections between gender and climate in SECO's portfolio would depend on further analysis at project level.

*Figure 27 Climate finance targeting gender equality*

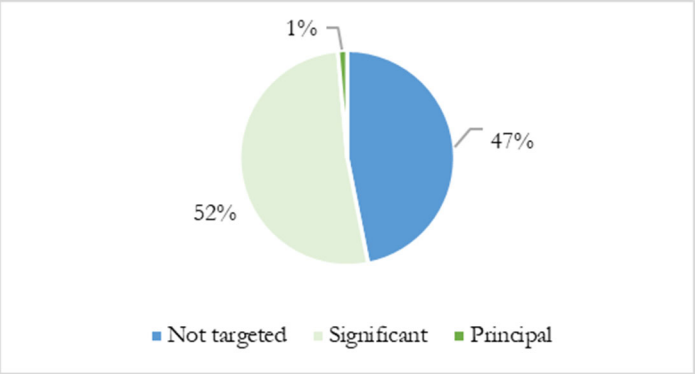



*Figure 28 Climate adaptation and mitigation targeting gender equality*

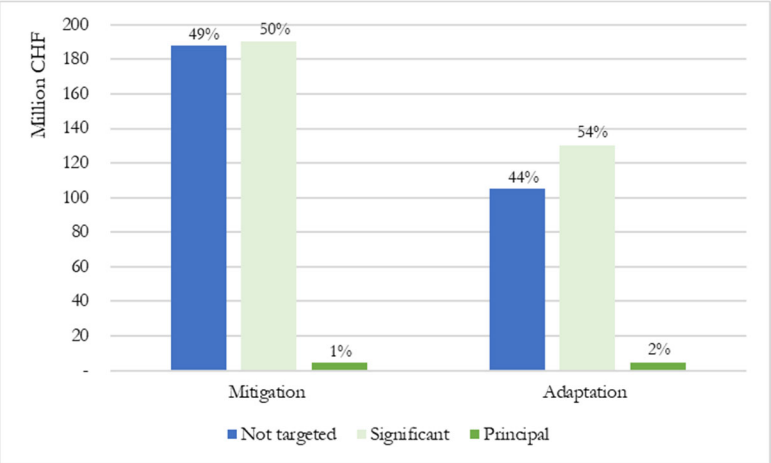
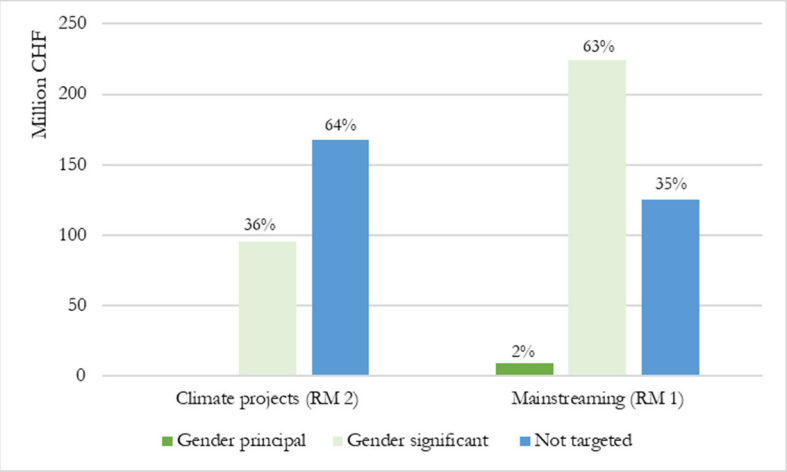
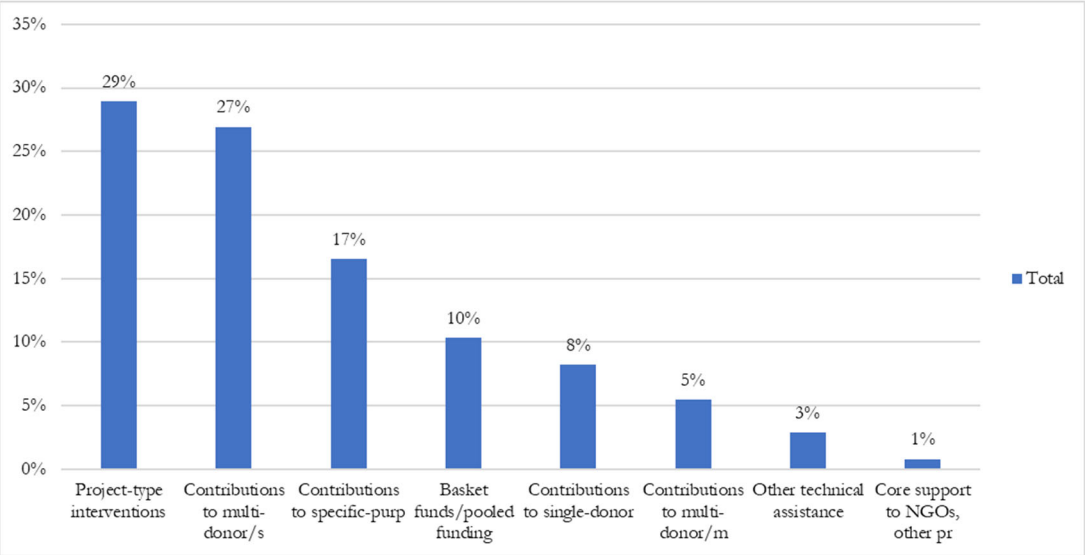



*Figure 29 Gender equality and Rio Markers*




According to Figure 30, the climate portfolio is primarily comprised of project-type interventions and contributions to multi-donor initiatives. A significant amount of climate funding is also allocated to "specific-purpose contributions" and pooled funding through basket funds.

*Figure 30 SECO climate funding distributed by modality*




Approximately 40% of climate-weighted commitments also targeted the private sector (figure 31). Furthermore, figure 32 indicates a noticeable prevalence of private sector assistance in the portfolio related to climate change mitigation commitments compared to adaptation commitments. Unsurprisingly, when considering the Rio markers, private sector funding seems to have a considerable presence within RM 2, while being relatively less prominent in the RM 1 portfolio. However, in the RM 1 portfolio, it seems to hold importance as a principal element in as much as 21% of the total climate mainstreaming portfolio (figure 33). Moreover, it appears to have been significantly represented in the business lines *access to finance* and *integration in value chains*. There seem to have been a fair representation of PSE funding within the *growth-promoting economic policy* and *urban development, and infrastructure business lines* (figure 34).

*Figure 31 Climate commitments targeting private sector engagement*

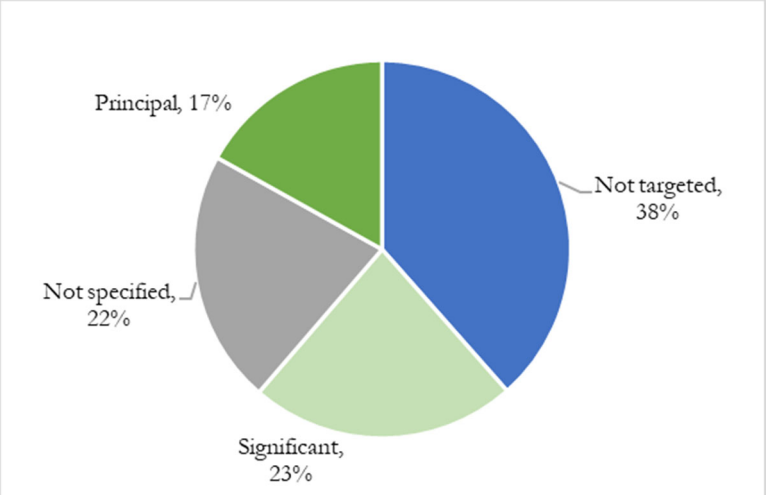


*Figure 32 Climate commitments targeting private sector engagement - mitigation vs adaptation*

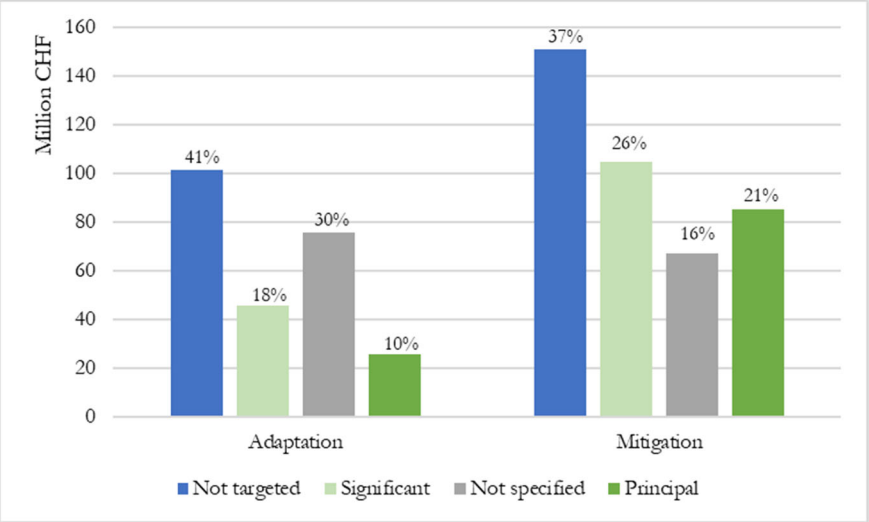



*Figure 33 Climate commitments targeting private sector engagement - Rio Markers*

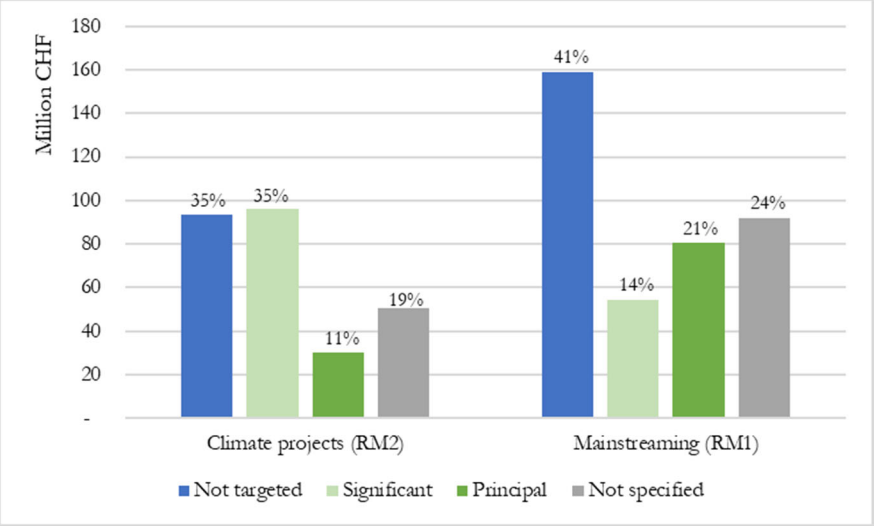
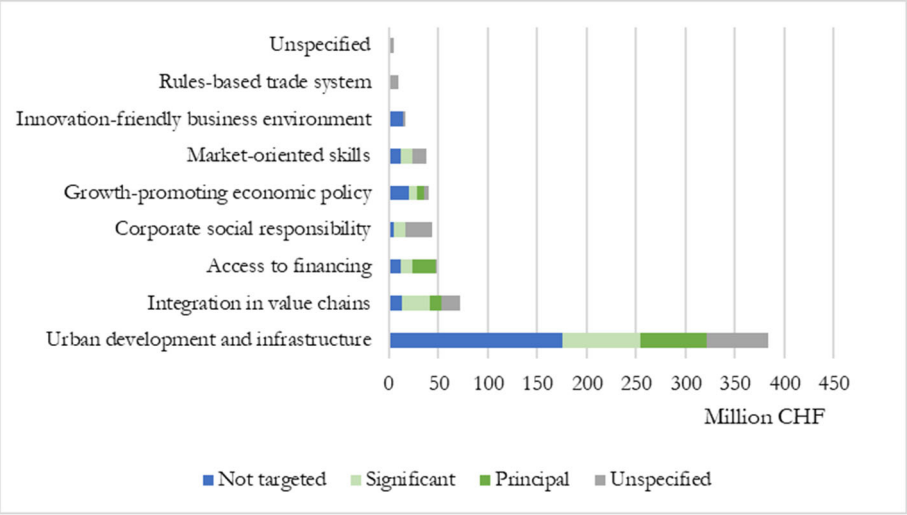



*Figure 34 Climate commitments targeting private sector engagement - business lines*



## Annex B Summary of key results

| **Access to markets and opportunities due to reliable framework conditions** | **Income opportunities due to innovative private-sector initiatives** |
|---|---|
| **Growth-promoting economic policy (CHF 40 million, 8% of total)** | **Access to financing (CHF 51 million, 29% of total)** |
| **PFM - Mainstreaming climate change in Governance Program, RM1, M**<br>• Published and disseminated 6 guidance notes on green PFM<br>• Produced an *Issues Paper on Climate Budget Tagging* and *Climate-Informed PIM Diagnostic Framework for the Subnational PIM Diagnostic Tool*<br>• Published the *Green Public Procurement: An Overview of Green Reforms in Country Procurement Systems report*<br>• Supported pilot application of 23 Climate Change Institutional Assessments (CCIA) and 1 PEFA Climate.<br>• Several workshops with the Coalition of Finance Ministers for Climate Action[5], OECD and other stakeholders on green budgeting, macroeconomic modelling, PEFA Climate Change Module webinar, climate-informed PIM in Africa and topics related to Helsinki Principle Four[6]. | **SECO17 and SIFI,** RM1, A & M<br>• No reporting on climate related results and impacts. |
| **Sustainable long-term financing facility (SFF)**<br>• Sustainable finance framework and disclosure regulations in South Africa,<br>• Establishment of a legal framework for green finance in Vietnam incl. green bonds, green credit lines and green public procurement;<br>• Analysis of climate risks to the financial sector in Peru, and in Colombia | |
| **Disaster Risk Financing and Insurance, RM 1, A**<br>From 2017 – 2022, the DRFI has achieved impactful results on financial resilience in 11 countries.<br>Albania: Better preparedness for climate-induced natural disasters as natural disasters and climate fiscal risk reporting and budgeting is now reported in the PFM.<br>Colombia improved strategic planning for disasters at all government levels.<br>Georgia quantified disaster-related fiscal risks and contingent liabilities and disclosed them in the fiscal risk statement.<br>Indonesia adopted its first National Disaster Risk Financing and Insurance Strategy.<br>Morocco has established a dual catastrophe protection scheme that consists of insurance for higher-income households and a solidarity fund for low-income households.<br>Nepal adopted the National Disaster Risk Financing Strategy in 2021 and developed the implementation plan the following year.<br>South Africa. A proposal for a pilot is being prepared to implement an agriculture insurance program targeting small- and medium scale farmers.<br>Tunisia has developed its first financial exposure database using earth observation technology and analytics. | |
| PFM MDTF in Indonesia RM 0[7]<br>• Climate PEFA was elaborated. | **Promoting sustainable investment through integrated ESG standards[8],** RM 2 in 2nd phase<br>• Too early to have results |

[5] https://www.financeministersforclimate.org/

[6] Take climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices

[7] Over half of the ICPs surveyed reported the PMR had very or fairly high impact on the following areas: stakeholder engagement (74%), improving MRV systems (61%), and benchmarking (55%). When asked about the impact on specific mechanisms in their country, almost half of the relevant ICPs reported a very or fairly high impact on offsets and crediting and ETS systems, with impact on carbon tax systems somewhat lower, but still noteworthy at 39%

[8] A smaller part of this project is under this business while most is under Corporate Social Responsibility

| **Rules-based trade system (CHF 10 million, 11% of total)** | **Market-oriented skills (CHF 43 million, 46% of total)** |
|---|---|
| **The UNDP National Commodities Programme (GCP), RM1**<br>• National Action Plan (NAP) on Sustainable Palm Oil in Indonesia<br>• High level approval of key policies such as the national coffee action plan in Peru<br>• Reaching out to close to half a million farmers and training of nearly 50,000 farmers in climate smart agriculture practices in the cocoa value chain.[9] | **Design for Greater Efficiency (DfGE), RM 2, M**<br>• Just started, but supported changes to the building codes to promote energy efficiency in buildings in Jakarta and a. number of other cities |
| **Sustainable Tourism Development in Indonesia (Sustour) RM 1 A.**<br>• Recycling plastic into products for sale to tourists.<br>• The Integrated Tourism Master Plans | |
| **Responsible Mining Index**<br>• Climate change mitigation has its own chapter in the RMI published in 2021 and 2022 and the Responsible Mining Foundation collaborates with organizations active in these areas and has hosted several panel discussions on climate change issues | |
| **Innovation-friendly business environment (CHF 17 million, 19% of total)** | **Corporate social responsibility (CHF 47 million, 39% of total)** |
| **Partnership for Market readiness (PMR), RM1**<br>• Helped to build the basis for a future implementation of a $CO_2$ pricing instrument<br>• Helped create an international community of carbon pricing professionals<br>• The *Carbon Tax Guide: A Handbook for Policymakers and the Emissions Trading in Practice: A Handbook on Design and Implementation*, both published by the PMR, | **SRI Ghana,** RM1, M<br>• Methodology for measuring GHG emission reduction expected to be ready before 2025<br>**The Global Eco-Industrial Parks programme (GEIPP),** RM1, M<br>• Clear climate results were not reported. The contribution was in the form of better policy, improved regulations and greater capacity to implement circular economy at central, local and individual enterprise level.<br>• Reporting received after close of evaluation: "Reporting annually from 2020 – 2023 on 5 environment and climate relevant indicators. KwH save 1.9 mio (2021) and 23.3 mio (2022). " |
| **Urban development and infrastructure services (CHF 351 million, 59% of total)** | **Integration in value chains (CHF 71 million, 37% of total** |
| **Renewable Energy Skills development (RESD) Indonesia, RM 2, M**<br>• Curricula on solar PV and hydropower for post-graduate courses at 5 polytechnic Universities developed, vocational and short-term courses at National Industrial Training Centre added<br>• 169 instructors at polytechnics and National Industrial Training Centres trained, End 2023: 170 graduates. | **SWISSCO,** RM 1, A & M<br>• Imported cocoa equivalents sourced from sustainable production reached 71% in 2021 compared to milestone of 80% by 2025.<br>• Cumulatively from 2018 to 2021, close to 2.5 million multi-purpose trees and 253,263 plantain suckers planted, and close to 7 |

[9] Noteworthy that deforestation arising from palm oil in Indonesia has substantially reduced although as acknowledged by GCP there are many stakeholders and effects that have been involved in that reduction

| | |
|---|---|
| | million cocoa seedlings distributed.<br>• Area with newly established agroforestry systems represent more than doubled from 2020 to 2021.<br>• Guideline for members on the complexity of crop- and site-specific impacts of climate change and the realities of smallholder cocoa farmers into account.<br>• Roadmap on how to implement the SWISSCO climate related principles on deforestation/ reforestation, climate-smart agriculture, on-farm biodiversity. |
| **Sustainable Urbanisation in Indonesia (IDSUN) – RM 1/0, A**<br>• Strengthened capacity at national and city levels to reduce flood risk and manage disaster risk<br>• Focus on climate increased in phase 2 but too early to produce results. | **Ghana Private Sector Competitiveness Programme**<br>• Too early to report results |
| **IUWASH Indonesia, RM1, M**<br>• Average Energy Efficiency Improvement of 24.4% in seven water utilities | **Sustainable Landscape Programme Indonesia (SLPI)** RM 2.<br>• Too early to report results |
| **Integrated urban development in Tunisia Phase I and II (IUD) – RM 2, A & M**<br>• The Urban Development Plan, the Urban Mobility Plan, the Traffic and Parking Plan, and various urban energy management plans were developed.<br>• The energy audit and other studies contributed to manage energy consumption better.<br>• The estimated savings attributed are around 3000 tons of oil equivalent (toe) per year, reducing the energy bill by about EUR 600,000 annually and CO2 emissions by 5,000 tCO2eq per year. The public lighting saves about EUR 300,000 per year. | **Organic Trade 4 Development in Easter Europe, RM 1,**<br>• The overall project had transformative aims, but these were not extended to climate |
| **Cities Support Programme South Africa (CSP), Phase 1 (RM0); Phase 2 (RM 2), A & M**<br>• Phase 1 - substantial input to water strategy of Cape Town<br>• Too early for results from phase 2. | |
| **Solid Waste Management in Albania, RM1, M**<br>• Indirect climate results through flood prevention and reduction of water pollution not quantified | |
| **Ghana Solar-Photovoltaic based Net-Metering, RM 1, M**<br>• Too early to report results | |

# Annex C Country case studies

Country case study Albania

## 1 Introduction

### 1.1 Country context – political, economic, climate, main development challenges

#### Political context

Albania is a constitutional republic with a democratically elected parliament located in the Western Balkans region. The country has undergone significant political and social transformations since the fall of communism in 1991. Since then, Albania has made progress in its political and economic development. The system of government is based on the separation and balancing of legislative, executive and judicial powers. Despite these achievements, Albania continues to face political challenges. The country is struggling to establish an independent judiciary and address issues related to corruption and organized crime. Overall, the political context in Albania remains complex and evolving.

Albania is divided into 12 regions and 61 urban and rural municipalities. Local governments' autonomy has been established by law and their competences and resources are set as per the subsidiarity principle. Local governments share responsibilities with the central government on matters such as social services, health care and education. Their own competences are infrastructure, water supply and sewerage, cleaning and waste management.

In 2009 Albania joined the North Atlantic Treaty Organization (NATO). In July 2022 the EU accession negotiations with Albania were formally opened.

#### Economy and main development challenges

Albania is rich in natural resources like petroleum, natural gas, coal, bauxite, chromite, copper, iron ore, nickel, salt, timber, water, forests and agricultural land. Since after 1991 the country developed a market-based economy following the principles of the free market. In 2020 the country's economy was based on the service sector (55.2%), agriculture (22%), industry (12.6%) and construction (10.3%). Exports were at 22.7% of the GDP (primary industrial exports being clothing and chrome) while imports at 37.2%. Tourism has become a notable source of national income, particularly during the summer months, while construction is a booming industry for the moment.

As per the World Bank classification, with a GDP (PPP) per capita in 2020 estimated at 4,680 p, Albania is between the upper middle level countries. However, compared to the Western European standards it is a low-income country as its GDP is lower than that of all EU countries. The unemployment rate in 2018 was 12.4%.

Albania's population is shrinking and aging due to a low birth rate and a negative net migration. On January 1st, 2022, Albania had 2,793,592 inhabitants, representing a decrease of 1.3%, compared to January 1st, 2021, and marking for the first time a negative natural increase. Projections indicate that the demographic decline will continue. The average population density in 2018 was 99.7 inhabitants per km2. The urban population (62% in 2020) has doubled since the early 1990s and is expected to continue to rise. On January 1, 2022, about 32.9% of the total population was settled in Tirana**.**

**Climate context in Albania (vulnerability/readiness)**

All countries, to different extents, are facing the challenges of adaptation. Due to geographical location or socio-economic condition, some countries are more vulnerable to the impacts of climate change than others. Further, some countries are more ready to take on adaptation actions by leveraging public and private sector investments, through government action, community awareness, and the ability to facilitate private sector responses. In 2020, ND-GAIN Country Index[10] measured both of these dimensions: vulnerability and readiness and provided a worldwide ranking, which showed Albania's position between other countries regarding vulnerability and preparedness towards climate change in a range of 0-1, as below:

- ND-GAIN position was 79th with a score of 49.8 (Norway being the 1st with a score of 75.4 and Chad last, ranking at 182nd place with a score of 26.7).
- Readiness position[11] was 96th with a score of 0.409 (Singapore being the 1st with a score of 0.804 and Central African Republic the 192nd with a score of 0.136).
- Vulnerability position was 81st with a score of 0.414 (Switzerland being the 1st – 0.255 and Niger the 182nd with a score of 0.675).

**These indexes put Albania somewhere in the middle of the world countries, although it is highly exposed to the consequences of climate change and compared to the EU Member States, its vulnerability is higher while preparedness is lower.** For a country aspiring the EU membership, assessment should be made in comparison with the EU Member States. Such comparison would indicate more realistically the efforts, engagement and support needed to bring the country closer to the EU, by increasing its preparedness for reducing the vulnerabilities.

**The latest vulnerability assessment for Albania** was made under the 4th National Communication to the UNFCCC Secretariat (2022). It was focused around the Vjosa River Basin (VRB) as representative of the country's vulnerability. Such assessment indicated that:

- The annual average temperature for the VRB in 2010 already reached the values projected for 2020. Since the turn of the century there has been a **positive trend of increasing temperature for all seasons**. **A reverse trend is observed in the number of frost and extremely cold days**. **No consistent patterns of seasonal precipitation** is noted. The number of days with precipitation will be decreasing trend over the years. The 24-hour maximum amount of precipitation is the most important parameter concerning the rainfall intensity, which is expected to increase. As per the worst scenario, the **sea level is expected to rise** by 27 cm and 80 cm by 2050 and 2100, respectively. Climate change will affect the hydrology of the Vjosa watershed and the water resources in the VRB area.

- Agriculture, one of the most important sectors of Albania's economy is also the most vulnerable one. **Soil erosion is projected to continue** in the coming years in the Vjosa River Basin. An **increased water demand for irrigation** is expected. Most crops require around twice as much water than is available through rainfall. Grape and olive yields will decrease whilst winter wheat, alfalfa and maize will increase. It is expected that **the growing season will be 12-13% longer** than the 1986-2005 period. Sheep and cattle will be more affected in lowland areas due to heat stress, water availability, pests, diseases, and forage production. The South highland area is expected to be more affected by diseases as the vectors of their spread affected by global warming is the south-north direction. Climate change affects the **spatial**

[10] The ND-GAIN Country Index summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience. It aims to help governments, businesses and communities better prioritize investments for a more efficient response to the immediate global challenges ahead. Worldwide ranking by ND-GAIN Index, higher scores are better.
[11] 2023 University of Notre Dame, Notre Dame Global Adaptation Initiative, IN, USA

**distribution of forest ecosystems**, reflecting the differences in forest belts, pastures, plant associations and even habitats.

- Albania is a **disaster-prone country and is exposed to hazards**, of which the majority (90%) are floods, flash floods and forest fires caused mainly by the hydrological and meteorological conditions.

- **People health vulnerability** in the regions of Vjosa Basin will be influenced not simply by the individual level of exposure, but also by demographic and societal factors, health preconditions, access to basic health care, public health programs and surveillance systems, etc. Climate change may accentuate the health burdens or may slow or reduce any observed improvement. The expected increase in maximum temperatures, heat waves and the intensification of droughts will have an unavoidable impact on quality of life.

- The **tourism sector** can be affected both favourably and unfavourably by projected climate change. The total number of foreign visitors has increased over 3 times from 1.86 million in 2009 to 6.41 million in 2019 just before Covid. The "sun and sea" tourism is expected to increase. The cost of the construction of energy efficient tourist structures is also expected to increase due to climate change and a larger tourist influx (providing 24-hour water and electricity supply, thermo isolation, hydro isolation, energy for heating and cooling, facilities for sports and recreational activities, safe parking etc).

The 4th National Communication of Albania shows that in spite of the progress made so far (as also described in the section below) the vulnerability of the country remains quite high, making evident a need for substantial investments and efforts for adaptation. Beyond the funding, human resources that need to carry the action on adaptation at both central and local level are very crucial.

**The fact that Albania lacks both the funding and human resources of its own, are indicators of low preparedness, which on the other hand tends to increase the vulnerability further. International aid is crucial in this area.**

**Approximation of the Climate Acquis**

Albania commitments to contribute to the global efforts to combat climate changes originate since 1994 (accession to the UNFCCC with a non-Annex 1 country status), followed by the accession to the Kyoto Protocol in 2005 and Doha Protocol in 2020. Its interest and commitment has intensified following the EU accession efforts. Some of the main steps made are mentioned here: In 2006, Albania signed the SAA and became Party to the Energy Community Treaty, committing to develop an adequate regulatory framework and to liberalize their energy markets in line with the Acquis under the Treaty. In 2016 signed the Paris Agreement, in 2020 signed the EU Green Agenda for the Western Balkans, while in 2021 it approved its first National Energy and Climate Plan. EU accession negotiations with Albania were formally opened in July 2022 when the Intergovernmental Conference on accession negotiations (IGC) was held. To date, no chapters are opened yet.

Since 2006, with the signing of the SAA and the Energy Community Treaty, Albania has made efforts to align with energy and climate change Acquis. The Law "On climate change" is the UNFCCC implementation law in Albania that also initiated the transposition of the EU ETS Directive. One of the guiding principles of this Law is the principle of integration, which means that policies and measures to protect the climate system against human-induced change should

comprise all economic sectors12 and cover all relevant sources, sinks and reservoirs of GHGs, as well as adaptation. The law "On energy efficiency"13 requests from all sectorial policies the mainstreaming of energy efficiency, from public sector to be transformed into a model of energy efficiency management through investment, maintenance, use of energy-efficient equipment, energy services and other measures to improve energy efficiency. It also calls for education and raising of public awareness on the need and benefits from reducing inefficient and uneconomic energy consumption; etc.

The Law "On promotion of renewable energy" and the "National Plan on Renewable Energy" do base their objectives and expectations in the efforts of other sectors using renewable sources, such as transport, housing, agriculture.

In line with the EU ambition Albania pledged climate neutrality by 2050, the revised National Determined Contribution (NDC) increased the ambition from 11.5 % to 20.9 % of emissions reduction for the period 2021-2030.

Despite the progress made with alignment, the EC Progress Reports for Albania since 2016 have repeatedly raised issues on climate change, energy efficiency and the use of renewable energy sources. The latest Report of 2022 on the country's progress on Chapter 27 (Environment and Climate Change) of the Acquis noted a progress in the area of civil protection in Albania but also called for continued efforts to improve this system and the efforts related to climate change. It called for the adoption of the new national disaster risk reduction strategy and action plan, flood vigilance mechanisms and risk management plans in all river basins; implementation of the National Strategy and Plans on Climate Change (mitigation and adaptation).

On the progress made with chapter 15 (Energy) of the Acquis, the 2022 Report noted that Albania is moderately prepared in this area. Recommendations related to the need for implementation of National Energy and Climate Plan in line with Energy Community obligations and adoption of the relevant legislation. **On renewable energy** it noted some legal improvements, while calling for the renewable energy operator (REO) that is still to be established. The target of a 38 % renewable energy sources shares in total consumption throughout 2021 was not reached. There was limited progress on the connectivity measures in the renewables, as well as in diversifying from hydropower generation to other renewable energy sources. Dependency almost exclusively on hydropower makes Albania vulnerable to climate impacts. The deployment of its vast solar and wind resources would significantly improve Albania's energy security and reduce its energy system vulnerability to climate impacts. Albania's plans to use more photovoltaic and renewable energy from wind should be pushed forward given the NECP 2030 targets and the energy crisis. "Two contracts for solar photovoltaic farms were signed and will become operational in 2023, and an auction on wind farms has been launched in 2021, while an auction is planned for Hybrid Photovoltaic. To accelerate renewable electricity production and facilitate the transition from hydropower to other renewables, more auctions should be conducted. Financing agreements for two renewable energy flagship projects under the EU Economic Investment Plan for the Western Balkans have been signed in 2021 and Albania could therefore accelerate the development of renewable energy projects".[14]

**On energy efficiency and energy performance of buildings** some partial progress on the legal framework was noted but no energy efficiency incentives or funding mechanisms are in place.

[12] Energy industries, manufacturing industries, construction, fuels, mining and geology, forests, agriculture and husbandry, water management, waste management, health, transport, infrastructure (including road and railroad infrastructure, ports, airports, pipelines, dikes, water and sewerage), urban planning, land management, tourism, education, natural emergencies and disasters.
[13] Partially transposed the Energy Efficiency Directive.
[14] COMMISSION STAFF WORKING DOCUMENT Albania 2022 Report

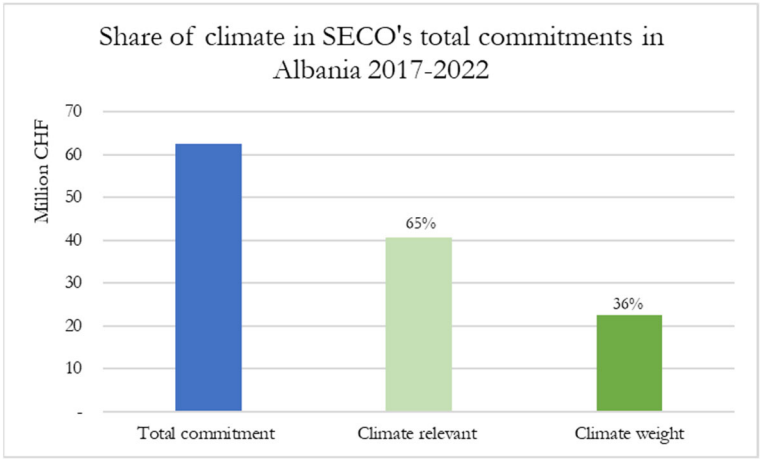
Implementable RE and EE action plans are adopted within the scope of the NECP2030. "The target of 6.8% energy saving by 2021 was not met. The Energy Efficiency Agency, operational since 2018, is still not fully operational"[15].

The Report also noted that the state budget for environment and climate change remains very limited in 2022, and not sufficient to implement the EU Acquis. Frequent staff turnover and hiring of staff without necessary expertise has further eroded the capacity of the central administration in this area. Capacities in the public administration to understand the climate change impacts on Albania and to mainstream climate change in sectoral strategies and plans remain very limited, and capacity building is very much needed in this regard.

### 1.2 SECO's support to climate in Albania - overall

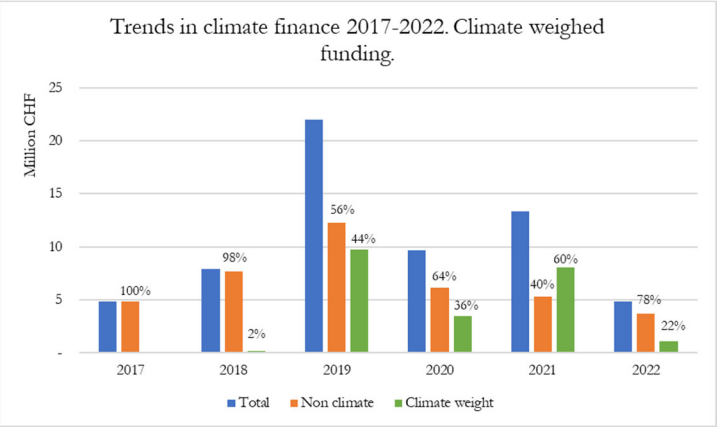
The cooperation strategy for Albania (2018-2021) outlines Swiss commitment to addressing climate change through targeted interventions to improve access to quality urban infrastructure services and energy. Specifically, Switzerland is committed to enhancing drinking water, wastewater, and solid waste services in selected municipalities to increase their reliability, affordability, population coverage, service quality, and climate resilience. Furthermore, Switzerland is committed to supporting disaster risk reduction measures in areas vulnerable to the impacts of climate change, as well as strengthening the energy sector through policy dialogue and capacity building.[16]

SECO's contribution to climate efforts in Albania accounted for 36% (CHF 22.5 million) of the total SECO funding in Albania committed between 2017 and 2022 ( CHF 62.5 million). At the same time 65% of the total funding provided was climate relevant (figure 1). In 2017, there was no funding allocated for climate initiatives. However, funding for climate-related projects saw a sharp increase in 2019. In the initial year of the subsequent strategy, 2021, climate funding was substantial, but it declined in 2022. Overall, climate funding increased in recent years as a percentage of total funding, largely due to the commencement of water, energy, and waste projects (figure 2).



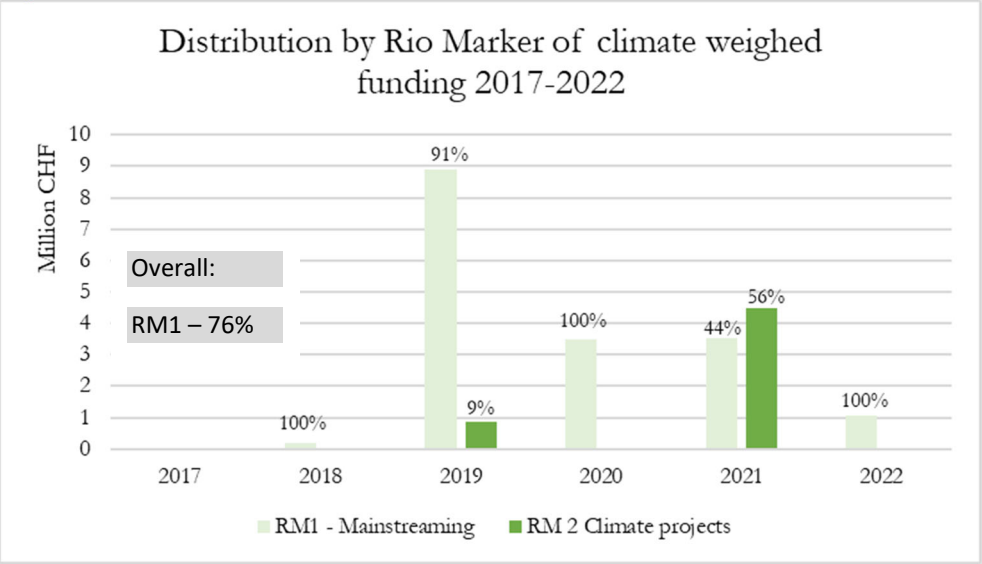

[15] COMMISSION STAFF WORKING DOCUMENT Albania 2022 Report
[16]Swiss cooperation strategy for Albania 2018-2021

*Figure 2*



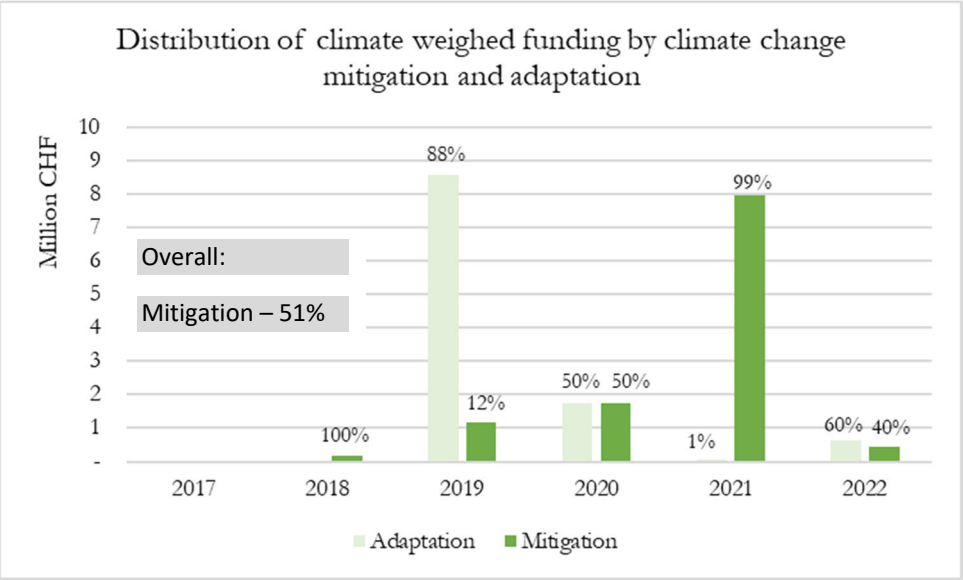

In general, 76% of climate finance was allocated to mainstreaming efforts (Rio Marker 1), while the remainder was directed towards climate projects (Rio Marker 2). In 2021, there was a significant increase in funding for Rio Marker 2, which was specifically allocated to the Smart Energy Municipalities (SEMP) project. Climate mainstreaming in 2022 relates to to the commencement of the Disaster Risk Financing and Insurance (DRFI) project (figure 3).

*Figure 3*



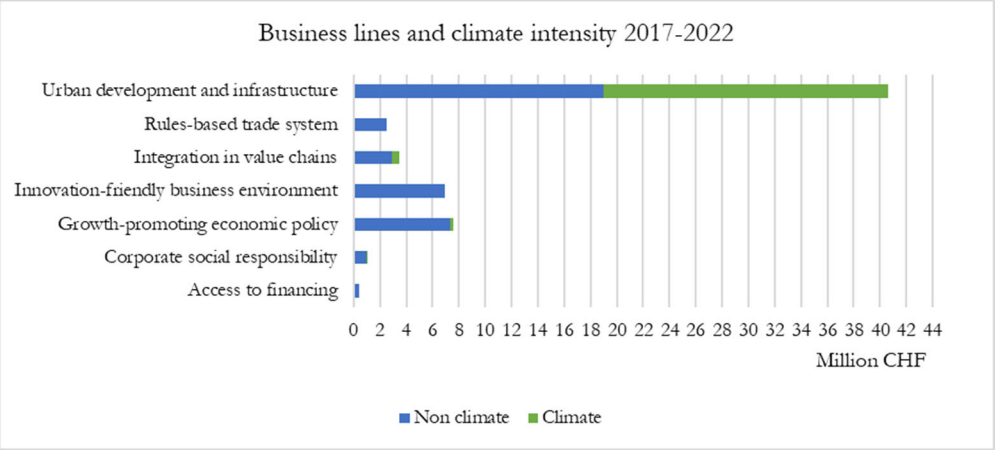

Regarding climate adaptation and mitigation, mitigation received slightly greater support, representing 51% of the total climate funding. Between 2018 and 2020, there was a substantial increase in support for mitigation efforts, which reached its pinnacle in 2021, coinciding with the launch of the SEMP project. In the subsequent year, climate adaptation funding was only disbursed - in connection with the DRFI project. (figure 4).

*Figure 4*



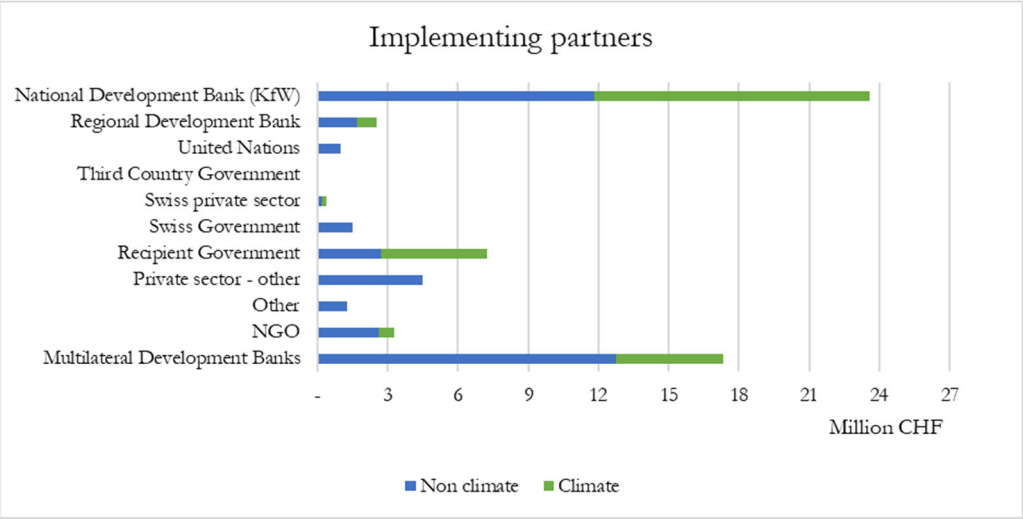

SECO's business lines in Albania prioritize urban development and infrastructure, and this area is ranked first in terms of its focus on climate. Integration into value chains has the second highest focus on climate, followed by growth promoting economic policy and corporate social responsibility. Other business lines (figure 5)

*Figure 5*




The majority of SECO's ODA, including climate finance, is channelled through KfW for two significant waste and water/wastewater treatment investments. The next major implementers of SECO funding to Albania, incl. climate funding, are multilateral development banks (WBG), and the Albanian government, which has been highly focused on climate through the implementation of the SEMP project. Other partners with some climate funding include NGOs, regional development banks (EBRD),as well as the private sector from Switzerland (figure 6).

*Figure 6*




### 1.3 Methodology and projects selected

The sample of projects in Albania were selected based on the criteria outlined in the inception report and adjusted following a meeting with the SECO office in Albania. The main considerations were to:

- get a balance between the different units and business lines in SECO
- select projects that had different implementing partners and arrangements
- select projects that had been operating for some time as well as those that represented the latest approaches
- Select project that benefitted from earlier reviews and evaluations

The final projects selected are shown below:

| Code | Name | Period | Funding | SECO | Notes |
|---|---|---|---|---|---|
| UR_01090-03 | Disaster Risk Financing and Insurance (DRFI) | 2016-2021 (ph2) 2022-27 (ph 3) | Ph2 SECO CHF 8.0m (CHF 2.5 for East) Ph2 Total CHF 28m Ph3 SECO CHF 8.0m Ph3 Total USD 100.0m | Unit: Business line(s): | Multi country, implemented by WB |
| UR_00723-02 | Entrepreneurship Program | 2019-2023 | SECO CHF 11.0m (Albania CHF 1.4m) Total CHF 12.0m | Unit: Business line(s): | Multi country, implemented by SWISS contact |
| UR_01075-04<br><br>UR 01178-10.01 | Organic Trade for Development | 2019-2023 | SECO CHF 5.0m Total CHF 11.0m | Unit: Business line(s): | Multi country (Albania/ Serbia/Ukraine/ Global) implemented by IFOAM/Helvetas Rio marker 1 (adaptation/ Mitigation) |
| UR_01273-01 | Renewable energy auctions Programme | 2019-2024 | SECO CHF 5.0m Total EUR 20.5m | Unit: Business line(s): | Implemented by EBRD; multi-country |
| UR_00648-01 | Solid Waste Management in Albania | 2021-2026 | SECO CHF 6.9m Total EUR 67.8m | Unit: Business line(s): | Implemented by KFW Rio Market 1 |

The overall rationale for country case studies is to assess how SECO engages with the country. This links closely to the business model of SECO focussed on influencing and catalysing change in framework conditions. The impact of SECO at the transformative level will to a large extent have to be understood at the country level. The methodology was to examine the strategy and entry points at country level from a climate viewpoint and then review evidence that could support findings across each evaluation question at project level. Desk research was combined with interviews with the SECO office, the SECO headquarters, the implementing and recipient parties as well as other stakeholders including beneficiaries especially through onsite field visits (see annex 3 and 4).

## 2 Summary of Findings

### 2.1 Strategic relevance – evaluation questions 1 and 2

- **Climate change in the new SECO/SDC country strategy is likely to lead to more climate action in the Swiss cooperation programme with Albania 2022-2025.** There are a number of triggers for that:
  - **Needs**– the needs have more clearly emerged in the last few years including the earthquake of 2019 (which prompted attention to natural disasters) and the floods of 2010. In addition the energy crisis and Albanian dependency on hydropower with dwindling water resources has also had an effect. Finally, the government sees external support from SECO and other donors as necessary to access international funding from the Green Climate Fund.
  - **Alignment** – the government has incorporated climate more clearly in its national policy and strategy framework for example in the documents such as the Law "On promotion of renewable energy" and the "National Plan on Renewable Energy" as well as the revised National Determined Contribution (NDC) which increased the ambition from 11.5 % to 20.9 % of emissions reduction for the period 2021-2030 and the NECP 2021-20230 that also has an ambition to increase the share of renewables in final energy by 20.9% points (WAM scenario) and has committed to the Sustainable Development Goals (SDG 13 – climate action).
  - **Internal factors** – the messages from SECO head office on climate as well as the green embassy initiatives and a high level of professionalism and dedications of individual staff members at the country office.

- **SECO's focus on framework conditions has led to mainstreaming of climate but more can be done.** A good example of this is the Disaster Fiscal Risk instrument project that has the potential to ensure that Albania is financially prepared to take preventative measures and have provision for efficient response to climate events. An example where the framework conditions could have a stronger climate contribution is in the organic value chain projects.

- **The projects sampled had strong complementarities between climate and growth. Engaging with climate had trade-ons rather than trade-offs.** An example is the renewable energy auctions which will reduce emissions, increase climate resilience and at the same time contribute to energy security and economic growth.

### 2.2 Cooperation approach – evaluation questions 3 and 4

- **Clarity – there is not enough clarity and confidence within SECO and its project partners about what climate means and its implications for the projects –** for example the distinction between environment and climate is unclear; Rio marking methodology is not consistent and there is confusion over how and when to introduce climate for projects that support micro-enterprises who face commercial and technical challenges.

- **Guidelines – the mainstreaming guidelines have not been applied to already ongoing projects, familiarity with them is mixed and users find they are not specific enough.** On a selective basis, several of the projects would gain from application of the guidelines to identify opportunities. An example is the potential for climate contribution in the olive and medicinal/aromatic plants value chains.

- **Added value - SWISS added value specifically for climate is not easy to isolate but there has been a contribution –** specifically on: i) SECO is reliable partner for consistent climate and green transition messaging; ii) the logframe although cumbersome demands greater precision for technical assistance and grant support to loans; iii) Swiss studies e.g. on smaller holder perspective on agricultural access to finance ; iv) on bilateral projects the use of Swiss consultants/NGOs/public bodies (e.g Meteo).

**2.3 Results - evaluation questions 5-8**

- **There are clear climate results, but they are under reported or not measured.** Clear climate results for DRFI and the renewable energy auctions but also organic trade (medical and aromatic plants). The solid waste management project has climate relevance (climate proofed & indirect effects)

- **Transformative and self-sustaining effects is evident where framework conditions have been changed** – e.g. on the Disaster Fiscal Risk instruments, renewable energy auction and solid waste municipal operations.

- **Close alignment to government and linkage to EU association and accession processes were important factors in ensuring ownership in the transformation and sustainability.** Where projects that had climate action were linked to wider processes, well grounded in local priorities and institutionally the prospects for transformation and sustainability were significantly better.

**2.4 Implications arising from the country study:**

- **Gain clarity in SECO and confidence in what climate means.** E.g. what is the difference between climate and environment? (this is often mixed up by partners); how to Rio mark in a robust/credible way/ reporting? Greater clarity and confidence could lead to a more forward leaning policy approach taking advantage of the SECO comparative advantage on framework conditions. It is worth mentioning that use of Rio markers on climate change is not yet a practice in Albania. "Efficiency of use of national and international financing is not identifiable due to lack of climate marking of the financing."[17] Indeed, a GIZ support for piloting for Rio markers on climate change in Albania is expected in cooperation with the Ministry of Tourism and Environment (MoTE) and the Ministry of Finances and Economy (MoFE). It will help to trace climate expenditure in Albania based on the OECD guidelines and the MoFE experience with gender markers in Albania.

- **Existing mainstreaming tools could be (selectively) applied on current projects –** the tools need to be more concrete and operational. Risks should be more systematically identified and the sub-steps" (screening / prioritisation / identification of measures) should be more explicitly outlined. Guidance on how to use them when engaging with partners would also be useful.

[17] Joint Declaration of Environmental NGOs in the National Forum on Climate Change in Albania ; 28.03.2023

- **Build internal capacity and awareness and inspire –** much has been achieved by dedicated and knowledgeable staff.

- **Empower partners on climate – a** due diligence could be carried out on the climate expertise of implementing agents. And where found relevant training could be provided. Clear messages on the importance of climate to incentivise partners which would also happen by inclusion in the log frame/contract.

- **Improve and intensify communication on climate –**with the purpose of deepening understanding, sending clear messages to staff and partners. Identifying and communicating lessons learnt on engaging in climate is also important.

- **Sharpen use of SECO added value in the areas of framework conditions, operational efficiency and mobilising private sector –** much in climate has been achieved by working with framework conditions but the opportunities are not optimised given the SECO mandate in this area.

## Annex 1 Findings across the evaluation questions

## STRATEGIC RELEVANCE

### EQ 1 Strategy

| | |
|---|---|
| EQ 1 To what extent does the position of climate change in the division's strategy and the strategy itself respond adequately to the urgency for climate action in partner countries and globally? | Indicators:<br>1.1 **Mainstreaming -** The extent to which the objective of mainstreaming in *the division's* strategy is relevant and adequate for addressing climate change and led to climate awareness; and whether the combination of targeted interventions and mainstreaming interventions are conducive to reducing emissions and fostering adaptation in priority countries<br>1.2 **Mobilisation of private funds for climate –** The extent to which the objective of mobilisation of private funds is relevant and has been addressed as an intention across business lines<br>1.3 **Choices -** The extent to which the choice of countries business lines/activities as well as partners reflect the needs for climate activities in partner countries and respond to the objectives set out in the Swiss/SECO strategies, including the objective of mobilisation of private sector mobilisation<br>1.4 **Ambition level and target -** The extent to which the climate finance target and the objective regarding private sector mobilisation is relevant also considering the scale of the climate challenges and the actions of peers<br>1.5 **Balance -** The extent to which the balance between mitigation/adaptation is relevant and reflects country needs. |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i1.1) Mainstreaming**<br>o **Climate was an explicit part of the results chain and mainstreamed at project level – mainstreaming of climate at sector level was implicit due to the scale of the program which operated in 5 out of 10 solid waste management regions.** *Reduced emission of greenhouse gases and increased separation of waste at source contribute to the protection of the health of the population and the environment in the programme areas(*SWM (UR00648-02) – *CP p16)*<br>o **Climate is a mainstreaming topic but as there are many cross-cutting topics and climate tends to get lost – *there is coherence at the department level (unit) but not at the SECO division level – the strategy is not clear and strong.*** *(OT4D UR01178, interview SECO PM )*<br>o **Climate has been mainstreamed into the secondary legislation of the Ministry of Finance, as is the case of the** Minister's of Finance Guideline (2022) "On standard procedures of reporting and monitoring of fiscal risks by general government units and other public sector units" calling (from 2023 and on) for an annual stand alone and publicly available **Fiscal Risk Statement, including climate risks between others.** (UR 01090-03, interview Ministry of Finance and Economy, Head of Unit, Fiscal Risk Management ) |

- **Climate has been mainstreamed through use of best practise into the requirements of tender documents auctioning of RE (**e.g. the annual wind survey, etc). (UR_01273-01, interview EBRD, Principal on Energy Policy).
- **Environmental NGOs in Albania consider that overall, at the country level, mainstreaming of climate change issues is limited.** "Climate issues are not mainstreamed into all the sectors and development policies. Agriculture, transport, tourism, health have not mainstreamed climate issues and the action taken is fragmented. The 2030 and 2050 targets are not reflected or integrated n the country's sectorial plans".[18]

- **The Entrepreneurship Programme (EP) did not include climate considerations in its results chain during both phase 1 (2015) and phase 2 (2019), as the programme's approach was sensitive towards the needs and priorities and centred around enabling the development of start-up ecosystems in a country with an underdeveloped and weak start-up scene.(UR_00723-02, EP)**
  - There were no outputs, outcomes, or impact indicators related to the climate. (EP - UR00723)
  - The startup ecosystem in Albania was almost non-existent, and as a result, the EP's priority was to foster the development of the startup ecosystem and support early-stage startups in their business development – *"while it was possible to address climate change within a programme like the EP, according to our partners in Albania, there were many more pressing priorities for start-ups in the country."(interview, SECO staff)*
  - The EP started as a pilot project in 2015, which was the first of its kind. In 2015, there was no startup ecosystem in Albania, and while there was a lot of talk about the potential for growth, there was little tangible progress. *(interview, Swisscontact)*
  - *"SECO tailor-made support came in the crucial moment for the start-up – in the time of Covid, it was about survival for us. (interviews, start-up 2)*
  - *"I would not have accepted the EP support if it had come with a climate-related condition back in 2021 and 2022 when for us everything was about surviving – we as a start-up were in a survival mode."* ***(interview start-up 3)***
  - *"If you bring in climate when start-ups are weak, then there's a potential conflict and people get confused and reluctant." (interview, SECO staff)*

- **The results achieved in two phases of the EP as well as the development of guidelines for mainstreaming climate into PSD interventions encouraged thinking in SECO about mainstreaming climate into a possible phase 3 of the programme. (UR_00723-02, EP)**
  - SECO developed guidelines for climate mainstreaming in private sector development initiatives in 2020, before the commencement of phase 2 of the Entrepreneurship programme. The purpose of the guidelines is to *"guide WEIF program managers (PMs) in mainstreaming climate change into the project life cycle under the business lines 1) access to finance, 2) corporate and social responsibility, 3) innovation-friendly business environment and 4) market-oriented skills". (EP - UR00723, Guidelines)*
  - *"With the guidelines now in place, we plan to initiate a discussion on how climate change can be incorporated into the project. This will involve reflecting on the past phases to identify any missed opportunities and exploring ways to mainstream climate change considerations into Phase 3." (interview, SECO staff)*
  - *We now have to think seriously about mainstreaming climate in a possible next phase - now the ecosystem is structured, moving, there's stability. We can now try to bring in climate change. If you come with climate initially, there's a conflict, people get confused.*

- **Now that the ecosystem has improved, it appears that there is an opportune moment to incorporate climate concerns into the programme. ((UR_00723-02, EP)**
  - *"Now, we're confident about our capacities – we are no longer in survivor mode – we would be ready to set a climate example – but we would need to understand it first, we would need to be convinced that what we do in terms of climate is meaningful." (interview. startup)*

- **Yet, there is a possibility that some opportunities for climate mainstreaming in the EP may have been missed – a notable example is a missed opportunity to link climate and women empowerment (UR_00723-02, EP)**
  - The Active Albania sustainable tourism start up supported by the EP is probably an example of missed opportunity since the start up heavily engaged in sustainable tourism activities and nature conservation and the leader is sensitive towards climate and does understand what climate risks are at stake in Albania.
  - "No one has told me before, that it is important to invest in myself as an entrepreneur – I have never seen myself as a women entrepreneur – we always give merit to men – SECO's support was crucial for understanding what I can do. Women need support, also in terms of climate – they are more sensitive and open to provide a share of their resources for public good – studies show that." (interview, startup)
  - Missed opportunities – as part of innovative startups, one of the criteria could have been the support to climate-friendly solutions and practises. (interview, SECO staff)

[18] Joint declaration of the Environmental NGOs. National Forum on Climate Change in Albania. 28.03.

- Climate change can unlock opportunities for companies if they transition to a low-carbon and the programme was designed to assist entrepreneurs in developing their growth-oriented businesses and therefore had the potential to support climate-friendly and climate-resilient businesses – access to sustainable and green finance; promotion of sustainability standards (e.g., ESG – environment, social and governance) etc. (EP - UR00723, Guidelines, CP)

- **Climate is well mainstreamed into the Swiss cooperation programme with Albania 2022-2025, and this has also reflected the choices made. There were a number of triggers for the greater integration of climate in the latest cooperation programme** (interview SECO country office)
  - Natural disasters - such as the earthquake of 2019 and the floods of 2010 have increased the national and donor priority given to managing and preventing weather and other natural disaster damage
  - Energy crisis – the dependency on hydropower (60%) and declining water resources have increased the national and donor priority given to climate
  - Accessing climate funds – the government engaged with donors including SECO to help access GCF and similar funding- a high leverage is foreseen
  - Energy efficiency – realisation in Albania on the need for managing energy efficiency and working on the demand as well supply side – SECO is (and recognised as) a natural partner given history of working in this area (since 1992)
  - National strategy – the national strategy on energy and climate is sound and credible and combined with EU accession process gives a good basis for SECO to align with country priorities
  - Internal embassy greening – sorting waste, turning off lights etc has increased the awareness of SECO program staff and provided a structure e.g. low carbon options/approach on decisions and actions related to infrastructure/ procurement/communication
  - SECO HQ – messages from the headquarters on the need to integrate climate
  - Personnel interest – the individual interest of the program staff is highly influential especially in the implementation of mainstreaming in practice

- **(i1.3) Choices**
  - **The link to wider political goals such as closer EU association gave a double relevance and incentive to reach the climate objectives** *"The overall goal of the Programme is to provide better, more reliable, affordable and climate-friendly waste management services based on EU regulations and standards for the inhabitants of the participating municipalities."* (SWM (UR00648-02) – *CP p2)*

- **(i1.4) Ambition and target**
  - **Ambition can be high when working with others –SECO worked with KFW to consolidate earlier support which led to SECO participating in a climate friendly investment that was the largest solid waste project in the country** "*The joint Integrated Solid Waste Management Programme (ISWMP), phaseII, of SECO and KfW will consolidate previous investments of SECO and develop further sustainable and climate-friendly solid waste management services in Albania. It will be the biggest waste programme in the country, covering at least half the territory*" . (SWM (UR00648-02) – p2)

*Quotes*

## EQ 2 Climate and Growth

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|---|---|
| EQ 2 To what extent does the focus on climate change compete with other policy imperatives to foster sustainable development and eradicate poverty? | Indicators:<br>2.1 **Alignment** - The extent to which activities of the division are relevant for decoupling economic growth and increased GHG emissions and supporting countries in their transition to a low-carbon growth path in accordance with Paris alignment and broader objectives<br>2.2 **Co-benefits** - The extent to which there are co-benefits from climate action on other development objectives and the extent to which SECO exploits synergies in its activities<br>2.3 **Trade-offs** - The extent to which there are trade-offs and risks associated with funding climate and other development objectives – and how they are dealt with. |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i2.1) Alignment**<br>  ○ **The project was explicitly aligned to national and Paris agreement goals "***The programme also contributes to fulfil Albania's commitment to the Paris Agreement and EU climate policies of reaching a greenhouse gas emissions level of 2tCO2eq per capita in 2050, compared to 3.9tCO2eq per capita in 2021."* (SWM (UR00648-02) – *CP p6)* |

- **There is a favourable environment in Albania due to the NDC, national framework and EU accession -** also for example in the 2021-2027 Agriculture strategy and plan where Climate features – it makes it easier for SECO to cooperate on climate, but this opportunity is not fully used or referred to(interviews with Ministry of Agriculture, SECO PM)
- **The UR_01273-01 project with the enabling of renewable energy (wind 150MW) is in line with the energy Acquis, national energy legislation, the NDC and the NECP 2021-2030**, as far as it concerns the reduction of GHGs (goal for 20.9% by 2030) and energy security as it diversifies the sources of energy, making Albania more climate resilient in this aspect (interview with EBRD, Principal, Energy Policy). The NGO community in Albania, is looking forward to more energy security and renewables used in the country as "Urban infrastructure, including transport, sewerage and energy systems are under the increased pressure of extreme weather events that reduce the service and supply quality, up to their interruption, economic losses and bigger impact on poorer population. The energy crises of 2022 has increased to 37% the Albanian population faced with energy poverty."[19]

In spite of the progress made so far Albania has a low level of preparation for addressing the climate emergencies and reaching the 2030 targets. Albania is moving slower than the EU Member States and is not making effective use of the renewable energies and clean technologies.

- **(i2.2) Co-benefits**
- **There are strong co-benefits but not always made explicit**
  - on the commercial success of the climate sensitive plants (berries and sunflower in Serbia, olives in Albania) – with good climate action making the trade more commercially attractive in the sense of being more resilient in bad weather (OT4D UR01178)
  - On the environment in terms of good climate action and good environmental management of the landfills work together. (SWM UR00648-02)
  - The co-benefits are not strongly presented in the credit proposals or monitoring (all projects)
- **Especially trade-offs between nature-based solutions and climate are not drawn out or searched for**(interview SECO, PM, SWM)

- **(i2.1) Trade offs**

  **Organic trade to a large extent has positive trade-offs with climate however the project does not bring these out explicitly (climate only mentioned 3 times in the credit proposal)** *"Because of the many environmental and climate relevant benefits, organic legislation is enforced in over 90 countries and the industry has its own further reaching private voluntary standards with additional benefits".* (OT4D UR01178*)*

  **There are trade-offs inherent in the SECO mandate that are also historical – there is not a clear strategic direction on the trade-offs or what position to take** e.g. no target on whether growth should be pursued whatever the emissions (or at what level it should be stopped) – we would get stronger conceptual thinking in our projects if the message was clearer. "*strategic goals and trade-offs either resolve or make it more explicit and be more decisive on which side of the horn to go for" (OT4D UR01178,* interview SECO PM )

  **For energy it is more a complement than a trade-off.** For energy efficiency and renewable energy the lower costs of renewable energy and the need to increase efficiency and the need to diversify energy have combined to mean that there is no trade off with growth but rather a complementarity(SECO staff interview)
- **The EP programme provides an example of the limited possibility for trade-off between economic development and climate considerations in the short term - in the context of an underdeveloped and almost non-existent startup ecosystem. However, it is acknowledged that long-term growth in the startup sector needs to be accompanied by environmental sustainability measures. (UR_00723-02, EP, interviews, SECO staff, startups)**

## COOPERATION APPROACH

## EQ 3 Institutional set-up

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|---|---|
| EQ 3To what extent does the internal institutional set-up, capacities, and procedures support climate action in | Indicators:<br>3.1. **Structures** - The extent to which the internal structures and cooperation with country offices are conducive for climate activities, particularly mainstreaming and Paris alignment |

[19] Joint Declaration of Environmental NGOs in the National Forum on Climate Change in Albania ; 28.03.2023.

| | |
|---|---|
| particular mainstreaming and Paris alignment? | 3.2. **Procedures** - The extent to which procedures and internal guidance are adequate for reaching the objectives, particularly mainstreaming, mobilisation and flexibility to adapt<br>3.3. **Instruments** - The extent to which availability of instrument (including grants, blending etc) are relevant for delivering the strategic objectives, particularly mainstreaming, private sector mobilisation, and Paris alignment<br>3.4. **Capacity** - The extent to which the capacities in the division, and knowledge management are supportive of climate activities<br>3.5. **Monitoring** - The extent to which the division's monitoring and evaluation system has been suitable for planning, steering and learning and accountability issues at project and institutional level, particularly mainstreaming, private sector mobilisation, and Paris alignment |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i3.1) Structures**
  - **Climate network is helpful as it brings climate to the unit level e.g on design of new projects** (we discuss the topics) e.g on measurement and structure of the project. An example: on tourism in Kyrgyzstan project- the topic and trade-offs were discussed, and we discussed the promotion of more local and regional markets (national and regional) *(OT4D UR01178, interview SECO PM )*
  - **Climate guidelines help to start a discussion and trigger thinking where tailoring can then be done – impossible to have guidelines for the specific needs of each project**- the level of the unit guidelines are about the right level to trigger thinking *(OT4D UR01178, interview SECO PM )*
  - **Where is outsourcing, it is important there is a forum for policy exchange to raise topics related to climate (and other issues) – generally speaking this is the case but so far it has not been raised for the SWM project as it is early days.** – the policy dialogue with KFW the implementing agent has been on i) the institutional changes and how to gradually transition to the new responsibility being taken by the Ministry of Environment and ii) setting a higher level of ambition on recycling so as to better meet the EU Acquis/ chapter 27. (SWM (UR00648-02), interview SECO PM)
  - **Measures that could be taken to improve SECO institutional performance:** *i) Broader knowledge sharing internal also for non-members of the climate network > there is an appetite for that especially among the younger staff > more regular of sharing of new approaches / research and outlining what other agencies do ii) SECO contributes to global knowledge platforms and programmes via WB and others - those could be leveraged more within SECO improve the uptake of the knowledge. iii) climate adaptation indicators and stronger contractual obligations to implement higher standards e.g. on energy efficiency with our partners e.g. methane gas on WWT…this is a lost opportunity (now done due to energy crisis) rather than it being the norm.*
- **(i3.2) Procedures**
  - **The use of ESIA including climate impact ensured** *During the appraisal of the ISWMP, an in-depth environmental, social and climate impact assessment (ESIA) study was conducted." (*SWM (UR00648-02) – *CP p10)*
  - **Some projects have their own guidance tools on climate** e.g. OT4D has an advocacy tool kit with a chapter on climate and also a guidance on full cost accounting and also a methodology on measurement of carbon sequestration*(OT4D UR01178, interview SECO PM & supportive documents)*
  - **The mainstreaming was not applied to older projects where the guidelines were developed after the formulation of the project – this can also give rise to practical issues if the contracts have been signed – although in the case of the Solid Waste project in Albania it is likely that there will be enough flexibility to introduce targets during the process when more is known** (SWM (UR00648-02)
  - **We should have procedures or means of climate testing our main partners** (SWM (UR00648-02), interview SECO PM)
  - **Current mainstreaming guidelines are not found to be operational enough** – "*what we miss is a practical tool that can be applied to a specific case. There should be a mandatory annex on application of the mainstreaming guidelines*" " *the tools are more general; we need more detail to apply"*(SECO staff interview)
  - **Awareness of the mainstreaming guidelines is varied –** *"I haven't seen those guidelines before"* (SECO staff interview)
  - **A climate risk and opportunity assessment of the value chains of olive and medical and aromatic plants was not made and could have identified important areas of contribution to climate. (***OT4D UR01178, CP and interviews with implementing NGOs)*
  - **A climate risk and opportunity assessment of the SWM project was not done** meaning that an opportunity to identify and measure the climate proofing contribution was missed (the additional height of the flood protection for example) also the training manuals could have introduced a climate angle. (SWM (UR00648-02), interview SECO PM, meetings with the Berat municipality, CP)

- **SECO procedures involve cooperation and coordination with partners until the final preparation of documents and delivery of messages.** SECO worked with the World Bank on the DRFI project and did involve with feedback up to the final drafts of the project document. SECO is very active with the authorities, working together with the World Bank to provide one joint message. Very supportive on all fronts. World bank team is very much in line with SECO in all areas they are working together" *(UR_01090-03, interview with WB office in Tirana, the Senior Financial Sector specialist).* "We had an **open dialog** from the very beginning. **SECO was very engaging and quick to understand what the issues were** with the auctions in Albania and the benefits of the improved rules for auctions. The auction helps to solve other things that are not seen in the surface. Targets can be met through the action taken for the preparation of the auction**. The programme created a knock-on effect. Now other donors are following it and want to take part. If it wasn't for SECO other donors might have not moved in this direction".** *(UR_01273-01, Interview, EBRD, Principal, Energy Policy).*
- **SECO does its own research and surveys to understand areas where it should provide support and it was the first donor with the DRFI programme.** This is a **very niche area, of a global team, but growing quickly** - designing insurance programs, accessing capital markets. **SECO was one of the first donors in the world** to see the importance of DRFI. **An old counterpart, one of the favourites**. *(UR_01090-03, interview with WB office in Tirana, the Senior Financial Sector specialist, Program Manager, World Bank Global Team).*

- **(i3.3) Instruments**
  - **The grants provided by SECO were important for ensuring attention to climate change and transformation in the solid waste sector especially when combined with a large-scale effort that addressed 5 out of 10 of the country regions. "***The implementing consultant will provide standard implementation support such as preparing and planning the investment measures, advising on the selection of technically sound and climate-friendly technologies, resolving environmental and social compatibility issues, and assisting in obtaining permits and supervising construction.(*SWM (UR00648-02) – *CP p2)*

- **(i3.4) Capacity**
  - **Capacity development was part of the project but not focussed on climate** – *"IFOAM focuses on the capacity development of producers and processors, strengthening sector institutions and market systems, plus advocacy and awareness raising." (OT4D UR01178, CP p4*)
  - **Much work is outsourced to consultants and internal capacity is not as strong as it should be** *(*SWM (UR00648-02) – interview SECO, PM)

- **It is important to enhance the understanding of climate mainstreaming among all stakeholders, including beneficiaries, in a program like the EP. Additionally, it may be necessary to provide technical support as needed to achieve this goal.** *"Our partners need to understand what is green, what is environment, what is climate, and what would be possible and meaningful to do in a start-up project and it would make sense to bring in climate indicators and targets if TA is provided" (interview, SECO staff)*

- **(i3.5) Monitoring**
  - **Measurement of the emission reduction was convincing – although the indicators (including Standard indicator #10 on climate) did not have targets set** *(*SWM (UR00648-02) – *CP p16)*
  - **Even through there was an outcome on sustainable sector development, the indicators did not include climate – sustainability was mainly seen as business sustainability** *OT4D UR01178, CP p15*)
  - **The inception report did add a measurement of carbon sequestration and the project results framework was adjusted to include this (**Carbon sequestration: Calculation based on hectares of organic land and coefficient)*OT4D UR01178, inception report p50, new Log frame (annex 2)* )
  - **Climate benefits and opportunities are not systematically identified** The medical and aromatic value chain has a climate resilience element that is not highlighted because these crops are highly drought resistant and adding value to them increases the income resilience of smallholder farmers. There are also missed opportunities in the olive value chain as well managed production can mean that the yield is not periodic (good years and bad) but steady due to pruning and irrigation. (interview Ministry of Finance, *OT4D UR01178,*
  - **The solid waste project had a climate standard indicator (#10) but it did not have a target as the data was not available to give a realistic value – this will now be done once data is in place (***(*SWM (UR00648-02, interview KG)

)

## EQ 4 Value added and synergies

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|---|---|
| EQ 4To what extent does the division's climate support provide | Indicators: |

| | |
|---|---|
| value added/exploit a niche in Swiss climate efforts and in global climate efforts? | 4.1 **Clarity** – The extent to which climate as a transversal theme fostered climate conscious project development and helped identify climate change opportunities across all thematic areas<br>4.2 **Partner cooperation** – The extent to which SECO cooperation with partners is relevant for delivering the strategic objectives<br>4.3 **Comparative advantage** – The extent to which the interventions draw upon and leveraged Swiss knowledge and expertise<br>4.4 **WOGA** – The extent to which coordination and synergies with other Swiss government entities furthered Swiss climate objectives<br>4.5 **Coherence** – The extent to which cooperation with Swiss stakeholders incl. the private sector and civil society organisations promoted Swiss climate objectives, coherence with other development partners<br>4.6 **Complementarity** – The extent to which activities are coordinated, amplifying or complementary to those financed by other donors, multilateral organisations, and possibly the Swiss private sector |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i4.1)Clarity**
  - **Climate was explicitly part of the project rationale and results framework** *(*SWM (UR00648-02) – *CP )*
  - **There is an underlying recognition of climate as being relevant, but it is not brought forward in the credit proposal and project design which could be seen as a lost opportunity**. "*The vision is about promoting innovation, best practices, transparent integrity, collaboration with wider sustainability interests, and true cost accounting" it is necessary to start at the domestic level first and for climate in Albania this is not easy, easier in Serbia (OT4D UR01178, CP p4, Interview IFOAM)*
  - **There is an underlying recognition of climate as being relevant, but it is not brough forward in the credit proposal and project design which could be seen as a lost opportunity**. "*The vision is about promoting innovation, best practices, transparent integrity, collaboration with wider sustainability interests, and true cost accounting"(OT4D UR01178, CP p4*)
  - **There is considerably more climate focus in the OT4D in Serbia e.g on climate resilient berry and sunflower production** *(OT4D UR01178, project description sheets: annual report 2021 p 15)*
  - **The complexity of how and when to introduce climate for SMEs is not clear (also not addressed in guidelines)** *(OT4D UR01178, interview SECO PM, implementing NGOs*)
  - **There is a general perception that there needs to be changes in the food systems due to climate and that serves to drive attention to climate** *(OT4D UR01178, interview SECO PM*)

- **Within the start-up ecosystem, there is a lack of clarity regarding the definition of climate versus environment. In many discussions, stakeholders often referred to climate when talking about environmental sustainability and nature conservation. ((UR_00723-02, EP, interviews, startups)**

- *(*i4.2) Partner cooperation
  - **Ambition can be high when working with others – SECO worked with KFW to consolidate earlier support which led to SECO participating in a climate friendly investment that was the largest solid waste project in the country** "*The joint Integrated Solid Waste Management Programme (ISWMP), phase II, of SECO and KfW will consolidate previous investments of SECO and develop further sustainable and climate-friendly solid waste management services in Albania. It will be the biggest waste programme in the country, covering at least half the territory*" .(SWM (UR00648-02) – cp p2). SECO worked with the World Bank on the DRFI project and did involve with feedback up to the final drafts of the project document. SECO is very active with the authorities, working together with the World Bank to provide one joint message. Very supportive on all fronts. In the Green Finances Conference in 2022 they coordinated on the message: the World Bank has the knowledge. What is important is the drive". World bank team is very much in line with SECO in all areas they are working together" *(UR_01090-03, interview with WB office in Tirana, the Senior Financial Sector specialist).*
  - ***The link to wider political goals such as closer EU association gave a double relevance and incentive to reach the climate objectives*** *"The overall goal of the Programme is to provide better, more reliable, affordable and climate-friendly waste management services based on EU regulations and standards for the inhabitants of the participating municipalities." (*SWM (UR00648-02) – *CP p2)*
  - **For the organic trade the choice of value chains was not entirely in SECO hands but in the hands of the producers and buyers (through a call for proposals) – this could explain differences in climate focus** and why there was more climate involvement in Serbia (berries/sunflower) than Albania (olives and medicinal plants) *(OT4D UR01178, interview SECO PM)*

- **The perception is that the Serbian economy and also the domestic consumer market is more advanced than Albania and this could explain the greater focus on climate in Serbia** (olive trees also have a climate adaptation issue but perhaps not as acute ) *(OT4D UR01178, interview SECO PM)*

- (i4.3) Comparative advantage
  - **There is a comparative advantage within organic markets, but this was not applied to climate** *"SECO has been successfully contributing to the development of organic markets and certification for more than a decade*" (OT4D UR01178, CP p5)
  - **The leverage of grants for introducing measures on climate adaption and mitigation are not (systematically) fully used** (SECO PM, SWM)
  - **In Albania there is a Swiss comparative advantage in hydro power –** Switzerland works closely with the International Hydropower Association and has set up a 12-score system for sustainable operations that include climate factors. There is also Swiss support on the Sustainability Assessment Protocol which can support international compensation funding. (SECO staff interview)
  - **CEDRIG is an example of climate related tools that are used by SDC projects and also referenced by others https://www.cedrig.org/**(SECO staff interview)
  - **The ALBAadapt project is one where there is a strong climate SWISS added value through twinning and partnership with MeteoSwiss** (https://www.meteoswiss.admin.ch/)(SECO staff interview)
  - **SECO with its mandate for framework conditions has an added value in that it is able to look for market failures and address the enabling environment – it combines this with performance incentives – implicitly but not yet explicitly applied for climate** e.g. "we don't fix pipes; we fix the institutions that should be fixing the pipes." Then if for example direct operational costs are not recovered, the municipality will receive less funding – we have 35 different measures where 16 of them in the front line for access – in some cases there is large leverage as the funding could help secure from IFIs (SECO staff interview)
  - **Use of the FIBL research institute for carbon sequestration is a Swiss added value** (interview Inform)
  - **Swiss added value comes from i) use of Swiss consultancy companies e.g ENCO: ii) Research bodies e.g FIBL; iii) NGOs e.g. Helvetas; iv) Twinning e.g. MeteoSwiss**

- **(i4.4) WOGA**
  - **Coordination with SDC/FOEN is sub-optimal and not clear who does what e**.g. Many WOGA issues on SDC planning a project on SECO mandate and disturbs the pipeline > inefficiencies arise - an example is SME development and enabling environment Business support services...capacity development overlap. It is structural in nature due to the 3 agencies and the different structure (SDC is locally based) so different to coordinate via head office – it might be idea to have a shared climate strategy or principles or approach to Paris Alignment between all parties *(OT4D UR01178, interview SECO PM)*

- **I4.5 Coherence**
- **There was partnership with the Swiss private sector but climate was not targeted or integrated into this partnership** *"SECO is partnering with the private sourcing industry in Switzerland to develop diversified export-oriented and rather labour intense organic value chains (for example wild collection, berries and horticulture in general) which fit the smallholder structures in the Western Balkans and where they have a comparative advantage."* ; *"Organic exports are developed through a PPP with the Swiss sourcing industry. The program conducts a call for projects among the Swiss organic importers* (OT4D UR01178, CP p5)
- **There several potential entry points for either refining the message or delivering policy dialogue on climate:** *i) general donor coordination group which often does not function that well: ii) 2 monthly meeting HOC (internal to SECO ): iii) a meeting with SECO HQ twice a year (internal to SECO) ; iv) steering committee meetings once a year; iv) written exchange and comments on reports.* (SECO staff interview)

- (i4.6) Complementarity
  - **By joining with the wider program supported by KFW, SECO was able to consolidate earlier support and ensure proper hand over.** "*Through joining the ISWMP, SECO builds on the bilateral SWMP, phase I, to extend sustainable and climate-friendly solid waste management services to other areas in Albania and ensure a proper handover of its activities to other development partners (KfW, evt. EU).*" (.SWM (UR00648-02) – p2)
  - **SECO complemented and added value to the World Bank DRFI project on climate** because: i) it was an ally that could be relied on to support and complement policy messages e.g in the green climate conference where SECO spoke and highlighted the climate issue on fiscal risk management or on the issue of agricultural insurance or on digitalisation and the green transition (these are areas SECO are known for); ii) at project level their log frames demand concrete measurable results which can help in conceptualisation and management of the project; iii) SECO studies can be useful e.g. a study on access to finance that helped as it gave a small market actor perspective. (interview World Bank, UR_01090-03).

## RESULTS

## EQ 5 Results

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| EQ 5To what extent has climate interventions led to or contributed to achieving the expected objectives? | Indicators:<br>5.1 **Results** - The extent to which the interventions contributed to emissions reductions and climate adaptation in accordance with the expected targets and partner country objectives, priorities, strategies and plans e.g., NDC, NCCS, LTS, NAP etc.<br>5.2 **Targets** -Whether the SECO climate target on financing is achieved in itself and in relation to Paris agreement<br>5.3 **Why and why not?** The most important factors for success and for failure. |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i5.1) results**
  - *(CP4, p3)*
  - **For the waste management and also waste water management projects with KFW and EU and others there has been a mainstreaming of climate especially on flood prevention and reduction of water pollution** – the intervention has been both on institutional changes and also on infrastructure (river protection works, safe leachate disposal) and both at operational and strategic level (*SECO programme staff interview, site visit Berat,* SWM (UR00648-02))
  - **Climate funding level is very dependent on the approach towards estimation.** If a strict EU taxonomy approach is used, then the climate funding would be very small if not zero because the flood protection is linked to a calculation of the additional works required due to climate induced higher water levels and the reduction of water pollution will not in practice result in farmers having more water available especially as there are other sources of pollution. (interviews, site visit and CP, SWM (UR00648-02)
  - **A credible mitigation potential results if the CH4 collected from the disposal site is flared[20] and when solar panels are put on the disposal sites –** this has not yet happened, but SECO supported the inclusion of this measure in the municipal plan. (*SECO programme staff interview,* SWM (UR00648-02) *site visit Berat)*
  - **The targets and achievements in mitigation and adaptation are not linked to national targets except for the RE Auction project where it is very clearly linked** (credit proposals and project monitoring)
  - **There are clear climate results from the DRFI project under the World Bank because it has led to natural disaster and climate fiscal risk reporting and budgeting – it has now been approved. Three of 5 areas are climate related (droughts/fire/flood/earthquake/ cybercrime)** (Interview World Bank, Ministry of Finance and Economy, UR_01090-03)
  - **TA and support provided by World Bank, funded by SECO were considered high quality by the Ministry of** Finance and Economy. **T**hey also introduced topics and tools such as frequency modelling of natural disasters which even if not used immediately could be of future relevance for the country (Interview World Bank, Ministry of Finance and Economy, UR_01090-03)
  - Quote: "*this project was one of the most important things that have happened in this municipality, one of the most effective projects that we have run. We don't have a good tradition in public services here in Albania and waste management is the worst, we just used to drop waste and let the river take it in Winter time, or set on fire in Summer time. That has changed in this town and changed irreversibly because of the project. We don't have fires, since, or flooding of the waste even after heavy rains. Waste no longer goes to the river*". (Interview, Mayor of Berat, SWM (UR00648-02), )

[20] So far, only the tubes have been built as an outlet for the CH4 gases. At present, the economy of scale does not allow for their flaring yet. (Disposal site visit; interview with the project Deputy Team Leader)

- **(i5.3)**
  **The program does not reduce emissions but due to the gas release piping it could be used in the future** *"Waste is still disposed in around 199 open dumpsites in the country, not complying with EU sanitary standards, releasing methane that contributes to climate change"* Site visit*:* the gas release pipes could be connected to a vacuum system and used for energy production but not likely to be at a scale which is viable.(*SWM (UR00648-02) –* CP p2/*CPp4, interview with FLAG implementing NGO and site visit)*
  **The project was a success (although with varying degrees of climate contribution) because (***SWM (UR00648-02), Interviews, site visit, CP)***:**
  - The problem was a real one and acute (fires and impact on tourism)
  - There was strong political and institutional support and high ownership
  - An institutional approach was adopted that looked at the managerial and technical skills as well as the financial viability
  - A city-wide approach well linked to other wider processes on waste minimisation (Sida) and domestic and industry liquid waste reduction (KFW and others)
  - A special sector of waste management was established.
  - Training was provided to both the municipality waste sector of the municipality and the site workers.
  - *Training manuals were handed over to the Albanian School of Public Administration potentially having a wider effect*
  - Operation plan for the disposal site was prepared.
  - 3 old disposal sites were rehabilitated.
  - Flexibility from SECO e.g. in purchase of earth moving machinery for efficient operation

## EQ 6 Results – private funds

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| EQ 6To what extent to which the division's activities supported mobilisation of private funds? | Indicators:<br>6.1 **Results** The extent to which the division's activities to support mobilisation of private funds were successful?<br>6.2 **Sustainability –** the extent to which these activities resulted in self-sustained private financial flows for climate<br>6.3 **Why and why not –** The most important factors for success and failure |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i1.1)**<br>o *(CP4, p3)*<br>o **Berat municipality does not benefit from governmental support on landfills. Measures taken so far for the rehabilitation of the disposal site in Berat has not been followed by an increase of the waste tariffs (user fees).** The current one being 1,800 ALL/household/month (approx.16 Eur/month). They have been covered by municipal budget, which earlier was dedicated to fire extinguishing at the old dumpsite. In the future they may unavoidably rise, at least due to the increase of the minimum wage at the country level, which has resulted into increased waste management service costs. |

## EQ 7 Impact

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| EQ 7To what extent are the interventions generating or are expected to generate significant positive or negative and intended or unintended impacts? | Indicators:<br>7.1 **Low carbon** - The extent to which the division contributes to 'decarbonisation'? The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio<br>7.2 **Climate resilience** - The extent to which the division contributes to 'climate adaptation'; The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio<br>7.3 **What about non climate actions?** - The extent to which there is a positive or negative climate impact from interventions that are not marked climate relevant |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i7.1)Low carbon** |

- The RE Auction project is a precursor to low carbon results. Though Albania produces energy fully from renewables (hydro power plants), at the consumption level it uses fuel fired energy imported, to cover its (about 60%). Use of wind energy, as a follow up to the wind auction (150MW) will reduce GHG emissions from energy consumption in Albania (a contribution to mitigation of climate change). *(UR_01273-01 project, interviews EBRD Principal, Energy Policy, Embassy of Switzerland in Albania, Country Programme Manager).*

- **(i7.2) climate resilience**
- **The project was designed and has also achieved a significant environmental effect – but only indirectly linked to climate resilience "***Overall, positive impact is expected once regulated waste disposal and treatment and reduced ecosystem pollution from previously used unsecured and uncontrolled landfills are in place***."** (SWM (UR00648-02) – p2)
- **A climate risk and opportunity assessment of the value chains of olive and medical and aromatic plants was not made and could have identified important areas of contribution to climate. (***OT4D UR01178, CP and interviews with implementing NGOs)*
- The project will also contribute to adaptation to climate change, a rather climate resilient energy production, as a result of increased energy security through diversification and reduced dependency on precipitations *(UR_01273-01 project, interviews EBRD Principal, Energy Policy, Embassy of Switzerland in Albania, Country Programme Manager).*

## EQ 8 Sustainability

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| EQ 8To what extent are the results likely to be sustainable? | Indicators:<br>8.1 **Transformation -** The extent to which the supported interventions are transformative<br>8.2 **Policy and systems changes -** The extent to which the interventions led to policy and systems changes<br>8.3 **Vulnerability of portfolio -** To what extent are SECO's projects considered a long-term risk if the climate change is not mitigated soon enough<br>8.4 **Environmental considerations -** To what extent are the divisions interventions considering ecosystems and biodiversity?<br>8.5 **Why or why not? -** The most important factors for sustainability or lack of sustainability. |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i8.1/2)Transformation - policy and systems**
  - **By linking the project to implication of EU directives and the wider enlargement process combined with the scale of the programme (the largest SWM initiative in Albania working in 5 out to 10 designated waste zones) there are prospects for transformation in solid waste management sector** (SWM (UR00648-02) )

  **SECO finance of best corporate practice also supports transformation** *"SECO is a vital partner in the ISWMP for strengthening sustainability in terms of corporate development and good governance of regional utilities, affordability of services and the systemic development of the sector. SECO finances best practice corporate development support, pursuing long-term performance improvements of regional utilities."* *SWM (UR00648-02), CPp5)*
  - **The overall project had transformative aims, but these were not extended to climate "***advocating for a policy and guarantee environment that is conducive to truly sustainable production and consumption"; "SECO is embarking on a new program cycle "organic trade promotion" with a stronger emphasis on value addition, skills and systematic capacity development while the first cycle was primarily about nudging organic market development and accessing export markets with certified raw material."* *(OT4D UR01178, CP p4,5*)
  - **The piloting of waste disposal using a transition to EU standards and an institutional approach has a potentially transformative effect as it**: i) showcases how to achieve the standards and motivates others to replicate; ii) has removed risk so that banks such as KFW are now willing to lend to waste management projects knowing that the reputational and project delay risks are manageable (WM (UR00648-02, SECO interview)
  - **There was a focus on working with the municipality through:** i) prompting a dedicated institutional set up for waste management; ii) developing guidelines and manuals (a package of 14) that are handed over and integrated into the Albanian public administration training system; iii)training and capacity development; iv) use of local consultants and NGOs that are then available for other projects. SWM (UR00648-02, SECO interview)

- **Improving the operations was a major source of results and element of transformation** as it meant for example that the disposal sites are well managed (Interview, FLAG, UR00648-02,)
- **There are clear climate results/transformation from the DRFI project under the World Bank because it has led to natural disaster and climate fiscal risk reporting and budgeting – it has now been approved. Three of 5 areas are climate related (droughts/fire/flood/earthquake/ cybercrime)** (Interview World Bank, Ministry of Economics, UR_01090-03)
- **RE project has both mitigation (GHG reduction for part of the consumed energy from import) and adaptation (diversify from hydro, increased energy security and climate resilience in energy production)**

- **(i8.5) Why or why not**
  - **SECO finances with grants the software at the institutional and policy level which is aimed to improve prospects of sustainability "***The grant from SECO co-finances implementing and accompanying measures thus contributing to their longer-term sustainability."* SWM (UR00648-02), CPp5)
- **The project was a success (although with varying degrees of climate contribution) because:** *SWM (UR00648-02), Interviews, site visit, CP)*
  - The problem was a real one and acute (fires and impact on tourism)
  - There was strong political and institutional support and high ownership
  - An institutional approach was adopted that looked at the managerial and technical skills as well as the financial viability
  - A city-wide approach well linked to other wider processes on waste minimisation (Sida) and domestic and industry liquid waste reduction (KFW and others)
  - Training manuals were handed over to the Albanian School of Public Administration potentially having a wider effect
  - Flexibility from SECO e.g. in purchase of earth moving and waste compressing machinery for efficient operation and sustainable management of rehabilitated waste disposal site

## Annex 3: List of people interviewed

| Name | Organisation/ Position | Date met |
|---|---|---|
| Karin Gallandat | SECO | 24.03.2023 VIRTUALLY |
| Hungerbühler Silvan | SECO PM | 15.03.2023 VIRTUALLY |
| Maria De Melo | EBRD HQ in London: Principal, Energy Policy | 24.03.2023 VIRTUALLY |
| Tatiana Skalon | World Bank Washington DC: Program Manager | 24.03.2023 VIRTUALLY |
| Sigita Stafa | Embassy of Switzerland in Albania<br>National Programme Officer for:<br>UR_01090-03 Disaster Risk Financing and Insurance<br>UR_01075-04 Organic Trade for Development | 27.03.2023 |
| Eduart Rumani | Embassy of Switzerland in Albania<br>National Programme Officer for:<br>UR_01273-01 Renewable energy auctions Programme<br>UR_00648-01 Solid Waste Management in Albania<br>UR_00723-02 Entrepreneurship Program | 27.03.2023 |
| Alejandro Espinoza | IFOAM: Program Manager | 27.03.2023 VIRTUALLY |
| Elona Pojani | Tirana University: Faculty of Economy | 27.03.2023 |
| Perseta Grabova | Tirana University: Faculty of Economy | 27.03.2023 |
| Keler Gjika | World Bank office in Tirana: Financial Sector specialist | 27.03.2023 |
| Anisa Kume | Ministry of Finance and Economy: Head of Unit, Fiscal Risk Management | 27.03.2023 |
| Alba Dakoli Wilson | Deputy Team Leader<br>UR_00648-01 Solid Waste Management in Albania | 27.03.2023 |
| Blendina Cara | Swisscontact in Tirana: Program Officer | 28.03.2023 |
| Valer Pinderi | ALADINI, e-commerce association | 28.03.2023 |
| Kushtrim Shala | ICT Labs – Uplift support programme for start ups | 28.03.2023 |
| Blerina Ago | Activealbania, Tourism start-up | 28.03.2023 |
| Laureta Dibra | UNDP: NAP Project Manager | 28.03.2023 |
| The National NGOs Forum on Climate Change in Albania | Participation at the forum of the Albanian NGOs | 28.03.2023 |
| Iris Kazazi | National Project Coordinator for Albania, UR_01075-04 Organic Trade for Development Project | 29.03.2023 |

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|---|---|---|
| Ami Çarçani | Ministry of Agriculture and Rural Development, Director for Implementation of Priorities and Statistics | 29.03.2023 |
| Irfan Tarelli | Ministry of Agriculture and Rural Development, General Director for Agriculture | 29.03.2023 |
| Ervin Demo | Municipality of Berat: Mayor | 30.03.2023 |
| Mirela Buhuri | Municipality of Berat: Local Project Coordinator, | 30.03.2023 |
| Denada Gjogu | Municipality of Berat: Head of Sector SWM | 30.03.2023 |
| Elvira Mijshova | Municipality of Berat: Cleaning company (private) Berat Municipality | 30.03.2023 |
| Petro Sinjari | Municipality of Berat: Director Legal Department | 30.03.2023 |
| Sokol Toska | Municipality of Berat: Director Taxes and Tariffs | 30.03.2023 |
| Rovena Shehu | Municipality of Berat: Director of Finance | 30.03.2023 |
| Eduart Rumani | Swiss Embassy | 31.03.2023 |

## Annex 4: Documents Consulted


General

- World Bank, Albania Country Risk profile; 2021
- SECO/SDC Swiss Cooperation strategy 2018-2021
- Switzerland's international cooperation is working. Final report on the implementation of the Dispatch 2017 – 20, 2020 (52p)
- SECO/SDC Swiss Cooperation strategy 2022-2024
- Switzerland's international cooperation strategy 2021-2024, 2020 (52p)

Disaster Risk Financing and Insurance (DRFI) (UR 01090-03)

- Albania climate risk country profile; World Bank Group
- Project data shit WEMU-Disaster risk financing and insurance(DRFI) Phase II, 2016-2021
- Credit proposal and funding request - Disaster risk financing and insurance(DRFI) Phase III
- Program Review (2017–2022)- Sovereign Disaster Risk Finance and Insurance in Middle-Income Countries Sovereign Disaster Risk Finance and Insurance in Middle-Income Countries; A partnership between the World Bank's Crisis and Disaster Risk Finance team and the Swiss State Secretariat for Economic Affairs (SECO)
- Minister's of Finance Guideline (2022) "On standard procedures of reporting and monitoring of fiscal risks by general government units and other public sector units"

Renewable Energy Auctions Program (UR 001273)

- EBRD-SECO Renewable Energy Auction Programme- Semi-Annual Progress Report for SECO
- Credit Proposal - 29.11.2019 - Renewable Energy Auctions Program Regional: Western Balkans and SEMED Project duration: 2019-2024

Organic trade for development (UR 01075)

- SECO, OT4D CP phase 2, 2019 (27p)
- OT4D, inception report 2020 (18 p)
- OT4D explainatory notes
- OT4D report, 2021
- www.organictrade4development.org
- OTD projects data sheet (18p)
- Mueller,A. et al, Soil carbon sequestration, 2020 (4p)
- INFOAM, Full cost accounting to transform agriculture and food systems, February 2019 (7p)
- INFOAM, Policy tool kit- guidelines for public support to organic agriculture, September 2017 (247p)

Solid waste managment project (UR00648-02)

- KFW annual report June 2022 (11p)
- KFW annual report December 2022 (12p)
- SECO, Credit proposal, 2021 (19p)
- Infrastructure Umwel, Project Identification, Solid Waste Management in Albania, April 2015
- SECO, Training manuals (16 volumes)

Enterpreneurship Programme UR_00723-02

- SECO EP credit proposal , April 2019, (26p)
- Guidelines for climate mainstreaming in private sector development, 2020 (12p)
- The Swiss Entrepreneurship Program (Swiss EP) in a nutshell, 2022, (16p)
- No-Cost Extension of the Swiss Entrepreneurship Program, Phase II, February 2023 (2p)
- Evaluation Report for the External Evaluation of the Swiss Entrepreneurship Program (Swiss EP), Phase II (2019-2023), building on Phase I (2015- 2019), 2022 (58p)
- Report of Swisscontact to SECO on the implementation of the Swiss Entrepreneurship Program, Progress Report 2022 (30p)

## Executive summary

**Ghana is one of the most climate intense countries in SECO's portfolio. The climate commitment in Ghana is concentrate on few projects.** Ghana is one of the three countries that has the highest rate of climate commitment in the financial support received from SECO. 94% of the climate commitment goes to six of 20 projects and within these 68% is committed to only two projects. Most of the commitment is for mitigation. Commitment under RM2 has been increasing and surpassed RM1 in 2022. Most funds are committed to the business line *Urban Development and Infrastructure* followed by *Integrated Value Chains* and *Corporate Social Responsibility*.

**Good intermediate results that can lead to adaptation and mitigation have been achieved but most of the projects with climate commitment are too new to have achieved results**. In the SWISSCO project and the Sustainable Recycling there are very good progress on implementing actions that are likely to lead to mitigation and/ or adaptation. These results have not been quantified yet. Other projects like the Solar PV Net Metering and the Ghana Private Sector Competitiveness Project with substantial climate commitment are in the start-up phase. A climate change institutional assessment (CCIA) has been elaborated for Ghana with SECO support under the World Banks *Mainstreaming Climate Change in Governance Programme* which will inform WBs climate risk country profile and subsequent policies.

**The severe economic crisis characterised by very high dept, high inflation and xx in Ghana in recent years, potentially puts a lid on SECO's level of ambition in mainstreaming climate change in its portfolio.**
Ghana's debt has been increasing substantially during the past years and Ghana is currently experiencing economic growth slowing down, inflation is increasing and there are problems with liquidity. There are indications that programme e.g., Solar PV Net Metering will adjust its implementation plan compared to the design because of the constraints imposed by the economic crises. This can lead to reduced mobilisation of private sector funds for climate.

**In projects with climate commitment, climate could be better mainstreamed into the project cycle.** For the projects to have impact on adaptation and mitigation, attention to climate must be integrated in the full project cycle. In the case of the *Sustainable Recycling Initiative* climate is integrated in the design and implementation but methodologies for measuring results have not yet been developed. In the *Ghana Private Sector Competitiveness Project*, climate is not integrated in the design.

**There is transformational potential in SWISSCO to influence Swiss article 6 projects.** SWISSCO has the potential to be transformational as the methodologies and best practices developed in the SWISSCO projects can be applied in the projects supported under article 6. SWISSCO can also inspire integration of climate in the GPSCP II as the dynamic agroforestry can be applied also in the palm oil and cashew value chains.

# 1 Introduction

## 1.1 Political, economic and climate context

### Political context

Ghana with its 239,460 km² is a coastal, democratic republic in West Africa. Regular elections have been held since 1992 following a period of instability with several military coups. The country has 30.4 million inhabitants with an annual population growth rate of 2.2%. Over 55% of Ghanaians reside in urban areas, which is expected to grow to 63% and 73% by 2030 and 2050. About 25% of the population lives along the coast in rapidly expanding urban areas like Accra[21]. Ghana is divided in 16 regions each with a minister appointed by the President. At the local level Ghana is divided on metropolitan, municipal and ordinary districts according to the populations size. Over the last 5 years, the Government of Ghana (GoG) has gradually developed policy framework decentralization by devolution to the districts. Ghana is ranking 73

[21] Climate Risk Country Profile – Ghana, 2021, The World Bank Group

of 180 countries in perception of corruption with a stable development in the last couple of years.[22] Among African countries, Ghana remains among the top 10 on governance from 2012 - 2021.[23] Ghana is member of ECOWAS.

## Economy

Ghana became a lower middle-income country in 2010. The national poverty rate dropped to 24.2% of the population in 2013, down from 31.9% in 2006. However, there are marked differences between the drier and poorer North of the country and the wealthier South and also a rural urban divide with 38% of the rural population being poor, compared to just 11% of the urban population. This is reflected in high inequality with the Gini coefficient being 41.[24] Since 2010, economic growth has been fuelled by high commodity prices and newly developed offshore oil resources. Despite a recent transition to an industry and services-oriented economy, 45% of the workforce still relies on work dependent on rainfed agriculture. The fisheries sector contributes 4.5% to GDP and is another important source of income and nutrition, providing livelihoods for as many as 2.2 million people.[25]

Ghana has experienced a severe macroeconomic crisis the last ten years. From a GDP growth of 14.4% in 2011 it came to 3.5% in 2015 and 0.9% in 2020[26]. Ghana is currently experiencing economic growth slowing down, inflation is increasing and there are problems with liquidity. Ghana's GDP growth rate is predicted to slow drastically to 1.3% in 2023 and that growth will remain low in 2024 but then pick up over 2025-27, driven by earnings gold and oil exports.[27] However, the macroeconomic measures taken recently have increased the debt substantially.[28] Ghana has grown increasingly dependent on fossil fuels in its energy supply during the last years. To secure stable electricity supply it has since 2018 more than doubled its import of electricity[29] from neighbouring countries. The prices for the electricity are quite unfavourable and the electricity produced is based on fossil fuels. So, the payments are contributing to the economic crisis and the import is increasing Ghana's dependence on fossils. Ghana with the IMF is currently seeking to restructure its debt[30]. Despite ample renewable energy resources, it is far from its objective of a 10% share in the electricity production. Ghana continues to promote investment in the hydrocarbon industry, with oil production set to double by 2023 and thereby increasing substantially export revenues.[31] The impacts of climate change on Ghana's overall economic growth are predominantly negative.[32]

Switzerland's exports to Ghana are limited, worth CHF 24 million in 2015. Gold represents the single most important product from Ghana, amounting to roughly 94% of all imports. The remaining imports are primarily agricultural products, in particular cocoa.[33]

## Climate

Ghana is highly vulnerable to climate variability and change. The changes in climate are rising sea levels, drought, higher temperatures, and erratic rainfall which are predicted to have increasingly negative impacts on ecology, economy, and society especially on infrastructure, hydropower production, food security and coastal and agricultural livelihoods.[34] Ghana is ranked 119th most vulnerable and as the 124th in terms of readiness to respond to the impacts of climate change[35].

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[22] https://www.transparency.org/en/cpi/2021/index/gha

[23] Mo Ibrahim Index of African governance which measures the trend on four themes: Foundations for economic development, human development, Participation, rights and inclusion and Security & rule of law.

[24] The Ghana Poverty and Inequality Report – 2016, UNICEF

[25] https://climateknowledgeportal.worldbank.org/sites/default/files/2021-06/15857-WB_Ghana%20Country%20Profile-WEB.pdf

[26] https://www.bmz.de

[27] The EIU

[28] SECO Cooperation Strategy S 2021 – 2024 Ghana

[29] https://www.statista.com/statistics/1238820/annual-import-of-electricity-into-ghana/

[30] Regional Economic Outlook Sub-Saharan Africa – The big squeeze, April 2023

[31] SECO Cooperation Strategy S 2021 – 2024 Ghana

[32] https://climateknowledgeportal.worldbank.org/sites/default/files/2021-06/15857-WB_Ghana%20Country%20Profile-WEB.pdf

[33] Swiss Economic Cooperation and Development Ghana 2017–2020

[34] https://climateknowledgeportal.worldbank.org/sites/default/files/2021-06/15857-WB_Ghana%20Country%20Profile-WEB.pdf

[35] https://gain.nd.edu/our-work/country-index/

The weak readiness is linked to the low capacity to undertake adaptive measures to address environmental problems and socio-economic costs of climate change. These include climate change associated health problems, climate induced disruption of agricultural systems, flooding of coastal areas which are already undergoing erosion and low operating water level of the only hydro-generating dam in the country, (which produces 80% of national electricity supply), as a result of reduced levels of precipitation.[36]

The country is a net emitter of $CO_2$ emissions, primarily from its oil and gas industry, but deforestation and forest degradation also contribute.

Ghana's Environmental Protection Agency (EPA) is responsible for coordinating the national climate change adaptation strategy from 2012. This is done in partnership with the Ministry of Environment, Science, Technology and Innovation (MESTI).[37] These institutions are advocating for adopting appropriate carbon pricing measures, including the operationalisation of Article 6 pf the Paris Agreement and the Ministry of Finance will track the inflow of climate funds from the Government, donor agencies and the private sector. The National Development Planning Commission (NDPC) is in charge of facilitating integration of NDC actions into sector and district plans and annually monitor progress.[38]

Ghana submitted an updated report on Nationally Determined Contributions (NDC) in 2021. The national development strategy to build a resilient society identifies 19 policy actions in 10 priority areas. Ghana expects that implementing the 19 policy actions will achieve the following by 2030:

- Generate absolute greenhouse gas (GHG) emission reductions of 64 $MtCO_2e$.
- Avoid at least 2,900 premature deaths per year from improved air quality.
- Create over one million decent and green jobs and
- Benefit cumulatively nearly 38 million people, with the majority being the youth and women.[39]

The 19 policy actions translate into 13 adaptation and 34 mitigation programmes of action. [40]

Ghana is particularly focused on increasing its resilience through the development of sustainable land use practices, including food security, climate-proof infrastructure, energy security, sustainable forest management[41] and urban waste management. Key sectoral focus is on energy, industry, waste and forestry sectors to reduce the country's carbon footprint.

### 1.2 SECO's support to climate in Ghana – overall

### The country cooperation programmes – mainstreaming climate and environment

The country allocation for Ghana in the strategy period 2017-2020 amounted to 75 CHF. Climate change is mentioned in the cooperation strategies as an important cross cutting consideration in line with environment and sustainable natural resource management. The CS 2017 – 2020 has two thematic priorities:

- Strong and accountable institutions that deliver effective public services,
- Improved competitiveness and diversification of the economy.

The indicator on climate change *Greenhouse gas emissions saved or avoided in t CO2eq* is listed in the cooperation strategy for both the Integrated Urban Development, Sustainable Energy Supply and Resource-efficient private sector. Sustainable Energy Supply and Resource-efficient private sector also have the indicator *Kilowatt hours saved through energy-efficiency measures and kilowatt hours additionally produced from renewable energy* which is relevant for climate change. [42] Relevant for mobilisation of private funds, the Resource-efficient private sector has the indicator *Green investments additionally triggered in USD and financing instruments supported.* It is not clear what are the targets for these indicators and how they are measured.

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[36] https://www.adaptation-undp.org/explore/western-africa/ghana

[37] https://climateknowledgeportal.worldbank.org/sites/default/files/2021-06/15857-WB_Ghana%20Country%20Profile-WEB.pdf

[38] Ghana's NDC submitted in 2021.

[39] Ghana's NDC submitted in 2021

[40] Ghana's NDC submitted in 2021

[41] Ghana is participating in performance-based payments through the signing of an Emission Reductions Purchase Agreement with the World Bank's Forest Carbon Partnership Facility Carbon Fund. From 2018–2024, Ghana will be in a position to generate US$50 million in emission reduction results-based payments. The long-term value of reducing (a conservatively estimated) 240 million tons of CO2 emissions from deforestation and forest degradation in the HFZ over a 20-year period is estimated at US$1.2 billion. (WB Ghana climate profile)

[42] Swiss Economic Cooperation and Development Ghana 2017–2020

The country allocation for the 2021-2024 period amounts to 65 million CHF. Climate change is adressed as an very important consideration. Although climate change was also considered in the previous strategy, it is not mentioned under main achievements from CS 2017 – 2020. The specific climate and resource efficiency goals are 1) promoting access to renewable energy and managing the negative impacts of urbanization as well as 2) sustainable and responsible business models by developing sustainable and climate-resilient value-chains.

The SECO Country Strategy (CS) 2021 – 2024 has two thematic priorities:

- Promoting attractive framework conditions for sustainable growth,
- Unlocking more and better jobs and decent income opportunities.

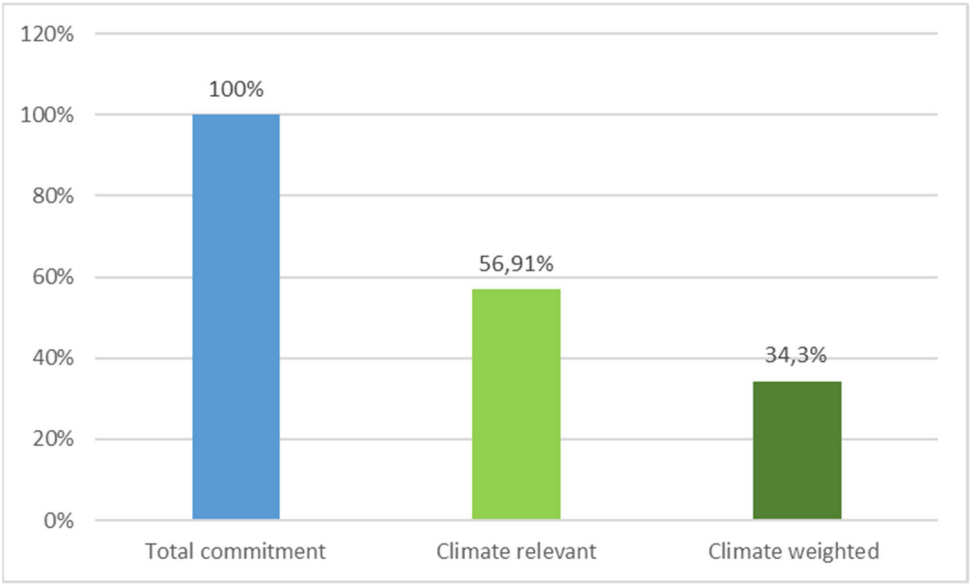
The priorities are similar to the previous strategy but slightly reformulated. Under both priorities, *the goal on climate is to mitigate the negative externalities of economic development and to make the economic system more resilient to the adverse effects of climate change that threaten to affect the livelihoods of hundreds of thousands of people in both rural and urban areas in the near future.*

SECO supports Ghana both through bilateral and multilateral initiatives. A bilateral agreement on cooperation on article 6 of the Paris Agreement is mentioned as a strategic interest. (See annex 4)

## The climate portfolio of SECOs engagement in Ghana

Out of the 36 projects in Ghana portfolio, 20 are characterised as climate relevant according to SECO's internal assessment procedure. These are five climate projects and 15 mainstreaming projects. Two are relevant for adaptation, nine are relevant for mitigation and nine are relevant for both. The funding to the climate relevant projects amounts to 56.9% of the total funding. When weighted according to the Rio Markers it constitutes 34.3% (CHF 29.8 millions[43]) of the total SECO funding in Ghana committed between 2017 and 2022 (figure 1).

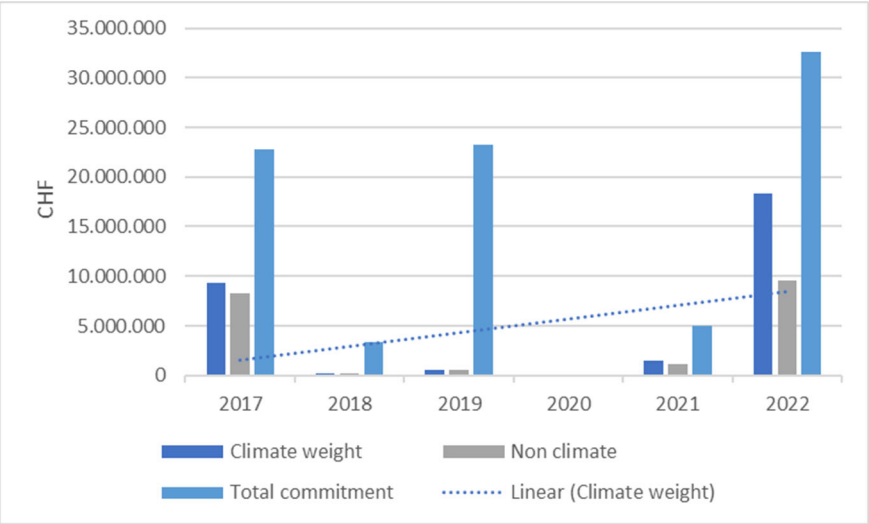
***Figure 1 Share of climate in SECO's total commitments in Ghana 2017 - 2022***




Climate funding has on the whole been increasing from 2017 to 2022 as a share of funding from 41% to 56% (figure 2).

[43] Climate weight according to the Rio markers

***Figure 2: Trend in climate finance to Ghana 2017 – 2022. Climate weighted***




The overall distribution between funding for mainstreaming and for climate projects is 59% and 41% respectively. Figure 3 shows that funding for climate projects has been increasing since 2017 and was surpassing funding for mainstreaming in 2022. This reflected the startup of the *Solar PV net-metering* project to which a total funding of CHF 10,7 million was committed. In 2021 the funds were committed to IFC for implementing the *Skills for green building* project. The share of funding for mainstreaming has been decreasing from 100% in 2018 and 2019 to just over 40% in 2022.

***Figure 3: Distribution by Rio marker of climate weighed funding 2017 – 2022***

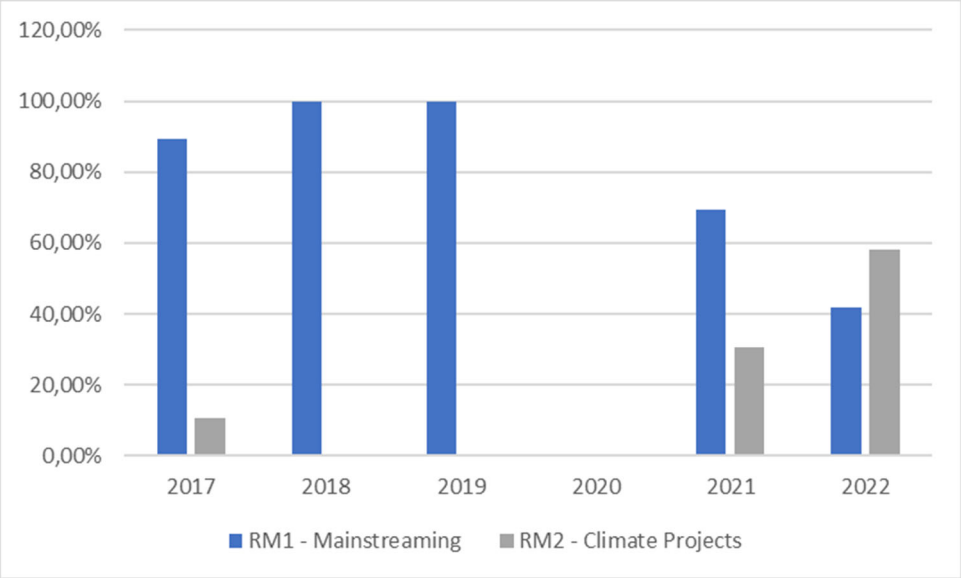



Figure 4 shows the distribution between the weighted contribution to mitigation and adaptation. It illustrates that the SECO contribution to climate change in Ghana is predominantly to mitigation. The overall distribution between mitigation and adaptation is 12,3% and 87,7% to mitigation and adaptation respectively. While Indonesia is less vulnerable to climate change than Ghana, 47% overall is committed to adaptation in that country. In Ghana's NDC six of 19 action programmes are focused on adaptation and one on both mitigation and adaptation reflecting Ghana's vulnerability to climate change. In SECO's portfolio only two of 20 projects are assessed to be relevant for adaptation.

***Figure 4: Distribution of climate weighted commitment to climate change mitigation and adaptation***

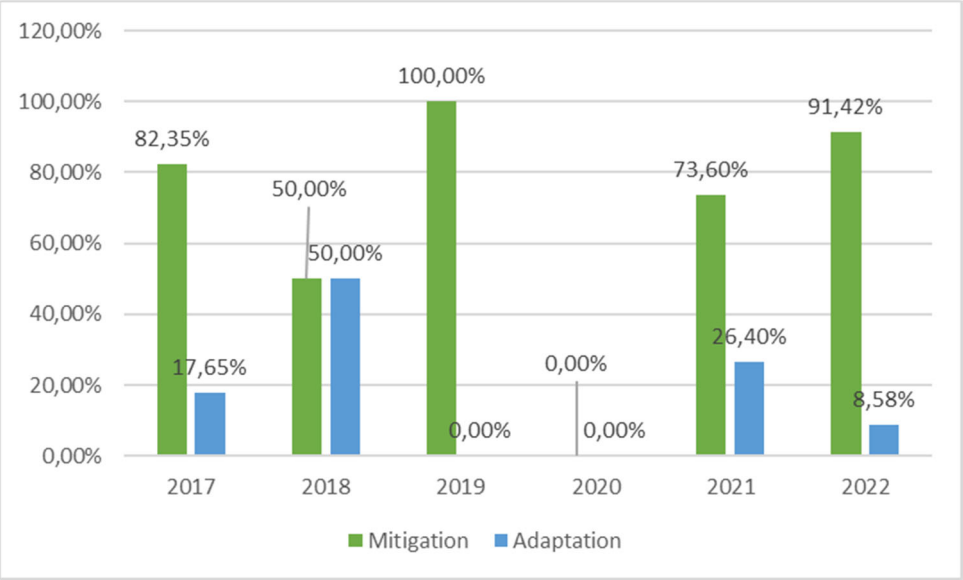



Figure 5 illustrates how the climate commitment is distributed in SECO's business lines. The highest content is in urban development and infrastructure that is e.g., the Solar PV Net Metering, the second largest share is in the integration in value chains i.e., the SWISSCO project and thirdly is Corporate social responsibility i.e., the Sustainable Recycling Initiative (See table 1). In the period CHF 30 million was committed to growth promoting economic policies, the largest business line, but without any climate commitment.

***Figure 5 Business lines and climate intensity 2017 – 2022 in Ghana***

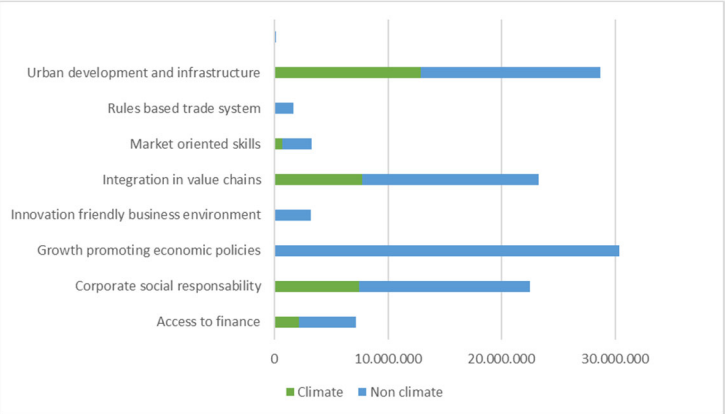



Figure 6 illustrates that the Government of Ghana is the biggest implementing partner. There is climate content in the budget support at the central level but not in the decentralised budget support. The support to central level government is channelled through the Multilateral Development Banks i.e., AfDB and the World Bank Group have the highest rate of climate content (See figure 5). This is for example for the Integrated Environment and Social Governance Programme (ESG) implemented by IFC. The Ghana Private Sector Competitiveness project which has just started up is reported with 50% climate commitment. There is also considerable support to the UN organisations ILO and UNIDO which has very little climate commitment.

*Figure 6: Distribution of allocation to implementing partners and the climate content (CHF)*

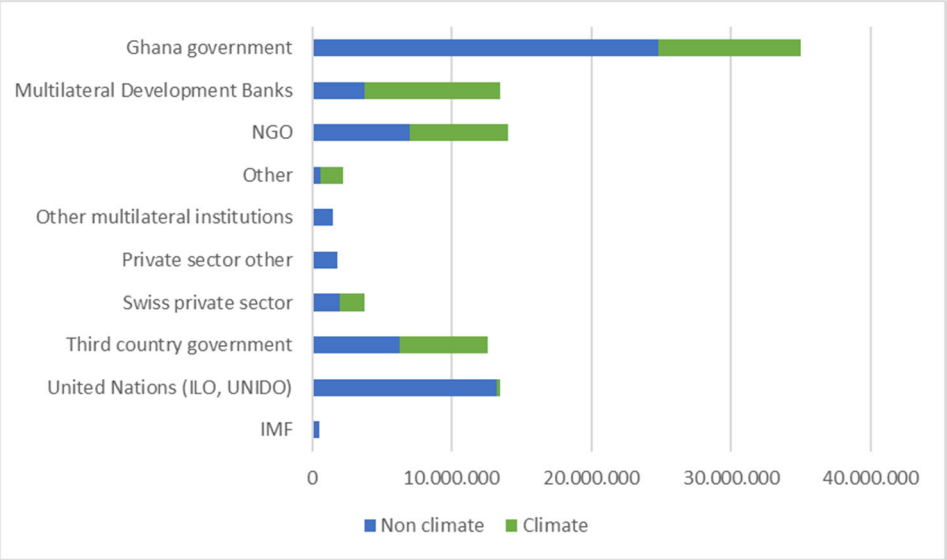
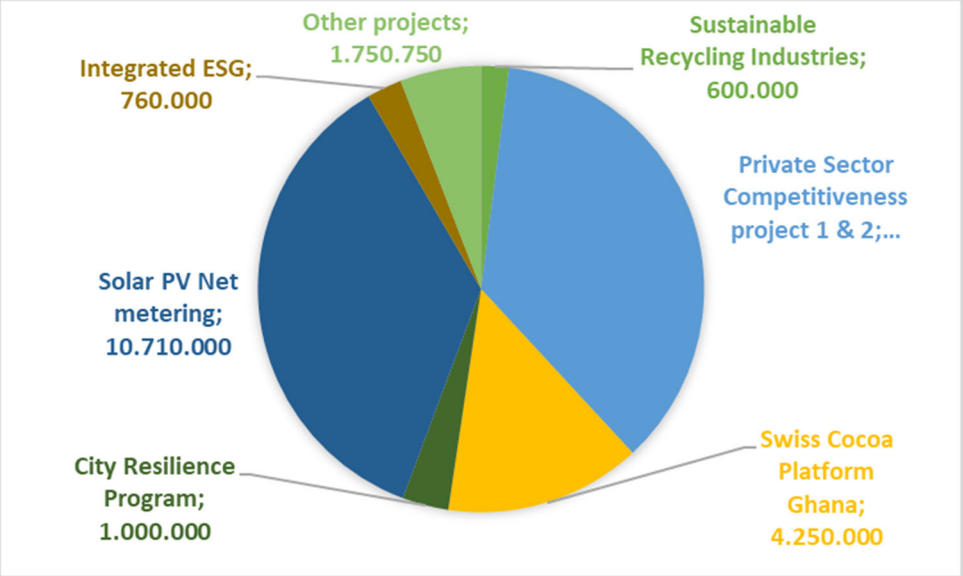



Figure 7 shows the distribution of climate commitment on the different projects and programs in the Ghana portfolio. 94% of the climate commitment goes to six of 20 projects and within these 68% is committed to only two projects, namely the Private Sector Competitiveness project and the Solar PV Net Metering. Although programs like the integrated ESG have high climate content compared to the total budgets, their budgets are relatively small compared to the mentioned projects.

*Figure 7 Climate commitment distribution to projects in Ghana (2017 – 2024)*




## 1.3 Methodology and projects analysed

In consultation with the Swiss cooperation office (SCO) of SECO in Ghana and SECO-WE it was decided not to carry out a country visit for this evaluation because there were many other missions planned during the spring 2023 and SCO found that there are only few climate-relevant project in Ghana now and they are mostly in the startup phase.

It was also decided that the Ghana case study would focus on a broader set of projects looking at general trends in the climate approach without going into details with only three projects as in Albania and Indonesia. This desk approach combined with interviewing remotely a broad set of stakeholders would give insight into the Government of Ghana's (GoG) priorities on climate change and how SECO's climate

approach aligns with these priorities as well as SECO and Switzerland's priorities and targets on climate change. Moreover, on the suggestion from the SCO the bilateral agreement between Switzerland and Ghana on the Paris Agreement's article 6 on market development for climate change emissions is included despite not being ODA. Despite several attempts by the SCO Ghana and follow up by PEM, it has not been possible to get replies from MESTI and the Ministry of Energy on setting up interviews concerning SECO support to climate.

Below is a list of projects which have been covered.

*Table 1*

| Code | Name | RM | Period | Funding (CHF x 10 $^{6}$) | Business line | Notes |
|---|---|---|---|---|---|---|
| **UR-01042** | Ghana Private Sector Competitiveness Programme II | RM1, mitigation | 2023 - 2028 | CHF 12.5m | Integration in value chains | WEIF. Bilateral. Implemented by NIRAS |
| **UR-01230** | Ghana Solar-Photovoltaic based Net-Metering | RM2, mitigation | 2022 - 2027 | Total USD 111m SECO CHF 12.6m | Urban development and infrastructure | WEIN. Bilateral |
| **UR-01047** | Swiss Platform for sustainable cocoa | RM1, adaptation, mitigation | 2019 – 2023 | Total CHF 16.6m SECO CHF 8m | Integration in value chains | WEHU. Bilateral. Increased CHF 1 million in 2020 due to high number of quality projects. |
| **UR-01244** | Integrated ESG | RM1, adaptation, mitigation | 2021 – 2028 | Total USD 30.75m SECO CHF 16m CHF 1,5m for Ghana | Corporate social responsibility / Access to finance | Implemented by IFC. Nine countries in SSA, LA and Asia |
| **UR-00535** | Sustainable Recycling Industry II | RM1, mitigation | 2019 - 2025 | Total CHF 6.5m CHF 1.5 for Ghana | Corporate social responsibility | WEHU. Bilateral. Implemented by WRF |
| **UR-01281** | Climate change mainstreaming in Governance Programme | | 2019 - 2021 | CHF 2.75 | Growth-promoting economic policy | WEMU. Global project. Multilateral, Implemented by the WBG |

### 1.3.1 Promote reliable economic framework conditions for equal access to markets and opportunities for people and companies

**Integrated Environmental, Social and Governance (ESG) Programme 2021 – 2028:** The program supports the adoption of good ESG standards and practices at market-wide and at firm level.[44] It's a global program supporting nine countries in Latin America, Asia and Africa including Ghana. The SECO support is in line with its strategic objectives to *promote insurance and financing solutions to mitigate climate risks and reduce climate-damaging public expenditure.*[45] In its second phase which has just started up it has RM1 for adaptation and mitigation.

The programme is implemented by IFC which objective in accordance with GoG priorities, is to increase the uptake of ESG good practices in the financial and agribusiness sectors, leading to a more diversified and

[44] Credit Proposal, Integrated Environmental, Social and Governance (ESG) Programme 2021 - 2028
[45] For sustainable prosperity SECO's economic development cooperation 2021-2024

resilient economy, stronger and sustainable local businesses, and increased investments.[46]. Therefore, in Ghana, IFC works with the Bank of Ghana, the Tree Crop Development Agency and the EPA at the regulatory level and the Institute of Directors at the market level. It builds on the previous phase 2014 – 2020 that focused on corporate governance and now enlarges that concept to include the governance of environmental and social risks including climate change. IFC has clear priorities based on the WBGs decision to become Paris Agreement aligned. The integrated ESG project is in the pre-implementation phase setting up structures to implement in 2023. Focusing on climate resilience, all projects will incorporate cross-cutting IFC and SECO strategic priorities and include a climate component designed to tackle climate risk management by financial institutions, climate governance and climate reporting at the firm, market and regulatory level. Depending on the country's maturity and commitment climate risk screening, as part of E&S risk management, climate governance and climate disclosure will be addressed. [47] As IFC is in the process of elaborating a climate governance methodology for the project based on the IFC performance standards, the specificities of the approach were not available, but IFC did confirm that it would not include specific indicators on climate adaptation or mitigation.

SECO supported the World Banks **Mainstreaming Climate Change in Governance Programme phase 1** with CHF 8 million from 2020 – 2022. The program forms an integral part of the WBGs climate change action plan 2021 – 2025 and is with its seven thematic areas very comprehensive: 1) National Institutional Frameworks for Sustained Climate Action, 2) Green and Resilient PFM, 3) Green and Resilient Infrastructure Governance, 4) Green Public Procurement, 5) Green and Resilient State-owned Enterprises, 6) Subnational Governance and Climate Change Policy and 7) Open Government and the Political Economy of Climate Change Reform. 12 targeted countries including SECO countries' Albania, Ghana, Tajikistan, Ukraine, Vietnam and Uzbekistan received technical assistance. In Ghana the programme has supported the Ghana Climate Change Institutional Assessment (CCIA) and the integration of several climate and greening relevant tools in Ghana's PFM system. It has RM1 for adaptation and mitigation.

### Support innovative private-sector initiatives to create decent income opportunities

**Ghana Solar-Photovoltaic based Net-Metering.** SECO has supported the energy sector since 2008 with increasing focus on renewable energy. Ghana has legislation on a feed in tariff for renewable energy which allows small scale producers of renewable energy such as households and SME's to sell surplus to the grid but it has not been applied yet. The Solar PV Net-metering project initiated in December 2022.[48] It has RM2 for mitigation. The overall objective of the project is to support Ghana in engaging on low-carbon, sustainable development pathways, while reducing energy poverty and increasing energy security. One out of five outcomes is that the supply of electricity generated from renewable energy sources is increased by 103 GWh/year and correspondingly GHG emissions are mitigated. The quantity is expected to be 71,900 tons per year or over 1.4 million tons over the lifespan of the solar panels.

The total budget for the project is USD 111 million of which SECO provides USD 14 million. The total budget includes the expected USD 66 million from SME's. The funding also come from the African Development Bank (AfDB) with USD 11 million, from the Climate Investment Funds (SREP)1 with USD 11.9 million and the Government of Ghana (GoG) with USD 8 million. e. Most of the SECO budget e.g., CHF 10,710,000 is committed to climate change. The project will be providing technical assistance to the utilities and the net metering will primarily be to small and medium-sized enterprises (SMEs). It is envisaged that about 6000 SMEs will benefit from installation of solar PV systems with net metering that enables connection to the national grid. The surplus electricity will be sold. It is under consideration, that SMEs must cover 85% of the investment in the solar panels and other equipment while SECO covers 15%. Due the economic situation in Ghana the subsidy might end up being higher[49]. The investment from the private companies will be counted as mobilization of private sector funding[50] and is expected to amount to about USD 66 million[51].

[46] Global Annual Report on Integrated Environment, Social and Governance (ESG) Program: Driving Sustainable Investment September 15, 2021 – June 30, 2022
[47] Email communication, Tania Mansour, IFC
[48] It was originally part of the investment plan of the Scaling up Renewable Energy Program (SREP).
[49] SECO SCO Ghana
[50] Interview with Daniel Menebhi, SECO
[51] Credit proposal

**The Private Sector Competitiveness Programme**: The second phase of the Ghana Private Sector Competitiveness Program (GPSCP) II has RM1 for mitigation. It has just started up in 2023 and is in the beginning of a 9-month inception phase. 50% of the funding to the GPSCP II is committed to climate mitigation corresponding to CHF 4.5 million. It's a continuation of GPSCP 2017 - 2021 aimed at supporting inclusive and sustainable growth through enhanced trade and competitiveness and creation of more and better jobs based on improved sustainability and productivity in the cashew and palm oil sector. 'Expansion of palm oil plantations' and 'unsustainable practices in palm oil production' were identified as risks together with deforestation. The total programme budget was CHF 46.8 million to which SECO supports CHF 6.27 million.[52] The full amount was climate committed to mitigation with Rio Marker 1 (Significant). The project data sheet only mentions climate in relation to investment.

**SWISSCO – Support to Swiss Platform for sustainable cocoa:** The first phase was implemented from 2017 – 2021 and the second phase from 2021 – 2024 is under implementation. It has RM1 for adaptation and mitigation. SECO was involved in the creation of SWISSCO which has 68 members in 2020. The project is aligned with SECO outcomes a) enhanced trade and competitiveness, b) low-emission and climate resilient economies, c) more and better jobs. The main long-term objectives of the platform are:

- To increase social, ecological and economic sustainability in the cocoa value chain in order to substantially improve the living conditions of the cocoa farmers and their families, and to create a viable cocoa sector for the current and future generations. The platform commits to contribute in a measurable way to the 2030 Agenda.
- To import all cocoa and cocoa products to Switzerland from sustainable production. A first milestone is set an 80% sustainable sourcing goal by 2025.

The key performance indicator relevant for climate is that *Cocoa farmers (%) adopt climate-smart cocoa value chain biodiversity agriculture practices.*

The project seeks to achieve this through three components: Component 1 is the Swiss Cocoa Platform Association seeks to deliver the core functions of the platform among its 60 members from the private sector, civil society, research and public sector, Component 2 the Peer Learning Network seeks to foster joint learning and exchanges of good practices and Component 3 the Co-financing Facility seeks to leverage private investments through innovative value chain projects aimed at supporting farmers and their families in line with the SDGs.

The objective of SECO seeking funding from private sector as long-term sustainability and exit strategy. SECO's contribution to SWISSCO projects should not exceed 50%. SECO's support is CHF 9 million.

**Sustainable Recycling Industries:** SRI Phase II that started in spring 2019 and lasts until end of December 2025 has a budget of global budget CHF 6.5 million. The Budget for Ghana was CHF 1.2 million. It has RM1 for mitigation. SECO has supported this initiative which is implemented by the World Resources Forum[53] and Institute for Materials Science & Technology (Empa) for over 15 years. Its supports developing countries including Ghana in building sustainable recycling systems especially for e-waste which is the fastest growing waste stream worldwide. SRI leverages the concept of circular economy and contributes to actions on climate change mitigation through a reintegration of secondary raw materials into industrial processes[54]. The financial contribution is earmarked partly as mainstreaming and contributing to mitigation.

Climate considerations are part of the SRI as it is particularly mentioned that the activities should lead to a reduced use of energy by collecting and reusing secondary raw materials. Methods developed in the knowledge component should support reporting and allow to measure and monitor changes directly or

[52] The GPSCP I was linked to the regional Sustainable West Africa Palm Oil Programme (SWAPP) II was implemented from 2018 – 2021 in Ghana, Cote d'Ivoire, Sierra Leone and Liberia. The objective was to scale up successful innovations of SWAPP I to ensure an inclusive and sustainable oil palm sector to meet global demand in the medium to long term and two of three outcomes were linked to climate change i.e., a) zero-deforestation resulting from new oil palm plantations and b) less GHG emissions at palm oil mills. SECO funded the project with EUR 4,38 million which constituted about ¼ of the total funding to all four countries. However, progress on outputs and outcomes related to deforestation and GHG emissions was not addressed in the PPP on the MTR.

[53] https://www.wrforum.org/

[54] Credit proposal SRI

indirectly, such as the quantification of the contribution to actions on climate change mitigation. Such methods were not developed due to various challenges and concrete progress on climate change mitigation has not been reported.[55] It is envisaged that by 2025 when the project ends there will be a quantification of the contribution to CC mitigation[56].

## 2 Summary of Findings

These findings are based on desk assessment of available documents, interviews with SECO and SCO Ghana staff, implementing partners, private sector, NGOs and government representatives.

### 2.1 Strategic relevance – evaluation questions 1 and 2

**Funding for the category 'climate projects' has been increasing while for mainstreaming of climate change it has been decreasing. Most of the climate funding is committed to very few projects which creates a high dependence on the success of these few projects to deliver the climate contribution.**

From 2017 – 2022 the climate weighted commitment almost doubled from around CHF 9 million to CHF 17 million in SECOs portfolio to support Ghana in its economic development. The funding to the climate weighted projects amounts to 34% while to total committed amount is 56.9% of the total funding. The increase was not gradual since it was high in 2017, very low in the years 2018 – 2021 and then increased again in 2022 (See figure 2). 20 out of 36 bilateral interventions presently in the portfolio are marked climate relevant and out of these two are relevant for adaptation, nine are relevant for mitigation and nine are relevant for both. 94% of the climate commitments goes to six projects while 68% goes to only two projects. Overall, most of the funds are for mitigation with less than 9% is relevant for adaptation. While SECO has the target to mainstream climate change into activities and enhancing private and public investments, the share for mainstreaming has decreased from 100% in 2018 and 2019 to just over 40% in 2022. For climate projects the share has been increasing since 2017 and surpassed funding for mainstreaming in 2022. This reflected the start-up of the *Solar PV net-metering* project to which a total funding of CHF 10,7 million was committed. In 2021 the funds were committed to IFC for implementing the *Skills for green building* project[57].

So, in terms of funding for climate interventions, the portfolio in Ghana is characterised by concentration of climate commitment on few projects relevant for mitigation. This is not following the intention in the SECO strategy to focus on mainstreaming, and it is also not following the global trend of increasing the funding for adaptation especially in Africa which for socioeconomic and geographic reasons is particularly vulnerable to the negative impacts of climate change. There is no balance between mitigation and adaptation in the portfolio and the funding for adaptation with less than 9% does not respond well to the high level of vulnerability of Ghana. Moreover, as the commitment is concentrated on very few projects it becomes highly dependent on the successful implementation of these projects in order to deliver on the climate agenda.

As mentioned, in the GPSCP II 50% of the budget is marked as relevant for climate change. NIRAS, the implementing company contracted to implement the GPSCP II project informs that the bidding material does not include information on this climate commitment or requests for including methodologies and actions for integrating actions and monitoring of results on climate change mitigation n the development of the value chains for palm oil and cashew nuts. The project management is in the process of contracting a specialist in environment and gender issues who will develop the environment including climate and gender considerations in the final project design.

**There are indications of co-benefits between SECO supported climate action and other development interventions.**
Halba's Sankofa project under SWISSCO has indications that there are several adaptation and mitigation co-benefits. The dynamic agroforestry increase the carbon sequestration capacity on the previously

[55] Sustainable Recycling Initiative Status Report 2nd phase Ghana 2022, version 07.02.23
[56] World Resources Forum, Matthias Schluep.
[57] https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/climate+business/our+approach/promoting+sustainable+innovation/green+buildings

degraded lands which are used by the projects. 215 ha have been planted. According to Halba, the farmers have noted the changes which are quick to happen, namely better soil retention, humidity and shade which contributed to healthier cocoa plants and fruits. For the small holder farmers there are quick wins in agroforestry because they obtain a diversified income through mixed cropping and also save money as they cultivate more food products. Some farmers found it a relief that they were now allowed to do mixed cropping contrary to the monoculture approach of the Ghana Cocoa Board.

**The indicator in the SECO results framework on mobilisation of private funds for climate change creates awareness and is an incentive to establish implementation models which secure the mobilisation of funds from the private sector.**

The reporting requirement on mobilisation of private funds contributes to maintaining the focus on the aspect of financing for climate change. The SWISSCO project has a good model for private funding because its´s members are private companies in the cocoa value chain which have an interest in promoting sustainable production of chocolate and other cocoa products. Much of the funding might be invested without SECOs support but SECO can gear and strengthen its support as well as making connections with government institutions and other companies. The private sector funding is important in complementing the funds from the Ghana Cocoa Board . Another important aspect is that, the private funds are benefitting both adaptation and mitigation.

In the Solar PV Net Metering project, it is envisaged that SMEs which will acquire solar panels and the net metering equipment must contribute 85% of the cost if it is deemed viable for private companies in the final implementation plan. Households which initially were meant to be part of the project were taken out as the costs for the solar panels and equipment is deemed too high even with subsidies.

As an example, though outside ODA, is the bilateral agreement on the Paris Agreements article 6 between Ghana and Switzerland whereby private funds from Switzerland levied through a tax on fuel for transport will be invested in climate projects in Ghana which can be eligible for carbon accreditation. (See annex 4). These private funds are not counted into SECOs target.

**Low capacity of government institutions and macroeconomic constraints and challenges in Ghana are factors which influence SECO to be hesitant in mainstreaming climate change into government support programmes especially at the decentralised level.**

As mentioned, Ghana is in an economic crisis with economic growth slowing down, inflation increasing and problems with liquidity. The SCO in Ghana finds that "*The current negative economic and social developments contribute to an ever-growing gap between the ambitious aim of our development instruments and the reality on the ground in terms of available foundations and resources for our projects to effectively build upon"*[58]. In other words, the limited resources and lack of capacity in particular in government institutions make the GoG to prioritize key actions to cope which are not necessary in line with the support to development from SECO and "*The foundations for SECO instruments to be effective is more and more missing*".[59] In this situation SECO is reluctant to add complex themes in its support such as climate change.

At the same time, SECO recognizes that "*National debt is increasing in many developing and emerging countries, while infrastructure and social expenditure requirements remain high. SECO plans to expand its activities in the field of fiscal and debt management while paying particular attention to climate risks*."[60] This intention implies finding a balance between not increasing the demands on an already stressed system and integrating a system which reduce climate risk and build resilience.

SECO supports strengthening of districts and municipalities administrations through decentralised budget support. This program does not have any climate commitment...

There are, however, initiatives in Ghana which combine support to decentralisation with building climate resilience. An example of an agency which is doing that is UNCDF that through its Local Climate Adaptive Living Facility (LoCAL) supports local authorities with building climate resilience through performance-

[58] Implementation Report, Swiss Economic Cooperation and Development Ghana Cooperation Programme 2022
[59] SECO SCO Ghana
[60] For sustainable prosperity SECO's economic development cooperation 2021-2024

based small grants. While strengthening decentralised planning and budgeting, it has established and applies an approach and methodology channelling climate finance to subnational authorities to support climate change adaptation and to increase local resilience. A recent evaluation concludes that. "*LoCAL with its portfolio of financed climate adaptive investments has had a marked impact on the life and livelihoods of millions of beneficiaries across the intervention areas*".[61] The funds are channelled through existing PFM mechanisms. LoCAL is currently working with 22 countries in Africa. In Ghana, UNCDF is partnering with EU's Boosting Green Employment and Enterprise Opportunities in Ghana (GREEN) Project. In 10 selected metropolitan, municipal and district assemblies and in close collaboration with the communities, the GREEN Project helps develop and implement green and climate-resilient local investments that foster employability for returning migrants, youth and women through cash-for-work schemes and procurement to local SMEs.[62]

## 2.2 Cooperation approach – evaluation questions 3 and 4

**SECOs structures and procedures do not secure consistent integration of climate in the whole project cycle.**

Credit proposals are elaborated at HQ level. This is either based on existing multilateral programmes developed by MDBs such as the Mainstreaming Climate Change in Governance Programme and the Integrated ESG programme which were essentially designed by the WBG, but the SCO is heavily involved in the development of the country proposal in the case of the Integrated ESG[63]. The dialogue between SECO and such institutions are focused on SECOs priorities in relation to support and on how to align with the program. In these cases, the SCOs are less involved in the design and implementation and often are not made aware of interventions in the countries e.g., in the case of the CCIA in Ghana. Secondly, there are global programmes designed in cooperation between HQ and the SCOs in the beneficiary countries. In the case of Ghana these are SWISSCO and SRI. Here the SCOs are much more involved in coordination and preparation of events relating to the programs and in the dialogue with relevant government institutions. This is e.g., the case with the high-level meeting on e-waste with the Commission for Technical Educational Vocational Training, C-TVET in December 2022 and the dialogue with the Ghana Cocoa Board which is formalised by an MoU on the SWISSCO project and other topics related to the Swiss – Ghana cooperation on cocoa production and import/ export. There are indications that the information from HQ to SCOs on interventions carried out under the multilateral programmes in the different countries is weak and that opportunities for creating linkages could therefore be missed. Thirdly, there are bilateral projects which only cover Ghana. An example of this is the Solar PV net metering project.

Interviewees also find that the guidance elaborated by SECO such as the mainstreaming guidelines are helpful and that the Rio Markers are important. However, there is strong indication that these guidelines do not provide clear instruction that secure mainstreaming of climate change into the whole project cycle from design over procurement to planning, implementation, monitoring and reporting. An example of this is that SECO's strategy includes several climate relevant indicators without targets which use in project design and implementation is unclear. Another example is that despite clear intention in the credit proposal of SRI, there are no methodologies to monitor the climate impact of the project after five years of implementation. Thirdly, despite the GPSCP II having 50% of its budget committed to climate, the tender documents do not specify requests to the contractor on integration climate change interventions in the project proposal which would justify this high allocation to climate. Climate is mostly mentioned in relation to investment climate. Climate change is mentioned in general terms once in relation to mainstreaming in the same way as gender mainstreaming and in relation to a vulnerability assessment done on the palm oil value chain.[64]

**The climate network functions well and the internal discussions in 'sub-division' and between HQ and SCO are perceived to be important for clarifying positions and finding consensus.**

[61] Final Evaluation of the Local Climate Adaptive Living Facility (LoCAL) Evaluation Report, UNCDF, IPE Global, Dec 2022
[62] GrEEn Progress Report Year 2, UNCDF LoCAL, 2022
[63] SECO SCO Ghana
[64] TENDER ID. 238202 Tender Document For the implementation of the "Ghana Private Sector Competitiveness Program Phase II.

In SECO the climate network functions well and pushes the agenda on climate change. The focal points on climate have good capacity while the capacity in general on climate change is varying. The internal discussions in the 'sub-division' and between HQ and SCO are perceived to be very important to explore new ideas, agree on common approaches and reach a middle ground between different levels of ambition on climate change and other priorities. One discussion point that has been raised is to what extent climate change and green issues should be mainstreamed in all interventions e.g., skills training.

**There is a call from staff and partners for SECO generating and sharing knowledge on best practices and lessons on climate change integration into private sector development**
There is generally a call for more guidance and knowledge sharing both from interviewees from SECO and partners on e.g., lessons learnt from Europe on which market instruments should be in place and what incentives work to reduce emissions and build climate resilience. SECO could fund such a market study. There is also a call for guidance on what level of ambition private companies should aim at when investing in sustainable value chains. Internally, a wish is expressed to share guidance and knowledge products from other institutions in *Sharepoint* and not only internal guidance.

**SECO is adding value by applying Swiss strong points in research and food systems to strengthening the linkages between environmental sustainability and economic development.**
The best example of value added in the SECO climate approach in Ghana is the support to sustainable cocoa value chains through SWISSCO. Switzerland is well known for its quality chocolate and Ghana is the second largest provider of cocoa beans to the Swiss market. SECO played an active role on the establishment of the Swiss cocoa platform (SWISSCO) which has 68 members among which are leading private companies in the production of chocolate and other cocoa bean-based products. The long-term cooperation between Switzerland and Ghana on the cocoa value chain in general and SECO's cooperation with the Ghana Cocoa Board has added value through facilitating the dialogue between SWISSCO and the Ghana Cocoa Board that has led to the board accepting agroforestry as one of their priority areas. The engagement of the private companies through investment and implementation of projects to create sustainable cocoa value chains in Ghana is also an example of focusing on a thematic area with high Swissness content, engaging Swiss providers. It can lead to improved visibility of Swiss products as being sustainable and climate friendly.[65]

SECO HQs cooperation with the Swiss Federal Laboratories for Material Sciences and Technology (EMPA) and WRF facilitated the introduction of circular economy principles in the bilateral cooperation and SRI. The cooperation goes back more than 15 years on technical assistance to middle-income countries on recycling of e-waste e.g., in China, Peru and Colombia and biofuels. [66] The Swiss expertise on environment is here exploited through technical assistance delivered via WRF.

When it comes to multilateral projects, SECO's funding of MDB projects have the highest rate of climate commitment. SECO is not bringing in a particular knowledge or ambitious targets on climate change, but the choice of partner is strategic for SECO as it can benefit from the WBG clear objectives and targets on climate mainstreaming and on being aligned with the Paris Agreement.

In the case of SECO's support to the integrated ESG also implemented by the WBG, it can be seen to reflect a Swiss experience and knowledge on risk management since the main interventions of the integrated ESG are to integrate climate change in risk assessment, risk management into the standards and procedures of IFC's clients. The Swiss expertise on insurance and risk assessment could be better explored and developed by SECO in relation to climate change.

In relation to the SRI and the Solar PV Net Metering, SECO has coordinated closely with KfW/GIZ which are also supporting the same area but in different ways. Actions have also been organised together with GIZ in relation to e-waste. At the European level SWISSCO coordinates with the other European platforms, i.e., the Dutch Initiative on Sustainable Chocolate (DISCO), German Initiative on Sustainable Chocolate (GISCO) and Belgium's Beyond Chocolate. Through this cooperation coherence and complementary is sought. The EU is leading coordination and organised dialogue with Cameroon, Ghana and Cote d'Ivoire

[65] Swissness at SECO-WE, internal guidance
[66] https://www.empa.ch/

on sustainable cocoa value chains and there are different groups. Switzerland is interested but not member so far.

**The climate approach in environmental sustainability could be enhanced and clearer articulated in the partnerships**

Interviewees find that the linkage between promoting trade and business and climate and environment is seen as important and that SECO's work on circular economy should continue and be broadened However, there is some indication that environmental sustainability and climate change mainstreaming are not clearly defined approaches in SECO interventions. When it comes to different initiatives there is not necessarily a distinction as long as it is green. This is for example the case in SWISSCO.

**Evidence on climate positive outcomes is fragmented and clustered around value chain approaches such as the agri-forest approach in cocoa farming**

This fragmentation and concentration of results in the cocoa value chain is recognised by SECO in Ghana in its annual report 2022 from the Cooperation Office "*the evidence on climate positive outcomes is fragmented and clustered around value chain approaches such as the agri-forest approach in cocoa farming. It is observed that KPIs on climate and gender should be included in log frames of upcoming projects and in general the portfolio needs to become more gender and climate oriented.*"[67] The evaluation team agrees with this observation based on the findings presented above and below that climate commitment is concentrated on few projects, most are newly started and in some cases progress on states climate objectives have not been measured.

**Monitoring of progress and achievement of adaptation and mitigation targets is weak or absent as the methodologies for monitoring and verification have not been developed yet.**
Although SECO has made progress in focusing on climate change in its portfolio in Ghana, its has still not been possible to measure and quantify the progress made.

In the SRI programme it was envisaged in the design to develop methodologies to monitor and quantify avoided GHG emissions from recycling of e-waste. The project has been successful in recycling e-waste but there has been challenges in developing the methodologies on avoided GHG emissions.[68] ToR have been developed for the evaluation of the project and these TOR do mention the link to climate change in the project or if and how this link should be evaluated. A field visit to Ghana is planned for this evaluation which takes place during 2023. The issue of monitoring and quantification methodologies could/ should be addressed during the field visit.

In SWISSCO, the Platform's Monitoring, Evaluation and Learning (MEL) Framework is elaborated to measure and evaluate the contributions of the member interventions towards the SDGs. It is piloted with the Platform's fourteen innovative value chain projects.[69] The import of sustainable cocoa beans and cocoa bean equivalents are being measured. To some extent climate resilience is also monitored through data on improved livelihood through diversification of crops and increased food production. In terms of mitigation the area and number of cocoa plants and multipurpose trees distributed as well as the biomass content in soil is monitored. The level of ambition among the members of SWISSCO is varying with Halba being in the forefront. In phase 2 of the Sankofa project it is expected that the area under dynamic agroforestry will reach 400 ha which will enable the project to receive Gold Standard accreditation which will secure measuring carbon sequestration up to 2029.[70] So all in all there are good indications that monitoring is taking place and that it will be possible to quantify carbon sequestration.

Phase II of the integrated ESG program started in 2023 in Ghana and IFC is in the process of aligning their methodologies with the Paris Agreement following guidelines which have been issued by the WBG recently.[71] Risk assessment and management on climate change has been added as a new component in the existing ESG tools and this work is only starting up based on the new methodologies. The previous phase

[67] Implementation Report, Swiss Economic Cooperation and Development Ghana Cooperation Programme 2022
[68] Interview with WRF
[69] SWISSCO annual report 2020
[70] Halba proposal for phase 2 under the SWISSCO call for proposals
[71] https://www.worldbank.org/en/publication/paris-alignment/instrument-methods

of ESG did not have the climate change integrated and SECO found that this specific addition in the Phase II was appropriate as IFC has not been particularly proactive on climate in Phase I[72]. The achievements on climate change will be measured on the basis of the integration of and compliance with IFC's standard procedures.

Due to these circumstances, it is not possible at this stage to assess whether the SECO climate approach in Ghana will yield the desired results. One interviewee finds that quantification of impact on environment and climate should be mandatory in the design of project.

### 2.3 Results - evaluation questions 5-8

**Most of the climate commitment is concentrated in three interventions which are very new and have therefore not achieved results yet. In earlier climate interventions the climate contribution was not measured, or it was intangible as part of overall interventions on setting the framework conditions.**

Since the Solar PV Net Metering project started only in 2022, its too early to have created results. The attainment of the expected results hinges on the ability of the project to demonstrate that solar PV can be integrated into the grid without destabilizing it. Power distribution utilities are reluctant to support net-metering, fearing grid failures and loss of business. However, according to SECO the net-metering is likely to stabilize and improve the grid. Therefore, it should be likely to demonstrate that the stabilizing effect and thereby contribute to changing mindsets.

A factor which will also influence the likelihood of upscaling of this technical solution is the GoG policy on RE projects. Ghana has under the previous government entered into very expensive agreements on power supply based on fossil fuels. This has led to oversupply of fossil fuel generated power. . The Solar PV Net Metering project is the only projects on solar power of its kind which includes grid connection. It is likely also the only solar PV project targets private sector. KfW is financing a project on installing solar PV on 36 public buildings in Ghana from 400 kw - 4 MW. Technically, SECO can provide the net metering to connect to the grid, but this opportunity has not been explored yet. The GoG policy can potentially be influenced by one of the SECO project's expected outcomes, which is elaboration of strategies and action plans for the future of net-metering and distributed generation which will be developed by the Ministry of Energy and the power distribution utilities supported by the project.

The integrated ESG and the GPSCP II are in the startup phase and have not achieved results yet. As mentioned above, the SRI has not after five years of implementation developed the expected methodology to monitor and quantify the results on climate change mitigation.

The Mainstreaming Climate change in Governance Programme has benefitted Ghana through the elaboration of the Ghana climate change institutional assessment (CCIA) which informs the WB's Country Climate and Development Reports (CCDRs) and other WB work in Ghana and integration of several climate relevant tools developed by the project into Ghana's PFM system.

In the SWISSCO project, there is good progress with promising results which are being monitored and that it will be possible to quantify carbon sequestration especially in the Sankofa project when it achieves Gold Standard accreditation.

The box below on Halba's Sankofa project details the results which are relevant for building climate resilience and increasing carbon sequestration.

[72] SECO PM Interview

**The Sankofa project**

Halba is member of SWISSCO and is the second largest retailer in Switzerland. Halba's project Sankofa is supported through SWISSCO with CHF 1 million from SECO. Halba's mother company COOP invested CHF 1,35 million with the view to use the agroforestry as carbon sink which would absorb 75000 t CO2 equivalent. The certification for carbon credits did not happen though because less than 400 ha were cultivated. The project was implemented from 2019 – 2023 and Halba's is expecting to have a second phase approved. Based on Halba's agroforestry policy and climate policy which is now under revision, CC, environment and biodiversity was integrated in the Sankofa project.

In cooperation with 380 farmers which are organised in the Kuapa Kokoo Farmers Union, Halba aimed at establishing dynamic agroforestry on 400 ha which were already degraded land. It was planned that each farmer should transform ¼ ha per year. / ha. Sankofa only achieved 215 ha because the project was implemented from 2019 - 2022 where the COVID-19 pandemic, there were intensive droughts during implementation hit in the middle and the gold standard methodology which was selected to obtain the carbon credit accreditation is not well suited for small holder farming. The Gold Standard (GS) is a voluntary carbon offset program focused on progressing the SDGs and ensuring that project's benefit their neighbouring communities. To get the Gold Standard accreditation it is required to cultivate at least 400 ha. https://www.offsetguide.org/understanding-carbon-offsets The farmers quickly noted that there was better soil retention, humidity and shade which contributed to healthier cocoa plants and fruits. This contributes to adaptation. The increased biomass per ha contributes to mitigation through increasing the carbon sink capacity. For the small holder farmers there are quick wins in agroforestry because they obtain a diversified income through mixed cropping and also save money as they cultivate more food products. According to Halba some farmers found it a relief that they were now allowed to do mixed cropping contrary to the monoculture approach of the Ghana Cocoa Board.

Carbon sequestration and increase in cocoa productivity as well as increase in cocoa income can only be measured after at least four years when cocoa trees begin to yield and when the timber trees have grown and are certified by the Gold Standard

It was a big achievement in which Halba had an important as initiator of SWISSCO contact to the Ghana Cocoa Board which has resulted in the Board's agreement in including agroforestry as one of five priorities. This change in the Cocoa Board's approach had also come about due to the results from the cocoa trial plot that Cocoa Research Institute of Ghana (CRIG) had established. The collaboration with CRIG is expected to be formalised through an MoU in phase 2. This collaboration and the establishment of the trial plot are testimony of the recognition of the high quality of Halba's work.

Halba's approach to agroforestry in cocoa farming is pioneering. (Christian Robin, SWISSCO) Apart from Ghana it is also applied in their projects in Honduras, Ecuador and Madagascar.

**The mobilisation of private funds has been successful in some case and is likely to yield some success in other interventions which are only in the start-up phase.**

In the first call for proposal[73] under SWISSCO, 4 projects were approved for Ghana which with a financial support from SECO of CHF 4.2 million raised CHF 13.5 million from the members of SWISSCO[74]. The sustainability of the mobilisation of funds from the private sector depends to some extent on the success in obtaining carbon credit accreditation for voluntary emission reduction. The investment in Halba's Sankofa project came from its mother company COOP and was motivated by the possibility of obtaining accreditation which would give good visibility and market advantage. The success in mobilising private funds is connected to chocolate being a high value product where investment in sustainability i.e., organic, fair trade climate friendly chocolate is highly like to yield higher selling prices. The projects contribute to the several of the SDGs and therefore corresponds well to the company's corporate social responsibility objectives.

Investments from SMEs to install solar PV with net metering counts as mobilisation of private funds. SMEs should provide 85% of the costs for the solar PV and net metering equipment while SECO provides 15%.

[73] In the second call Peru and Colombia were given priority.
[74] Memo, Proposal for a budget increase (CHF1 million) for the Swiss Cocoa Platform Support Programme, 20. April 2020

This is expected to mobilise about CHF 66 million over the lifetime of the project implementation. As the project has not started its impossible to assess its success and sustainability.

**The climate interventions are likely to generate important positive impact on awareness raising, avoided GHG emissions and enhanced resilience through improved livelihoods and integration of risk assessments in public and private sector planning and budgets.**

Regarding the climate approach in supporting innovative private-sector initiatives to create decent income opportunities, the impact can only be assessed for the projects that have been under implementation for a longer period. For 68% of the climate committed portfolio its too early to assess impact, since the GPSCP II and the Solar PV Net Metering projects have just started up.

For the four SWISSCO projects started in 2019, they showed very good progress and promising results both in terms of the possibility of carbon sequestration especially when dynamic agroforestry is applied on previously degraded lands. There are also several indications of results from on and off farm activities which can lead to strengthened climate resilience. The results of cooperation the Ghana Cocoa Board and CRIG on changing the policy towards agroforestry and establishing the trial plots are likely to bring transformational change.

Regarding the SRI, the climate impact methodologies have not yet been developed so it is not possible to establish if there is an impact to be sustained. Regarding the e-waste recycling and circular economy, it has been transformative as it through long term intervention has supported legislation and standards as well as work on the ground to establish e-waste recycling systems. Sustainability such as financing mechanisms have been addressed in other countries like Peru and Columbia but in Ghana this was addressed by a GIZ/KfW project that took place in parallel.

As for the multilateral projects they contribute to promote reliable economic framework conditions for equal access to markets and opportunities for people and companies, but the impact of the interventions can be difficult to assess. In Ghana, the integrated ESG has just started up so the integration of climate change in risk assessment, risk management and governance are only being prepared so far. The Mainstreaming Climate Change in Governance Program has led to several outputs such as the CCIA for Ghana and the targeted countries have incorporated tools developed by the project into their PFM operations. The integration of such climate change tools is an indication of likelihood of impact.

It's too early to assess sustainability for most of the climate committed portfolio as the interventions are not implemented yet. For SWISSCO and the multilateral interventions there are results which are likely to be sustainable.

## Annex 1 Findings across the evaluation questions

## STRATEGIC RELEVANCE

### EQ 1 Strategy

| | |
|---|---|
| EQ 1 To what extent does the position of climate change in the division's strategy and the strategy itself respond adequately to the urgency for climate action in partner countries and globally? | Indicators:<br>1.1 **Mainstreaming -** The extent to which the objective of mainstreaming in the division's strategy is relevant and adequate for addressing climate change and led to climate awareness; and whether the combination of targeted interventions and mainstreaming interventions are conducive to reducing emissions and fostering adaptation in priority countries,<br>1.2 **Mobilisation of private funds for climate –** The extent to which the objective of mobilisation of private funds is relevant and has been addressed as an intention across business lines,<br>1.3 **Choices -** The extent to which the choice of countries business lines/activities as well as partners reflect the needs for climate activities in partner countries and respond to the objectives set out in the Swiss/SECO strategies, including the objective of mobilisation of private sector mobilisation,<br>1.4 **Ambition level and target -** The extent to which the climate finance target and the objective regarding private sector mobilization is relevant also considering the scale of the climate challenges and the actions of peers,<br>1.5 **Balance -** The extent to which the balance between mitigation/adaptation is relevant and reflects country needs. |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i1.1)**
  - SECO bilateral and multilateral support to Ghana is contributing to 6 of 19 NDC policy actions.

| NDC Policy Action | SECO support project or programme |
|---|---|
| **City-wide resilient infrastructure planning** | The WB and GFDRR City Resilience Programme |
| **Build resilience and promote livelihood opportunities for the youth and women in climate vulnerable agriculture landscapes and food systems** | SWISSCO, GPSCP |
| **Sustainable production in Industry** | Sustainable Recycling Initiative |
| **Promotion of energy efficiency in homes, industry, and commerce** | IFC 'skills' |
| **Expand the adoption of market based cleaner cooking solutions** | Klik article 6 project (to be approved)[75] |
| **Scale-up renewable energy penetration by 10% by 2030** | Solar PV net metering |

- Much of the multilateral support to the WBG i.e., the Integrated ESG programme implemented by IFC and the Mainstreaming Climate change in Governance Programme implemented by the World Bank benefits Ghana by developing and support implementation of various tools and procedures such as the Ghana climate change institutional assessment (CCIA) which informs the WB's Country Climate and Development Reports (CCDRs) and other WB work in Ghana.
- Climate change is integrated in several projects (Solar PV net metering, Sustainable Recycling Initiative, SWISSCO cocoa value chain) in the Ghana portfolio but it is not mainstreamed in general.
- In relation to climate, SECO portfolio in Ghana is characterized by support to mitigation, concentrated in relatively few bigger projects with rather than mainstreaming implemented by private companies e.g., the private companies which are members of SWISSCO, NIRAS in the case of the Ghana Private Sector Competitiveness Project and Skat and Euronautics are technical advisors on the Solar PV Net Metering project. 94% of the climate commitment goes to 6 of 20 projects and within these 68% is committed to only two projects. Although the climate content in the funding to the MDBs is high the funding size is relatively small.

[75] SECOs support is not ODA is this case and its indirect as SECO is financing TA to EPA via UNDP.

| |
|---|
| • **(i1.2)** Private funds are mobilised in several projects in Ghana so the issue is addressed. |
| • (**i1.3**) The choice of WB for support CC in PFM increases the greening of Ghana's PFM system strengthening the overall framework for green transition. The Solar PV net metering will strongly contribute to demonstrating how RE can be integrated into the national grid. The choice of SMEs and utilities as partners and beneficiaries is relevant in that context. Through the support to SWISSCO and through the SRI, practical solutions for supporting sustainable value chains in the cocoa production and in recycling e-waste working directly with beneficiaries like cocoa farmers and recycling and waste management companies. In that way, SECO's choice of partners give an support the mainstreaming of environment and climate change in different levels of Ghanaian society e.g. the government at central level, the electric utilities, SMEs, farmers and the informal sector in waste recycling.<br>• **(i1.3):** The International Cocoa organization has reported a 75,000-ton cocoa shortfall for this growing season and that figure is expected to reach the million-ton mark by 2020 unless swift action is taken. While Eastern Europe and Brazil, the biggest cocoa consumers, have registered a surge in chocolate consumption in recent years, extreme weather events have hurt cocoa yields. The world's top producers of cocoa—Cote d'Ivoire and Ghana (59% of the global cocoa supply chain) and Indonesia, Nigeria, and Cameroon (23% together) – are also those hardest hit by drought and flooding yet least prepared to respond to them. ) (https://gain.nd.edu/news/cocoa-climate-crisis/)<br>• **(i1.3)** While there are multiple drivers of deforestation, numerous reports have demonstrated the links between cocoa farming and forest degradation. Poverty often pushes smallholder farmers to look for new and more productive land, to sustain their livelihoods. Therefore, addressing deforestation also requires addressing the root cause of poverty. (AR 2020 p26). |
| • **(i1.4)** |
| • (**i1.5**) From 2017 – 2022 most climate funding was committed to mitigation. The share varies from 73% - 100%. It was in 2018 that all funding was committed to mitigation. The funding to adaptation has not been increasing |

*Quotes*

- *SECO is ambitious on environment and CC. The approach of combining these issues (environment and climate change) with trade and business is very positive.* (World Resources Forum, Mathias Schluep)

## EQ 2 Climate and Growth

| | |
|---|---|
| EQ 2 To what extent does the focus on climate change compete with other policy imperatives to foster sustainable development and eradicate poverty? | Indicators:<br>2.1 **Alignment** - The extent to which activities of the division are relevant for decoupling economic growth and increased GHG emissions and supporting countries in their transition to a low-carbon growth path in accordance with Paris alignment and broader objectives<br>2.2 **Co-benefits** - The extent to which there are co-benefits from climate action on other development objectives and the extent to which SECO exploits synergies in its activities<br>2.3 **Trade-offs** - The extent to which there are trade-offs and risks associated with funding climate and other development objectives – and how they are dealt with. |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i2.1)** Ghana is a net emitter of GHG and the strategy is to continue to explore oil and gas resources. SECO's activities are relevant for transition to a low-carbon growth path. However due to Ghanas economic crisis it remains to be seen whether Solar PV Net Metering will be upscaled. |
| • **(i2.2)** There is evidence that SECOs support to SWISSCO (Halba) in promoting dynamic agroforestry in the cocoa value chain, strengthens cocoa farmers livelihoods by increasing cocoa yield, diversifying agricultural production and increase income by farmers being able to sell more cocoa and other farm crops. (Annina Böhlen (Halba), Christian Robin (SWISSCO), Martin Peter (SECO)) |
| • **(i2.3)** There is a high level of awareness in the SECO both as HQ and SCO level of the present economic crisis in Ghana conditioned by the high level of debt, which limits the Governments flexibility and room for manoeuvre which again limits the possibility for the SCO in raising additional issues such as climate change in its dialogue with the GoG. (Simone Häberli, Chantal Bratchi-Kaye, CPIR report Ghana 2022) |
| |

## COOPERATION APPROACH

### EQ 3 Institutional set-up

| | |
|---|---|
| EQ 3 To what extent does the internal institutional set-up, capacities, and procedures support climate action in particular mainstreaming and Paris alignment? | Indicators:<br>3.1. **Structures** - The extent to which the internal structures and cooperation with country offices are conducive for climate activities, particularly mainstreaming and Paris alignment<br>3.2. **Procedures** - The extent to which procedures and internal guidance are adequate for reaching the objectives, particularly mainstreaming, mobilisation and flexibility to adapt<br>3.3. **Instruments** - The extent to which availability of instrument (including grants, blending etc) are relevant for delivering the strategic objectives, particularly mainstreaming, private sector mobilisation, and Paris alignment<br>3.4. **Capacity** - The extent to which the capacities in the division, and knowledge management are supportive of climate activities<br>3.5. **Monitoring** - The extent to which the division's monitoring and evaluation system has been suitable for planning, steering and learning and accountability issues at project and institutional level, particularly mainstreaming, private sector mobilisation, and Paris alignment |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i3.1)** Procedures and structures in place to not secure consistent climate mainstreaming in the whole budget cycle. |
| • **(i3.2)** |
| • **(i3.3)** |
| • **(i3.4)** Call SECO supporting knowledge generation on good practices and lessons on climate incentives that work in the relation to private sector development |
| • **(i3.5)**<br>o Indicators on climate and renewable energy listed in the CS 2017 – 2020 are not followed up upon in the annual SCO reports. Neither are other indicators.<br>o Internally in its 2022 report SCO in Ghana, finds that the evidence on climate positive outcomes is fragmented and clustered around value chain approaches such as the agri-forest approach in cocoa farming. It is observed that KPIs on climate and gender should be included in log frames of upcoming projects and in general the portfolio needs to become more gender and climate oriented.<br>o CC is mainstreamed in the Sustainable Recycling Industries especially in the 2nd phase and there is a particular output 5.3 to develop measures to quantify the impact on CC mitigation. It is envisaged that by 2025 when the project ends there will be a quantification of the contribution to CC mitigation. It was always envisaged (output 5.3) to develop such methodologies which encounters lots of challenges. The project has had a direct impact on mitigation through recycling of metals which reduces the need for using energy to explore for new raw materials. This project did not address CC adaptation. The end report of 2022 doesn't mention climate change or if there are initiatives to develop med monitoring and verification methodology. ToR have been developed for the evaluation of the project and. These TOR do mention there was a link to CC in the project and they don't mention if and how this link should be evaluated although there is the evaluation question: Were planned activities necessary and adapted to the needs? Which ones were missing, if any? A field visit to Ghana is planned for this evaluation.<br>o The integrated ESG programme will not have indicators on climate in its log frame but progress will be measured according to the compliance with set standards and procedures and in terms of existence of new practices, training materials etc. The overall M&E framework for the project is being discussed in relation to the objective of becoming Paris Agreement aligned in 2025 so there might be formulated specific indications on climate. |

### EQ 4 Value added and synergies

| | |
|---|---|
| EQ 4 To what extent does the division's climate support provide value added/exploit a niche in Swiss climate | Indicators:<br>4.1 **Clarity** – The extent to which climate as a transversal theme fostered climate conscious project development and helped identify climate change opportunities across all thematic areas<br>4.2 **Partner cooperation** – The extent to which SECO cooperation with partners is relevant for delivering the strategic objectives |

| | |
|---|---|
| efforts and in global climate efforts? | 4.3 **Comparative advantage** – The extent to which the interventions draw upon and leveraged Swiss knowledge and expertise<br>4.4 **WOGA** – The extent to which coordination and synergies with other Swiss government entities furthered Swiss climate objectives<br>4.5 **Coherence** – The extent to which cooperation with Swiss stakeholders incl. the private sector and civil society organisations promoted Swiss climate objectives, coherence with other development partners<br>4.6 **Complementarity** – The extent to which activities are coordinated, amplifying or complementary to those financed by other donors, multilateral organisations, and possibly the Swiss private sector |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i4.1)** There is awareness in SECO and especially among partners that climate need to be mainstreamed. |
| • **(i4.2)** SWISSCO partnering with the German, Dutch and Belgian chocolate organisations i.e., DISCO, GISCO and Beyond Chocolate<br>• **(i4.2)** The dialogue between IFC and SECO is happening in the context of the WBG already having decided to become Paris Agreement aligned. In this context, there is a discussion of different points in the integrated ESG project approach. SECO is showing interest in climate change through the financing of projects such as the integrated ESG project. (Moez Maoui, IFC). At the country level, the Ghana SCO facilitated a dialogue on disclosure between the integrated ESG project and the Global Reporting Initiative (GRI) which SECO also supports. GRI is about enhancing global sustainability reporting. (Yewande Sewa, IFC) |
| • **(i4.3)** The comparative advantage that SECO has in relation to SWISSCO is that Ghana is Switzerland's main supplier of cocoa beans. |
| • **(i.4.4)** |
| • **(i4.5)**<br>o SRI: In global programmes we don't have contact with other SCO on how they implement and with what results.<br>o Halba lead the Swissco WG on biodiversity and environment but left because there were too much divergence among the companies involved on what should be the level of ambition on environment and climate. Now there is a WG at the European level with Belgium, Netherlands, Germany and others.<br>o Halba was not aware/ has not been made aware of the Ghana Private Sector Competitiveness project on cashew and palm oil. The dynamic agroforestry approach works for these value chains as well. |

## RESULTS
## EQ 5 Results

| | |
|---|---|
| EQ 5 To what extent has climate interventions led to or contributed to achieving the expected objectives? | Indicators:<br>5.1 **Results** - The extent to which the interventions contributed to emissions reductions and climate adaptation in accordance with the expected targets and partner country objectives, priorities, strategies and plans e.g., NDC, NCCS, LTS, NAP etc.<br>5.2 **Targets** -Whether the SECO climate target on financing is achieved in itself and in relation to Paris agreement.<br>5.3 **Why and why not?** The most important factors for success and for failure. |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • The SECO climate commitment to Ghana of CHF 29,846,250 is concentrated on few projects. 94% of the commitment is allocated to six projects. Only two projects cover 72% of the commitment. The solar PV net metering has 100% allocation. It's a big investment for SECO as it hasn't done something similar before and it's a project approach not mainstreaming. It is expected to contribute to avoided emissions as the solar power will be connected to the grid and the contribution will be substantial. As it started up in 2022, it is too early to measure results. |
| • **(i5.1) Solar PB Net Metering** On climate change one expected result is that the supply of electricity generated from renewable energy sources is increased (by 103 GWh/year) and correspondingly greenhouse gas emissions are mitigated (71900 tons per year or over 1.4 million tons over the lifespan of the solar panels). By the end of the project, strategies and action plans developed by the Ministry of Energy and the power distribution utilities of Ghana for the future of net-metering and distributed generation should be ready. (Credit proposal, SECO Daniel Menebhi) |

- **(i5.1)** In SWISSCO the target was to import all cocoa and cocoa products to Switzerland from sustainable production. The first milestone is set an 80% sustainable sourcing goal by 2025. A preliminary result was that in 2021, 71% of cocoa equivalents imported into Switzerland were sourced from sustainable production. (Credit proposal)
- **(i5.1)** SWISSCO has elaborated a guidance document for its member which is intended to provide a guidance framework for stakeholders in the cocoa sector seeking to establish a broad range of actions that take the complexity of crop- and site-specific impacts of climate change and the realities of smallholder cocoa farmers into account.
- **(i5.1)** The working group on climate resilience and biodiversity finalised, the roadmap on how to implement the SWISSCO principles P3 (prevention of deforestation and sourcing from protected areas and promotion of reforestation), P4 (promotion of climate-smart agriculture and on-farm biodiversity), and P5 (increased farm productivity and profitability).
- **(i5.1)** Cumulatively from 2018 to 2021, close to 2.5 million multi-purpose trees and 253,263 plantain suckers were planted, and close to 7 million cocoa seedlings were distributed.
- **(i5.1)** In SWISSCO, cumulatively until 2021, the projects covered a total cocoa farm area of 133,063 ha, compared to 101.012 ha in 2020. In 2021 reported aggregated hectares of newly established agroforestry systems represent 7,9% of the total cocoa farm area of the projects. This is more than double the area compared to the reported 3.3% in the previous reporting year. Also, a comprehensive set of 36 Standard Operating Procedures Document for the recycling of Used Lead Acid Batteries was launched in a version customized to Ghana conditions. The result frame of the project does not have indicators for job creation or avoided GHG emissions. (Status report 2nd phase 2022 SRI)
- **(i5.1)** The SRI programme in Ghana has been addressing recycling solutions for e-waste, e-waste plastics, waste tyres and used lead acid batteries. SECO Ghana together with the SRI team, in close cooperation with the GIZ e-waste programme, has held high level decision maker meeting with the Commission for Technical Educational Vocational Training (C-TVET) in December 2022 to discuss the follow up off an official curriculum for e- waste management and recycling.
- Lesson: The public-private cocoa projects under the Swiss Platform for Sustainable Cocoa are promising instruments to pilot new approaches in the cocoa value chain. For progress in this field, an intense dialogue with governmental authorities is key. The objective is to reach agreement on reform actions in order to mainstream successful demonstration projects (CS 2021 – 24)

## EQ 6 Results – private funds

| | |
|---|---|
| EQ 6 To what extent to which the division's activities supported mobilisation of private funds? | Indicators:<br>6.1 **Results** The extent to which the division's activities to support mobilisation of private funds were successful?<br>6.2 **Sustainability –** the extent to which these activities resulted in self-sustained private financial flows for climate<br>6.3 **Why and why not –** The most important factors for success and failure |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| o **(i6.1)** Investments from SMEs to install solar PV with net metering counts as mobilisation of private funds.<br>o **(i6.1)** In the first call for proposal under SWISSCO 4 projects were approved for Ghana which with a financial support from SECO of CHF 4.2 million raised CHF 13.5 million from the members of SWISSCO**.** (Memo, Proposal for a budget increase (CHF1 million) for the Swiss Cocoa Platform Support Programme, 20. April 2020) |

## EQ 7 Impact

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| EQ 7 To what extent are the interventions generating or are expected to generate significant positive or negative and intended or unintended impacts? | Indicators:<br>7.1 **Low carbon** - The extent to which the division contributes to 'decarbonisation'? The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio<br>7.2 **Climate resilience** - The extent to which the division contributes to 'climate adaptation'; The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio<br>7.3 **What about non climate actions?** - The extent to which there is a positive or negative climate impact from interventions that are not marked climate relevant |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|

| |
|---|
| • **(i7.1)** The aim of the Solar PV Net Metering project is to further RE |
| • **(i7.2)** SECO contributes to climate resilience in the SWISSCO and integrated ESG project as well as the Mainstreaming Climate Change in PFM project in Ghana. |
| • **(i7.3)** |

## EQ 8 Sustainability

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|---|---|
| EQ 8 To what extent are the results likely to be sustainable? | Indicators:<br>8.1 **Transformation -** The extent to which the supported interventions are transformative?<br>8.2 **Policy and systems changes -** The extent to which the interventions led to policy and systems changes?<br>8.3 **Vulnerability of portfolio -** To what extent are SECO's projects considered a long-term risk if the climate change is not mitigated soon enough?<br>8.4 **Environmental considerations -** To what extent are the divisions interventions considering ecosystems and biodiversity?<br>8.5 **Why or why not? -** The most important factors for sustainability or lack of sustainability. |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i8.1)** SWISSCO has the potential to be transformational as the methodologies and best practices developed in the SWISSCO projects can be applied in the projects supported under article 6. SWISSCO can also inspire integration of climate in the GPSCP II as the dynamic agroforestry can be applied also in the palm oil and cashew value chains. |
| • **(i8.1)** Regarding the e-waste recycling and circular economy its transformative as it through long term intervention has supported legislation and standards as well as work on the ground to establish e-waste recycling systems. Sustainability such as financing mechanisms have been addressed in other countries like Peru and Columbia but in Ghana this was addressed by a GIZ/KfW project that took place in parallel. (WRF) |
| • **(i8.2)** CCIA developed by the World Bank will influence the climate risk country profile and subsequent polities. |
| • **(i8.3)** SECO's projects in Ghana are not considered a risk even if climate change is not mitigated soon enough. |
| • **(i8.4)** SWISSCO has impact on soil quality and retention and is reducing deforestation related to cocoa cultivation. |
| • **(i8.4)** SRI is an environmental project on recycling which will have positive impact on ecosystems and biodiversity as many dump sites for e-waste are not in use any more or less used. (WRF) |

## Annex 2: List of people interviewed

| Interviewee | Institutions | Project /Topic | Date |
|---|---|---|---|
| Chantal Bratschi-Kaye | SECO-WE, | Ghana focal point, macroeconomy | 6 March |
| Daniel Menebhi | SECO-WE | Solar PV net metering | 8 March |
| Martin PETER | SECO-WE | SWISSCO | 8 March |
| Daniel Benefoh | EPA | Article 6 | 10 March |
| Gisela Roth | SECO-WE | IFC Integrated environment & social governance (IESG) | 13 March |
| Edi Medilanski | FOEN | Article 6 | 14 March |
| Mathias Schluep | World Resources Forum (WRF) | Sustainable Recycling Initiative | 14 March |
| Damilola Sobo<br>Tania Mansour, Yewande Ciwa, Moez Miaoui | IFC | Integrated Environment & Social Governance | 20 March |
| Annika Böhlen | Halba | SWISSCO | 21 March |
| Anne Schick | SECO – Swiss Cooperation Office Accra | Sustainable Recycling Initiative | 24 March |
| Christian Rodin | SWISSCO | SWISSCO | 22 March |
| Angela Yayra Kwashie | UNCDF LoCAL Ghana CO | Mainstreaming of CC in decentralized budget support | 27 March |
| Yannick Träris | KliK Foundation | Article 6 | 28 March |
| Ebenezer (Ato) Simpson | NIRAS | Private Sector Competitiveness Project | 31 March |
| Simone Häberli | SECO SCO Ghana | Overall report | Email |

## Annex 3: Documents Consulted


- Annual Report 2020, Swiss Platform for Sustainable Cocoa
- Baseline report, Program Evaluation and Impact Assessment of the Global Program for Sustainability, 16th January 2023, Trinomics, DT Global
- City Resilience Programme, Annual Report 2019 – 2020, WBG and GFDRR
- Climate Risk Profile – Ghana, World Bank Group, 2021
- Climate-smart agriculture and agroforestry in cocoa – Guidance document on financing needs and opportunities, SWISSCO
- Cooperation Strategy S 2021 – 2024 Ghana, SECO
- Credit Proposal, Ghana Solar-Photovoltaic based Net-Metering, 9 Feb 2022
- Credit Proposal, Integrated Environmental, Social and Governance (ESG) Programme 2021 - 2028
- Credit Proposal, Swiss Platform for Sustainable Cocoa Support Programme, 08.12.17
- Final Evaluation of the Local Climate Adaptive Living Facility (LoCAL) Evaluation Report, UNCDF, IPE Global, Dec 2022
- For sustainable prosperity SECO's economic development cooperation 2021-2024
- Global Annual Report on Integrated Environment, Social and Governance (ESG) Program: Driving Sustainable Investment September 15, 2021 – June 30, 2022
- Global Program on Sustainability, annual report 2020/21, World Bank, GPS, Waves
- Green Progress Report Year 2, UNCDF LoCAL, 2022

- Implementation Report, Swiss Economic Cooperation and Development Ghana Cooperation Programme 2022
- Implementation Report, Swiss Economic Cooperation and Development Ghana Country Strategy 2020
- Memo, Proposal for a budget increase (CHF1 million) for the Swiss Cocoa Platform Support Programme, 20. April 2020
- Midterm Evaluation Report, Sustainable West Africa Palm Oil Programme (SWAPP) II, Ghana, PPP, Proven AG Solutions
- Progress Report 2022, Sankofa Project - Empowered by Alliances for Action, SECO Innovative Value Chain Projects Private Sector Co-Financing Facility for the Swiss Platform for Sustainable Cocoa
- Project Data Sheet, Ghana Private Sector Competitiveness Program 2017-2021
- Project Data Sheet. Sustainable Recycling Industries Phase II 2019-2023, SECO
- Proposal Sankofa 2_ signed 2022
- Results Framework Dispatch 2021-24 final version February 2021
- Status Report 2022, 2nd phase Sustainable Recycling Industries, Tobias Schleicher, Andreas Manhart, (Oeko-Institut e.V.) Dr. Sampson Atiemo (Mountain Research Institute) Letitia Nyaaba (Ghana National Cleaner Production Center)
- Terms of Reference for External End-term Evaluation of Sustainable Recycling Industries (SRI), SECO 2022
- The Ghana Poverty and Inequality Report – 2016, UNICEF
- Updated Nationally Determined Contribution under the Paris Agreement (2020 - 2030) – Ghana
- World Bank Paris Alignment Method for Investment Project Financing Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/099710403162331265/IDU0782c88ff0c719041ed08b850a84f82eccaa4
- World Bank Paris Alignment Method for Investment Project Financing March 7, 2023
- TENDER ID. 238202 Tender Document For the implementation of the "Ghana Private Sector Competitiveness Program Phase II

# 1 Introduction

## 1.1 Country context – political, economic, climate, main development challenges

### Political context

Indonesia is a democratic republic with a presidential system, where the President serves as both the head of state and government. The country's political context is characterized by a diverse and complex mix of ethnic, religious, and cultural groups. Indonesia has a decentralized system of governance, where power is shared between the central government and regional governments. The country is divided into 34 provinces, each of which has its own governor and legislature. At the next level, each province is further divided into regencies and cities, which are governed by a regent or mayor, respectively. Although a functioning democracy for years, corruption and the armed forces influence in the political and economic system remains an issue.[76]Indonesia is an active international player, incl. as a G20 member, and influential member of ASEAN.

### Economy

Indonesia is currently the world's fourth most populous country and 10th largest economy in terms of purchasing power parity. The country has made significant progress in reducing poverty, with the poverty rate dropping by more than half since 1999 to under 10% in 2019. However, due to the economic impact of the COVID-19 pandemic, Indonesia's income status was downgraded from upper-middle income to lower-middle income in July 2021. Additionally, the pandemic partially reversed recent poverty reduction progress, with the poverty rate increasing from a record low of 9.2% in September 2019 to 9.7% as of September 2021.[77] Indonesia is projected to return to annual growth rates around 5 pct. (2023-2025). Indonesia current economic strategy includes increasing the country's competitiveness by promoting trade reforms (including reforms that can support green transition) and improve the human capital. [78]

### Climate

Indonesia is highly vulnerable to the impacts of climate change[79]. That is mainly due to its location on tropical islands and high population density - rising sea levels pose a significant threat to the safety of up to 42 million people living there[80]. However, Indonesia also has a strong capability to effectively address the challenges of climate change – it is rated as a country with high readiness to respond to climate change. Over the past two decades, Indonesia's vulnerability to climate change has steadily decreased, mainly due to general preparedness for climate-related natural disasters as well as decreased dependency on imported energy, and improved electricity access. However, progress in the food, water, health, and environment sectors has been slower, mainly due to low and decreasing agriculture capacity, inadequate dam storage capacity, insufficient medical staff, and the projected high impact of climate change on marine biodiversity. In terms of readiness, Indonesia's level of preparedness exhibited a sharp decline between 2013 and 2015, and since then, progress has been gradual. The decline was primarily driven by a significant deterioration in Indonesia's business environment. On the other hand, the country has been improving governance

[76] https://www.britannica.com/place/Indonesia/Justice
[77] https://www.worldbank.org/en/country/indonesia/overview
[78] https://openknowledge.worldbank.org/server/api/core/bitstreams/1d262981-8d96-5695-96bc-64c9b24d609f/content
[79] https://gain.nd.edu/our-work/country-index/
[80] https://www.mopanonline.org/analysis/items/MOPAN_MLE_Climate_Change_Volume3_web.pdf

and social readiness over the past two decades. Overall, Indonesia is the 76th most vulnerable country and the 103rd most ready country.[81]

Indonesia is a significant contributor to global greenhouse gas (GHG) emissions, ranking sixth in Asia and ninth globally in 2021, but in terms of GHG emissions per capita, Indonesia ranked 101st country globally in 2019, with 2.3 metric tons[82]. The country's annual GHG emissions have increased from nearly 513 MtCO2 in 2015 to 602 MtCO2 in 2021, representing 1.59% of total global emissions that year.[83] The primary sources of emissions are deforestation (AFOLU) and peat land fires, and secondarily from burning fossil fuels for energy. Its high deforestation rate is largely due to the expansion of palm oil cultivation, which accounts for 53% of global palm oil production. Between 2000 and 2015, Indonesia lost an average of 498,000 hectares of forest each year, making it the world's second-largest deforester after Brazil. In 2015, changes in land-use, peatlands, and forests accounted for 79% of Indonesia's GHG emissions.[84] However, Indonesia has experienced a decline in deforestation rates in recent years, which is mainly attributed to the government's response to the devastating 2015-2016 fire crisis.[85] According to the Ministry of Environment and Forestry of Indonesia, the deforestation rate decreased by 75% in 2020, reaching its lowest level since monitoring began in 1990. Government officials attribute this decrease to government policies such as moratoriums on clearing primary forests and issuing licenses for new oil palm plantations. Other factors that may have contributed to the decline in 2020 include an unusually wet year, declining palm oil prices, and an economic slump that led to a slowdown in forest-clearing activities.

Indonesia's 2021 NDC[86] outlines four principles for combating climate change:

- employing an integrated landscape and multi-sectoral approach
- scaling up best practices in climate change mitigation and adaptation,
- integrating/mainstreaming climate change into development planning, and
- improving resilience in food, water, and energy through better natural resource management.

Indonesia has set ambitious targets in line with the Paris Agreement's Article 4.19. In 2021, Indonesia formulated a Long-Term Strategy for Low Carbon and Climate Resilience 2050 (LTS-LCCR 2050) to guide the country's path towards low emission development until 2050, and subsequent nationally determined contributions (NDCs).[87] Furthermore, at the request of the Indonesian Government, the International Energy Agency has developed a comprehensive energy sector roadmap for the country in 2022, aiming to achieve net zero emissions by 2060. The Energy Sector Roadmap to Net Zero Emissions in Indonesia covers key areas such as people-centered transitions, phasing down of coal use, investment and financing needs, and critical minerals.[88] Based on Indonesia's updated Nationally Determined Contributions (NDC) for 2022, the country has set ambitious targets to reduce greenhouse gas emissions. Indonesia aims to achieve a reduction of 31.89% through its own efforts, and potentially up to 43.20% with international assistance, by the year 2030.[89]

[81] https://gain.nd.edu/our-work/country-index/
[82] https://www.theglobaleconomy.com/rankings/Carbon_dioxide_emissions_per_capita/
[83] https://edgar.jrc.ec.europa.eu/report_2022
[84] https://www.mopanonline.org/analysis/items/MOPAN_MLE_Climate_Change_Volume3_web.pdf
[85] https://www.thejakartapost.com/news/2020/06/08/indonesia-reduces-deforestation-rate-as-researchers-urge-caution.html
[86] https://unfccc.int/sites/default/files/NDC/2022-06/Updated%20NDC%20Indonesia%202021%20-%20corrected%20version.pdf
[87] https://unfccc.int/sites/default/files/resource/Indonesia_LTS-LCCR_2021.pdf
[88] https://iea.blob.core.windows.net/assets/b496b141-8c3b-47fc-adb290740eb0b3b8/AnEnergySectorRoadmaptoNetZeroEmissionsinIndonesia.pdf
[89] https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf

Indonesia has set ambitious targets in the forestry sector, aiming to restore 2 million hectares of peatlands and rehabilitate 12 million hectares of degraded land by 2030. The country's NDC target for the land use sector highlights the importance of REDD+ in achieving these goals. In the energy sector, Indonesia is committed to a mixed energy policy and clean energy development. The government is also committed to developing comprehensive waste management strategies to improve local policy and institutional capacity, enhance urban wastewater management, and reduce landfill waste through the "Reduce, Reuse, Recycle" approach.

Indonesia's commitment to climate change adaptation is reflected further in the 2021 NDC. The National Action Plan on Climate Change Adaptation has been integrated into the National Development Plan and outlines strategic directions and actions to enhance economic, social, and livelihood resilience, ecosystem and landscape resilience, and capacity-building for communities and sustainable ecosystem services. These measures aim to:

- reducing drivers of vulnerability to climate change impacts,
- responding to climate change impacts and managing risks,
- enhancing capacity of communities and sustainability of ecosystem services,
- enhancing engagement of stakeholders at all levels in building climate resilience

### 1.2 SECO's support to climate in Indonesia – overall

**The country programme – mainstreaming climate and environment:**

The country allocation for Indonesia in the strategy periode 2017-2020 amounted to 75 million CHF. The country allocation for the 2021-2024 period amounts to 65 million CHF. The portfolio in Indonesia consists of a combination of bilateral engagements only for Indonesia some of which are multi-bi projects, and the coverage of Indonesia of multicountry trust funds implemented primarily by the WBG.

Successive country programmes acknowledge the need to strengthen emphasis on environment, climate change, biodiversity, and disaster risk reduction. Based on lessons learned from the 2013-2016 programme, the 2017-2020 country programme stresses the need to address environmental protection and climate change into the project design and implementation where it can contribute to the overall strategic objectives of 1) improve public service delivery though efficient and sustainable use of resources and 2) a more competitive and job creating private sector with access to sustainable resources and markets. The most concrete measures related to climate is evident in a stronger focus on integrated urban development and suggested measures related to energy efficiency.

In the 2021-2024 country programme it is recognized that progress is still needed to integrate environmental and climate aspects into SECOs work and there is a commitment to give these aspects more attention in the form of specific activities. The two priority areas from the previous strategy are maintained albeit in a slightly changed form for the second objective: Strengthening private sector competitiveness, in particular SMEs. Specific activities include climate sensitive budgeting, risk informed investments in urban infrastructure as well as in mobility not reliant on motorized transportation to support the government's commitment to reduce emissions.

**The climate protfolio of SECOs engagement in Indonesia.**

SECO's contribution to climate efforts in Indonesia accounted for 33% (CHF 34.5 million[90]) of the total SECO funding in Indonesia committed between 2017 and 2022 ( CHF 104.4 million). At the same time 55% of the total commitement provided was climate relevant (figure 1). Climate commitments have on the whole been increasing in the past years as a share of funding (figure 2).

*Figure 1*

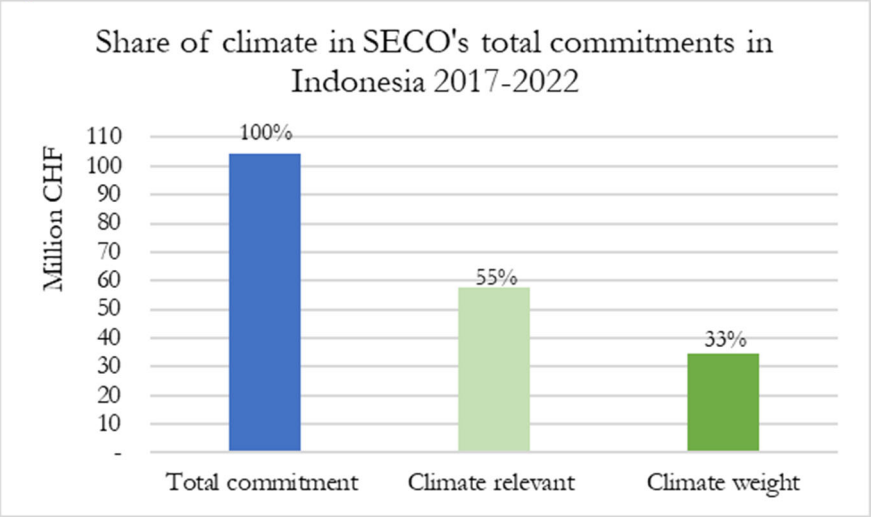
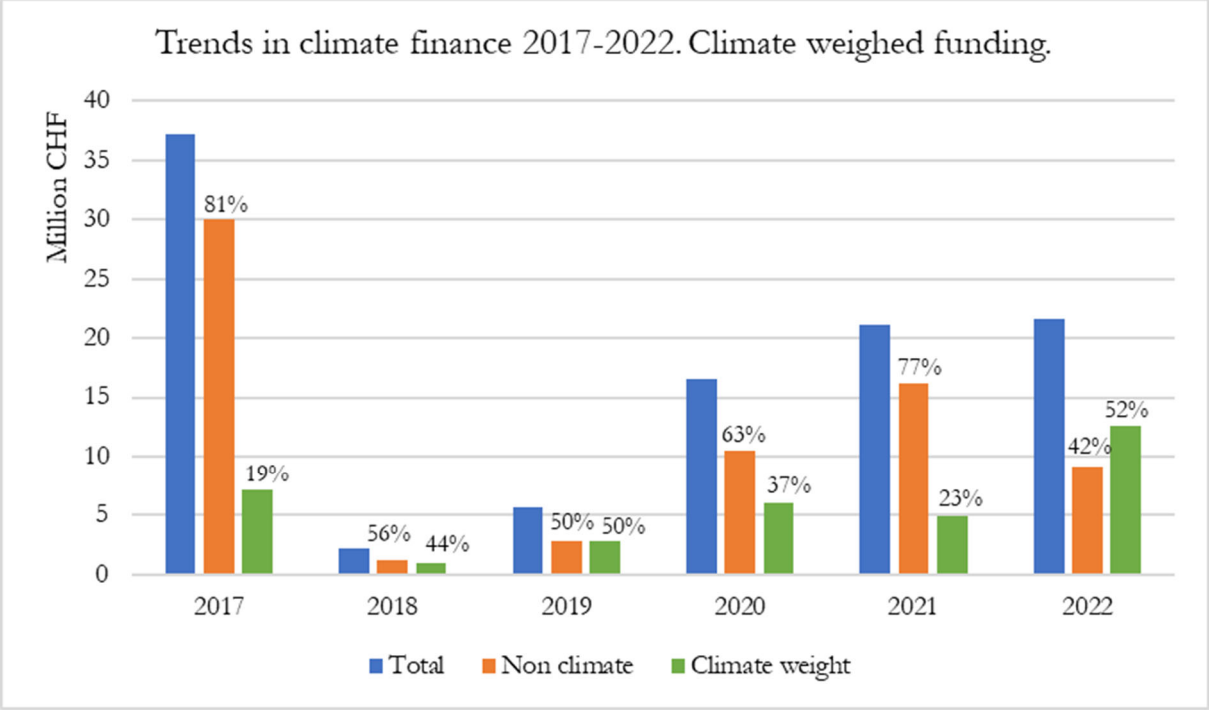


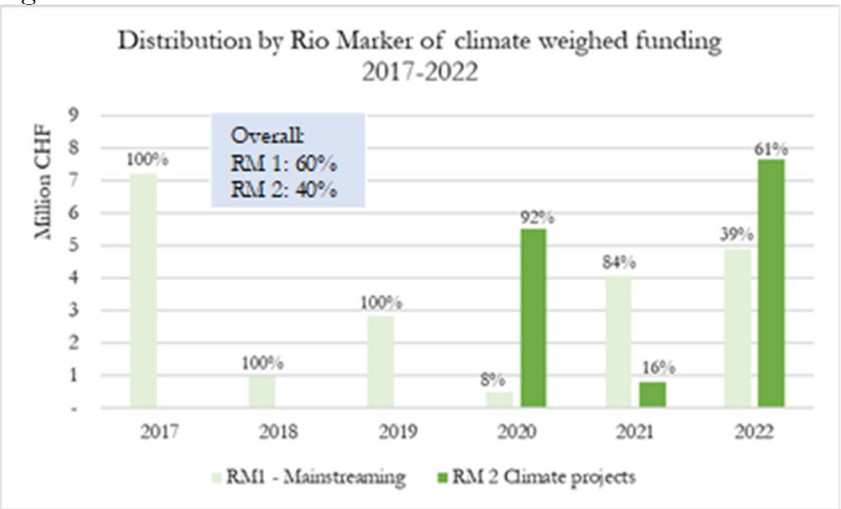

*Figure 2*




[90] Climate relevant funding refers to projects that address climate. Climate weighed funding is calculated using the Rio Marker weights developed by SECO and reflecting the financing directly related to climate E.g. a climate mainstreaming project will typicall include funds for other purposes than climate and hence does not count as climate finance.. Annex 1 of the Draft Evaluation Report contains the portfolio analysis and methodologies.

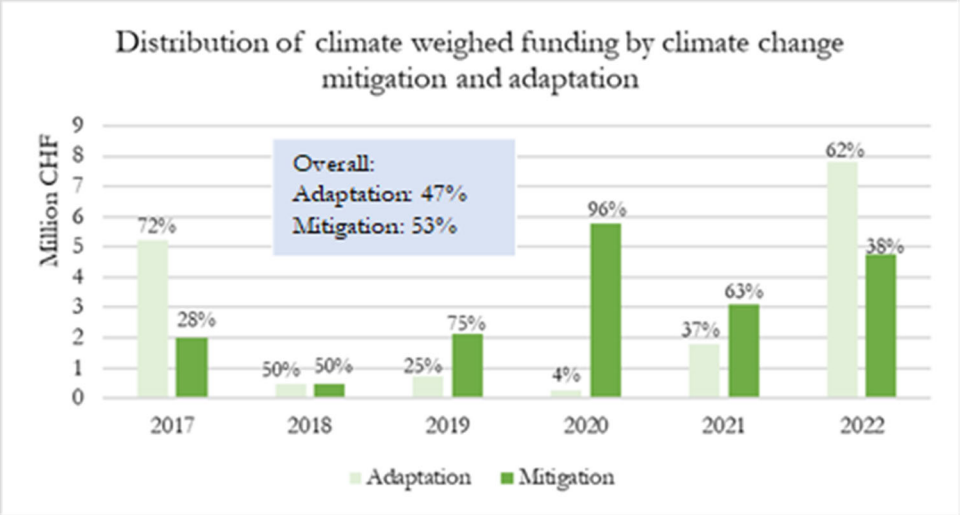
In general, 60% of climate finance was allocated to mainstreaming efforts (Rio Marker 1), while the remainder was directed towards climate projects (Rio Marker 2). Funding for Rio Marker 2 projects are increasing but relates to few larger projects – Renewable skills in 2020, and the sustainabale landscape programme in 2022.

*Figure 3*




Regarding climate adaptation and mitigation, mitigation received greater support, representing 53% of the total climate funding. While the support for mitigation activities had increased steadily from 2017 to 2020, it has since slowed down, with considerably more funding committed to adaptation than to mitigation in 2022 (figure 4).

*Figure 4*




SECO's business lines in Indonesia prioritize market-oriented skills, but this area is ranked third in terms of its focus on climate. Integration into value chains has the highest focus on climate, followed by urban development and infrastructure. Other business lines also have some level of focus on climate-related initiatives (figure 5).

The majority of SECO's ODA, including climate finance, is channelled through multilateral development banks and UN agencies. The majority of funding channelled through the private sector – foreign (GFA Consulting Group) and Swiss consultants - is for climate initiatives, due to their enagagement in the Renewable Energy Skills Programme in Indonesia (figure 6).

*Figure 5*

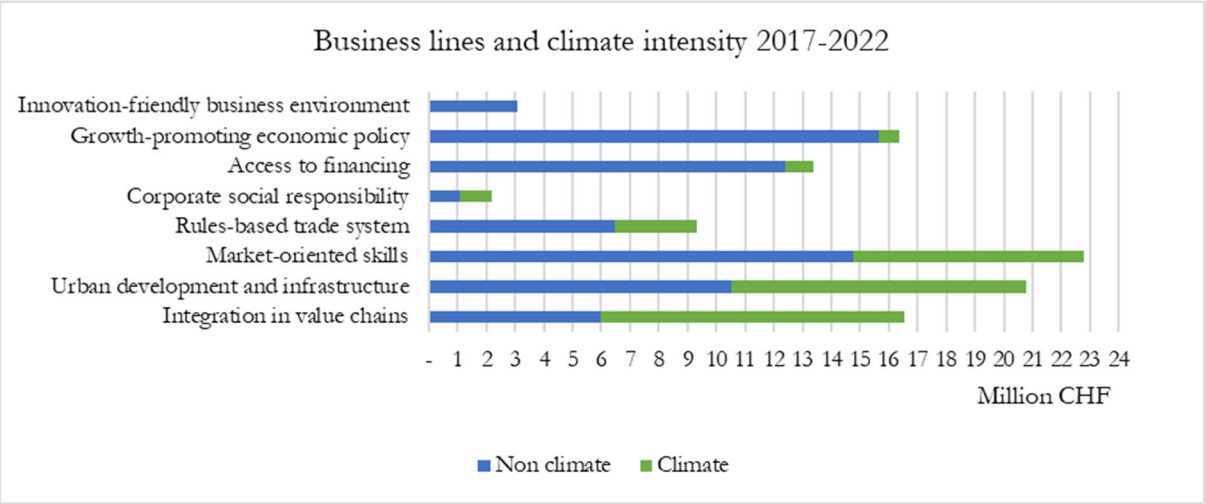
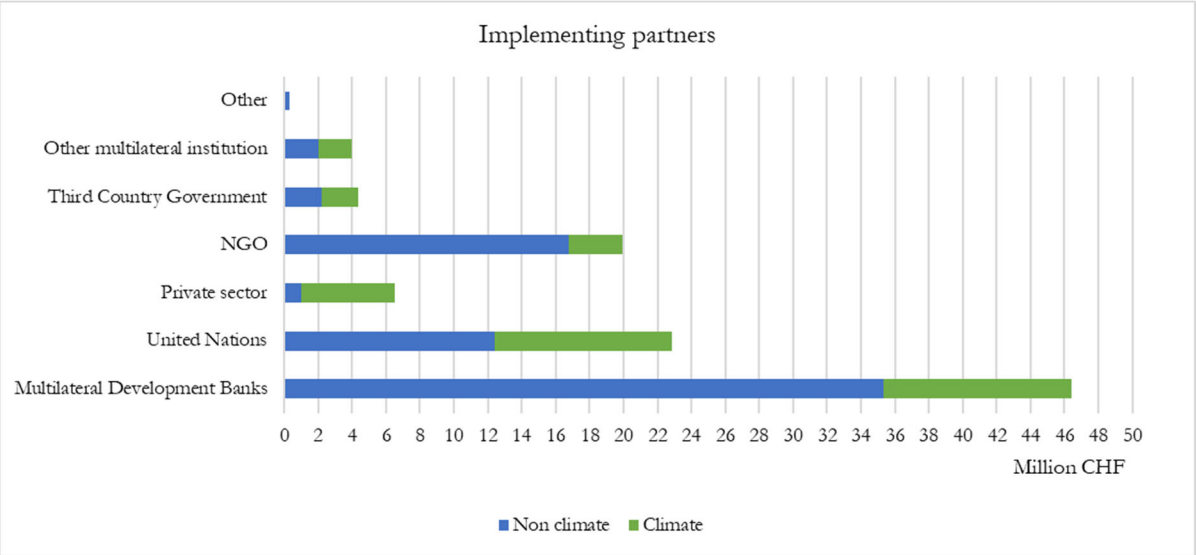



*Figure 6*




### 1.3 Methodology and projects selected

SECO is involved in 27 different engagements in Indonesia across 5 business lines with 15 different implementing partners. Some of the engagements are global in nature whereas others are specifically focused on Indonesia combining multi-bi projects with bilateral projects implemented via Swiss partners (Swiss NGO and consultants) or other bilateral partners[91] SECO's cooperation with development partners in Indonesia is well developed also based on partnering with a range of influential partners incl. the WB, IFC, KfW, USAID, GIZ, and UN organisations. Specifically, within climate there is strong cooperation with the WBG and in the priority sectors of urbanisation, Public Financial Management, and tourism.

**Selection of projects for deep dives**: In the selection of the six projects across the countries the criteria are:

- Representation of at least all the SECO units and to the extent possible business lines
- A selection of at least some projects where there is collaboration between the SECO units

[91] SECO Project List Indonesia contains 27 engagements. 14 projects can be characterised as global, 7 as multi-bi and 6 as bilateral. This count does not take into consideration that the Sustainable Tourism Programme contains three distinct pillars of which one is multi-bi and the 2 others bilateral. Here it is counted as a multibi-project.

- A balance of different partners (multilaterals, private sector, government NGOs)
- A combinations of Rio marker 0, 1 and 2 for both adaptation and mitigation;
- Inclusion of least some projects where there are links to the thematic studies as they provide additional triangulation.

Based on the above criteria the following projects were selected for closer scrutiny by the team

| Code | Name | Period | Funding (CHF) | Comments: Rio Marker, adaptation-mitigation, partner, SECO Unit |
|---|---|---|---|---|
| UR_01248-01/088 | Renewable Energy Skills development (RESD) | 2019-2021 2020-2025 | 6.500.000 | RM 2, mitigation, Swisscontact, WEIN |
| UR_00939-02 | Design for Greater Efficiency (DfGE) | 2021-2024 | 930.000 | RM 2, mitigation, IFC, WEIF |
| UR_01070-01 | Sustainable Tourism Development in Indonesia (STDI) | 2017-2022 | 11.750.000 | RM1/0 Programme, Adaptation, WB and Sustour Swisscontact , WEHU |
| UR_00803-01 | Sustainable Urbanisation in Indonesia | 2017-2021 | 1.425.000 | RM 1, Adaptation, WB, WEIN |
| UR_01275-01 | Sustainable Landscape Pprogramme Indonesia (SLPI) | 2022-2027 | 9.000.000 | RM 2, Adaptation and mitigation, GIZ, Swisscontact, Kaleka, Daemeter and UNDP ; WEHU |
| UR_01247-01 | Water Supply IUWASH PLUS | 2019-2021 | 4.370.000 | RM 1, mitigation, USAID, WEIN |

**Skills:** The two skills projects build on SECOs long term engagement in the skills development sector in Indonesia:
The purpose of the RESD programme is to enable competent design, planning, installation, operation and maintenance of RE plants through the availability of qualified staff relevant to labour market needs.
The strategy is to develop a formal multi-disciplinary renewable energy specialisation programme to be taught at selected polytechnics and support non-formal training modules based on the formal post graduate study programme for already graduated civil, mechanic, and electrical engineers. In addition, the programme will support the development of higher national qualification standards along the lines of the established procedures in Indonesia as well as knowledge exchange about the activities.

The DfGE programme is linked to the larger EDGE programme on energy efficiency in buildings implemented through IFC. The purpose is to strengthen the skills needed by architects and construction engineers to drive green building adaptation to reduce GHG emissions. The strategy is to supplement the EDGE engagement that promoted standards/green codes and certifications for green building by providing the necessary skills.

**Sustainable tourism:** The programme consists of 3 pillars 1) macro-level support for planning and coordination of sustainable tourism development implemented with the WB; 2) meso-level support to develop skills for the hospitality sector with a focus on the Polythenic in Lombok; 3) local level support in Flores and Wakatobi to build awareness and create linkages between the local economy and the tourism development activities using an MSD approach. Prior to 2016, tourism development had focussed on the meso and local level – but it was increasingly recognised that for tourism to provide for sustainable growth and jobs, there was a need for policy reforms to ensure that tourism did not lead to overcrowded destinations, insufficient infrastructure, and erosion of natural and cultural resources, hence the need to add the macro level and the development of

integrated tourism masterplans that also addresses coordination within the tourism sector between the central and regional/local levels.

**Sustainable urbanisation (IDSUN):** Trust fund with the WB to support GoI and a few cities to address challenges of sustainable urbanisation. The project aims to enable Indonesian cities to make evidence-based decisions, adopt multisectoral approaches and identify appropriate financing solutions for sustainable and resilient urban investments. The strategy is to provide technical assistance and capacity building activities under two cross-cutting thematic areas – integrated planning and investments for sustainable and resilient cities and financial solutions – and three integrated sector engagements – urban disaster risk management, urban water supply and sanitation, and urban mobility.

**Sustainable Landscape Programme Indonesia (SLPI):** The purpose of the programme is to reduce rural poverty and reduce GHG emissions. The strategy is to contribute to well-governed sustainable landscapes in Indonesia that provide for improved agricultural production and thus income opportunities for the local population, which will at the same time benefit from intact natural ecosystems. The programme has two components: 1)Landscape projects (4 ) in support of collaboration of relevant stakeholders to establish shared visions on sustainable landscapes involving increased agricultural productivity through e.g. multi cropping and protection of natural ecosystems; 2) umbrella component of the 4 projects incl. to ensure the experience sharing between the projects and the local level and the national level.

**Water supply (IUWASH PLUS):** The purpose of the programme was to increase access to water supply among urban poor as frequent disruptions in water supply and high costs was an impediment to growth. The strategy was to strengthen the operational and financial performance of 7 water utilities in Java through reducing Non-Revenue Water (NRW), increasing energy efficiency (EE) and delivering capacity building (CB) to strengthen their human re-sources.

## 2 Summary of Findings

The following findings are based on a desk assessment of available documents, interviews with SECO in Bern and in Jakarta, implementing partners, government partners and beneficiaries. A full list of documents and interviewees are available in Annex 2.

### 2.1 Strategic relevance – evaluation questions 1 and 2

**The increased attention to climate in SECO is reflected in the Indonesia portfolio.** Commitments to climate relevant activities increased over the 2017-2022 period. In the most recent years there is also an increase in funding where the primary objective is climate (Rio Marker 2). At the same time there is a recognition in the SCO that there is opportunity for SECO to increase its engagement with Indonesian partners even further to support resilience and climate related activities, including in the context of the green energy transition and leveraging green investments possibly as part of the transformation of the partnership as Indonesia moves up the income ladder. [92]

**The SECO approach of <u>increasingly</u> mainstreaming climate considerations complemented with climate targeted activities is relevant and aligned with Indonesia's policies and SECO partners' approaches.** Climate issues is hastily coming to the forefront in Indonesian policies. Although not always consistent in terms of the political attention and continued issues related to the phasing out of coal as a source of energy and an export commodity, climate targets are set at

[92] The Country Cooperation Programme Implementation report 2022 raises the question of a transformation/ possible phase-out of the cooperation over the coming decade.

the national, regional, and local levels. Indonesia is one of few countries globally to have conducted a PEFA climate assessment to strengthen the climate integration into public financial management, which was supported by SECO through the PFM-MDTF (see Case Study on support for PFM. Interviews with Bappenas (Indonesia's planning ministry) at national level and local level confirmed the mainstreaming approach of climate into government activities including a system of climate related indicators that had to be fulfilled at all levels of government across sectors, although Bappeda at local level in Labuan Bajo made it clear that they did not have the capacity, nor had they been given the resources to deliver on this. Similarly in the Sustainable Landscape Programme Indonesia in Siak District. While the local government understands the importance of a sustainable landscape approach and has developed the Green Siak District Roadmap, in line with sustainable landscape thinking, which outlines a comprehensive approach to reducing greenhouse gas emissions and promoting sustainable development, they lack the capacity to reach smallholder palm oil producers. The total area of smallholder palm oil plantations in Siak District covers 200,000 hectares, but due to limited capacity in terms of human and financial resources, the government of Siak can reach only 5% of these producers in relation to the implementation of the district action plan.[93]

Increased attention to climate mainstreaming is also evident in the approaches by SECO partners. Most of the projects that was selected for deep dives were in their 2nd or 3rd phase. Originally, there had been no/limited attention to climate but gradually climate issues had come to the forefront. This was the case with IUWASH PLUS which started out as a project focussed on access to clean drinking water and had gradually transformed to also take into account resource efficiency related to water spillage and energy consumption by water utilities. Similarly, sustainable tourism had developed from a focus on economically sustainable tourism at the local level to place more emphasis on other forms of sustainability incl. environmental. The Sustainable Tourism Development MDTF proposal (2016) only mentions climate in the context of "investment climate" and is mainly concerned with transport infrastructure, whereas the results in the form of the Integrated Tourism Master Plans (ITMP) should consider climate relevant issues as well as wider environmental issues incl. the need for wider investments in local infrastructure (water, wastewater treatment, waste treatment etc) to ensure long term sustainable tourism. [94] Similarly, climate mainstreaming has increased between phase 1 and 2 of the Sustainable Urbanization Trust Fund (IDSUN). In phase 2, climate resilience as an objective has been made more explicitly, in accordance with a recommendation of the phase 1 evaluation and in accordance with the requirements of the WBG, with support from SECO.

**Climate mainstreaming of interventions is generally not driven by SECO but by GoI or by partners.** SECOs focus remains on economic growth and efficiency. Although the importance of climate action and the integration with development is widely recognised in SECO, SECO is not driving climate issues neither in its policy dialogues with partners nor as part of project preparation with partners. Interlocutors from implementing partner organisations and GoI partners agreed that SECO was not the initiator of increased climate mainstreaming into the projects but was rather seen as following the lead of others. Although SECO was generally - and in comparison, to other donors to multilateral partners - an active and knowledgeable partner, partners were not of the impression that SECO took a strong interest in climate. Partners from GoI could not give examples of SECO initatives for climate action e.g. in the context of Steering Committee meetings. SECO would mention climate change and the importance but not suggest new initatives. This view was supported by Indonesian CSOs that did not associate Switzerland with climate or climate related activities. Some interlocutors in SECO said that this would be well in line with Swiss respect for country ownership expecting government partners to take a lead on a topic like climate.

[93] Based on interview with Siak Government representatives.
[94] Based on interview with WB TTL. The evaluation team did not yet receive copies of the ITMPs as they are in their final stages of approval.

**In general, the choice of activities and partners did not relate to climate considerations** Switzerland is generally known for long term engagements within selected sectors/areas and with partners. This is also the case for the country programme for Indonesia. It to a large extent build on past programmes and cooperation with well-known and trusted partners. This may also partly explain the way that Switzerland has approached climate issues in Indonesia – there is an expectation that partners will manage and provide the expertise in a new area such as climate with SECO following. This was the case in urban and water projects as well as in tourism. The exceptions are the renewable energy skills project, which was originated by SECO as an addition to the already existing skills programmes that Switzerland has been engaged in on and off for the past 50 years in Indonesia. The other exception is the Sustainable Landscape Programme Indonesia, that is Rio Marked 2 and has an overall objective to avoid GHG emissions. The decision to support the SLPI led to cooperation with new partners – whose capacities in the climate area seem to be limited. An example of this is the Siak Pelalawan Landscape Programme (SPLP), where Daemeter and Proforest were selected as implementation partners. Although mentioning GHG avoidance as a potential outcome of sustainable palm oil production models in the project's log-frame, the project's scope is very wide and it lacks specific targets related to climate change, as well as clear indicators or expected impacts on climate. This and other initiatives co-funded by SECO in the SLPI programme seem to pose a challenge for SECO in monitoring and measuring the programme's progress vis-à-vis the overall objective of reduction/avoiding CO2 emissions. Namely, the projects mention GHG emissions reduction/avoidance and/or deforestation reduction and HVC protection in their log-frames (GIZ, Daemeter, Kaleka, Swisscontact), but lacks clarity and specificity in terms of climate targets and indicators, both for mitigation and adaptation as suggested by the Rio Marking 2. Additionally, the link between the four projects and the contribution to the overall objective of the SLPI programme, which is GHG emissions avoidance has yet to be developed. Stakeholders engaged in landscape initiatives in Sumatra have acknowledged the challenging and complex nature of these initiatives, with various interests at stake. It has been recognized that achieving success in such initiatives requires significant time and resources. As such, it is of particular importance to establish monitoring frameworks for climate in advance of the programme's start, among other measures, to ensure consistent and effective tracking of climate-relevant progress and outcomes.

**There are many examples of co-benefits between contributing to climate mainstreamed and targeted engagements and strengthened economic growth and reduced risks associated with climate change.** Examples include the support for sustainable urbanisation, the urban water project as well as skills development all of which has the potential to increase economic growth and reduce risks associated with climate change.

**The area of tourism is an example of a possible trade-off between economic development and climate considerations in the short term – in the long term there is wide agreement that growth in tourism must come with environmental sustainability to ensure the viability.** SECOs Policy Paper on Tourism does not address a trade-off between economic growth and climate/environment in the tourism area nor potential long-term co-benefits. It does recognise the importance of sustainable practices defined as "tourism that to respect the local people, and the traveller, cultural heritage and the environment". [95] The SECO STDI programme does not identify a trade-off either. Nevertheless, GoI both at national and local level acknowledged the existence of short-term trade-offs between economic growth and the environment and the possible long-term co-benefits provided climate risks and environmental concerns were addressed. GoI interlocutors pointed to these short- and long-term issues coming to the forefront in Bali where the initial focus on tourism growth and employment had led to a boom in the tourism industry at the same time as overexploitation and pollution. To avoid similar situations, GoI had introduced

[95] Policy Paper on Tourism Economic Cooperation for Sustainable Tourism Development 2017

limits on the number of visitors in other destinations e.g. Borobudur. This had been met by critique from the local private sector also pointing to the fact that tourist were still going to Bali. In Labuan Bajo there was recognition that too many tourists could destroy ecosystems, and access to the habitat of comodo dragons had been restricted. The understanding of tourism carrying capacity was gradually expanding to also include issues related to the environment; for example, questions related to water availability as well as waste and wastewater treatment (in Labuan Bajo water is trucked in from the mountains). Interlocutors from the GoI and implementing partners stressed the need for holistic planning of tourism destinations and the importance of the Integrated Tourism Master Plans now being developed with the support of SECO. The expectations of the GoI are that these plans will help strengthen potential co-benefits related to tourism in order to be able to grow the tourism sector without the negative impacts on the environment. The GoI is discussing possible off-sets to e.g. air travel in the form of finance for e.g. reforestation, but are reluctant to introduce a system that will worsen Indonesia's competitiveness in the tourism industry compared to competing destinations in Thailand and the rest of ASEAN. They were currently exploring voluntarism as an alternative to financial off-sets. .

**The area of sustainable landscape is another example of possible trade-offs between economic development and climate considerations in the short term and potential co-benefits in the long run. However, the SLPI project proposals do not addressed potential trade-offs, and it is unclear how SECO implementing partners plan to address them**. The SLPI-funded projects implicitly address climate change mitigation by aiming to reduce deforestation, peatland degradation, or other activities that increase greenhouse gas emissions and to climate change adaptation by promoting sustainable land use practices that can mitigate climate change impacts. It is, therefore, rightly assumed that sustainable landscape management practices would lead to long-lasting benefits for people and the environment (co-benefits). However, the projects funded by the SLPI operate in rural areas of Indonesia with high rates of deforestation, poverty (further exacerbated by the Covid-19 pandemic), peatland degradation, and extreme climate events. Due to the significant degradation of ecosystems and the critical need for their preservation, as well as the simultaneous imperative to improve livelihoods of those dependent on these ecosystems, there was a need to thoroughly examine the trade-offs involved in effectively balancing ecosystem conservation and livelihood improvement. Despite this, none of the projects has explored specific trade-offs required in the project areas between pressing economic development needs on one hand and climate impact and degradation of ecosystems on the other. It is also unclear what strategies the selected projects will deploy to effectively promote long-term co-benefits to local stakeholders by addressing climate change mitigation needs. It is worth noting that none of the chosen projects has conducted climate risk assessments as this was not demanded by SECO.

### 2.2 Cooperation approach – evaluation questions 3 and 4

**There is awareness and interest in climate change and climate change mainstreaming in SECO, but there is no/limited support for capacity building and learning**. While there is good awareness and understanding of the need to mainstream climate there is limited knowledge as to how this should be done - not least how to analyse climate impacts, address climate issues and develop relevant indicators for monitoring climate impact. The lack of knowledge is most acute in the SCO, where the present structure for design and development of projects/programmes does not support a learning environment for the SCO in the area of climate change. Hence, SCO has not been involved in discussions of climate change issues, e.g. in the context of application of the climate mainstreaming guidelines or assessment of Rio Markers. This in turn had made it difficult for the SCO to follow up on climate related issues in the context of policy dialogues and Steering Committee meetings.

**The knowledge and use of the mainstreaming guidelines is not systematic.** In fact, even newer programmes had been designed without awareness of the guidelines for climate mainstreaming, underscoring that there are limited attempts at pushing the guidelines, nor any systematic assessment/question as to whether the guidelines have been applied as part of the internal approval procedures in SECO. Argumentation for the Rio markers is absent in the credit proposals, and there were examples of PMs not knowing the reasoning behind the Rio Markers particular if they had been established prior to the person taking over the project. Also, PMs questioned the quality/solidity of the Rio Markers.

**Despite policies related to Swissness examples of drawing on Swiss expertise and knowledge in the climate area are few.** The SECO SCO explained that they in their selection of projects and cooperation with partners, prioritise choices of engagements where there are opportunities for synergies between Swiss engagements and promotion of Swiss interests. This was the case in the area of renewable energy skills, where the implementing partner GFA Consulting Group – drew upon Swiss technical universities in setting up the curriculum and the programme. Also in the area of tourism, SECO drew on Swiss knowledge in that sector and employed Swiss consultants. In the case of IDSUN funding had been set aside in the project with the World Bank, that had yet to be employed. At the same time there did not appear to be clarity with regards to what Swiss expertise and knowledge in the climate area could be useful in the context of the Swiss programme in Indonesia. The link between SECO and promotion of Swiss interests were more seen as the Embassy being able to use the cooperation programme as a door-opener for Swiss companies and interests in general and not linked to specific projects and knowledge inputs.

**Climate related indicators are not prominent and made explicit in all programme/project log frames marked climate relevant, which makes it challenging for SECO to monitor and measure progress in mitigation and adaptation.** Although the SLPI programme defines climate in terms of GHG emissions avoidance in t CO2eq at the impact level, and is marked with Rio Marker 2, adressing both mitigation and adaptation, it is unclear how SECO intends to monitor and measure progress, given a lack of GHG-specific indicators and targets in the log-frames of supported projects and a lack of explicit climate change adaptation indicators and targets. This is currently under discussion with the implementer. Similarly, the IDSUN programme had a broad climate perspective but few relevant and climate-specific indicators. This is also linked the purpose of the project with a focus on studies and capacity building where the climate impact cannot be foreseen. The Sustainable Tourism Development Indonesia programme is Rio Marked 1 adaptation, but there is no indicator related to adaptation. As a result, it is difficult to track the effectiveness of SECO interventions aimed at mitigating or adapting to climate change, as well as to determine the extent to which these interventions are contributing to broader climate-related goals of SECO.

### 2.3 Results - evaluation questions 5-8

**There are climate relevant results from the SECO funded activities.** Examples of such results:

Table comparing planned outcomes with actual outcomes:

| Planned outputs | Actual outputs |
|---|---|
| **IDSUN** | |
| Strengthened capacity at national and city levels to reduce flood risk and manage disaster risk | Technical inputs to a conceptual framework design for a national urban flood resilience program—including vision, principles, components, eligibility and selection criteria, financing mechanisms, institutional arrangements, stakeholder engagement needs, and capacity building priorities—were delivered in November 2019. |
| Improved operational and financial performance of water | As of October 2021, 19 PDAMs have better rating and graduated to the next level performance category (based on PDAMs Performance Audit Report 2020). |

| | |
|---|---|
| supply services providers in selected urban areas | As of as of October 2021, USD 35 million has been leveraged from 21 LGs in the form of equity contributions and grants to PDAMs. In addition, a total of USD 117 million of non-public financing have been leveraged to support investment in 8 PDAMs. |
| Policy-makers and other stakeholders are better informed on policy options and priorities for sustainable urbanization in Indonesia | Flagship report was completed in 2019. Key messages on sustainable urbanization as presented in the Flagship report and various issues notes have been incorporated into the RPJMN 2020-2024.<br>Bappenas has finalized the revision of the National Urban Policy (KPN), which, incorporates cross-sectoral issues on urbanization. |
| Enhanced systems and technical capacity of city governments to engage in long-term, evidence-driven urban planning | Three partner cities (Semarang, Denpasar, Balikpapan) are well in the process of implementing City Planning Lab initiatives to enable data-driven planning. |
| **IUWASH PLUS** | |
| | SECO has played a significant role in supporting progress in the field of energy efficiency. The facility has achieved a 10% reduction in energy consumption. Through their program with USAID, SECO granted a pump with a capacity of 100 l/s, which enabled the Water Facility Bogor to reduce water loss and energy consumption. SECO provided a panel to control the pump's operation, which improved the efficiency of the facility's water usage. Prior to this, the facility relied on a manual panel, which limited the pump's usage to peak and non-peak hours. With the new panel, water loss has been reduced.[96] |
| Average NRW Reduction 5% | Average NRW Reduction of 3.1% |
| Average Energy Efficiency Improvement of 15%<br>60,000 people with increase to<br>better (water) services | Average Energy Efficiency Improvement of 24.4%<br><br>82,780 people with increase water access |
| **RESD** | |
| Number of entities/persons undergoing training | Curricula on solar PV and hydropower for post-graduate courses at 5 polytechnic Universities developed.<br>Vocational and short-term courses at 5 BLKs added<br>End 2023: 170 graduates: Approx. 12.000 graduates from Polytechnics **by** 2030<br>169 instructors at polytechnics and BLKs trained |
| **Sustainable tourism SUSTOUR** | |
| Community organisation for clean-up plastic | Capacity building for a community group of women collecting plastic an turning it into baskets and other items for sale to tourists. Now inspiring other community groups in Indonesia via broadcasting on radio and a TV talk show. |

**At the same time some programme/project reviews/evaluations point to room for improvements with regards to climate – without being specific.** According to the final evaluation of IDSUN, the programme was found to have made a significant contribution to sustainable urbanization in Indonesia in terms of strengthened legal and regulatory framework, improved institutional and technical capacities, tools and systems for urban management, and increased access to finance. Also, IDSUN has a great replicability potential. In the recommendations, it is suggested that a potential second phase has a clearer environmental and climate angel without clarifying what is meant. The Mid-term review of the Sustainable Tourism Development in Indonesia programme points to the impact on covid – and concludes that the approach adopted for pillar 1 (macro level and ITMPs) and pillar 3 (MSD approach to tourism development at the local level) were the right ones and is likely to lead to results where the approach for the meso level skills development is inadequate. In the recommendations it is stressed to make climate change an explicit transversal theme incorporating targets with partners at all levels in line with the international debate on climate and sustainable tourism.

[96] Based on interview with Bogor Water Utility

**While there are examples of successfully mobilized private funds, there are no explicit links between these funds and climate interventions**. The IDSUN programme has successfully mobilized private capital for infrastructure investments, including World Bank Group projects. Eight local water supply utilities have leveraged a total of US$117 million of non-public financing, including PPPs, B2Bs, domestic borrowing, and trade credit/vendor financing schemes, which has helped to increase their production capacity, expand their service coverage, and improve their services. While private funding is referenced in SECO credit proposals and other programme documentation, it is nowhere explicitly linked to further climate related investments. It constitutes a missed opportunity on the part of SECO to ensure that projects downstream would take into account climate. As these projects are implemented by the WBG is likely that this has happened anyways. The team did not pursue this line of enquiry. Similarly, all projects funded by the SLP programme have explained in their proposals how they intend to engage with the private sector, but none have explicitly linked private sector engagement to climate concerns. There are links to Swiss companies made in the project proposals of three out of four projects, but these links are not explicitly related to climate considerations.

**There are examples of transformative results e.g. in the DfGE programme as well as the IDSUN programme.** Both programmes led to changes in rules and regulations. The DfGE programme supported changes to the building codes to promote energy efficiency in buildings in Jakarta and a. number of other cities. The IDSUN programme has contributed to strengthening the legal and regulatory framework in Indonesia. However, the level of success in general and specifically in terms of addressing climate change could not be assessed. This is because there were no general or climate targets set, and the programme's reporting and reviews did not explicitly link achievements to climate.-
The ITMP – if implemented well – bears in them the potential to be transformative in the way environment and climate is addressed in the context of tourism development.

**While some results are likely to be sustainable as there is ownership, knowledge, and demand and they can easily be scaled and replicated - there are also questions with regards to sustainability of other results and the potential climate impact.** The renewable energy skills project responds to a huge demand for skills in the renewable energy sector, and is rapidly spreading to other polytechnics and possibly wider. Similarly with the DfGE skills project as building codes in more cities are adjusted to take into consideration climate change – this programme is also likely to be sustainable. In other areas, the nature of much of SECOs support comes in the form of support for technical assistance. To the extent this leads to changes in regulations and guidelines related to mitigation of GHG emissions and adaptation to climate change this can lead to sustainable changes. But there are also results in the form of knowledge products, technical and feasibility studies that never go any further. In the context of IDSUN there was now an attempt of making a knowledge hub for sharing these reports. Similar considerations were being made in the context of the Sustainable Tourism Development MTDF, in order that later master plans can be informed by earlier plans.

**Sustainable tourism and climate change. Opportunities for SECO?**
UNWTO/ITF in 2019 released data showing that CO2 emissions related to tourism would increase by 25 pct by 2030 primarily related to transportation.[97] Tourism at the same time presents one of the fastest growing sectors with large employment opportunities both in the hospitality sector as well as in the local and national economy. Covid19 brought a halt to the rapid expansion of tourism. Exposing the risks associated with tourism-led development, it led to increased reflections as to the responsible recovery of the sector with health issues as well as climate and biodiversity issues at the centre. The Cop 26 UNFCCC adopted the Glasgow declaration "A commitment to a decade of climate action in tourism", amongst other things outlining pathways and specific actions that can accelerate and

[97] https://www.oneplanetnetwork.org/programmes/sustainable-tourism/glasgow-declaration/climatechange-tourism

tourism's ability to transform tourism and achieve net zero emissions as soon as possible though joint country/industry approaches. [98] [99]

**If SECO wanted to continue to support tourism development in Indonesia while at the same time ensuring Paris Alignment of the contributions this would imply –– responding to the Glasgow Declaration:**

1. Confirm alignment with country´s climate and development strategy
2. Policy dialogue on climate impact and the prospects for long term sustainable tourism as an engine for long term growth based on the commitments in the Glasgow declaration on Climate action in tourism to halve emissions by 2030 and reach net-Zero as soon as possible before 2050.
3. Mainstreaming of climate and environmental considerations based on climate vulnerability analyses as well as environmental impact analysis to promote:
   - Adaptation and building resilience to climate vulnerability at the destination.
   - Restore and protect ecosystems and biodiversity, support nature-based solutions to draw down carbon.
   - Decarbonisation incl. reducing emissions related to transportation to destination including through off-set schemes and promotion of local tourism.
   - Local infrastructure development to address local as well as tourist needs; incl. water availability, water usage systems, wastewater treatment, waste treatment, renewable energy and green transportation network.
   - Land usage planning and building codes; demands as to low carbon materials used in building, energy efficiency in buildings, designs that support energy savings etc.
4. Exclusions of specific types of investments/practices – deemed to undermine low carbon development or contributing to the degradation of the environment/biodiversity in the specific destination
5. Multistakeholder processes involving the private sector to promote target setting, innovation, sharing of best practices and reporting.
6. Transparent reporting on adaptation and mitigation as well as other environmental targets set and agreed
7. Promote financing of the needed investments to meet the climate and environment goals and accelerate a transition to climate sustainable tourism.

## Annex 1 Findings across the evaluation questions

## STRATEGIC RELEVANCE

### EQ 1 Strategy

| | |
|---|---|
| EQ 1 To what extent does the position of climate change in the division's strategy and the strategy itself respond adequately to the urgency for climate action in partner countries and globally? | Indicators:<br>1.6 **Mainstreaming -** The extent to which the objective of mainstreaming in *the division's* strategy is relevant and adequate for addressing climate change and led to climate awareness; and whether the combination of targeted interventions and mainstreaming interventions are conducive to reducing emissions and fostering adaptation in priority countries<br>1.7 **Mobilisation of private funds for climate –** The extent to which the objective of mobilisation of private funds is relevant and has been addressed as an intention across business lines<br>1.8 **Choices -** The extent to which the choice of countries business lines/activities as well as partners reflect the needs for climate activities in partner countries and respond to the objectives set out in the Swiss/SECO strategies, including the objective of mobilisation of private sector mobilisation |

[98] https://www.unwto.org/the-glasgow-declaration-on-climate-action-in-tourism
[99] https://www.oneplanetnetwork.org/value-chains/transforming-tourism

| | |
|---|---|
| | 1.9 **Ambition level and target -** The extent to which the climate finance target and the objective regarding private sector mobilisation is relevant also considering the scale of the climate challenges and the actions of peers<br>1.10 **Balance -** The extent to which the balance between mitigation/adaptation is relevant and reflects country needs. |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i1.1)**
  - Sustainable tourism: No reference to climate – Comp.I Rio marker 1 climate adaptation /biodiversity 1; comp II Climate and environment not targeted, Comp III Rio marker 1 climate adaptation and 1 biodiversity, No reference to mainstreaming of either climate or biodiversity.
  - Risk awareness sustainable tourism combines different levels and different modalities of intervention. This would help mitigating potential risks involved in supporting the GoI in sustainable tourism development and maximizing SECO's influence to integrate sustainability issues into policy discussion. (UR01070 CN) Programme: Support for planning (with WB)(environmental standards and access to policy dialogue) more and better jobs and competitive and resource efficient destinations. Skills development (no climate) and resource efficient destinations incl. ecotourism.
  - Sustainable tourism means different things to different stakeholder. Combine economic, cultural, social and environmental sustainability. Sustour focus on economic and social sustainability. Recently we have mapped climate and environment – GoI and standards. Recent GoI demands motor for more focus on environmental sustainability. Carrying capacity not always focus on the environmental aspects of tourism such as waste and waste water treatment. GoI regulations – but not enforced. No study of climate vulnerability. Water is an issue – also the local population complain. (FS and PA)
  - New GOI indicators for sustainable environment passed on to regions and to local councils –For Labuan Bajo: 5 indicators: improve the infrastructure (transportation, waste and waste water), clean the city and the sea, plant trees to stem erosion and secure water, include environment and climate in curriculum. LC also must provide a plan for emission reductions. We do not know how. Tourism needs better planning, but we lack the capacity. The Destination model is good, but we also do not have the capacity. Need Sustour for supporting capacity building (PA)
  - When the MDTF was developed in 2016 there was no recognition of climate (references to climate is to investment climate ) environment (references to mainly enabling environment): Integrated masterplans for the destinations does include baselines and environmental sustainability criteria that goes beyond environment in the narrow sense. Include water, water management, waste management, wastewater, energy consumption, beyond roads. (AL)

**(i1.1)**

**Sustainability and climate mainstreaming and better understood at national than sub-national levels.**

- While the government has a strategy of mainstreaming sustainability and climate, its implementation has been lacking, especially at the provincial and district level – there seems to be a lack of clarity on how to integrate sustainability into development planning, and decision-makers at sub-national levels often do not understand what sustainability and climate mainstreaming entail. As a result, priorities are not always aligned, and there is a need for greater education and awareness-building around these issues. (climate trust fund)

- **(i1.1) Renewable energy skills**
- **Energy** needs covered by RE sources – either due to off grid, increased demand and Indonesia GHG emission reduction goals – major bottleneck technical capacity for conceptualising, installing operating and maintaining RE. Estimated need for 70.000 RE professionals by 2025. Formal multi-disciplinary RE specialisation programme to be implemented by 6 polytechnics and upgrade of polytechnics, and non-formal training modules to upgrade post-graduates. Cooperation with private sector operators to tailor education National qualification standard for RE certification. Solar and Hydro.(UR 01248 CP )
- **Wider policy dialogue with GoI on skills and vocational training/ Swiss visibility– national implementation** .(UR 01248 CP )
- The project accelerated a trend that was already underway in the Polytechnic schools. Good with the input form Swiss universities (Visit)
- **DfGE** – skills: Follow-on from the original Edge projects o energy efficiency in buildings – SECO support for the EDGE tool. Built on the Swiss contribution to skills. Mainstreaming climate into the wider sector through targeted projects.
- There is significant potential for renewable energy sources in Indonesia such as hydro, solar, wind, geothermal, and ocean energy. But it is important to invest in building skills and knowledge in this area. (climate trust fund)

**(i1.1) Sustainable urbanisation**

- **Climate mainstreaming has increased between phase 1 and 2 of the programme. In phase 2, climate has been more explicitly addressed, in accordance with a recommendation of phase 1 evaluation, in accordance with the requirements of the WBG, with support from SECO.** (WBG meeting notes, Credit proposals phase 1 and 2)
    - No mention of climate in Credit Proposal of phase I while the phase 2 CP frequently refers to climate mitigation and adaptation considerations.
    - IDSUN 2 has a stronger climate focus because the WB has also moved towards prioritizing climate.
    - Initially, IDSUN was not framed as a climate project, but the global urban narrative has evolved to prioritize climate, which has resulted in a shift towards a more explicit focus on climate in IDSUN 2.
    - In phase 1, there was no mention of climate in the expected outcomes, except for one outcome that referred to awareness raising and capacity building on flood and disaster risk reduction and urban resilience.
    - Climate now plays a bigger role, with data being used more extensively for better projections, and the embrace of technology and innovation in different ways.
    - While there was already work being done on flood risks in phase 1, it was not explicitly discussed. However, there is now more granular use of data and industry producing large assessments of hazard
    - Phase 1 evaluation report: *In a potential phase 2, add new work streams, particularly social housing and a comprehensive and clearer environmental and climate change angle*

**(i1.1.) INDOBUS**

**"Although, the planning documents for INDOBUS do not explicitly aim at climate change aspects as is requested by the result, however, it is very obvious, that once efficient urban public transport systems are available and the ridership is promoted, e.g. by restricting the use of private vehicles, a contribution to the climate change mitigation is provided" (MTR)**

- "Additionally, BAPPENAS explained that implementation of SUTRI NAMA and INDOBUS has been contributing not only to addressing urban transport issues, but also to the GoI focusing on climate change and GHG emission issues" (MTR)
- "Issues like Agenda 2030 (SDG), including air pollution or climate change mitigation and GESI were not significantly present in the discussions with partners or the GIZ team or in project documents. These topics are neither reflected in the planning documents of INDOBUS, which need to be included in the revised log frame for INDOBUS. "(MTR)
- "In general, the new project plan should explicitly focus on prominent international development issues, such as SDG, including social inclusion topics, climate change mitigation and adaptation to climate change (e.g. of bus terminals), GESI etc."(MTR)

**(i1.2) Sustainable urbanisation**

- **IDSUN did mobilise private capital for investment** – incl. WBG 4 projects in infrastructure. As of August 2021, a total of eight Local Water Supply Utilities have reached financial closure and leveraged a total of US$117 million of non-public financing, and a mixture of PPP, B2B, domestic borrowing and trade credit/vendor financing schemes. These non-public financing schemes have helped these PDAMs in increasing their production capacity, expanding their service coverage and improving their services. (evaluation report, 2021)
    - There is reference to private funding in credit proposals both for phase 1 and 2, however, not explicitly linked to or referred to as climate funding
    - The program has leveraged a significant amount of resources: as of December 2020, an expenditure of US$ 8.1 million, had leveraged US$ 354.2 million

**(i1.2) Sustainable landscape**

- **While all projects funded by the SLP programme have explained in their proposals how they intend to engage with the private sector, none have explicitly linked private sector engagement to climate concerns, and there is no direct link to Swiss companies. (Project proposals)**
    - Swisscontact - "we will partner with a multi-district effort of Indonesia's largest palm oil producing company to improve smallholder oil palm productivity, traceability, and visibility that impacts the core districts and has impact to most other districts in the greater Leuser ecosystem as well."
    - GIZ: ".Proforest is expected to mobile funds from the private sector in the PPBC working group for a total amount of GBP 1,248,897 during the project period"
    - Demeter/Proforest – "SPLP is led by a private sector coalition of palm oil producing and sourcing companies that aim to build on and support the already existing policies, regulations, and objectives of the local government, CSOs and communities. "
    - Kaleka – "The project will also contribute to the development of jurisdictional wide restoration programs in three districts, while the investment in tree planting will come from private sector partners that have committed to investing in the landscape including Unilever and the Action for Sustainable Derivatives (ASD)."

**(i1.3) Sustainable urbanisation**

- **Aligned with national agenda:**
  - *"Sustainable Urbanization multi-donor trust fund aligns with the agenda set by the Indonesian government with regard to investing in infrastructure and municipal service delivery. The prioritized sectors in basic infrastructure match with the investment programming of the Ministry of Public Works and People's Housing, and the Ministry of Finance has defined the development of a regional infrastructure development fund as a key horizontal financing tool to support the governmental agenda."*
- **IDSUN, being a transformative and innovative programme, is in line with Indonesia's Vision 2045**

*"IDSUN is in tune with Indonesia's Vision 2045, and its medium-term development policies and strategies (RPJMN) in place during its implementation (2016-2020 and 2020-2024). Indeed, IDSUN has informed the development of both RPJMNs. Alignment is particularly strong with the 2020-2024 RPJMN, as when this was being developed IDSUN had already produced useful materials. Specifically, this strategy considered the analysis, findings and recommendations of IDSUN's flagship report (the report entitled Time to Act. Realizing Indonesia's Urban Potential). In line with IDSUN, RPJMN aims at "Strengthening the infrastructure for supporting economic development and basic needs"; "Building living environment, increasing disaster resilience and climate change"; "upgrading human resources…", "… public service transformation" and "regional development for reducing inequality". (Eval report)*

**(i1.3) Sustainable landscape**

**Alignment with Government Priorities:** The Government of Indonesia is committed to promoting sustainable agriculture and commodity production. For instance, in the palm oil sector, a set of regulations3 were issued in 2019 and 2020 that aim at making palm oil production more sustainable.

**(i1.3/4/5) Sustainable landscape**

- **While sustainable landscape approaches inherently address climate concerns, it appears that the SPLP program https://www.siakpelalawan.net/supported by SECO (a private initiative launched in 2016 and executed by Demeter and Proforest) includes limited focus on climate - links to climate, especially mitigation, appear unclear as well as the balance between mitigation and adaptation. (project proposals, interviews in Siak District)**
  - The programme does not have clear targets as to climate change mitigation or adaptation at the outcome and impact levels, which means there are no indicators or targets for climate change and no expected climate impacts.
  - Although the program claims that there is a link to climate change as it is inherent to the approach they promote, it could not be explained clearly, and it is not explicitly addressed in the log frame.
  - During training sessions, workshops, and other interactions with programme stakeholders, there was no discussion held on climate change, greenhouse gas emissions, or adaptation measures.
  - While some climate-related activities are supported by the activities funded by SECO, they are limited.
  - The SPLP programme, implemented by Demeter/Proforest, which SECO has contributed to, appears to be too broad for defining and measuring climate objectives and targets – it lacks specificity as to climate adaptation and mitigation expected results at outcome and impact level.
- **Although SECO has aimed to avoid CO2 emissions at the programme level, it's uncertain how SECO will monitor and measure progress toward this goal. This is because only one out of the four grantees of SECO's SLP in Indonesia (GIZ, Swisscontact, Demeter/Proforest, Kaleka) has prioritized climate change mitigation at the outcome or impact level in their log frame. (Credit proposal; Project proposals)**

*Quotes*

*SECO is not the motor for integration of climate issues into the tourism sector.*

*We have many kinds of sustainability in the tourism sector – economic sustainability, cultural sustainability, social sustainability and yes – environmental sustainability.*

## EQ 2 Climate and Growth

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| EQ 2 To what extent does the focus on climate change compete with other policy imperatives to foster sustainable development and eradicate poverty? | Indicators:<br>2.4 **Alignment** - The extent to which activities of the division are relevant for decoupling economic growth and increased GHG emissions and supporting countries in their transition to a low-carbon growth path in accordance with Paris alignment and broader objectives<br>2.5 **Co-benefits** - The extent to which there are co-benefits from climate action on other development objectives and the extent to which SECO exploits synergies in its activities<br>2.6 **Trade-offs** - The extent to which there are trade-offs and risks associated with funding climate and other development objectives – and how they are dealt with. |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i2.1.)**
  - Tourism is a key socio-economic sector for many countries. It is a vital contributor to job creation, poverty alleviation, environmental protection and intercultural understanding. (UR01070 CN)
  - WEHU's tourism engagement in Indonesia is complemented by the resource efficient and cleaner production initiative (RECP) that foresees specific training on cleaner production for the tourism sector in two destinations. In addition, the WEHU-WEIF co-financed p facility supports since 2016 preparatory activities for the upcoming World Bank Tourism Program (P4R and IBRD loan) in Indonesia by financing pre-appraisal missions and preliminary carrying capacity assessment in three top priority destinations. Link to skills development (UR01070 CN)
  - Government plans to accelerate the development of the ten priority tourism destinations in a sustainable manner. The intension is to develop well-designed masterplans and to set up structures on the ground to manage their implementation. (UR01070 CN)
  - Programmatic approach to maximise SECOs influence in policy dialogue on sustainable tourism. (UR01070 CN)
  - GoI is the motor for more attention to climate and environment. Sustour work at micro level we cannot influence at the macro policy level. We have no access not sure SECO can either. The WB maybe. But the government structures for responsibilities for tourism are complex – also due to the high degree of decentralisation in Indonesia. We can only help local government implement what they have decided to implement.

- **(i2.2)**
- **RE skills co-benefits growth and climate mitigation** .(UR 01248 CP ) Demand for skills large and this will contribute to job opportunities and possible Indonesian home-grown solutions to renewables

**(2.3)**

- Acknowledge trade-offs in tourism – opportunities and risk – "The GoI pursues concrete plans and wants to collaborate with key stakeholders. The Government seems genuinely interested in not repeating previous mistakes, preserving their natural wealth. Risks related to lax implementation of government regulations at local level: many stakeholders with diverse interests, (UR 01070 CN) NB – No EIA are envisioned or mentioned; no reference to climate issues; sustainability concerns not substantiated. (Probably part of the master plans? UR 01070 CN) Sustainability used more frequently to institutional sustainability.
- Tradeoffs are well understood in government at local government. Borobudur. Komodo islands, the Komodo dragons went away and got stressed – led to an agreed limit as to tourists (PT and PA)
- Private sector and tour operators do not always agree if there are limits to carrying capacities at destinations.
- Off-set schemes discussed – government is thinking in payments – but afraid to scare away tourists, possibilities for voluntarism discussed as an alternative (tourists planting mangrove). (PT and PK)
- Sustour in contact with social impact investors that are interested in developing models (Rudy)
- Trade off also in local government investments – if geared towards tourism development then local populations may suffer – water scarcity in Labuan Bajo. How to get the private sector operators to contribute better and more to the necessary public sector investments? Taxes and LG charges rules out by LG .. Bugger hotel operators develop own water treatment systems (resorts) (PA)
- Long term impact on tourism from the environmental degradation visible in Bali – with waste mountains and sewage issues – now being cleaned up.
- Better to develop the infrastructure in tandem with the development of tourism than clean up
- **The GoI wants to see sustainable tourism –** but not at the expense for contributions to growth form the tourism sector. The long-term trade-off is well understood (to some extent it is visible in Bali – but people still go there) The short-term trade-off is more difficult . Awareness is there – but not to the extent that people are willing to give up on growth. (AL and AZ).
- Tourism is a competitive sector – Indonesia will not do things (taxes, charges, off setts) that will hurt tourism development – they will look to other countries. Only Bhutan could afford that. (AL)

**(i2.2) Sustainable landscape**

- **While promoting sustainable landscape practices, it is important to highlight the long-term co-benefits that can be gained - it appears that these co-benefits have not been clearly outlined in the project proposals for sustainable landscape practices.**

**(i2.3) Sustainable landscape**

- **While potential trade-offs between climate and development in the SPLP programme, now co-funded by SECO, are clear, they are also difficult to navigate and address, and they are not well understood by the government at district level. (interview notes)**
  - In the Siak District, where the SPLP (co-funded by SECO) is being implemented, there are important trade-offs between development and climate in promoting sustainable palm oil practices. This is especially challenging given that more than 60% of the land is peatland, which is crucial for carbon storage.

- The SPLP programme is attempting to address these trade-offs by promoting alternatives to palm trees, but so far, the program has not achieved notable results, mainly due to lack of demand and market for alternative crops
- The programme also promotes the intercropping of pineapple and palm oil on peatland, which is potentially detrimental to the climate. This practice involves draining the wetland, which releases carbon dioxide from the soil and contributes to biodiversity loss.
- The district government, although having adopted Green Roadmap, have limited understanding of sustainable landscape concept and climate risks.

- **The project proposals lack a clear strategy to address the trade-offs that are necessary between economic development and reducing greenhouse gas (GHG) emissions.** (SLP project proposal)

## COOPERATION APPROACH

### EQ 3 Institutional set-up

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| EQ 3 To what extent does the internal institutional set-up, capacities, and procedures support climate action in particular mainstreaming and Paris alignment? | Indicators:<br>3.6. **Structures** - The extent to which the internal structures and cooperation with country offices are conducive for climate activities, particularly mainstreaming and Paris alignment<br>3.7. **Procedures** - The extent to which procedures and internal guidance are adequate for reaching the objectives, particularly mainstreaming, mobilisation and flexibility to adapt<br>3.8. **Instruments** - The extent to which availability of instrument (including grants, blending etc) are relevant for delivering the strategic objectives, particularly mainstreaming, private sector mobilisation, and Paris alignment<br>3.9. **Capacity** - The extent to which the capacities in the division, and knowledge management are supportive of climate activities<br>3.10. **Monitoring** - The extent to which the division's monitoring and evaluation system has been suitable for planning, steering and learning and accountability issues at project and institutional level, particularly mainstreaming, private sector mobilisation, and Paris alignment |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i3) General**<br>• The involvement of the country office is not great – do not know the guidelines and how Rio Markers are set<br>• Limited knowledge about climate change – and not supported by HQ. Not comfortable with discussing climate change issues with the GoI and partners – need to build the capacity in country offices<br>• To do climate well we need to focus more<br>• There is now increased emphasis on Swissness – SAM Swiss accompanying measures. And we try to involve Swiss consultants on projects (IDSUN). Also an issue raised at HQ/Washington.<br>• Despite Rio Markers 1 there is not always outputs (neither outcomes) with regards to climate issues. |
| • **(i3.2) Sustainable tourism** (No reference to mainstreaming guidelines – where they used?<br>• Environment impact risks identified High: Reference to the standard promoted by GoI and the programme is designed to contribute to addressing environmental risks. The programme is a mitigating measure to the risk. (UR01070 CP)<br>• In the tourism sector nearly all funding to partners in the form of capacity building. For the community work this had meant that the community groups was not about the funding and what to use it for which often led to rifts.<br>• Even though it was clear that demand for climate and environment measure were increasing, and it would be possible to expand there – e.g. curriculum in hospitality training, community training, and it would be possible to adapt the programme, there was only 4 months left of the programme. Next programme would have bigger emphasis on climate and environment – but Sustour would be bidding – so not automatic extension. (FS) |
| **(i3.4/5) General** (SECO programme managers)<br>• **SECO country staff Indonesia lack capacities to effectively engage in climate work, incl. establishing and measuring climate indicators**<br>o "to effectively address the complex topic of climate change, it is crucial that our staff are provided with adequate background knowledge and upscaling". *(SECO programme managers)*<br>o Too often it is a challenge to get measurable climate indicators - a challenging and abstract task, requiring a high level of ambition and attention to detail in terms of determining means, processes, results *(i3.5/ SECO programme managers)* |

## EQ 4 Value added and synergies

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|---|---|
| EQ 4 To what extent does the division's climate support provide value added/exploit a niche in Swiss climate efforts and in global climate efforts? | Indicators:<br>4.5 **Clarity** – The extent to which climate as a transversal theme fostered climate conscious project development and helped identify climate change opportunities across all thematic areas<br>4.6 **Partner cooperation** – The extent to which SECO cooperation with partners is relevant for delivering the strategic objectives<br>4.7 **Comparative advantage** – The extent to which the interventions draw upon and leveraged Swiss knowledge and expertise<br>4.8 **WOGA** – The extent to which coordination and synergies with other Swiss government entities furthered Swiss climate objectives<br>4.7 **Coherence** – The extent to which cooperation with Swiss stakeholders incl. the private sector and civil society organisations promoted Swiss climate objectives, coherence with other development partners<br>4.8 **Complementarity** – The extent to which activities are coordinated, amplifying or complementary to those financed by other donors, multilateral organisations, and possibly the Swiss private sector |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i4.1)Sustainable tourism**
  - Sustour: No references to climate in credit proposal. Increased climate awareness came from the GoI and the changed discourse on climate and environment. The programme was slowly adapting to this increased focus.
  - The decision to involve the WB to get to the macro level – and the planning
  - Most projects developed before the climate really took off. The climate aspects not driven from the SECO Indonesia, more form HQ.
  - Sustour did not consider climate a topic when project was developed – GoI demands and the global emphasis on climate also led Swiss contact to engage on this agenda.
  - MTDF not part of the rigorous Bank scrutiny for climate relevance – but the implementation of the I Master Plans have a strong climate focus.
  - There is no inclusion of Swiss tourism knowledge into the sector at the MTDF level. Sustour

**(i4.1) Sustainable urbanisation** (Phase 1 and phase 2 credit proposals; IDSUN 1 eval report, WBG meeting notes)

- Although climate change was addressed implicitly in IDSUN 1 through its focus on disaster risk reduction, urban resilience, urban transport systems, and large-scale city-executed infrastructure investment, it had not been sufficiently linked to climate change. However, this has been rectified in IDSUN 2, where greater attention has been given to explicitly addressing climate change.

**(I 4.2)**

Cooperation between donors in the areas of sustainable tourism is important to ensure that sustainability issues are given attention (UR 01070 CN)

No evidence this happening

**( 4.3)**

Tourism draws on Swiss expertise in training and private sector engagement (UR 01070 CN)

Sustainable tourism policy paper recognises "the importance of developing value-chains while promoting sustainable tourism defined as tourism that respects both local people and the traveller, cultural heritage and the environment. And draws on150 years of Swiss knowledge. (Policy ST)

**(4.5)**

- Complementarity with other Swiss engagements in the tourism sector and the skills sector. The decision to work with the WB potential…

**(i4.3) Sustainable urbanisation**

- **Although SECO has emphasized the importance of complementarity and synergies, it has not proactively offered Swiss expertise nor identified synergies itself. (WBG meeting)**
  - SECO's emphasis on complementarity and synergies in the project is a positive development. One example of this is the funding from IDSUN for floor risk reduction operations in INDSUN 2.
  - However, SECO could benefit from more research to identify where these synergies are and how they can be realized - It's good that SECO sets aside a small portion of funds for Swiss expertise, but it's

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| important for SECO to be proactive in identifying areas where Swiss expertise can be valuable, rather than waiting for demand from the partners.<br>o The approach needs to be supply-driven, with SECO understanding what Switzerland can offer and what the partners need.<br>o There is a need for knowledge sharing, with more emphasis on knowledge than on funding.<br>o Overall, SECO could further improve the IDSUN by strengthening its focus on identifying and realizing complementarities and synergies, proactively identifying areas where Swiss expertise can add value, and increasing knowledge sharing between partners. |
| • **RE skills** Draw on Swiss universities and polytechnics to foster knowledge transfer – preparation and implementation .(UR 01248 CP ) |
| • **4.6 complementarity**<br>• **SECO financing of grant TC** is an important contribution to financing of knowledge products ( analysis, studies, feasibility studies) development of standards and indicators – as a basis for WBG work. |
| **(i4.6) Sustainable landscape**<br>• **Many different organizations and initiatives are working on sustainable landscape and community development in Indonesia, but there is often little coordination between them.** |

## RESULTS
## EQ 5 Results

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| EQ 5 To what extent has climate interventions led to or contributed to achieving the expected objectives? | Indicators:<br>5.4 **Results** - The extent to which the interventions contributed to emissions reductions and climate adaptation in accordance with the expected targets and partner country objectives, priorities, strategies and plans e.g., NDC, NCCS, LTS, NAP etc.<br>5.5 **Targets** -Whether the SECO climate target on financing is achieved in itself and in relation to Paris agreement<br>5.6 **Why and why not?** The most important factors for success and for failure. |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i5.1)**<br>o Sustainable tourism KII 18: Increase in export volume in the tourism sector (Pillar 1(national) & 3 (in destinations))10: Number of persons/entities undergoing training or continuing education (Pillar 2 & 3)9: Number of jobs created and retained (Pillar 2 & 3) 3: Measures for improving capacity development (all pillars)<br>• **(i5.1)**<br>o Sustainable tourism: raising awareness and sharing technical know-how on sustainable tourism with local policy makers to foster its application of the topics in policies and plans. As a result, the local governments in both destinations have reflected the vision of sustainable tourism in regional strategic plans which influence programs and policies in the medium and long term. Also the Lingko Award Program for sustainable innovations raised interest (Sustour report 2022)<br>o Assessment tools developed incl. related to sustainable hotel operations. Platforms for sustainable tourism planning and implementation created (Sustour report 2022)<br>o Monitoring of sustainable tourism improved – provided by universities. (Sustour report 2022)<br>o Sustainable tourism included in the teaching learning process<br>o **The role of standards?**<br>o It is not entirely clear what and how these results contributed to sustainable tourism and climate adaptation What qualifies as sustainability services? (Sustour report 2022)<br>o Risks: Loss of natural wealth and environmental risks are mentioned. Environmental and social carrying capacity assessment foreseen (probably WB as part of the Master plans?) Sustainability tourism plans and workshops , regulatory framework for sustainable tourism; monitoring of environmental sustainability, engagement of local stakeholder in Sustainable tourism plans(results framework UR01070)<br>o No references to sustainability or climate (risks associated with tourism development along island coasts. (UR01017) |
| **(i5.1) Sustainable urbanisation** |

- As of December 2020, IDSUN's achievement of its end of the program targets has been satisfactory: the program had met 91% of its output targets and 78% of its outcome targets. The program had not met the only impact target where achievement can be measured, but this was probably too ambitious. (ER)
- As of February 2021, IDSUN has made a significant contribution to sustainable urbanization in Indonesia in terms of strengthened legal and regulatory framework, improved institutional and technical capacities, tools and systems for urban management, and increased access to finance for urban infrastructure development. Adverse environmental, social and economic effects from the program are not evident or likely. IDSUN has a great replicability potential. (ER)

- **RE skills**
- Planned activities progressing – delays due to covid – training of polytechnic trainers and instructors – information knowledge sharing web established .(UR 01248 Report 2022)
- **Progressing well – over achieving** in terms of students
- Risk The environmental risk of the project is low, or in a long run even positive, as no activities significantly harmful to the environment are being conducted. The topic of potential negative environmental impact of hydropower plants is made a subject and is integrated into the curriculum (UR 01248 Report 2022)

**(i5.1) IUWASH PLUS**

- **SECO has played a significant role in supporting progress in the field of energy efficiency. The facility has achieved a 10% reduction in energy consumption.**
  - Through their program with USAID, SECO granted a pump with a capacity of 100 l/s, which enabled the Water Facility Bogor to reduce water loss and energy consumption. SECO provided a panel to control the pump's operation, which improved the efficiency of the facility's water usage. Prior to this, the facility relied on a manual panel, which limited the pump's usage to peak and non-peak hours. With the new panel, water loss has been reduced.

**DfGE skills –**

Just started – but progressing well due to strong network of active university professors that use their network to spread the word.

## EQ 6 Results – private funds

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|---|---|
| EQ 6 To what extent to which the division's activities supported mobilisation of private funds? | Indicators:<br>6.4 **Results** The extent to which the division's activities to support mobilisation of private funds were successful?<br>6.5 **Sustainability –** the extent to which these activities resulted in self-sustained private financial flows for climate<br>6.6 **Why and why not –** The most important factors for success and failure |

**Main findings in bullet points (indicator, source of information in brackets)**

- **(i6.1)**
  - IDSUN TC and feasibility studies so far led to 4 WB loans to municipal development in transportation (busses) and waste –so led to mobilisation of investments. BUT so far there has been no PPPs that involves private sector investors – does the Indonesian SOEs count at private investors – biggest developers.
  - DfGE skills work more universities now conduct energy efficiency in building courses – so this is picking up – need to reach more universities to ensure that it will develop further (now 22 universities)
  - DfGE had good progress in the beginning with building regulations in 3 municipalities. Property market a bit slower now.
  - MCIIInvestment Climate/IFC: aim to support investments in the tourism sector – difficult to invest in hotels as the market is still recovering from covid, investors wants to see what happens to tourism. Investments in local infra development difficult unless PPP with a developer that can take bigger projects

- **RE skills**
- Planned activities progressing – delays due to covid – training of polytechnic trainers and instructors – information knowledge sharing web established .(UR 01248 Report 2022)

## EQ 7 Impact

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| EQ 7 To what extent are the interventions generating or are expected to generate significant positive or negative and intended or unintended impacts? | Indicators:<br>7.4 **Low carbon** - The extent to which the division contributes to 'decarbonisation'? The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio<br>7.5 **Climate resilience** - The extent to which the division contributes to 'climate adaptation'; The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio<br>7.6 **What about non climate actions?** - The extent to which there is a positive or negative climate impact from interventions that are not marked climate relevant |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i7.1)**<br>o RE-skills – expected to contribute to reduced GHG emissions<br>o |
| **(i7.1) Sustainable urbanisation**<br>• **IDSUN II is expected to contribute to GHG emission reduction through the urban mobility work – GHG mitigation through the development of public mass transport systems.**<br>o Climate mitigation and adaptation considerations are explicitly included in the urban governance and planning component (efficiency gains through improved connectivity), the urban mobility work (GHG mitigation through the development of public mass transport systems), as well as urban flood risk management (adapting to increasing extreme weather events).<br>• **IDSUN's programmatic approach is effective to achieve IDSUN's objectives and is likely to lead to greater impact, reach and sustainability, as opposed to a project city level approach**<br>o *"Indonesia is an exceptionally large, complex and geographically dispersed country. It is also an upper-middle income country. In this country a national programmatic approach, which is WB's modus operandi18, is likely to have a greater impact, reach and sustainability than a project city level approach. The latter could be a drop in the ocean."* |
| **(i7.1) Sustainable landscape**<br>**SLP is expected to contribute to GHG emission reduction through sustainable palm oil production, reduced encroachment to forests, and overall improved land management practices (CP). Not clear what targets have been set and how these will be measured.** |
| **(i7.2) IUWASH PLUS**<br>• **There is a potential for replication and scaling up of the work, but it is beyond SECO's influence.**<br>o The IUWASH have had a positive impact on the awareness of reduction and EE in other utilities. The automated pump system is more efficient in terms of energy, which has made the facility's work more efficient. Previously, the work was done manually, but the new system has made a significant difference.<br>o There is a target to improve EE, and the facility has 36 installations, with cooperation in the capacity of 30 l/s. With this initial success, the facility plans to continue with next funding and expand their efforts. Additionally, SECO's work in supporting one installation has been replicated, which is a testament to the effectiveness and of their approach, with a potential for impact, .<br>o While the improvements have currently been limited to the pump system, the facility plans to replicate them in other areas. As such, there is a strong commitment to reducing EE in all aspects of the facility's operations. |

## EQ 8 Sustainability

| | |
|---|---|
| EQ 8 To what extent are the results likely to be sustainable? | Indicators:<br>8.6 **Transformation -** The extent to which the supported interventions are transformative<br>8.7 **Policy and systems changes -** The extent to which the interventions led to policy and systems changes<br>8.8 **Vulnerability of portfolio -** To what extent are SECO's projects considered a long-term risk if the climate change is not mitigated soon enough<br>8.9 **Environmental considerations -** To what extent are the divisions interventions considering ecosystems and biodiversity?<br>8.10 **Why or why not? -** The most important factors for sustainability or lack of sustainability. |

| **Main findings in bullet points (indicator, source of information in brackets)** |
|---|
| • **(i8.1)General**<br>• **There are many good examples of replication and scaling – skills, IDSUN etc.** These cannot be said to be transformative with regards to climate. They may not even be sustainable over and above having resulted in |

development of studies and analysis. IDSUN II seeks to create a knowledge hub and sharing of knowledge between cities –

- **The Integrated Tourism Master Plans could be transformatory** – depends on their implementation. Destination approach not new in Indonesia but has so far not been implemented, Also here emphasis on crating knowledge hub and learning between destinations. This is made difficult due to the many different government ministries at all levels that is involved.
    - Sustour reporting: Good experiences in the selected locations with local plans and CHSE programme, training and coaching programme – examples of sustainability none of which are linked to environment and no reference to climate(Sustour report 2022)
    - Main challenge is to bring the pilots to scale or replication beyond Flores and Wakatobi. (Sustour report 2022)
    - No climate vulnerability analysis have been carried out in the tourism sector.

- **RE skills** – the design of the skills development based on market demand and in cooperation with private energy companies – is expected to ensure the sustainability of the approach – transformative id demand drive skills development .(UR 01248 CP ) Choice not to involve universities and vocational high schools as they were not demand driven

- **(I 8.4) Sustainable tourism** is considering environment sustainability – as a prerequisite for continued success (tourism will be negatively impacted by environment degradation) and a factor – hence environmental carrying capacity assessments as part of development plans (- (to be funded by WB, SECO?) UR01070 CP)
- **Sustour reporting:** No reporting on environmental sustainability
- **Sustour –** only operating at micro level – this is not sufficient in a complicated sector like tourism

**(i8.4) Sustainable landscape**

- **The SLP is tackling environmental, economic, and social sustainability.**
    - The overall goal is to contribute to well governed sustainable landscapes that balance social, environmental and economic aspects – or in different words, landscapes that meet sustainable development such as defined by the SDGs. It is expected that the Programme contributes to lasting improvements in the governance (e.g. sub-national policy reform), environmental (e.g. reduced CO2 emissions), social (e.g. job creation) and economic domains (e.g. increase trade volume of sustainable commodities) (CP)

**(i8.2) Sustainable urbanisation**

- **The sustainability of many of IDSUN's results is likely**. "The legal and regulatory framework will contribute to sustain these results, as IDSUN's principles and approaches have been already reflected in key strategies and policies, and will likely be included in future strategies and policies, based on the knowledge products that the program has developed. Some IDSUN tools or systems have also been integrated into government systems, such as regarding CPL. There is also good ownership and political commitment, as the systems, tools and processes have demonstrated their relevance. As noted, prospects on the availability of financial resources are excellent." (IDSUN 1 evaluation report)

Other aspects:

Greenwashing: SECO identifies as a risk that its support for tourism and the GoI programmes may be used to greenwash tourism development (UR 01070 CP) (Special Swiss issues – Wakatobi)

## Annex 3: List of people interviewed

| Name | Organisation/ Position | Date met |
|---|---|---|
| Phillipp Orga | SECO | Feb 27 |
| Andrea Zbinden | SECO | Feb 27 |
| Devi Dine Chandra | SECO | Feb 27 |
| Banu Karim Sjadzali | SECO | Feb 27 |
| Pak Leonardo Teguh Sambodo | Director Industry, Tourism and Creative Economy BAPPENAS | Feb 27 |
| Ibu Virgi | Director Water, BAPPENAS | Feb 27 |
| Luis Miguel Triveno | World Bank Jakarta | Feb 27 |
| IUWASH project team and representative of the Water Utility | Water Utility in Bogor | Feb 28 |
| Martin Stotelle (RESD project manager) + seven representatives of Politeknik, including 2 students | Politeknik Negeri Jakarta | Feb 28 |

| | | |
|---|---|---|
| Ruedi Nuetzi | Swisscontact | Feb 28 |
| Ferry Sambam Samosir | Sustour | March 1 |
| Pak Augusgiaz | Head of Economic Department, BAPPENAS, Labuan Bajo | March 1 |
| Pak Pius Bout | Head Tourism Development Local Council, Labuan Bajo | March 1 |
| I Made Sukadana | General manager, Sudamala Resorts | March 1 |
| Community Group Women for the Environment | 12 members of community group, Labuan Bajo | March 1 |
| Februanty S. Purnomo | Indonesia Climate Change Trust Fund | March 1 |
| Salman Alibhai | IFC Jakarta | March 3 |
| Grace Tjandra | IFC Jakarta | March 3 |
| Alexandre Hugo Laure | World Bank Jakarta | March 3 |
| | Bappenas Director Urban | March 3 |
| Jimmy Wilopo | Daemeter, project manager, SPLP | March 2 |
| Group of palm oil and pineapple farmers, incl. women farmers producing pineapple derivatives | 16 members of community group | March 2 |
| Head of Mengkapan village (village government) | SPLP programme | March 2 |
| Siak District Government – Department for Agriculture | Six government officials | March 2 |
| Farmer applying oil palm – pineapple intercropping | SPLP programme | March 2 |
| Nutrunti Indira | Win Rock | March 3 |
| Martina Locher | SECO | |
| Roman Windisch | SECO | March 14 |

## Annex 4: Documents Consulted

- Concept Note, Energy Access through Skills Development Programme
- Concept Note, Sustainable Tourism Indonesia, 2017
- Credit proposal, IDSUN, Sustainable Urbanisation Trust Fund, SECO, 2016
- Credit proposal, Sustainable Landscape Programme Indonesia, SECO, 2022
- Credit proposal, USAID IUWASH, SECO, 2019
- Final Report Mid Term Review (MTR) of the Sustainable Tourism Development Initiative (STDI) Indonesia, 2021
- Independent Terminal Evaluation of IDSUN MDTF, 2021
- Indonesia Sustainable Urbanization Multi-Donor Trust Fund IDSUN Annual Report, 2021
- Indonesia Urban Water and Sanitation Program IUWASH Plus, Completion Note, 2022
- One Planet: Responsible recovery of the tourism sector https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-06/one-planet-vision-responsible-recovery-of-the-tourism-sector.pdf
- SEMESTER REPORT 2022 Renewable Energy Skills Development (RESD) Indonesia
- SEMESTER REPORT Sem 2 - 2022 Renewable Energy Skills Development (RESD) Indonesia, V5 — January 12, 2023 – final
- STED Progress report, 2022-1
- Strengthening and Scaling the Mosaik Initiative Proposal Submitted to: The Swiss State Secretariat for Economic Affairs For the call for proposals for the Implementation of the Sustainable Landscape Program in Indonesia. Prepared by Kaleka (Previously Yayasan Inobu
- Sustainable Urbanisation Trust Fund, Credit Proposal, SECO, 2016

- Sustainable Urbanization Indonesia IDSUN, Phase II, Credit proposal, SECO, 2022
- "Swisscontact, 2022. INDONESIA LEUSER ALAS-SINGKIL RIVER-BASIN (LASR) LANDSCAPE PROPOSAL UNDER COMPONENT 1 OF THE SECO SUSTAINABLE LANDSCAPE PROGRAM (SLPI)"
- Updated Nationally Determined Contribution Indonesia, 2021
- USAID-SECO Partnership Program on supporting Indonesian Urban Water Sector, project end report, 2022
- USAID INDONESIA URBAN WATER, SANITATION AND HYGIENE PENYEHATAN LINGKUNGAN UNTUK SEMUA (IUWASH PLUS), Final report, 2022
- USAID/Indonesia, Urban Water, Sanitation and Hygiene Penyehatan Lingkungan Untuk Semua (IUWASH PLUS), Final performance evaluation, draft report, 2021
- Demeter/Proforest, 2021 Activity Report. An overview of SPLP activities conducted in 2021.
- Demeter/Proforest, 2022, Project Plan – Full Proposal SECO CALL FOR PROPOSAL FOR "THE IMPLEMENTATION OF THE SUSTAINABLE PROGRAM IN INDONESIA" 2023-2027 SCALING UP SUSTAINABLE PALM OIL PRODUCTION IN SIAK AND PELALAWAN, RIAU PROVINCE, INDONESIA
- Project Proposal to the Sustainable Landscape Program in Indonesia (SLPI) of the Federal Department of Economic Affairs, Education and Research EAER, State Secretariat for Economic Affairs SECO for the Sustainable Landscape Initiative in Kutai Timur (SUSTAIN KUTIM) Project, GIZ

# Annex D Thematic case studies

## Greening of finance and mobilization of private funding for climate: SECO contribution and value-added.

### 1 Summary (for main report)

**There is increased attention in SECOs finance portfolio to climate aspects as part of financial sector development and promotion of access to finance for companies.** It started out as attention to climate risks but has increasingly evolved to also address market gaps and shortcomings hindering mobilization of private capital for climate and SDG financing.

**Although it is too early to assess climate relevant results there is evidence of promising contributions in the greening of the financial sector and of mobilization of private funding for climate.** It is too early to assess climate results and impact of the support provided for greening the financial sector and results in terms of additional private sector capital mobilization for climate activities and SDGs. Nevertheless, there are some positive examples where SECO funding contributed to green of finance and mobilization of private funding for climate. This included through the WBG implemented Sustainable Finance Facility (SFF) work with partner governments on the legal and regulatory framework conditions, including sustainable finance framework and disclosure regulations in South Africa, establishment of a legal framework for green finance in Vietnam incl. green bonds, green credit lines and green public procurement; analysis of climate risks to the financial sector in Peru, and in Colombia support for FDN and analyses of projects with most benefits to the NDC. SECO has also contributed to greening the financial sector through grant support for rolling out of the IFC ESG standards in the financial sector and at company level. The SECO 17 has helped mobilise private capital from impact investors for sustainable fisheries in cooperation with FMO and for energy investments in East Africa in cooperation with European DFIs. Another positive example would be the SECO-supported Green Bond Technical Assistance Program (GB-TAP), implemented by IFC. The GB-TAP supports SECO partner countries to strengthen their regulatory environment (e.g. green taxonomies, sustainable finance strategies) as well as helping financial sector and firm-level actors to issue green bonds to foster a green and climate-friendly economy. The GB-TAP is also linked to a dedicated green bonds fund, managed by a Paris-based asset manager - Amundi, to promote investment in green bonds in emerging markets. Thereby, important private sector funding can be mobilised for climate/green projects in developing countries. There is no reporting in the SSI on this example.

**The SECO focus was primarily on financial market development and mobilization of finance and less on measuring development and climate results and impact.** Development objectives are often dual where the activities are expected to contribute to both development/climate objectives as well as mobilization of private capital. The log frames are focused on activities related to mobilization of capital as the projects are not known at the start of the engagements. The risk frameworks do not address risks related to lack of impact. There is a high risk that the attention to development/climate impact will remain low during implementation. Issues related to results, impact and verification of results are particularly urgent in the context of impact investing – the importance of verification where carbon credits are involved is evident.

**The value added of SECO was primarily in knowledge about capital market development and grant funding for de-risking and technical assistance** – the climate inputs are mainly from partners that e.g., in the case of the WBG can draw on considerable climate relevant knowledge and capacities.

**There is scope for increased Swiss contributions to financial market developments and mobilization of private capital over and above the recent development of SIFI.** This includes exploiting synergies with SIFEM in the context of greening the financial sector and with FOEN in the context of art 6 activities and gearing the SECO portfolio to support the development of investment generating carbon credits.

### 2 SECO engagement in the thematic area

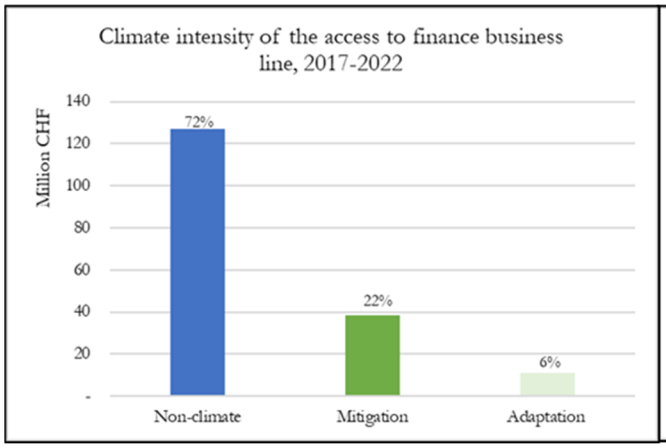
This thematic case study concerns the contribution and value added of SECO climate activities within the business line Access to finance under the target outcome of the innovative private sector initiatives. Under this business line SECO supports companies access to capital, innovative financial solutions including those

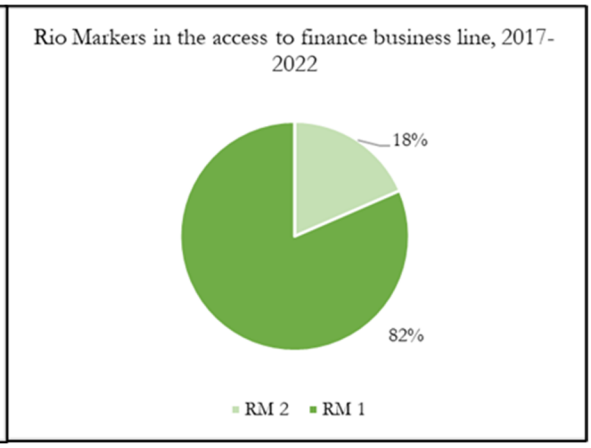
taking account of the environment, climate, and social risks such as green bonds, green credit lines as well as support for impact investing and infrastructure financing. This case study focusses on greening the financial sector in developing countries and efforts to mobilise private capital for climate action. Greening the financial sector is central to the SECO narrative of mainstreaming climate change into private sector development and to the objective of mobilizing private capital for climate.

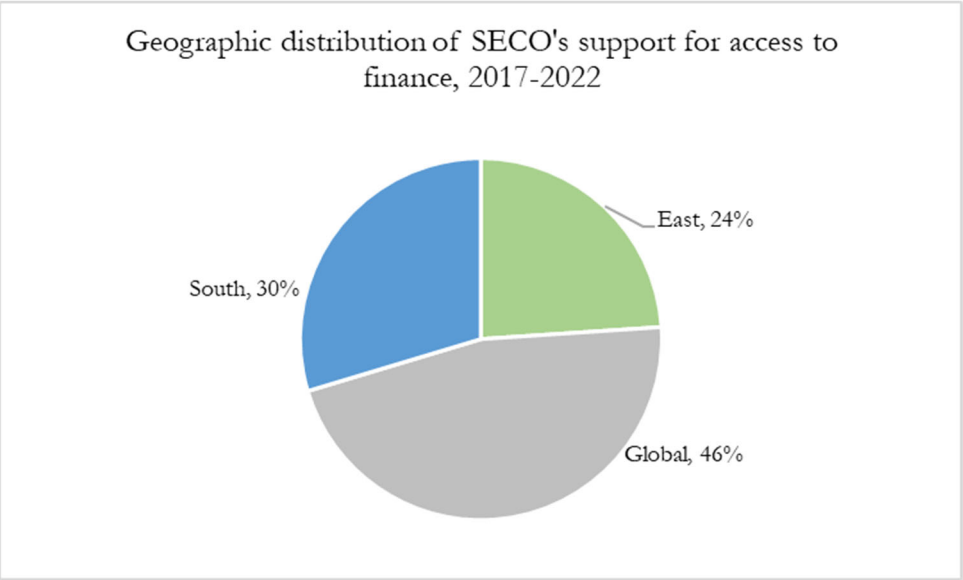
The total commitment for the business line Access to Finance amounts to 127 million CHF over the 2017 to 2022 period of which 49 million CHF (38 pct) is climate finance. The climate share of projects over the period 2017-2022 is volatile shifting between 0 pct. in 2020, 40 pct. in 2017 and 2021, and 10 pct. in 2022. This pattern emerges due to a few large projects, such as PIDG and SIFI.

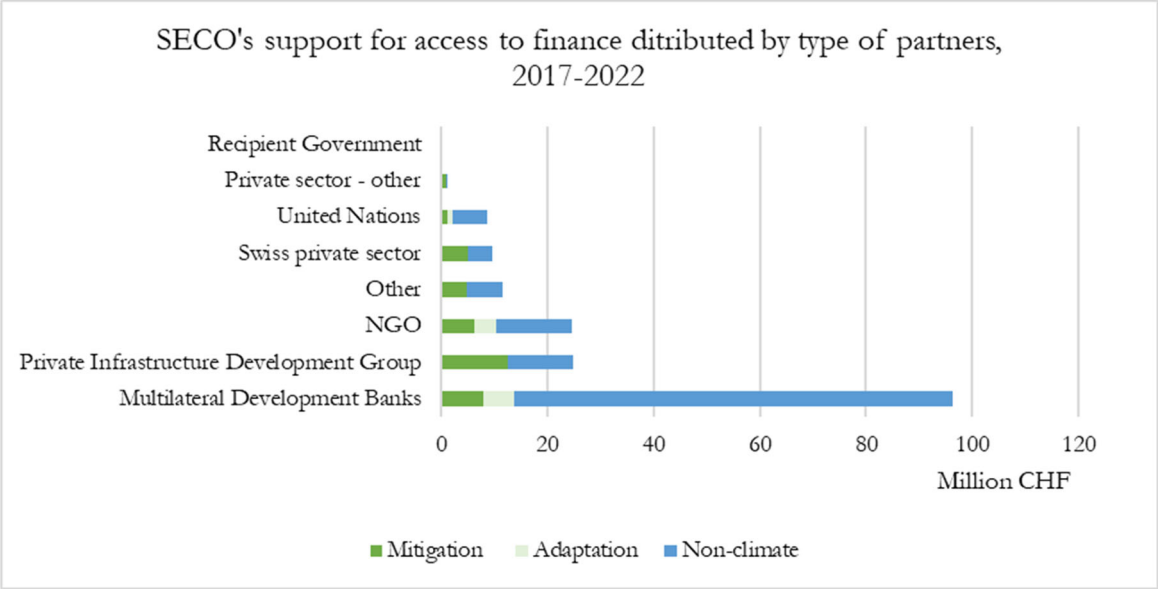
The main part – 82 pct - of the climate funding under this business line is mainstreaming (Rio marker 1) with the most significant contribution to climate finance deriving from projects with the Private Infrastructure Group (30 pct) followed by the SDG Impact Finance Initiative SIFI (20 pct.), the Currency Exchange Fund (TCX) (12 pct), and the IFC ESG programme 8 pct. The most significant contributors to Rio Marker 2 projects are the SECO 17 (50 pct), the EBRD HIPAC (20 pct) and Sustainable Finance for LA (10 pct.) The share of climate funding for mitigation is approx. 70 pct compared to 30 pct for adaptation. The main partners for SECO climate finance in this area are the MDBs, with WBG the largest, PIDG, NGOs and the Swiss private sector. Half of the funding is for global projects (46 pct). Among the country distributed climate finance, Ghana and Peru are the largest beneficiaries. See the following table and figures.

| ACCESS TO FINANCE BUSINESS LINE, 2017-2022 | |
|---|---|
| Number of projects (overall) | 51 |
| Number of projects with climate funding | 20 |
| **Climate volume (million CHF)** | **49** |
| *Mitigation* | *38* |
| *Adaptation* | *11* |
| *Rio Marker 1* | *40* |
| *Rio Marker 2* | *9* |
| **Non climate volume (million CHF)** | **127** |
| **TOTAL VOLUME (million CHF)** | **176** |






## 3 Sample selection

The following analyses of SECO support in the thematic area of finance will be based on a deep dive into the following three projects selected as part of the inception phase based on the criteria of Rio marker 1, 2 and 0, as well as covering mitigation and adaptation, global and country level, different partners, and single unit as well as joint unit projects. In addition, the projects address the two main objectives of this thematic study – greening the private sector through greening the finance and mobilization of private sector capital for climate.

*Table 2 Selection of projects. Finance – greening finance and mobilisation of funding*

| Code | Title | Rio Marker | | Start finish | CHF or USD if stated | Global/ country | Business line | Partner | Notes |
|---|---|---|---|---|---|---|---|---|---|
| UR_01244-01- and 02 | Promoting sustainable investment through integrated ESG standards | 1/0 | Both | 2019-2028 | 4.750.000 USD (Phase I) 16.007.500 USD | Global and selected SECO countries | Finance | IFC | WEIF – Rio Marker 0 for the global project and Rio Marker 1 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | for countries |
| UR_00917-01 and -02 | Capital Market Strengthening Facility Sustainable long term financing facility | 0/1 | Not foreseen/Both | 2015-2021 2021-2026 | 2.26 14.8 | Global and SECO countries | Finance | WB | WEIF |
| UR_00943-01 UR-1282.01.01 | SECO17 SDG Impact finance Initiative – recently selected projects though a call for proposals | 1/1 | Both | 2017-2020 2021-2025 | 7.000.000 19.500.000 | Global | Finance | Donor based operator | WEIF/ Mobilise funding – innovative funding |

Promoting sustainable investment through integrated ESG standards (ESG) is implemented through the IFC. There are currently two parallel programmes concerning promotion of sustainable investments through the integrated environmental, social and governance standards (ESG).

1) The Programme for promoting sustainable Investment through ESG standards covering the period 2019-2024 and 7 priority countries in the Europe and Central Asia region. This programme is Rio Marked 1 (5 million CHF)(UR-01244.01)
2) The Integrated ESG Programme covering the period 2021-2028 in selected SECO countries in Asia, Africa, and Latin America. Rio Marked 1 (16.85 million CHF)(UR-01244-02)

They both support sustainable investments through promotion of ESG standards at the market level through support for regulatory frameworks, capacity building for ESG in local capital markets and financial institutions, and at the firm level with capacity building for improvement of ESG standards: The objective of the ESG programme in the East being to

- Improve financial sector efficiency through building sustainable financial markets that integrate ESG factors into capital allocation;
- Improve access to investments and markets for real sector companies through enhancing their ESG practices and aligning them with international standards.

And the objective of the ESG programme in the South is that firms will improve their operational and ESG performance thereby benefitting from increased access financing, financing institutions will provide more ESG/sustainable financing and local intermediaries will provide their ESG services to the market on a sustainable basis.

The strategy for both projects is for IFC to work with the gaps in regulatory frameworks to promote clarity of ESG requirements, build capacity and monitor implementation. With a view to promote management of climate risks and monitor climate related financial flows; to build demands in local capital markets for ESG practices and ensure that financial institutions incorporate ESG risks into decision making and investment strategies; and strengthen awareness and capacities in companies for good ESG practices.

The standards used are IFC's ESG standards. And the programmes build on a previous programme funded by SECO and implemented through IFC that focused on support for better governance practices in the financial sector and companies to strengthen business performance and sustainability. For a full list of the IFC Environment Standards included in the ESG standards see Annex 1.

Sustainable Long-Term Finance Facility (SFF) is implemented through the WBG. The objective is to mobilise private finance for climate change and SDG investments by developing local capital markets. The facility is part of the larger WBG Joint Capital Markets Program MTDF that is also supported by Germany, Australia, and Norway. The SFF facility aims to assist governments develop the framework conditions within which national capital markets can develop to promote investments in climate and SDGs and to provide demonstration projects to test and prove policy work. The strategy implies technical assistance incl. for facilitating of a supply of investable climate and SDG related assets; new financial structures and trading platforms to mobilise long term finance for climate and SDGs; policy and regulatory reforms to mobilise long-term investors for climate and SDGs; strengthening financial policies and regulations of long-term

finance, and deeper and more liquid bond markets. It is global as well as country specific with a focus on selected SECO cooperation countries. The Facility is Rio Marked 1 (CHF 25.85 million) (UR-00917-02)

The SFF builds on a previous Trust Fund support with the WBG, the Capital Markets Strengthening Facility (CMSF), that did not have an explicit climate focus and was Rio Marked 0. The completion report related to the CMSF reports success in relation to improved capital market framework conditions in the selected countries as well as deepening of capital markets incl. for enhanced infrastructure financing. In relation to promotion of climate change financing, the Facility reported on two such successes both in Colombia: 1) development of a 9-year green and social bond to renew the Bus Rapid Transit fleet in Bogota, and 2) the establishment of a Guarantee Fund for clean and renewable technologies by the National Development Bank of Colombia.

SECO 17 and SDG Impact Finance Initiative (SIFI) is a SECO blended finance instrument for mobilisation of more and better private finance for realisation of the SDGs. SECO 17 was launched in 2017 with a call for proposals allowing impact investors to bid with their own solutions on ways to enhance impact investments. The purpose was private capital mobilisation for impact measured in terms of a combination of better jobs and low emission and resilient economies. The funding from SECO provided TA for development of sector wide approaches e.g. in the fisheries sector, and for new instruments such as reimbursable TA at financial closure. SECO17 is almost fully implemented and not yet reviewed or evaluated. SECO17 was Rio Marked 2. The evaluation looked at two examples – the Serengeti Enegy and the Meloy Fund. It is notable that both investments were in close cooperation with European DFIs, providing grant finance. There are no refences to additionality and concessionally. Based on the reporting in the SECO standard indicators (SSI) for the past performance of SECO 17 the following results have been achieved: SI6: Mobilised capital from private sector based on TA and not reported to DAC: 2020 USD 169 million; 2021 USD 63 million (DFI included Serengeti Energy was owned by the European DFIs incl. KfW, NDF, Norfund, Swedfund, and Proparco. The SECO contribution of grants to the Serengeti Energy technical assistance fund (TAF) has supported development of projects – grants are reimbursable to the Fund to ensure the sustainability of the TAF. References to IFC ESG standards as well as reporting on megawatts produced from renewable energy sources financed by the fund, primarily hydro-power plants. Support for the Meloy Fund – impact investing in coastal fisheries – together with FMO. Here there are ambitions to support climate smart adaptations – through reductions in environmental degradation. There are references to IFC ESG standards and sustainable fishing practices, but no reporting as to the concrete standards as outlined in Annex 1.[100][101] A more detailed review/evaluation will be needed to assess the impact of SECO17 funded activities.

Based on the preliminary experience and the interest from the investors, SECO in 2021 launched a new blended finance facility, the SIFI. The purpose is to mobilise finance for the SDGs (SII related to climate, jobs, and companies access to capital). The strategy is three- pronged: 1) innovation window where impact investors can apply for grants to help develop new products or ideas or scale existing with a view to building the market; 2) product window to support with grant TA the growth of impact investing; 3) support for Swiss framework conditions to promote impact investing in Switzerland (primarily financial regulation issues). The SIFI was in 2022 developed into a public-private partnership with the participation of SDC, UBS and Credit Suisse Foundations and set up as a separate non-profit legal entity. This transformation is still on-going. Hence the original model of outsourcing the full credit to the impact investor platform – Convergence – has been revisited. (UR-01282.01 and interviews) Rio Marked 1.

## 4 Overview of climate challenges and opportunities that SECO support aimed to address

**The primary focus of the programmes appears to be on financial market effectiveness and efficiency and mobilisation of private capital with climate impact playing a minor role.** For example, the support for integration of ESG was driven by the increased evidence base that showed correlation between financial returns and good ESG performance (UR-01244.01). The Impact Investment support

[100] Meloy Fund: https://static1.squarespace.com/static/59b99f4e49fc2bf16f80511e/t/6356ff6e65a7d24b9dc17f40/1666645871763/2021+Meloy+Fund+Impact+Report.pdf

(SECO17 and SIFI) are about development of impact investments and building markets – and although the impact of the financed activities is expected to have positive climate impacts in the form of reduced emissions and climate resilient economies, there is surprisingly little attention as to how this will happen in the credit proposals. (UR-01282.01). The templates for calls for proposals for SIFI, requests information on development impact monitoring but does not reference neither the need to use best practices nor verification of development and climate impact. In comparison there is considerably more focus on potential to build capital markets and financial solutions. According to interviewees, the intention is to leave reporting and verification open for the bidders to decide themselves, and for the first round of SIFI related to the innovation window, there will only be a focus on measuring private capital mobilised (with additionality and value added of the innovative instruments for mobilisation also left open to the chosen project holders to report on). The interviewees from outside SECO also underscored that their primary objective was to mobilise private capital and then it was up to the project implementors to ensure impact.
**In response to market demands and the climate mainstreaming approach in SECO gaining traction, attention to and evidence of climate mainstreaming increased over time with the more recent programmes paying greater attention to climate aspects**. Interviewees stated that the changes were brought about by market demands[102] and increased international attention to climate change that also reflected in SECO. Changes are evident in the two ESG programmes, where the first programme, despite being marked Rio Marker 1, does not mention climate risks or climate related issues neither have any indicators linked to climate (but indicators related to gender) ((UR-01244.01). The latter programme – also Rio Marked 1 - specifically reference the need for regulatory bodies and the financial sector to manage climate related risks. Still, none of the outcomes or outputs indicators picks up specifically on climate related aspects – referring only to ESG standards, which could include climate measures. Impact relates to ESG and/or operational performance of firms/FIs improved and an indicator related to implementation of climate risk regulations/guidelines has been included. (UR-01244.02). Similarly, the SFF builds on a previous cooperation with the WBG, that did not target climate, whereas the SFF target local capital market development specifically with regards to mobilisation of capital for climate related investments and development of carbon markets.

The mainstreaming guidelines (and the discussions in the context of developing the guidelines) were an inspiration for the most recent phase. But PMs and implementing partners in the development of the second phases of the ESG and the SFF programmes also to a large extent relied on the previous phases and the lessons learned and then adding climate to already well functioning activities. Interviews (UR-01244.01) and (UR-01244.02).

**WBG commitment to Paris Alignment and the procedures established for Paris Alignment is expected to further enhance the attention to climate issues in the future**. Interviewees from the WBG underscored that while climate had been a priority for many years, the commitment to Paris Alignment and the procedures established in this regard were expected to further increase the importance attached to climate in all work with clients and greening the financial sector. "*We started by adding climate risks to our work in the financial sector, now we increasingly seek to integrate climate impact.*"

**The development of the SIFI into a wider Swiss public-private partnership for sustainable impact investing is a promising venture with good potential for increasing mobilisation of private capital and addressing the climate finance gap – attention to impact most be ramped up.** The newly formed partnership strengthens the cooperation between SDC and SECO and supports the ambition of Switzerland becoming a global impact investment hub. Presently, 35 pct. of the private impact investing market with a focus on developing and emerging markets are managed out of Switzerland corresponding to approx. USD 10 billion (2021). This market is expected to grow to trillions globally in the coming decade.[103] Blended finance is seen as an important factor for development of the market by addressing some of the current obstacles to further growing the market; incl. de-risking, development of projects, supporting a portfolio approach to make up for the many small projects. In the longer term the credibility and expansion of this market hinges on reporting and verifying the development and climate impacts that the investors claim.

[102] See e.g. the Building Bridges initiative https://www.buildingbridges.org/about-us/
[103] The SIFI credit proposal

| Table 1 Climate challenges/opportunities that SECO support aimed to address and emerging results | |
|---|---|
| ESG (UR-01244.01). | Climate not addressed in project documentation, ESG primarily seen as a means to improving economic governance in the financial sector. (Rio Marker 2 CC M/A) According to IFC reporting the programme is progressing on all indicators – but it is not possible to determine to what extent the indicators cover climate related aspects. Nevertheless – according to IFC, the programme is leveraging global knowledge products also in the ECA region with regards to climate disclosure and transparency. (IFC: Global Annual Report ESG 2021-2022) |
| ESG (UR-01244.02). | The programme recognizes the need for the financial sector (regulators) and the financial institutions to include climate risks in their investment decisions and for increasing awareness amongst companies of climate risks. The programme also supports improved monitoring of financial flows related to climate investments. (Rio Marker 1 CC M/A) In the first project implementation report, IFC reports that all projects had included a climate component designed to tackle climate risk management by financial institutions, climate governance and climate reporting at the firm, market and regulatory level, supporting SDG 13. Also, IFC as part of the global component developed the ESG knowledge tool with regards to Sustainability and Climate Disclosure and Climate Governance. New knowledge tools related to climate risk management for the financial sector and companies are announced. A IFC climate working group composed of specialist from advisory services and operations has been established to this end. Work on climate disclosure and transparency of climate reporting continues also with a view to possible convergence of emerging standards. IFC is developing its climate governance advisory offering. (IFC: Global Annual Report ESG 2021-2022)<br>SECO reporting SI6: mobilised capital from private sector (not reported to OECD/DAC) 2020 USD 72 million; and 2021 USD 35 million. |
| SFF (UR-00917-02) | The SFF has as its objective to mobilise private capital for finance of the climate change and SDGs through the development of local capital markets. Two out of four outcomes – namely Ecosystem for the supply of climate change investable assets and Increased role of institutional investors as financiers of SDG/Climate change – are directly related to mobilisation of capital for climate. The reporting from the first year of the SFF underscores that the climate agenda has come to the forefront. This includes work with partner governments on the legal and regulatory framework conditions, including sustainable finance framework and disclosure regulations in South Africa, establishment of a legal framework for green finance in Vietnam incl. green bonds, green credit lines and green public procurement; analysis of climate risks to the financial sector in Peru, and in Colombia support for FDN and analyses of projects with most benefits to the NDC. Furthermore, the programme supported the development of carbon credit markets in Colombia, SA, and Indonesia. (Sustainable Finance Facility (Annual Report No. 1, July 2021- June 2022) |
| SECO17 and SIFI (UR-01282.01 | The SIFI, and before that SECO 17, intends to promote private financial flows to help fund the estimated financing gab for the SDGs and climate transition – impact should be measured in terms of jobs created and low-emission climate resilient economies based on outcomes defined as increased availability of funds, scale and impact of solutions, more private capital for the SDGs and strong Swiss impact finance ecosystem and infrastructure. With regards to SIFI it is still too early to expect any reporting. The calls for proposals in the first rounds have been for the innovation window. The project outlines that the team had access to all have focus on SDG13 and often times related environmental SDGs. Climate relevance is therefore significant. They all seek to catalyse funding for climate and environment and promise substantial investments in natural climate solutions and promoting best in class impact and ESG management. The companies behind the proposals represent considerable expertise in the impact investment area as well as a mixture of well-known companies and new companies. Some of the projects involves carbon credits. One project specifically wants to raise grant funds from donors and philanthropies to be able to grant fund selected projects with climate impact. |

## 5 Results related to climate change and factors for success/failure

**It is a common feature for all the programmes and underlying projects reviewed in this case study that it is too early to report on specific results and much less verified impact related to climate.** Most of the programmes are in their first years of operation, and most often they provide support for technical assistance and capacity building of regulators and market players where the real impact in the form of reduced emissions and resilient economies are still some years out in the future. The programmes reviewed have good potential and address key issues in finance related to mobilisation of capital for climate

at the macro level, financial sector level and firm level that all are important features for addressing climate risks and support a transition towards greening capital markets and the real sector that these markets service.

Working with and through the WBG increases the plausibility of a link between support for framework conditions (policy and regulatory reforms etc.), and mobilisation of private capital, and investments in real assesses that can support a green transformation[104]. The WB Global Practice Finance, Competitiveness and Innovation (FCI)has the possibility to reach out to other Global Practices and Trust Funds for Infrastructure Development as well as the IFC to ensure that changes to framework conditions can lead to development of projects and result in real economy transactions and impact.

**Attention to reporting and verification of development and climate impact is limited**. This is to some extent understandable in the context of the ESG and SFF programmes as their focus is on policy development and capacity building although the focus on regulatory bodies in this context could be strengthened. Recently IFC as part of the ESG programme has ramped up attention to verification of climate disclosures and transparency.

The development objectives for these interventions are a combination of private sector capital mobilised for climate SSIs (and jobs) whereas outputs and outcomes on the whole are related to mobilisation of private capital. Interviews with the partners involved in implementation of the initiatives underscored their primary objective as mobilisation, whereas the impact reporting and verification was found to be a concern only for the partners with whom the mobilised capital was invested. E.g. Convergence informed that their primary objective was mobilisation, and the impact reporting would be carried out by the project receiving the investment. While this may be an acceptable approach when mobilising finance for implementation through well-known development partners, and civil society organisations with a track record in development, it appears insufficient when investing in new partners and very risky when engaging in carbon credit development.

This issue is most acute in the context of the SECO17 and SIFI funded activities. There are no references in the credit proposals to risks related to measuring and verifying climate finance and climate finance impacts, including additionality (financial as well as in terms of CO2 emission reductions), transparency and verification of climate impacts, leakages (the fact that a reduction in one place just leads to an increase in emissions elsewhere), permanence (meaning the emissions will remain reduced also after the project closes) etc. SECO relies on the selected companies own KPIs, ESGs and impact frameworks and there are no assessment of the quality and applicability of the reported verification methodologies. The successful proposals for funding from the innovation window, refer to monitoring against international standards most often VERRA and the Gold Standard (which covers a myriad of verification tools.) Reporting and verification of climate impact is by no means an easy topic, but it does require attention from SECO and realistic scepticism towards the impact investors and the standard setters both from the point of view of accountability in the use of public funds and climate green washing. [105]

The issues linked to climate transparency or green washing are well recognised across the financial sector – see e.g. the Building Bridges 2022 report, where it is also recognised that while voluntary disclosures may be fine in a start-up phase, mandatory disclosure standards are necessary to avoid damage to the green transition[106]. Switzerland has long been known for its preference for voluntary disclosures not to burden the financial sector.

Switzerland has the ambition of becoming an international Sustainable Finance hub. This ambition and the actions needed are set out in the" Sustainable Finance in Switzerland. Areas for Action for a leading sustainable financial centre 2022-2025." [107] This report acknowledges that for this to happen it will be essential to build credibility and trust in this area, including prevention of green washing. Another important

[104] The point being that most likely the investments will be made in assets that increase emissions as they contribute to growth e.g. investments in renewable electricity generation.

[105] It is beyond the scope of this evaluation to go deeper into various verification standards and suppliers – here just to note that based on investigations by The Guardian and Die Zeit claiming that 90 pct of rain forest off sets reported by VERRA was useless. VERRA in March 2023 decided to change the methodology.

[106] The potential of sovereign sustainability-linked bonds in the drive for net-zero (bruegel.org) Data and Metrics: the solution to greenwashing

[107] https://www.sif.admin.ch/sif/en/home/finanzmarktpolitik/sustainable-finance.html and

area is Swiss influence and leadership in developing and striving for international standards which contribution to sustainability are the greatest.[108] The report points to action that contributes to transparency at all levels, clearly distinguishing between whether the activities/products minimise sustainability risks associated with climate or whether the product is aligned with sustainability goals/or effectively makes a contribution to sustainability.

Over the years there have been various initiatives involving regulatory bodies to establish internationally agreed disclosure standards including the EU Sustainable Finance Disclosure Regulation and the International Sustainability Standards Board (ISSB). At the COP26 in Glasgow the International Sustainability Standards Board was tasked with developing standards.

**SECOs main value added is its understanding of financial markets, its responsiveness to the new demands for climate to be included in financial market development from government partners and investors; and choosing and financing partners that have the capacity and leverage to impact financial sector development in countries and link it to real economy investments.** SECO's role in developing the climate approach is more limited and generally left to partners and in the case of SIFI to the private sector, with SECO in the supporting role.

SECO in the development of the CG programme into the ESG programme as well as the Credit Market Strengthening Facility into the SFF strongly supported the inclusion of climate referencing its own policy objectives as well as the increasing demand from actors. Adding a climate component as in the ESG programme, and a climate lens in the SFF programme was in accordance also with the IFC and WB priorities. The specificities as to the climate content was left to ÌFC and the WB to develop, the WB GP Finance Competitiveness and Innovation acknowledging their advantage in being able to draw on the WB GP Climate for climate knowledge.

**6 Factors that can explain the change or the absence of change related to climate:**

Positive factors:

**SECO is responding to a growing demand for greening the capital markets and for providing opportunities for investors to invest in climate.** To a large extent SECO is responding to demands from the private sector to help address obstacles for the impact investing market to develop further and faster. This implies that there is uptake and ownership among key stakeholders. The approach is spelt out in the credit proposals and supported by interviews with SECO, implementing partners and others. SECO does not see its role as promoting climate or pushing climate financing with the implementing partners and the private sector – rather partners and the private sector will lead with SECO in a supporting role.

**SECOs choice of partners with substantial capacity and leveraging ability supported promotion and inclusion of climate aspects in the finance sector and capital markets.** Working with and through the World Bank and IFC increased the impact of SECO support as it leveraged the capacity and influence of these institutions in national capital markets at all three levels. The fact that the new more climate relevant programmes came on top of existing programmes with proven track records and strong networks in countries including with regulatory bodies and financial market players enhances the opportunities for progress. According to the IFC, the funding from SECO has made it possible for IFC to move faster on developing the E in the ESG standards including with regards to climate governance and climate reporting at the firm, market, and regulatory level. Working with the WBG also ensured a link between progress on framework conditions and real sector activities.

**Multi-country approaches supported learning across countries.** SECO support for the WBG programmes were multi-country allowing for cross fertilisation of approaches and ideas. In particular the inclusion of more advanced countries like Colombia and to some extent Indonesia had proven useful according to WBG interviews.

[108] Sustainable Finance in Switzerland Areas for Action for a leading sustainable finance center 2022-2025, 2022 page 5

Negative factors:

**Even though there is demand in partner countries for developing framework conditions for capital markets to be greener and promote sustainable and climate relevant financing these are also highly complex and often politicised processes in all the countries.** It takes considerable time and effort to drive these processes forward as they involve many different ministries and regulatory bodies etc.

**The attention to climate transparency including through reporting and verification is limited**. The fundamental issue of credible reporting and verification of climate impact (for the SIFI and SECO 17) and the increased private mobilisation for climate of the SFF is not brought out as an area for activities in log frames nor as a risk in the proposals. Increased transparency on climate risk and climate impact is what is going to make investors make efficient and effective investments decisions.

None of the credit proposals mentions the issues related to climate transparency and verification although they are well known and well understood as interviews showed. The lack of attention to transparency and disclosure risks is even more serious if not brought into the mainstream of the projects and the programmes. Transparency with regards to climate impact must be promoted at all levels(regulatory, market and firm), clearly distinguishing between whether the activities/products minimises sustainability risks associated with climate or whether the activity is aligned with sustainability goals/or effectively makes a contribution to sustainability/climate. IFC informed that disclosure and transparency with regards to climate risks and impacts are fundamental in the ESG work – at the global/national/client facing work – and is coming to the forefront.

**Awareness and market uptake – there is strong demand, but the capacity is limited.** The demand for technical assistance and capacity building is large. The SECO funded programmes aims at being catalytic in their support for regulation and financial sector capacity. Size of the ESG programme is in most cases not an issue as the funding is catalytic and WBG work with partners through many years – including the CG programme. But in some countries the needs countries the needs just outweigh the availability of resources.

## 7 Analysis of the role and value-added of SECO support in fostering change (or absence)

**The Value -added was mainly in the funding.** SECO support provides valuable grant funding for advisory and pilot activities that are essential for the WBG and for impact investors in all the priority countries as well as designing and developing climate relevant tools.

**SECO helps connect the dots with other players.** One example mentioned by both SECO and IFC was the linking up to the Global reporting Initiative, that is an international organisation that help businesses and other organisations to communicate impacts to communities. The GRI has developed climate and sustainability standards that is used by businesses across the world.

**As a pioneer on art. 6, Switzerland can help develop this instrument to support capital mobilisation for a green transformation at country level**. One interviewee described Switzerland as a pioneer with regards to art 6. and Switzerland's very useful support for building institutional capacity in partner countries. Switzerland could promote a more coherent Swiss approach – linking its art 6 work, with its support for framework conditions in financial markets incl. carbon credit markets and the SECO relevant work in real sectors to promote capital mobilisation for investment in e.g. energy transformation. Promoting such synergies with the Swiss engagement at country level would support piloting development of the carbon credit markets.

**There appears to be opportunities for better synergies with SIFEM:** A large part of the portfolio of SIFEM is funding of funds. SIFEM seldom has the capacity to support ESG capacity building and training of staff in supported funds. By bringing about a closer link between the financial institutions supported by SECO via IFC with regards to ESG capacity and SIFEM investment support the impact is likely to be stronger and more profound as the SIFEM funds can be used as incentives for funds to move ahead. This opportunity has been discussed between SECO and SIFEM, but has yet to be tested.

**SECO can contribute to promoting the climate/ESG agenda through its country presence.** Demands for climate finance and regulations, disclosure and transparency are evolving and there are no one standard. Switzerland can contribute to the discussions in the countries through its country representations. There are examples of Swiss support for IFC policy actions e.g. IFC made use of the Egypt-Swiss Business Chamber to create awareness of ESG; and Swiss companies can explain about their experiences.
**SECO contributed to developing and clarifying log frames – although very useful for clarity and quality to the projects – this seldom involved strengthened log frames with a view to strengthening climate focus, monitoring, or reporting.** The inputs from SECO in terms of climate thinking – including climate risk management, climate disclosure and transparency and climate were generally limited; SECO contributions to developing the programmes were mainly related to the understanding of the financial sector incl. the importance of working with all three levels.

**The development of SIFI into a public private partnership has the potential to mobilise climate funding at a larger scale.** Having one Swiss initiative was found as preferable by market actors – as a variety of initiatives with a proliferation of instruments, reporting requirements could create obstacles for the fast development of the market.

## 8 Lessons learned and possible implications

**SECO is the supporter of private actors:** Climate is here and being pushed from all corners, SECO provides options and participates in dialogues. SECO does not have all the answers and solutions, we can support others – multilaterals to develop the framework conditions and the private sector to develop the instruments and tools for increased climate financing.

**To improve access to sustainable finance – action is needed at 3 levels**: Macro level; the regulatory and financial sector level and the individual company level.

SECO is not itself a climate finance institution and the strategy is that "*we work with others that also have as their main goal to support economic development*". Going forward there are considerations in SECO as to the usefulness of expanding partnerships to climate institutions that focus on mobilisation of green finance such as the GGGI that has a specific and dedicated climate objective.

**A possible global role for SECO/Switzerland ?** There are many actors in the space of climate finance and impact investing. SECOs role has been to support a variety of actors mainly in the multilateral field. The SECO17 and the SIFI seeks to provide a new angel building also on the Swiss ambition of becoming the global impact investment hub.

Annex 1: **ESG Standards:**

**Most Commonly Reported E&S Metrics**

| TOPICS | ILLUSTRATIVE METRICS | FREQ. |
|---|---|---|
| **MANAGEMENT SYSTEM** | | |
| Environmental & Social Management System | Environmental and Social Management System (y/n). Provide description and link. | 46% |
| **ENVIRONMENT** | | |
| **Resource Efficiency** | | |
| GHG emissions | GHG emissions: Scope 1 and 2 (t), Scope 3 if relevant, intensity (GHG emissions/production of sales) | 92% |
| Water use | Water used (m3), % recycled, % in water stress areas, intensity (water use/sales) | 92% |
| Energy efficiency and mix | Energy consumed (GW), % grid electricity, % renewables, intensity (energy/sales) | 85% |
| **Pollution Prevention** | | |
| Waste (water, solid, hazardous) | Waste from operations (t), % hazardous, % recycled, intensity (waste/sales) | 73% |
| Air pollutants | Air Pollutants (Tn): NOx (excl. N2O), SOx, volatile organic compounds, particulate matter | 62% |
| Pollution risks | Legal actions, community grievances, or public controversies involving past or ongoing pollution risks (e.g., air or water emissions, soil or groundwater contamination, waste disposal) from the company/project (#). Describe corrective actions. | 42% |
| Spills | Number and volume of significant spills | 25% |
| **Biodiversity Conservation** | | |
| Protection of habitat and biodiversity management | Statement, code, or policy on biodiversity management (y/n) Provide description and link. | 46% |
| Impact on endangered, vulnerable, or rare species | Company/project located in or near an area known to contain endangered, vulnerable, or rare species (y/n). Provide description and link | 23% |
| **Climate Adaptation** | | |
| Prevent or adapt to climate change | Steps to prevent and (if not preventable) adapt to the impact of climate change on the company's ability to operate profitably or the quality of its products and services | 38%<br>38% |

https://www.ifc.org/wps/wcm/connect/3435180b-6506-4960-86ed-a0beabdcb02e/IFC-ESG-Guidebook.pdf?MOD=AJPERES&CVID=nToj-Og

**Annex 2 Documents reviewed in addition to project documentation**

- IFC: Global Annual Report on Integrated ESG Program: Driving Sustainable Development (September 2021-June 2022)

- IFC ESG Guidebook https://www.ifc.org/wps/wcm/connect/3435180b-6506-4960-86ed-a0beabdcb02e/IFC-ESG-Guidebook.pdf?MOD=AJPERES&CVID=nToj-Og

- WBG: Capital Markets Strengthening Facility (CMSF) Trust Fund Completion Report to Development Partner May 15, 2022

- WBG: Sustainable Finance Facility (SFF 2021-2026) SFF Annual Report No1 reporting period July 1, 2021 - 30 June, 2022.

- PPT Joint Capital Markets Program (J-CAP) Second donor's meeting March 2nd, 2023.

- Meloy Fund: https://static1.squarespace.com/static/59b99f4e49fc2bf16f80511e/t/6356ff6e65a7d24b9dc17f40/1666645871763/2021+Meloy+Fund+Impact+Report.pdf

- Serengeti Energy: https://www.serengetienergy.com/

- SECO: Sustainable Finance in Switzerland 2022-2025: https://www.newsd.admin.ch/newsd/message/attachments/74562.pdf

- SIFI Project proposals (briefs) funded under the SIFI.

**Annex 3 People Interviewed**

- Jonas Grunder, WEIF
- Christine Lewis, WEIF
- Katrin Ochsenbein, WEMU
- Massimo Bloch, WEIF
- Sarah Cuttaree, IFC Corporate Governance Officer
- Catiana Garcia-Kilroy World Bank GP Finance, Competitiveness and Innovation
- Trang Tran, Convergence
- Karin Tang, UBS Optimum

## 1 Summary

Growth promoting economic policies business line is the second largest of SECO's business lines in terms of commitment. About 50% of the CHF 490 million committed is channelled through the MDBs. Out of the 100 projects under this business line, 13 projects have climate commitment. There is only RM 1 and 2 i.e., climate commitment in projects implemented by the MDBs.

For the study for projects were selected e.g., one project with RM1 mitigation UR_01281-01 Climate Action Peer Exchange (CAPE) / Green PFM, one with RM1 adaptation UR_01090-03 Disaster Risk Financing and Insurance (DRFI) and two without RM, UR_00841-01 Subnational PFM in Albania and UR_00439-03 PFM MDTF in Indonesia. The last two were selected to explore whether there are missed opportunities in projects that do not have climate commitment and if there are climate interventions in such activities.

The study showed that **the climate commitment is concentrated in the support to the MDBs** where it constitutes about 16% (See figure 3 above). This is much lower than the SECO average where more than 30 pct. of SECO funding channelled through MDBs was for climate.

**A very small but growing part of the support to PFM is committed to climate mainstreaming.** The climate commitment is concentrated in the support to the MDBs where it constitutes about 16% (See figure 3 above). This is much lower than the SECO average where more than 30 pct. of SECO funding channeled through MDBs was for climate. WEMU elaborated the mainstreaming guidelines on climate in 2019. This awareness creates the ground for mainstreaming climate consistently in SECO interventions based on the existing guidelines. WEMU now disburses about CHF 8 million for climate change compared to CHF 1 million five years ago.

**Through support to the MDBs, SECO has been in the frontline supporting design and implementation of tools for mainstreaming climate into public financial management.** Both the MCP II and the DRFI achieved considerable results in strengthening framework conditions for climate change and disaster risk management through the production of greening PFM tools and knowledge products. The target countries for DRFI produced National Disaster Risk Financing and Insurance Strategy and introduced other measures such as catastrophe risk assessments and budgeting which reduced climate related risk.

**In bilateral cooperation with priority countries SECO did not mainstream climate in its support to public financial management. Even so it did happen sometimes on the initiative of recipient governments and the MDBs.** Climate was not addressed in the Subnational PFM project in Albania. For questions of local capacity and not to overburden authorities with new and complex issues, there was a reluctance to consider climate mainstreaming. In Indonesia, though a Climate-PEFA was elaborated under the PFM MDTF project. The Climate-PEFA indicated that the steps taking in the PFM system to mainstream the policies into practical action did not fully match the country's policies in the area. The case showed that application of such analytical tools can be sensitive.

Nevertheless, there is a potential for scoping for climate mainstreaming in other PFM projects including bilateral projects at central and subnational level which do not have climate commitment. The PFM area is a bit top down. Projects are usually designed at central level and new issues like mainstreaming of climate change also comes from the top and then trickles down to the bilateral cooperation. There is not a general focus on applying tools and approaches developed in

cooperation with the MDB in the bilateral projects. Usually, it evolves first in the multilateral space and then it goes to bilateral space.

**2 SECO climate engagement in public financial management**

This thematic case study concerns the contribution and value added of SECO activities within the business line "growth promoting economic policies" under the target outcome of promoting reliable economic framework conditions. Under this business line SECO supports fiscal, financial, and monetary policies, public financial management, fiscal and debt management, local finance administrations, digitalization, appropriate supervision and regulation of financial and capital markets and local capital markets.

The case study focusses on greening the public financial management (PFM) in developing countries to establish equal access to markets and opportunities for people and companies. Greening the PFM is central to the SECO narrative of establishing the right framework conditions through mainstreaming climate change to promote environmental sustainability into private sector development and economic growth.

Growth promoting economic policies business line is the second largest of SECO's business lines in terms of commitment and from 2017 – mid-December 2022 approximately CHF 490 million was committed to that line.[109] Of this total about 50% was in support to multilateral development banks, CHF 100 million to recipient government in countries where SECO has bilateral cooperation and around CHF 65 million went to the International Monetary Fund. (See figure 1) So, most of the support went to multilateral development banks (MDB)s. As can be seen, there is only climate commitment in projects implemented by MDBs.

Table 1 shows gives the key data for the SECO business line *Growth promoting economic policies* of which public financial management (PFM) is part. Out of the 100 projects under this business line, 13 projects have climate commitment. Since SECO does not apply a particular marking for PFM, it is not possible with any accuracy to identify the number of projects that focusses on PFM.

*Table 2*

| **GROWTH-PROMOTING BUSINESS LINE, 2017-2022** | |
|---|---|
| Number of projects (overall) | 100 |
| Number of projects with climate funding | 13 |
| **Climate volume (million CHF)** | **40** |
| *Mitigation* | *17* |
| *Adaptation* | *23* |
| *Rio Marker 1* | *26,5* |
| *Rio Marker 2* | *13,5* |
| **Non climate volume (million CHF)** | **450** |
| **TOTAL VOLUME (million CHF)** | **490** |

Figure 1 shows that all projects with climate commitment e.g. RM 1 or 2 are found under the support to MDBs. No other partner received funding with climate commitment and there is no climate commitment in SECO bilateral support to PFM.

[109] IR figure 8

*Figure 1*

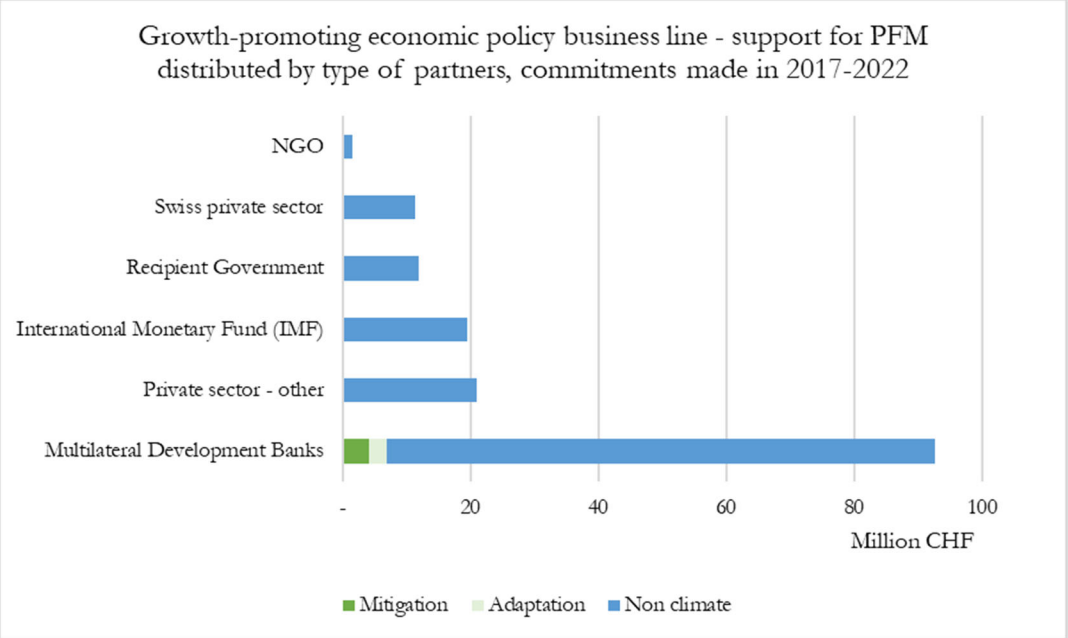



*Figure 2*

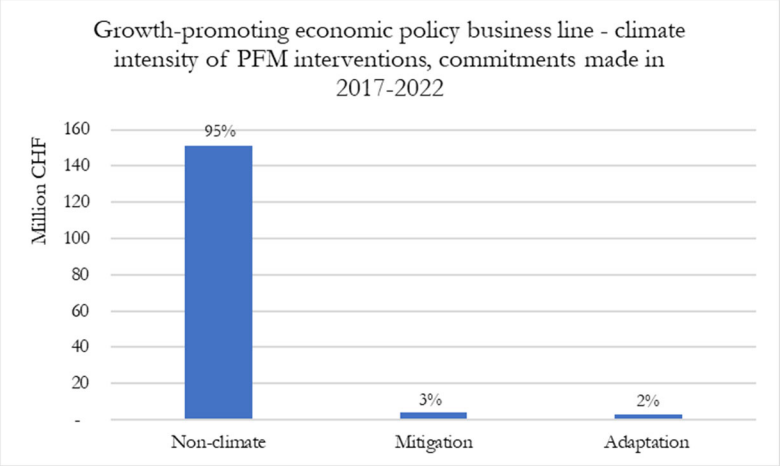
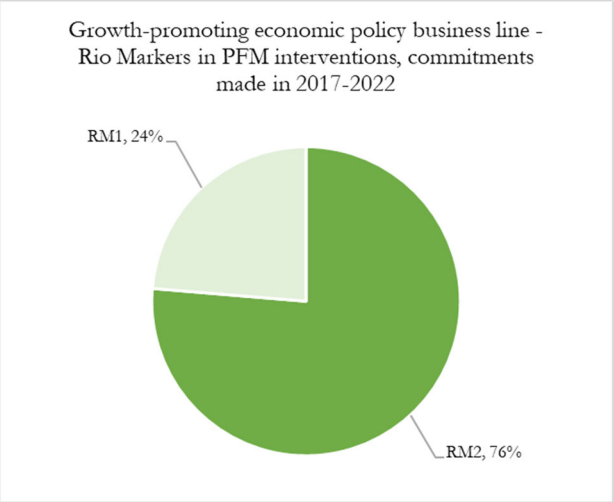



Figure 2 shows that the climate intensity is very low in PFM with 3% for mitigation and 2% for adaptation.

Figure 3 shows that 24% is committed under Rio Marker 1 (significant) which means that they are mainstreaming projects and 76% is committed as Rio Marker 2 (principal) which means that it's categorised as a climate project. The guidelines for climate mainstreaming recommends exactly that climate should be mainstreamed in the portfolio so it would be expected that RM1 should be higher than RM2.

*Figure 3*




## 3 Sample selection

The purpose of the study of integration of climate in PFM is to assess the strategic relevance and the contribution of SECO policy, financial and other inputs into these this theme with the objective of contributing to climate change mitigation and climate change adaptation. These analyses are expected to provide evidence for answering the several evaluation questions.

For this analysis two projects where there is climate commitment with Rio Marker 1 have been selected, namely the Climate Action Peer Exchange (CAPE/ Green PFM which is a global project implemented over two phases by the WB and the Disaster Risk Financing and Insurance (DRFI) which is now in phase 3. Since a large part of the portfolio has no climate commitment two bilateral PFM projects have also been selected. These are the PFM Multi Donor Trust Fund (MDTF) in Indonesia and the Subnational PFM project in Albania.

The thematic study has been desk based and primarily concentrated on document review with a few supporting key informant interviews. (See annex 2 and 3)

| Code | Title | Rio Marker | Start finish | CHF (m) | Global/ country | Business line | Partner | Notes |
|---|---|---|---|---|---|---|---|---|
| UR_01281-01 | Climate Action Peer Exchange (CAPE) / Green PFM | 1 Mitigation | 2019 – 2021<br>2022 - 2025 | 2.75 | Global | Growth-promoting economic policy | WB | WEMU |
| UR_01090-03 | Disaster Risk Financing and Insurance (DRFI) | 1 Adaptation | 2022 - 2027 | 0.45 | Global | Growth-promoting economic policy | WB | WEMU |
| UR_00841-01/ UR_00439-03 | Subnational PFM in Albania / PFM MDTF in Indonesia | 0 | 2018 – 2023/<br>2019 – 2023/<br><br>2018 - 2021 | 4.5<br><br>3 | Albania<br><br>Indonesia | Growth-promoting economic policy | WB | WEMU |

**Climate Action Peer Exchange (CAPE) and Green PFM:** The fully SECO-financed Phase I, (2020 – 2022) was the first climate Program in the World Bank's Governance Global Practice, called "Mainstreaming Climate Action in Governance Program (MCP). It was financed with CHF 8 million. Eleven countries including SECO countries' Albania, Ghana, Tajikistan, Ukraine, Vietnam and Uzbekistan received operational support with tangible outcomes such as the introduction of green budgeting, greening public procurement practices, and institutional reforms to advance national climate policy. The programme developed 10 tools and knowledge products compared to six planned.

The program forms an integral part of the WBGs climate change action plan 2021 – 2025 and is with its seven thematic areas very comprehensive: 1) National Institutional Frameworks for Sustained Climate Action, 2) Green and Resilient PFM, 3) Green and Resilient Infrastructure Governance, 4) Green Public Procurement, 5) Green and Resilient State-owned Enterprises, 6) Subnational Governance and Climate Change Policy and 7) Open Government and the Political Economy of Climate Change Reform.

The second phase (2022 – 2025) will scale up this work in existing and new countries. New topics such as Green GovTech[110] and biodiversity will be introduced. "*The dialogue with the MDB is even. We have been pressuring on biodiversity and there is a good story. We provided seed funding to IMF and WB".*[111] Phase II is financed by SECO with CHF 5.4 million[112]. Germany is also contributing. The new phase also includes a financial contribution to the secretariat of the Coalition of Finance Ministers for Climate Action with CHF 750,000 over three years. This relates to the CAPE element of the project.

**Disaster Risk Finance and Insurance (DRFI):** The DRFI is now in its third phase running from 2022 – 2027 with a contribution from SECO of CHF 8 million and a total budget of CHF 100 million. The SECO budget is split in CHF 4 million which are climate committed and CHF 4 million which a non-climate committed. It is implemented by the World Bank. It supports SECO priority countries in building their financial resilience to natural disasters and other crisis, including pandemics. While DRFI's focus was initially on financing and insurance of risks from natural disasters such as earthquakes, DRFI has from phase 2 increasingly adopted a multi-risk approach with increasing focus on climate-induced natural disasters and pandemics has been added due to COVID-19. The precise focus of the support to climate change depends on country priorities and on the exposure and vulnerability to climate change. The evaluation of the second phase rated it as highly satisfactory.

**Public financial management support in Albania and Indonesia**

Through the project *Strengthening subnational PFM in Albania* SECO is supporting public financial management systems. In the first phase from 2019 – 2021, the project supported 18 municipalities and in the second stage from 2022 – 2023 it will support all 61 municipalities in the country. The project has a conventional but comprehensive PFM approach and focuses on capacity building on basic PFM establishing a solid basis for performance-oriented planning. Mainstreaming of climate change was not considered. Donor coordination will be important as several donors are providing support to subnational PFM reform. The five main actors are: Sweden, SDC, EU, USAID and the World Sank

SECO is supporting PFM in Indonesia with CHF 9 million of which none is climate committed. The funds are channelled through the Multi-donor Trust Fund (MDTF). SECO has supported

[110] Green GovTech aims to develop global public goods on how GovTech approaches e.g., digital solutions can contribute to long-term decarbonized, inclusive, and resilient public sector modernisation.
[111] PM
[112] MCP Programme Description, 01.12.2022

Indonesia for more than 15 years on PFM through the creation of a Multi Donor Trust Fund (MDTF). The third phase of the programme is under implementation from 2019 – 2023. Phase 3 will focus on gender-responsive budgeting and subnational revenue management.

## 4 Overview of climate challenges and opportunities that SECO support aimed to address

| Table 1 Climate challenges/ opportunities SECO support aimed to address (Rio marker) | |
|---|---|
| UR_01281-01 Climate Action Peer Exchange (CAPE) / Green PFM | The MCP addresses both mitigation and adaptation and has Rio marker 2 (principal). More than six years after the signing of the Paris Agreement, global emissions are still rising. Current mitigation pledges for 2030 would achieve just one to two thirds of the emissions reductions needed for limiting warming to 1.5 to 2 degrees Celsius. Regarding adaptation, less than 50% of annual economic damages are covered by insurance. Most governments are just starting to address climate-related fiscal risks. Indicators collected during Phase I of the Program revealed that most of the countries assessed have yet to put in place the governance arrangements to properly address climate change. There are notable gaps in long-term planning, the integration of climate change in planning, budgeting and procurement practices, the design of inter-governmental fiscal relations, the governance of state-owned enterprises, and accountability systems. Countries need to mainstream climate change policy in their core planning, fiscal and regulatory instruments. |
| UR_01090-03 Disaster Risk Financing and Insurance (DRFI) | The rapid onset of climate change leads to increasing and more severe natural disasters which lead to loss of lives and damage of infrastructure harming economies and welfare. IPCC states that every additional 0.5°C of global warming causes clearly discernible increases in the intensity and frequency of hot extremes, including heatwaves, and heavy precipitation, as well as agricultural and ecological droughts. Catastrophes influence public finances either directly - e.g. through damages to public assets, the need to increase public spending, or the materialisation of contingent liabilities - and/or indirectly due to disruption of economic activity. There is a strong socio-economic rationale for protecting public and private finances against disasters and crisis risks. A recent UNDRR report finds that of the $1.17 trillion of ODA allocated to disaster-related funding between 2010 and 2019, only 4.1% was allocated to disaster prevention and preparedness, while 7.7% was allocated to reconstruction, relief, and rehabilitation and 90.1% was allocated to emergency response. Despite the strong rationale, most countries lack a comprehensive disaster risk financing approach. |
| UR_00841-01 Subnational PFM in Albania | The objective of the subnational PFM project in Albania is to support municipalities and the Ministry of Finance to develop and apply key PFM processes for more effective and efficient revenue collection, budget formulation, execution, and monitoring, as well as internal audits. The project did not address climate change or related topics. |
| UR_00439-03 PFM MDTF in Indonesia | PFM challenges and the resulting lack of infrastructure and the investment in human capital prevent Indonesia from unlocking its full potential. Indonesia observes macroeconomic discipline but need to 'collect more and spend better'. During the last 15 years Indonesia has transitioned from being highly centralised to being increasingly decentralised and the project supports subnational PFM including revenue collection as well as the improvement in coordination in the Ministry of Finance and gender mainstreaming in general. |

**A very small but growing part of the support to PFM is committed to climate mainstreaming.**

An evaluation from 2021 of SECO support to PFM found that "*SECO PFM projects are typically not designed with the specific intention of forwarding transversal themes such as gender mainstreaming, climate change, digitalisation or anti-corruption, but are oriented to supporting reform at the national or subnational level to strengthen the existing processes and implementation of PFM reform and PFM procedures. There is an opportunity to strengthen the approach to the inclusion of transversal themes across the portfolio.*" The evaluation further emphasizes the lack of climate integration by stating: "*the evaluation has encountered a range of specific instances where SECO PFM projects have, in fact contributed to transversal themes…. For climate change the evaluation did not find any examples.*"[113]

[113] Independent Evaluation on SECO's Public Financial Management portfolio. Have SECO's PFM interventions contributed to successful reforms in public financial management and what role did the evidence-based approach play in these processes? Oxford Policy Management, March 2021 p24

On that basis the evaluation recommended that SECO should strengthen the approach to inclusion of climate change and other transversal themes in PFM project design, where local opportunities and partner strategies permit.[114]

The climate commitment is concentrated in the support to the MDBs where it constitutes about 16% (See figure 3 above). This is much lower than the SECO average where more than 30 pct. of SECO funding channeled through MDBs was for climate.[115] Growth promoting economic policies is one of the business lines with the lowest share of climate commitment.

WEMU elaborated the mainstreaming guidelines on climate in 2019[116]. It provides project managers with guidance on how climate-considerations can be integrated in the project cycle. The guidance is not very clear on how the progress on adaptation and mitigation should be monitored and verified although it does list relevant PFM indicators which taken from the (Public Expenditure and Financial Accountability) PEFA methodology. From 2019, WEMU started with an explicit process on mainstreaming climate change. Interviewees in WEMU find that the first step is to create awareness about the need to combat climate change. WEMU is more aware now than before and so are the MDBs.[117] This awareness creates the ground for mainstreaming climate consistently in SECO interventions based on the existing guidelines. *WEMU now disburses about CHF 8 million for climate change compared to CHF 1 million five years ago.*[118]

There is indication that credit proposals without climate commitment elaborated from 2019 and onwards do not yet apply the guidelines in terms of scoping the potential for climate mainstreaming and justifying the decision that a project or programme is not climate relevant. This is the case with e.g., the support to PFM in Indonesia.[119]

In recent projects, where there is a climate commitment e.g., the SECO support to the WBs MCP from 2022 and the DRFI phase III [120], the rationale for climate mainstreaming is analyzed and climate is consistently integrated in. outcomes, outputs, and indicators in the log frame.

There are indications from the increase in budget allocation to climate and the analysis of climate relevance in projects with climate commitment, that there is increasing awareness of climate mainstreaming in WEMU. The WEMU guidelines and the above evaluation findings might have contributed to this increase. At an overall level i.e., looking at all business lines the share of climate commitment has increased from the period 2017 – 2020 to the 2020 – 2022 period. [121]

There is potential for climate mainstreaming scoping in the PFM projects including the bilateral projects at central and subnational level which do not have climate commitment. The PFM area is a bit top down. Projects are usually designed at central level and new issues like mainstreaming of climate change also comes from the top and then trickles down to the bilateral cooperation. There is not a general focus on applying tools and approaches developed in cooperation with the MDB in the bilateral projects. Usually, it evolves first in the multilateral space and then it goes to bilateral space. Climate has arrived in the bilateral space.[122]

[114] Ibid p51
[115] Portfolio analysis 03.02.23
[116] WEMU approach to climate mainstreaming
[117] PM WEMU interview
[118] PM WEMU interview
[119] Project Data Sheet and Credit Proposal, Indonesia Public Financial Management Fund Indonesia III, 2019 – 2023
[120] Program description, Mainstreaming Climate Action in Governance Program (MCP) Phase II, 01.12.22, SECO, Credit Proposal Disaster Risk Financing and Insurance, Phase III, 2022 - 2027
[121] Ibid, figure 18
[122] PM WEMU interview

SECO WE has a very good performance on PFM. The above-mentioned evaluation[123] found that with a few exceptions the PFM projects had contributed successfully to reforms of PFM. SECO has for example had a strong contribution to development and application of the PEFA tool[124]. The basis for adding climate mainstreaming to PFM is therefore solid in the sense that PFM is an area where SECO has substantial capacity.

The Public Expenditure and Financial Accountability (PEFA) framework for assessing climate responsive public financial management (PFM), the PEFA Climate framework, is a set of supplementary indicators that builds on the PEFA framework to collect information on the extent to which a country's PFM system is ready to support and foster the implementation of government climate change policies, i.e., is "climate responsive". The PEFA Climate framework has been developed with support from SECO and several other donors and has been tested in a number of countries.

**Through support to the MDBs, SECO has been in the frontline supporting design and implementation of tools for mainstreaming climate into public financial management.**
In the MCP phase II many tools have been developed and applied. The MCP supported the pilot application of 23 Climate Change Institutional Assessments (CCIA) including for Ghana and 1 PEFA Climate. The CCIA is a new tool which was developed by the WB in 2021 as part of the MCP program. It identifies the strengths and weaknesses of the institutional framework for addressing these climate change governance challenges. The outcome is a prioritized list of recommendations for action. It does not measure whether a country is on track to reach its climate targets, nor does it undertake an in-depth review of climate policies.[125] CCIAs inform, e.g., the World Bank's Country Climate and Development Reports (CCDRs) and other WB work at country level. In line with other climate mainstreaming tools such as the PEFA climate module, PIMA climate module, IMF climate analytics etc. they are quite impactful with high leverage through sensitizing WB staff and informing various ongoing WB operations.[126]

The MCP also produced an *Issues Paper on Climate Budget Tagging* and one on *Climate-Informed PIM*[127] *Diagnostic Framework for the Subnational PIM Diagnostic Tool,* which has been tested in India and in Vietnam. A chapter on resilient infrastructure was published in the IMF Publication Well Spent (2020), which provides a clear roadmap that shows how countries with limited fiscal space can aspire to spend well and address their key infrastructure bottlenecks. On request from the Government, the tools and procedures were mainstreamed in different countries PFM[128].

The MCP supported the Coalition of Finance Ministers for Climate Action[129]. The development has gone very fast with an increase from 20 – 30 member countries to 75 in a few years. The Coalition has development the Helsinki Principles as response to climate change.[130] The World Bank is focal point of the Helsinki Principle Four which encourages countries to "Take climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment

123 Independent Evaluation on SECO's Public Financial Management portfolio
124 The Public Expenditure and Financial Accountability (PEFA) framework for assessing climate responsive public financial management (PFM), the PEFA Climate framework, is a set of supplementary indicators that builds on the PEFA framework to collect information on the extent to which a country's PFM system is ready to support and foster the implementation of government climate change policies, i.e., is "climate responsive". The PEFA Climate framework has been developed with support from SECO and several other donors and has been tested in a number of countries.
125 Equitable growth, finance & institutions notes - Climate Change Institutional Assessment April 2021, World Bank Group
126 WEMU PM interview
127 Public Investment Management
128 Completion Summary Report, Mainstreaming Climate Change in Governance Program. Phase I, October 2022, Climate Change Governance, WBG
129 https://www.financeministersforclimate.org/
130 https://www.financeministersforclimate.org/helsinki-principles

management, and procurement practices." In that context the MCP supported a series of workshops and webinar focusing on climate and greening PFM.[131]

The DRFI, which is now in phase III, is also an example of a close partnership with the WB where the work on disaster risk financing which initially was focused on natural disaster in general has developed into increasingly covering risk assessment and insurance on climate-induced natural-disasters. Some examples are given below.

The Program introduced the government to financial preparedness to disasters and supported Albania in understanding and assessing disaster impacts on firms, government budget, households, and the poorest and most vulnerable people.
Colombia improved strategic planning for disasters at all government levels.

Georgia is among the new engagements of the Program. In 2021, the government of Georgia quantified disaster-related fiscal risks and contingent liabilities and disclosed them in the fiscal risk statement.

In 2018, Indonesia adopted its first National Disaster Risk Financing and Insurance Strategy during the Sendai Symposium for Disaster Risk Reduction and the Future. In 2021, as part of the operationalization of this strategy, the government established the Pooling Fund for Disasters as a dedicated disaster reserve fund, supported by a US$500 million investment loan from the World Bank. This fund provides Indonesia with access to rapid financing after disasters. The government established a national program for insurance of public assets. The program insured over 5,000 public assets of more than 70-line ministries for a total sum insured of US$2.5 billion.

Morocco has established a dual catastrophe protection scheme that consists of insurance for higher-income households and a solidarity fund for low-income households. The government is exploring a Catastrophe Bond for flood risk to help protect this scheme. The DRFI program has also helped the Central Bank of Morocco develop an innovative methodology for assessing physical climate risks and their impact on Morocco's economy and the financial sector. Through the DRFI and in collaboration with OECD, the World Bank is finalizing the climate and compound risk assessment. These include highlights of the geographies and sectors most vulnerable to future climate events, indicative estimates of values at risk and of potential direct and indirect economic losses. The findings fed into the World Bank Country Climate and Development Report (CCDR) for Morocco [132].

Nepal adopted the National Disaster Risk Financing Strategy in 2021 and developed the implementation plan the following year.

Peru issued a US$200 million CAT bond against earthquakes in 2018 as part of the Pacific Alliance.

The government of Serbia established the fiscal risk unit under the Ministry of Finance in 2019.

One indication of increased focus of DRFI on climate change is that the engagement with South Africa has been increasing in phase 2[133]. The World Bank prepared a policy note on the potential role of the government of South Africa in supporting the implementation of an agriculture

[131] 4 joint Coalition and OECD workshops on green budgeting, 1 joint Coalition and OECD workshop on macroeconomic modeling, 1 PEFA Climate Change Module webinar, 2 joint Coalition and WB workshop series on climate-informed PIM in Africa; and 4 Coalition workshops on topics related.
[132] Program Review (2017–2022) Sovereign Disaster Risk Finance and Insurance in Middle-Income Countries, WBG & SECO, July 2022
[133] The IPCC's (2018) Special Report identifies southern Africa as a climate change "hotspot," meaning it is a location where climate change impacts are abnormally high in a global context referenced in Program Review (2017–2022) Sovereign Disaster Risk Finance and Insurance in Middle-Income Countries, WBG & SECO, July 2022.

insurance program targeting small- and medium-scale farmers and completed the disaster risk financing diagnostic report.[134]

The government of Tunisia has developed its first financial exposure database using earth observation technology and analytics, with the assistance of the Program.

Vietnam is susceptible to many natural hazards—not only coastal hazards like tropical cyclones and floods but also landslides, droughts, and earthquakes. DRFI supported the creation of the enabling environment for public asset insurance. In 2021, the City of Da Nang adopted a financial protection strategy against disasters and pandemic. The Program provided the city with technical support for preparing and adopting this strategy. Vietnam considers joining SEADRIF, a regional platform aimed at strengthening financial resilience of Association of Southeast Asian Nations (ASEAN) countries. DRFI helped the government on this path by providing analytical and advisory support.

SECO's climate approach in Albania is anchored in disaster risk management. One of the key projects in that regard is support to the DRFI. After the earthquake in 2019 and having received support from the WB to carry out a disaster risk assessment statement which identified six main areas of risk of loss and damage including forests fires, floods, and droughts, the Albanian Ministry of Finance asked the World Bank for support and in 2020 Albania was included in the DRFI with SECO support.[135] Due to this inclusion several results were achieved in Albania:

- Assessment of the size and impact of COVID-19 related budget reallocations and recommendations for strengthening budget reallocations planning
- Assessment of fiscal impacts of disasters
- Assessment of adaptability of social protection systems after disasters and shocks
- Assessment of financial resilience of businesses to crises
- Capacity building on disaster risk finance and insurance[136].

**In bilateral cooperation with priority countries SECO did not mainstream climate in its support to public financial management. Even so it did happen sometimes on the initiative of recipient governments and the MDBs**

Climate change has not been considered for mainstreaming in this project Strengthening subnational PFM in Albania or the PFM MDTF in Indonesia. In Albania, SECO PM and SCO staff considered that the approach of SECO in relation to building capacity at the subnational level had been to get the basic functions of PFM consolidated first before adding new topics and requirements. In Indonesia, the integration of climate change concerns with the recipient countries' development objectives regarding institutional strengthening, capacity development, strengthening of the regulatory and policy framework had not been identified as a priority.[137]

The PM and SCO staff from Albania were not aware of, but very interested in the MCP phase 1 and its outputs and results in Albania e.g., *The Climate Risk Profile for Albania*. There is an evaluation coming up of the *Strengthening subnation PFM in Albania* project and the PM found that based on the experience with the MCP, it could be timely to assess the question on climate mainstreaming in the project evaluation. SECO sees the relevance in relation to financial risk assessments and public procurement processes.

[134] Program Review (2017–2022) Sovereign Disaster Risk Finance and Insurance in Middle-Income Countries, WBG & SECO, July 2022
[135] Narin Panariti
[136] Credit Proposal and funding request, Disaster Risk Financing and Insurance, Phase III, 24 January 2022, SECO
[137] PM Interview

SECO's support to PFM in Indonesia through the MDTF led to promotion of mainstreaming of climate even though the project has no climate commitment. In the DRFI program's *Component 2 - Improving Expenditure Policy and Management*, the project supported three climate relevant interventions, namely a) implementation of budget tagging for disaster related expenditure, b) analyzing the budget plan linked to climate change in reference to green fiscal stimulus work and c) PEFA climate assessment. It includes the mapping of available green spending, green fiscal stimulus and its incentive mechanism in FY2021 budget of Indonesia. This happened in initiative of the WB and SECO was supportive.

Development in the area of mainstreaming climate in PFM has gone fast in the last couple of years and there are now as mentioned several guidance documents and tools developed a number of which SECO has contributed financially to develop. These guidance and tools should make it more straight forward for SECO to consistently apply them in its PFM projects not only with MDBs but also bilaterally at the central and subnational levels. Two examples of relevant SECO financed documents are given below.

The MCP Phase I project elaborated a framework for mainstreaming climate change at the decentralized level *Administrative Decentralization and Climate Change: Concepts, Experience, and Action* co-funded by the NDC Partnership was elaborated.[138] WEMU foresees to do a training on this guidance document internally which has not been done yet as it is fairly new.[139] The document analysis the roles and mandates of decentralized authorities in responding to priority climate change issues in diverse intergovernmental systems, as well as some of the associated prospects for and constraints on developing better linkages between subnational governments and climate change action in relation to climate change and gives guidance. It reviews administrative decentralization for climate change action and offers general guidance on assessing the prospects for enhancing and supporting subnational administrative action on climate change.

The MCP program published the *Green Public Procurement: An Overview of Green Reforms in Country Procurement Systems report* in November 2021. The report focuses on the institutional, regulatory, and operational considerations for green public procurement reforms. A formal launch event for the report was held in December 2021. World Bank teams are already using the report to inform the design of advisory support for green procurement reforms in Ukraine and Albania.

**Applying climate mainstreaming tools in public financial management can become politicised.**

The Climate PEFA in Indonesia was elaborated based on the interest of GoI to undergo such an assessment with a view to improving the climate responsiveness of their PFM system. The recommendations of this report are being used as background paper for the CCDR, which will provide a set of key recommendations to the Government on climate change policy. However, the GoI is not satisfied with the rating it has received in the Climate PEFA which is not so high as expected. Indonesia is leading on policy development in the region on mainstreaming climate into the PFM and was one of the first countries to conduct a Climate Public Expenditures and Institutional Review (CPEIR) in 2015. However, the Climate PEFA indicates that the actual steps taking in the PFM system to mainstream the policies into practical action do not live up to the country's policies in the area. Therefore, the GoI is reluctant to have the C-PEFA disseminated.

Such reactions which touch upon the question of accountability, can be a challenge or hindrance for governments to buy in to applying the new climate tools and for SECO to promote them since it can be seen to have a negative impact on the convention interventions to improve PF systems.

[138] Climate Governance Papers: Administrative Decentralization and Climate Change: Concepts, Experience, and Action, Paul Smoke and Mitchell Cook, 2022, WBG
[139] WEMU PM interview.

In fact, SECO staff in Albania mentioned this case in Indonesia as an argument not to mainstream climate in bilateral support to PFM because there is a risk that the support to build capacity on core PFM functions get obscured by the focus on climate.

**SECO is applying 'Swissness' in its support to disaster risk financing.**

WEMU is very active on disaster risk finance where there is a very quantitative approach in relation to valuing different risks and assets and developed tools for governments to carry out risk assessments and incorporate risk in the PFM system. The DRFI has increasingly focused on assessment of climate risk and insurance. Disaster Risk Finance is an area where SECO can rely on a particular Swiss capacity for example in the form of provision of data and analysis on risk and insurance from the SWISS Re Institute[140] to the DRFI.

On **mobilisation of private funds for climate change**, WEMU is not the leading unit, but we are interested. The WB is considering setting up potential new facility that would allow private investment in CC. SECO would be super interested. SECO is participating in a working group led by the WB and is participating in the discussions. This could be a channel to increase the mobilisation private funds[141]

**5 Evidence or absence of climate related changes**

- There is evidence of change in the commitment to climate change in WEMU as it has increased from CHF 1 million five years ago to CHF 8 million now.
- With the WEMU climate mainstreaming guidelines from 2019, the awareness of the need for climate mainstreaming has increased and the awareness has most likely also increased through the findings and recommendation of the evaluation of SECO's PFM portfolio in 2021
- In the MCP, it is highlighted that the green procurement reforms in Albania, green budgeting in Bhutan, or the Climate Change Institutional Assessment in Ghana, are likely to trigger considerable impacts at the medium to long-term.
- The MCP program published the *Green Public Procurement: An Overview of Green Reforms in Country Procurement Systems* report in November 2021. The report focuses on the institutional, regulatory, and operational considerations for GPP reforms. A formal launch event for the report was held in December 2021. World Bank teams are already using the report to inform the design of advisory support for green procurement reforms in Ukraine and Albania.
- SECO's support to PFM in Indonesia through the MDTF led to promotion of mainstreaming of climate even though the project has no climate commitment. In Component 2 - Improving Expenditure Policy and Management, the project supported three climate relevant interventions, namely a) implementation of the budget tagging for disaster related expenditure, b) analyzing budget plan linked to climate change in reference to green fiscal stimulus work and c) PEFA climate assessment.
- There is absence of change in the climate commitment to bilateral projects on PFM which remains zero.

**6 Factors that can explain the change or its absence**

Positive factors include:

[140] https://www.swissre.com/institute/
[141] PM WEMU interview

- According to WB, it is to a large part SECO's merit that these advances on readiness for climate change have been achieved in Albania because SECO saw the important niche in disaster and climate risk assurance. By support a Swiss niche area like disaster risk assessment, SECO has been able to ride on the wave which has substantially increased the focus on climate in disaster risk assessment.
- The evaluation of SECO's PFM portfolio reached very clear findings on the absence of cross-cutting themes in climate in the PFM portfolio and recommended increasing mainstreaming of cross-cutting considerations.
- The WEMU climate guidelines has raised awareness, but they have not been applied consistently across the portfolio.

Negative factors include:

- The example from the Climate PEFA in Indonesia shows that climate change is a highly politicized area and SECO can be reluctant to promote climate mainstreaming in government programmes where there is a risk of politically motivated push back can impact negatively on other more technical PFM initiatives.
- There can be an argument for sequencing the support to PFM so that the basic functioning is supported and consolidated first before adding new cross-cutting themes such as climate change.
- The socioeconomic situation i.e., serious budget restraints in South Africa and Ghana can create a reluctance from the Government in buying in to initiatives such a risk financing or climate change adaptation which will require investments upfront even though they are economically viable in the medium to long term.

**7 Analysis of the role and value-added of SECO support in fostering change (or absence)**

- **In the DRFI the role of SECO was to provide data and analysis** via the Swiss Re Institute and to explore the Swiss niche on disaster risk financing to the benefit of Albania which had suffered from an earthquake which increased the awareness of the damaging impact of natural disasters including climate-induced natural disasters. This was an added value as neither the Government of Albania nor the WB had explored the opportunity for increased risk insurance and financing.
- The MCP which in its first phase was fully financed by SECO, the WB in partnership with SECO developed 10 tools for climate mainstreaming and greening PFM. **The role of SECO was to finance, support and provide technical input on the PEFA and promote the integration of biodiversity.** The added value of this programme which counted on support from SECO as the only financer will likely be strong and will unfold in the coming year when the tools will be applied.
- **SECO role was passive but supportive in relation to the elaboration of the Climate PEFA under the PFM MDTF program in Indonesia.**

**8 Lessons learnt**

- Climate related change in PFM systems take time to implement, and expectations need to be managed. Climate governance institutional reforms are complex in nature and politically sensitive. They take a long time to design and implement, especially in the context of low capacities, cumbersome bureaucratic processes, challenging macroeconomic situations, and global crises. It is important to be persistent and patient, targeting small, incremental changes. One should also be prepared for reform reversals due to political economy factors. (MCP end report phase I)

- Disaster risk finance strategies at national level are the right starting point for building financial preparedness to shocks; developing such strategies at all government levels makes it possible to design tailored risk financing solutions. (DRFI program review 2017 – 2022)
- Countries face many risks beyond natural disasters and climate shocks and their compounding impact can be substantial; disaster risk finance can benefit from a multi-risk approach. (DRFI program review 2017 – 2022)
- One lesson from the DRFI support South Africa is that "*that the government may be hesitant to undertake risk financing activities, and future dialogues with the government must be sensitive to the country's fiscal considerations. While risk finance investments have a positive impact on the budget balance, they do incur initial allocation from the State Budget."* [142]
- The push back on dissemination of the Climate PEFA by the GoI touches upon the question of accountability. It can be a challenge or hindrance for governments to buy in to applying the new climate tools and for SECO to promote them since it can be seen to have a negative impact on the convention interventions to improve PF systems. (PFM MDTF Phase II)
- The information on activities and sharing of results internally in SECO between PFM projects carried out by MDBs and PFM projects carried out in the context of bilateral cooperation could improve substantially to learn about how climate mainstreaming is carried out at the different levels.

**Summary of climate related change**

| Name | Change (positive/negative, intended/unintended) |
|---|---|
| Mainstreaming climate change in Governance Program | The MCP supports the Coalition of Finance Ministers for Climate Action[143] where Ministers of Finance from more than 75 countries participate. The World Bank is focal point the Helsinki Principle Four which encourages countries to "Take climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices." In that context the MCP achieved support to 4 joint Coalition and OECD workshops on green budgeting, 1 joint Coalition and OECD workshop on macroeconomic modeling, 1 PEFA Climate Change Module webinar, 2 joint Coalition and WB workshop series on climate-informed PIM in Africa; and 4 Coalition workshops on topics related to Helsinki Principle Four<br><br>The MCP also produced an *Issues Paper on Climate Budget Tagging* and *Climate-Informed PIM Diagnostic Framework for the Subnational PIM Diagnostic Tool,* which has been tested in India and in Vietnam. A chapter on resilient infrastructure was published in the IMF Publication Well Spent (2020), which provides a clear roadmap that shows how countries with limited fiscal space can aspire to spend well and address their key infrastructure bottlenecks.<br><br>The MCP also Supported pilot application of 23 Climate Change Institutional Assessments (CCIA) including for Ghana and 1 PEFA Climate. |
| Disaster Risk Financing and Insurance | From 2017 – 2022, the DRFI has achieved impactful results on financial resilience in 11 countries.<br>• The Program introduced the government to financial preparedness to disasters and supported Albania in understanding and assessing disaster impacts on firms, government budget, households, and the poorest and most vulnerable people. |

[142] Program Review (2017–2022) Sovereign Disaster Risk Finance and Insurance in Middle-Income Countries, WBG & SECO, July 2022

[143] https://www.financeministersforclimate.org/

| | |
|---|---|
| | • Colombia improved strategic planning for disasters at all government levels.<br>• Georgia is among the new engagements of the Program. In 2021, the government of Georgia quantified disaster-related fiscal risks and contingent liabilities and disclosed them in the fiscal risk statement.<br>• In 2018, Indonesia adopted its first National Disaster Risk Financing and Insurance Strategy during the Sendai Symposium for Disaster Risk Reduction and the Future.<br>• Morocco has established a dual catastrophe protection scheme that consists of insurance for higher-income households and a solidarity fund for low-income households.<br>• Nepal adopted the National Disaster Risk Financing Strategy in 2021 and developed the implementation plan the following year.<br>• Peru issued a US$200 million CAT bond against earthquakes in 2018 as part of the Pacific Alliance.<br>• The government of Serbia established the fiscal risk unit under the Ministry of Finance in 2019.<br>• South Africa has identified the reforms needed to implement an agriculture insurance program targeting small- and medium scale farmers, and a proposal for a pilot is being prepared.<br>• The government of Tunisia has developed its first financial exposure database using earth observation technology and analytics, with the assistance of the Program.<br>• In 2021, Vietnam adopted a financial protection strategy against disasters and pandemics for the City of Da Nang. |
| Strengthening subnational PFM in Albania | Climate change was not considered for mainstreaming in this project. |
| PFM MDTF in Indonesia | From SECO side the climate mainstreaming interventions in this project were unintended since the project did not have climate commitment. Under its *component 2 - Improving Expenditure Policy and Management,* the project supported three climate relevant interventions, namely a) implementation of the budget tagging for disaster related expenditure, b) analyzing budget plan linked to climate change in reference to green fiscal stimulus work and c) PEFA climate assessment.<br>The negative change was that The GoI is not satisfied with the rating in the it has received in the Climate PEFA which seems to highlight that there is a discrepancy between the regional leadership role on CC and the actual steps taking in the PFM system to mainstream the policies into practical action. Therefore, the GoI is hesitant to have the Climate PEFA disseminated. |

## Annex 2 Documents consulted

- Climate Governance Papers: Administrative Decentralization and Climate Change: Concepts, Experience, and Action, Paul Smoke and Mitchell Cook, 2022, WBG
- Climate Risk Profile – Albania, 2021, World Bank Group
- Completion Summary Report, Mainstreaming Climate Change in Governance Program. Phase I, October 2022, Climate Change Governance, WBG
- Credit Proposal and funding request, Disaster Risk Financing and Insurance, Phase III, 24 January 2022, SECO
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## Mainstreaming of climate change in urban planning and mobility

### 1 Summary (for main report)

**SECO's urban development and infrastructure business line the largest in terms of commitment**. This business line accounts for a significant portion of SECO's commitments, with CHF 589 million committed from 2017 to 2022. About 80% of the projects under this business line have climate commitments, totalling CHF 351 million. The majority of these commitments are for mitigation efforts. The intensity of climate-related activities is highest in energy and disaster risk reduction, while urban and water initiatives receive comparatively less climate financing.

**SECO recognizes the significance of collective action and improved framework conditions in addressing climate issues.** SECO's urban development and infrastructure programmes aimed to address challenges related to climate change by improving reliable framework conditions through capacity development, strategy development, and initiatives targeting urban governance, resilience, and energy. SECO links its support to national strategies and plans, collaborating with multilateral organizations like the World Bank to leverage resources and expertise for climate-related initiatives. SECO also works closely with local authorities. Approximately CHF 71 million (12% of the total) was committed through recipient governments, with 65% of that being climate-related commitments.

**There were challenges in justifying and understanding the assignment of Rio Markers, indicating climate objectives, in the programmes**. The lack of explicit justifications and methodologies, as well as insufficient information on monitoring climate impact, raised questions about the practical implications of Rio marking. Additionally, the utilization of SECO's climate mainstreaming guidelines was limited, despite recognizing their value in establishing connections between climate-related activities and impact indicators.

**SECO's programmes and projects show promising climate-relevant actions and results, but their large-scale impact and transformative potential are yet to be realized**. Collaborating with organizations like the World Bank Group (WBG), SECO has supported initiatives such as the IDSUN programme in Indonesia, contributing to capacity building for flood risk reduction. However, actual transformative change requires further operationalisation and implementation. In South Africa's CSP programme, SECO provided valuable technical assistance for Cape Town's water strategy, with the potential to influence national water management policies. SECO's collaboration with the municipal government in Tunisia's Sousse project and

its ambition to work with multilateral development banks for integrating urban development into national planning demonstrate its potential for system transformation.

**Main factors that facilitated results include**: 1) SECO-funded technical assistance providing expertise, credibility, and transparency; 2) Strategic studies combined with quick wins; Skilled coordination and hands-on approach

**Main factors that hindered results** include Lack of climate capacity within SECO resulting in insufficient knowledge and skills to incorporate climate considerations into project designs and monitor climate impact; 2) Underutilisation of climate mainstreaming guidelines leading to a lack of clarity in achieving climate impact; 3) Limited finance and complexity in making climate-relevant projects bankable

**SECO's value added lies in its financial support for technical assistance and capacity building.** In the IUD Tunisia programme, SECO's value is evident as the sole donor funding the project and mobilising climate experts. Similarly, in the CSP South Africa programme, SECO's funding has allowed for programme expansion (water strategy) and knowledge dissemination. However, there is room for improvement in proactively identifying climate-relevant areas, overall, and in projects like IDSUN in Indonesia, and identifying and maximizing the use of Swiss expertise.

**Main lessons learned are:** 1) Links to climate need to be established early on in the process and adequate capacities ensured; 2) Improved coherence and coordination and knowledge/experience sharing within SECO is needed for more effective work on climate; 3) Programmatic approaches are likely to lead to greater impact, reach and sustainability, as opposed to a project city level approach; Working through multilateral organizations increases the potential for sustainability and impact at scale; Supporting demand-driven and innovative projects and engaging international and national experts increases success prospects.

## 2 SECO engagement in the thematic area

This thematic case study concerns the contribution and value-added of SECO activities within the business line of urban development and infrastructure under the target outcome of reliable framework conditions. Under this business line, SECO supports urban development, water, energy, and disaster risk reduction/resilience. Specifically, SECO's support is geared towards sustainable cities, urban governance for infrastructure, urban disaster risk reduction, sustainable urban mobility for all, sustainable energy management for cities, and water and wastewater services for sustainable prosperity. This case study focuses on SECO's support for urban development, specifically for urban planning and urban mobility.

SECO's urban development and infrastructure business line is the largest in terms of commitment, with a total of CHF 589 million committed from 2017 to 2022, which is 32% of total commitments. Of this total, approximately 46% was committed through multilateral development banks (MDBs), CHF 71 million through recipient governments in countries where SECO has bilateral cooperation, and around CHF 50 million to other multilateral institutions, specifically the Private Infrastructure Development Group (figure 1). Out of the 121 projects under the urban development and infrastructure business line, a significant portion – 103 projects (80%) - have climate commitments, amounting to CHF 351 million out of the total portfolio of CHF 589 million – 59% of the total portfolio consists of climate commitments. This includes both adaptation and mitigation efforts, with support for mitigation outweighing support for adaptation. Additionally, there is a higher share of projects classified as Rio Marker 2, which represents targeted or principal focus, compared to Rio Marker 1, which represents climate mainstreaming and significant focus (table 1). There are climate commitments, both for mitigation and adaptation, to all implementing partners and in all SECO's priority and complementary countries (figures 1, 2, 4).

Climate commitments in this business line have on the whole, been increasing between 2017-2022, with peaks in the first years of the strategic periods, namely in 2017 and 2012 (figure 3).

The activities with the highest climate intensity within this business line were primarily focused on energy and disaster risk reduction, while urban and water-related initiatives had comparatively lower finance committed to climate (figure 5).

The table and graphs below show information on the number and volume of projects in this area, their geographic distribution and partner arrangements. The number of projects is calculated at L1 level.

*Table 1*

| Urban development and infrastructure, 2017-2022 | |
|---|---|
| Number of projects at L1 level (overall) | 121 |
| Number of projects with climate commitments (L1 level) | 103 |
| **Climate weighed volume (million CHF)** | **351** |
| *Mitigation* | *216* |
| *Adaptation* | *137* |
| *Rio Marker 1* | *153* |
| *Rio Marker 2* | *198* |
| **Non climate volume (million CHF)** | **450** |
| **TOTAL VOLUME (million CHF)** | **589** |

*Figure 1*

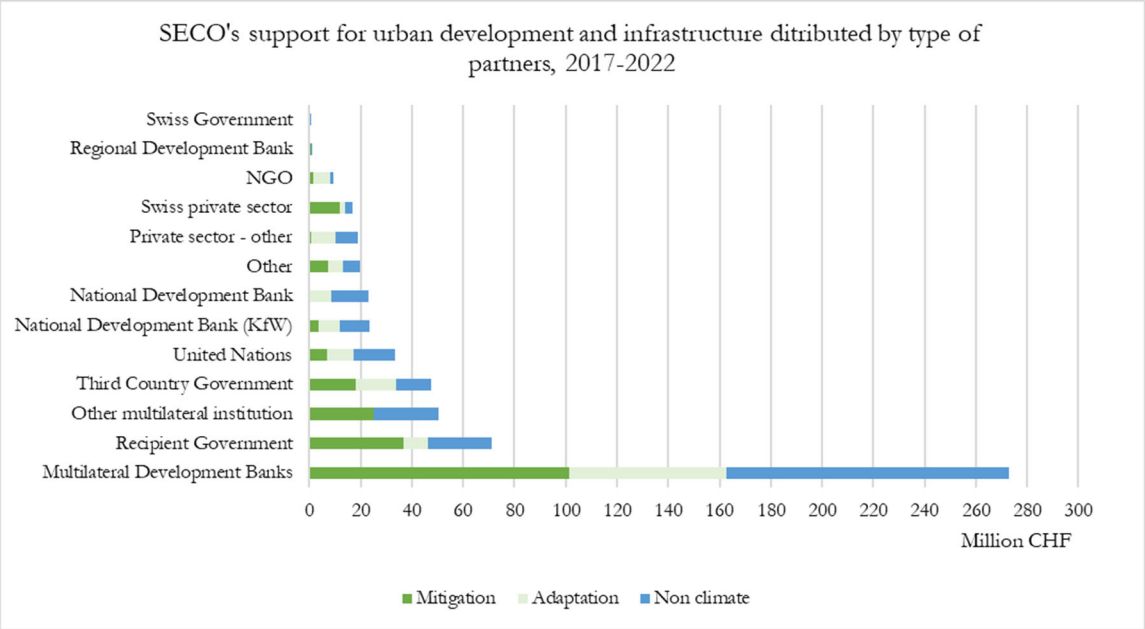



*Figure 2*

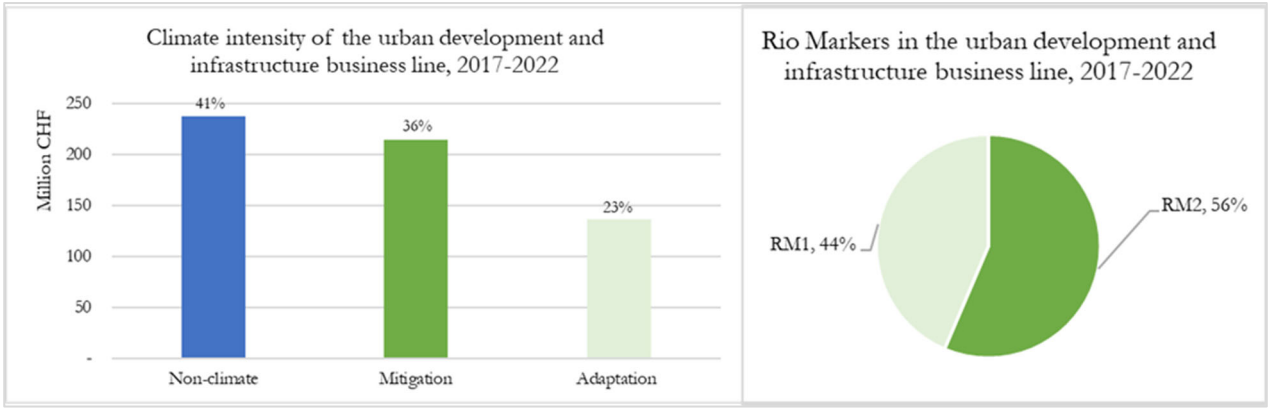


*Figure 3*

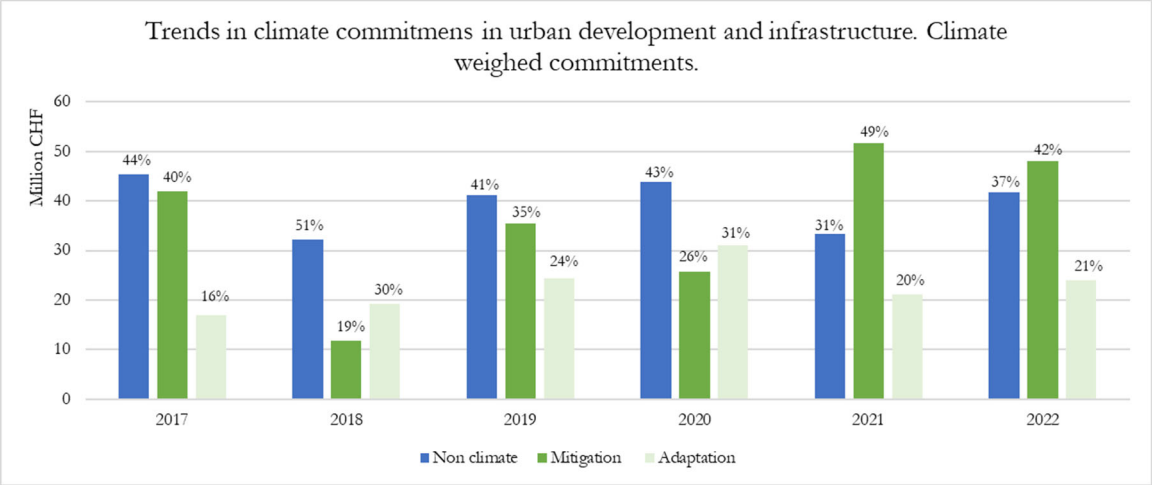



*Figure 4*

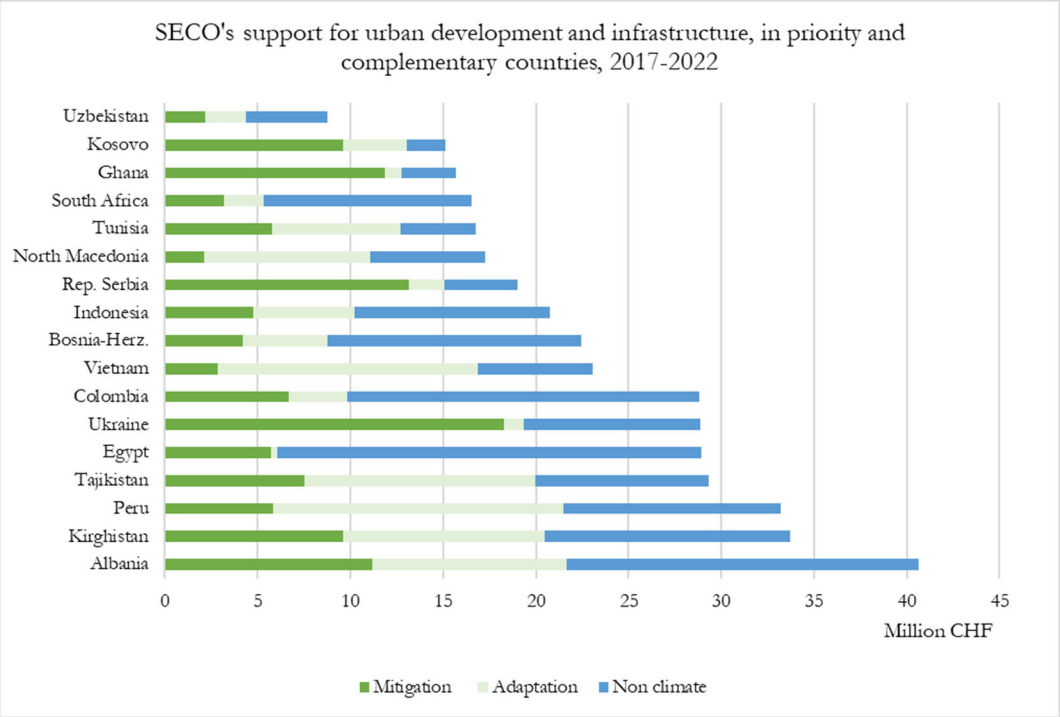
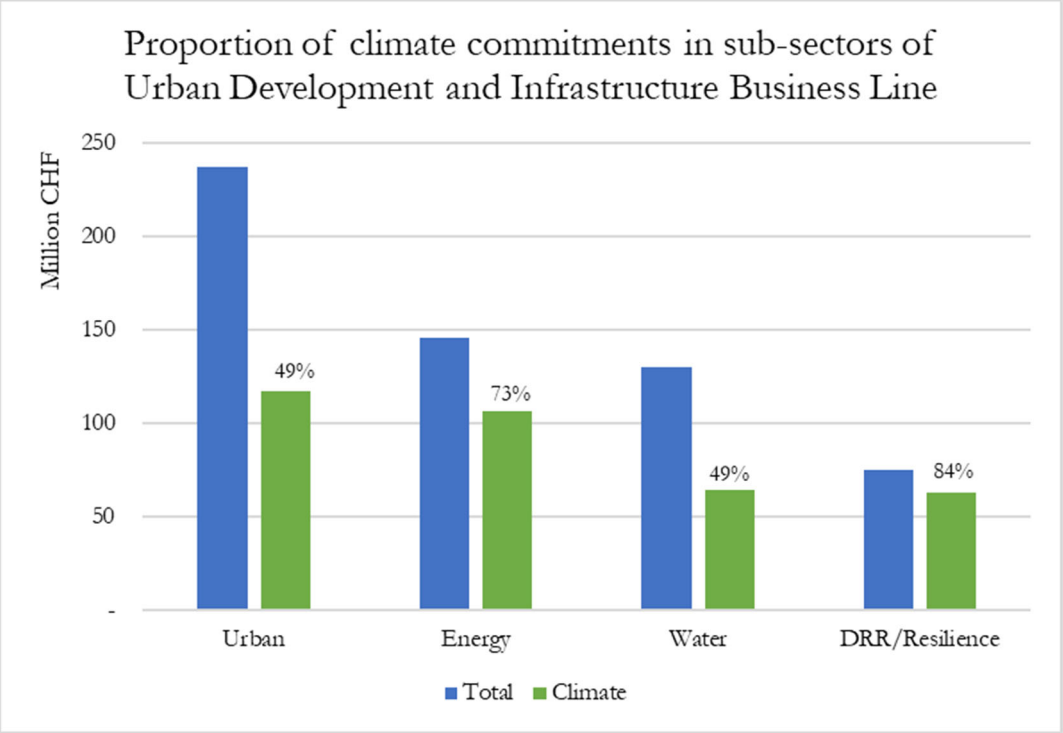


*Figure 5*




## 3 Sample selection

The following analysis of SECO's climate approach in the thematic area of urban development and infrastructure is based on a in depth review of three selected projects during the inception phase. These projects have been chosen based on various criteria, including the Rio markers 1, 2, and 0, as well as considerations such as mitigation and adaptation efforts, involvement of different partners, and the age of the projects.

The thematic study has been desk based and primarily concentrated on document review with a few supporting key informant interviews (see annexes 2 and 3).

| Code | Title | Rio Marker | | Start finish | CHF | Global / country | Business line | Partner | Notes |
|---|---|---|---|---|---|---|---|---|---|
| UR 00787-01 and 02 | Integrated urban development in Tunisia Phase I and II (IUD) | 2 | Both | 2018-2026 (both phases) | 4.500.000 | Tunisia | Urban | Recipient Government | WEIN integrated approach to city planning – subnational level |
| UR_00950-01 and 2? | Cities Support Programme South Africa (CSP) | 0<br>2 | Both | 2015-2020<br>2020-2024 | 1.835.230<br>9.198.280 | South Africa | Urban | WB | WEIN/WEMU/WEIF<br>Phase 1 – Rio 0 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Phase 2 - Rio 2 |
| UR_00803-01 | Sustainable Urbanisation in Indonesia (IDSUN) | 1 | Adaptation | 2016-2022 | 14.355.000 | Indonesia | Urban | WB | WEIN |

**Integrated urban development in Tunisia Phase I and II.** The project aims to improve economic, environmental, and social conditions in the city of Sousse through an integrated approach to urban development. Phase 1 focused on urban planning, urban mobility, urban energy management, and GIS, combining strategic studies with quick wins/immediate progress initiatives, such as the Development of Boujafaar Park, to pave the way and set the foundation for the implementation of longer-term and larger-scale initiatives. Through urban planning the project applied an integrated approach to improve urban mobility and energy management. Phase 2 builds on the achievements of Phase 1 - the introduction of an integrated approach to sustainable urban development and the planning documents and studies developed in Phase 1, especially the urban development and mobility plans. Phase 2 addresses the planning, financing, and operational dimensions of sustainable urban management and development , supporting downstream competencies of municipal staff in project preparation and the management of public assets related to urban governance through capacity building, training etc. It includes the urban resilience component, an addition to phase 2, to support the municipality of Sousse to develop a resilience approach to valorise green and blue assets and manage flooding. Through the urban mobility component, the municipality of Sousse and other municipalities of Grand Sousse are supported in implementing a sustainable urban mobility policy. Through the urban energy management component, phase 2 supports the municipality of Sousse and other municipalities of Grand Sousse in improving the framework conditions for energy efficiency and the use of renewable energy. The expected outputs of Phase 2 components are structured along the three dimensions of the urban value chain: planning, financing, and operations. All this support is done to lead to the development of a pipeline of bankable projects to secure funding from other sources, which is the project's exit strategy – i.e., SECO is supporting the municipality of Sousse to identify/secure funding from various sources, incl. MDBs, to fund initiatives based on strategic studies.

**Cities Support Programme (CSP) South Africa.** The programme is an initiative of the South African Government to support cities in South Africa in sustainable urban development, enhance efficiency in public investment, and an improved business enabling environment. The programme started in 2013 and is implemented by the World Bank and the South African's National Treasury. The CSP Phase I comprised five technical components: core city governance, human settlements, public transport, economic development, and climate resilience and sustainability. Phase II components are as follows: governance; fiscal and financial; economic development; climate responsiveness; human settlements; public transport.

SECO joined the programme in 2015 to provide financing for the technical support for the implementation of CSP phase 1 in the eight largest cities in South Africa. SECO's support was provided through the South African Urban Knowledge Hub Technical Assistance Programme, which supported the CSP through six thematic areas. The USD 10.5 million TA programme was implemented through the World Bank's multi-donor trust fund for the knowledge hub???, covering six thematic areas of phase 1 of CSP:

- TA 1: Improved business enabling environment and more competitive cities
- TA 2: Public Financial Management
- TA 3: Infrastructure Finance
- TA 4: Land Management and Urban Regeneration
- TA 5: Integrated Urban Transport Planning
- TA 6: Urbanization Review

In phase 2, SECO is supporting three out of five components of the TA programme:

- Effective and sustainable fiscal and urban financing and strengthened governance capabilities
- Sustainable and climate-responsive infrastructure and land development
- Inclusive economic development at city, regional and national level

**Sustainable Urbanisation in Indonesia (IDSUN) –** IDSUN is a trust fund managed by the World Bank to provide support to the Government of Indonesia (GoI) and selected cities in addressing the challenges of sustainable urbanization. The project's overarching goal is to empower Indonesian cities to make informed decisions based on evidence, adopt multisectoral approaches, and identify appropriate financing solutions for sustainable and resilient urban investments. The strategy for achieving this goal involves providing technical assistance and capacity building activities under two cross-cutting thematic areas: integrated planning and investments for sustainable and resilient cities, and financial solutions. Additionally, the programme is engaged in three integrated sectors: urban disaster risk management, urban water supply and sanitation, and urban mobility. This project is also part of the Indonesia Country case study.

## 4 Overview of climate challenges and opportunities that SECO support aimed to address

**The programmes supported reliable framework conditions through the combination of capacity development, studies, strategy/plan/policy development, demonstration, and quick wins initiatives**. The programme designs addressed the challenges and opportunities related to climate change to differing extents. Out of the three projects, two were marked as making a principal contribution to climate action, with Rio marker 2, and one had a Rio marker 1, indicating climate as a significant objective. Two programmes addressed both mitigation and adaptation, while one supported adaptation only. In general, the areas of urban governance , resilience, and energy work were the most prominent in addressing climate-related issues. The inclination to work on framework conditions in addressing climate issues is

**SECO acknowledged the importance of collective action in addressing climate issues through improved framework conditions and linking its support to national strategies and plans by collaborating with multilateral organizations such as the World Bank to leverage its resources and expertise in support of climate-related initiatives, and also by working with local authorities** - overall, CHF 71 million (12% of the total) was committed through recipient governments, 65% of which were climate commitments. Two of the sampled projects have been implemented by the WB and one is in collaboration with the recipient government at the municipal level and ambition to collaborate with multilateral development banks such as the WBG and EIB, but a prerequisite for this is linking the project to national strategies and plans in that the integrated approach to urban development becomes part of national planning – yet, no specific actions to make this happen were identified.

**Overall, the later phases of the programmes tended to incorporate more elements related to climate.** Climate mainstreaming has increased in phase 2 of IDSUN, compared to phase 1. While climate as such was not mentioned in the credit proposal of phase 1, phase 2 credit proposal, in accordance with a recommendation of phase 1 evaluation, in accordance with the requirements of the WBG, and with support from SECO, addressed climate mitigation and adaptation extensively. The phase 1 evaluation recommended adding a comprehensive and clearer environmental and climate change angle in a potential phase 2. Phase 1 of the CSP South Africa had no climate marker, while in phase 2 climate appears to be the principal objective, according to SECO's climate marking system. In the integrated urban development project in Tunisia, a strong climate resilience perspective was added in phase 2, resulting in increased support for climate-related issues compared to phase 1.

**The increased focus on climate in recent phases of the programmes appears to be driven more by external factors than by internal changes within SECO.** IDSUN 2 has a stronger focus on climate, mainly as the World Bank has prioritized climate issues and also due to the evolving global urban narrative that emphasizes climate. Climate has come to play a bigger role also due to more extensive use of data, technology, and innovation. For example, IDSUN 2 makes use of data and industry producing large assessments of hazards.

**The justification and reasoning behind assigning Rio Markers were not always clear**. The IUD and CSP programmes, both marked with Rio Marker 2, indicating climate as a principal objective, do not provide

an explicit justification and the methodology that led to Rio marking. While the programmes are clearly climate-relevant, they at the same time do not provide sufficient information vis-à-vis monitoring climate impact and at the country level, it is less clear what does Rio marking entails and implies for on-ground activities. As one interviewee pointed out: There is a lot of climate relevant work in our programme, but we lack an understanding as to what RM 2 implies for our work and how to monitor and report on that. Rio marking is based on a qualitative approach, relying on the judgement of programme managers in SECO Bern to determine the level of climate finance. There is a lack of quantitative assessment based on budget planning.

**The justification and reasoning for assigning Rio Markers were not always clear**. Both the IUD and CSP programmes, marked with Rio Marker 2 indicating climate as a principal objective, lack explicit justifications and methodologies for the Rio marking process. While these programmes are undoubtedly climate-relevant, they do not provide sufficient information on monitoring the climate impact either. At the country level, the implications and practicalities of Rio marking for on-ground activities seem to be unpacked. As one interviewee highlighted, there is a lot of climate-relevant work in the programme, but at the same time, there is a lack of understanding of what RM 2 implies and how to effectively monitor and report on it. Rio marking is predominantly based on a qualitative approach, relying on the judgment of SECO Bern's programme managers to determine the level of climate finance, rather than a quantitative assessment based on budget planning.

**The SECO climate mainstreaming guidelines developed by WEIN seem to be underutilized.** There is no sufficient evidence of systemic use of the SECO climate mainstreaming guidelines in urban development programmes. The reasons behind this are various, from the fact that the guidelines were developed recently and thus not applied retroactively, to the belief that guidelines are less relevant for some initiatives such as energy initiatives since they, reportedly, already align with SECO's strategies on sustainable energy and transition to renewables. But operational guidelines developed for each sub-area of the urban development and infrastructure business line are used and they reference climate as a cross-cutting theme and make reference to the climate mainstreaming guidelines developed by WEIN. However, stakeholders who have been consulted recognize the value of the climate mainstreaming guidelines in establishing connections between climate-related activities and standard impact indicators for climate – the guidelines can help illustrate the path from climate-related activities to outputs, outcomes, and ultimately, the impact on the climate.

| **Table 1 Climate challenges/ opportunities SECO support aimed to address (Rio marker)** | |
|---|---|
| Integrated urban development in Tunisia Phase I and II (IUD) UR 00787-01 and 02 | The project aimed to improve urban planning, mobility, energy management, GIS, and urban resilience in two phases for the metropolitan area of Sousse (Grand Sousse). In the mobility, energy, and resilience components the objective was to address the challenges associated with climate change and contribute to achieving SDG 13, which advocates urgent action to combat climate change and its impacts. At the impact level, in both phases, the project aimed to decrease or avoid CO2 emissions (SI 10). At the outcome level, the project aimed to improve the framework conditions for energy efficiency and the use of renewable energy. It also aimed to implement pilot actions to lower energy consumption while improving the level of service of lighting in streets and public spaces. In addition, the project aimed to introduce a resilience perspective for the protection and valorisation of green and blue assets that are essential to the economy of Sousse. This includes reducing the risk of flooding and ensure the long-term sustainability of these assets.<br>In phase 1, strategic thematic studies were developed alongside quick win projects across all components. In phase 2, the project is focusing on the development of a resilience strategy and action plan, as well as revising the flood protection master plan and investment plan for priority actions aimed at enhancing Sousse's urban resilience. Alongside this, several quick win projects related to urban resilience are being undertaken. Additionally, in regard to energy, the project is aiming to establish a photovoltaic energy or solar ordinance linked to construction licenses for new or existing buildings, conduct a pre-feasibility study for a district heating/cooling network, develop and implement a sustainable construction strategy, assess and develop a PPP partnership for photovoltaic energy production, and initiate a number of quick win initiatives.(RM2, CC A/M) |
| Cities Support Programme | In phase 1, marked with Rio Marker 0, the TA programme's component in infrastructure finance included TA with the purpose of enabling municipalities to prepare, package and access infrastructure financing for specific projects, including climate financing. Additionally, under the |

| | |
|---|---|
| South Africa (CSP) UR_00950-01 | same component, the programme offered timely advice from global experts on how to approach Cape Town's water crisis. In a subsequent phase 2, which began in 2020 and is marked with Rio Marker 2, the TA programme's second component focused on sustainable and climate-responsive infrastructure and land development, building upon the work started under the land management and urban regeneration component of phase 1, where climate resilience was not in focus. Now in phase 2, the TA programme is working on strengthening climate resilient asset management capacities. scaling up climate responsive capital investment, and developed water resilience strategies. The CSP programme itself has six components, one being on climate. (RM 2, CC A/M). |
| Sustainable Urbanisation in Indonesia (IDSUN)<br><br>UR_00803-01 | The IDSUN programme had a broad climate perspective but few relevant and climate-specific indicators. This is also linked to the purpose of the project with a focus on studies and capacity building where the climate impact cannot be foreseen/quantified Climate mainstreaming has increased between phase 1 and 2. In phase 1, climate change was addressed through focus on disaster risk reduction, urban resilience, urban transport systems, and large-scale city-executed infrastructure investment, but with few climate relevant indicators. In phase 2, climate resilience as an objective has been made more explicit, in accordance with a recommendation of the phase 1 evaluation and in accordance with the requirements of the WBG, with support from SECO. Climate mitigation and adaptation considerations, with climate indicators and targets, are explicitly included in the urban governance and planning component (efficiency gains through improved connectivity), the urban mobility work (GHG mitigation through the development of public mass transport systems), as well as urban flood risk management (adapting to increasing extreme weather events). (RM 1, CCA) |

## 5 Evidence or absence of climate related changes

**While all programmes and projects analysed have reported climate-relevant mitigation and adaptation actions and results, it is currently too early to show their large-scale impact, and they are not yet transformative in addressing climate change. However, there is potential for SECO to contribute to system transformation with its TA through collaboration with donors such as the WBG**. For instance, the IDSUN programme in Indonesia, implemented by the WBG and supported by SECO, has reported strengthening the capacity at national and city levels to reduce flood risk and manage disaster risk due to technical inputs into a conceptual framework design for a national urban flood resilience programme delivered in 2019. However, the actual transformative change has not happened yet as the programme needs to be operationalized and implemented. In a SECO-supported and WBG-led programme in South Africa (CSP), SECO provided valuable technical assistance and input to the long-term water strategy of Cape Town, which has potential for influencing water management policies at the national level. SECO is collaborating with the municipal government in Tunisia's Sousse project and aims to collaborate with multilateral development banks such as the WBG and EIB. However, for this to happen, it is necessary to link the project to national strategies and plans, ensuring that the integrated approach to urban development becomes part of national planning. This is a strong indication of potential for SECO's contribution to system transformation when working with MDBs, which also highlights the importance of alignment with national priorities and strategies for achieving sustainable impact.

There are higher expectations for climate impact in later phases, but their effectiveness remains to be seen.

**IDSUN Indonesia (UR_00803-01)**

- The IDSUN programme reported strengthened capacity at national and city levels to reduce flood risk and manage disaster risk due to technical inputs to a conceptual framework design for a national urban flood resilience programme delivered in 2019.
- Under outcome 2.1 "*Enhanced systems and technical capacity of city governments to engage in long-term, evidence-driven urban planning*", tools and systems for data-driven planning were integrated into government systems through the City Planning Lab (CPL) approach. Three partner cities (Semarang, Denpasar, Balikpapan) are well in the process of implementing CPL initiatives to enable data-driven planning. These cities have all adopted municipal spatial data infrastructure (MSDI) through issuance of decrees for their data-driven decision making and establishing data portals. In addition to the three CPL cities, successful pilot implementation of Urban Planning

Tool (UPT) integration with the Geospatial Information Agency's (BIG) Geoportal in Bantul City, Palembang City, and South Sulawesi Province demonstrates the wider potential for capacity strengthening for local governments (LGs) to utilize spatial data in evidence driven planning process.

- The IDSUN programme reported improved operational and financial performance of water supply services providers in selected urban areas as a result of support for the implementation of the National Urban Water Supply Programme.
    - As of October 2021, 19 water utilities in Indonesia have better rating and graduated to the next level performance category (based on Water Utility Performance Audit Report 2020).
    - As of October 2021, USD 35 million has been leveraged from 21 local government in the form of equity contributions and grants to water utilities. In addition, a total of USD 117 million of non-public financing have been leveraged to support investment in 8 water utilities.

**IUD Tunisia (UR 00787-01 and 02)**

- The energy audit and other studies helped the municipality of Sousse save money, reduce carbon emissions and manage energy consumption better. The estimated savings that can be attributed to the project are around 3000 tonne of oil equivalent (toe) per year, reducing the energy bill by about EUR 600,000 annually and CO2 emissions by 5,000 tCO2eq per year. The public lighting in the Medina World Heritage Site saves about EUR 300,000 per year.
- Reportedly, there has been a change in the mindset of employees of the municipality of Sousse, prompted by their engagement in SECO's integrated urban development project, especially in younger ones, who tend to engage more in work around environment and climate - new knowledge and skills was, reportedly, gained that could be used to secure financing from both the government of Tunisia and the donor community.
- The integrated urban development project in Tunisia developed relevant strategies and plans in the municipality of Sousse, but it is unclear how climate was mainstreamed into the developed planning documents, such as the urban development and mobility plans.

**CSP South Africa (UR_00950-0)**

- 'Just-in-time' advice was provided to draft a long-term water strategy aiming to ensure sustainable supply of water to the city - the project completed the assessment of water reliance issues and strategic and financial choices in Cape Town; the assessment of desalination approaches; and, water resilience technical, governance and financial recommendations were adopted by the City Government. The input provided by the Technical Assistance programme's consultants contributed to approximately a third of the strategy as a whole, in terms of TA provided. In the short term, the work done during the water crisis helped the city reduce water demand and develop a structured approach to managing it. It also brought calm to a chaotic situation and increased the city's confidence in managing future crises. In the long term, the water strategy could influence water management policies and shift the city's perspective towards sustainability, rather than crisis-management.
  2

## 6 Factors that can explain the change or its absence

Positive factors

IUD Tunisia (UR 00787-01 and 02)

- **Integrated approach to urban development**, as one of the added values of SECO that, overall, increased efficiency and effectiveness of the programme.

- **Expertise, credibility and transparency of SECO funded TA** through a consortium of Swiss (and other international) consultants provided international standards of quality, neutrality, and sustainability-aligned solutions, which increased the credibility of the work done in the perception of the municipality staff. SECO-funded know-how and Swiss mediation capacity, particularly within the context of political tensions, were seen as key to success.
- **Strategic studies complemented with quick wins** (concrete actions with high visibility and rapid impact ). Quick wins were used to complement the integration between studies, which included the urban planning, urban mobility, energy, and GIS components. The quick wins helped concretize the thematic integration.
- **Skilled coordination** - the project implementation unit coordinator facilitated exchange between experts and found suitable human resources at the municipality.
- **Hands-on approach -** SECO's finance combined with TA support backed by thorough preparation and detailed analysis of the context, continuous presence and monitoring, flexibility.

CSP South Africa (UR_00950-0)

- **Independence and contextual knowledge**. The consultants integrated into the city teams, combining technical knowledge with contextual understanding of the city and political environment was particularly valuable in that they were not related to any side of the political conversations taking place. This ensured a robust and workable water strategy, free of political influence.
- **City-level ownership/programme champions within the municipality** – good relationship with the National Treasury who proved willing and capable of providing necessary staff to drive the process, incl. those with climate and project management capacities.

Negative factors

- **Lack of climate capacity within SECO**. Across several sectors, including urban development, there remains a lack of sufficient knowledge, skills, and capacity to effectively incorporate climate considerations into project designs and to monitor the climate impact. Reporting systems were not established to effectively monitor and report on climate-related achievements. Project officers at the country level have a low understanding of Rio Markers – why and how the programmes are classified in terms of Rio Markers and what marking the project with Rio Marker 1 or 2 implies for their practical work.
- **Underutilisation of climate mainstreaming guidelines**. The climate mainstreaming guidelines were not used as intended, leading to a lack of clarity regarding the pathways to achieving climate impact in the programmes' log-frames.
- **Limited finance.** The process of making climate-relevant projects bankable and connecting them with investors is complex and challenging, requiring additional financial resources.

## 7 Analysis of the role and value-added of SECO support in fostering change (or absence)

**SECO's role in this theme primarily involves providing finance for technical assistance and capacity building.** In the two programmes implemented by the World Bank, SECO's financial support accounts for approximately 50% of the total budget, which is allocated for technical assistance. Evidence as to the climate inputs from SECO was not available. SECO would be supportive of inclusion of climate relevant components and financing of climate related capacity building and studies, and knowledge sharing, but rarely takes the initiative. The extent of added value, beyond finance, and connections to Swiss expertise in climate are limited.

**The value added of SECO for the IUD Tunisia is high because it was the only donor funding and because SECO mobilised Swiss/international consultants with climate expertise.** SECO provided funding for technical capacity building and studies that contributed to knowledge building and worked with Swiss consultancies and Tunisian/Swiss planning engineering companies, bringing top-level expertise.

**The value added of SECO for the CSP South Africa is high due to the finance for technical assistance and knowledge dissemination.** SECO's funding, which accounted for approximately 50% of the total budget for Phase 1 and 37% of the total Phase 2 budget, has allowed the CSP to expand its work in Phase 1 SECO has also provided input in guiding the development of the programme's outputs and adaptive management of its implementation, and by providing relevant expertise within its local and international staff. While the exact climate-related input from SECO, beyond funding, is less clear, SECO relied on climate expertise from the World Bank and the National Treasury. The support was provided through the Urban Multi-Donor Trust Fund, primarily funded by SECO, enabling the World Bank to mobilize experts for technical assistance, which has been critical to its success, according to the programme reporting.

SECO's value added in the programme was also through effective knowledge dissemination. They shared knowledge products generated through technical assistance – various reports, guidance notes, research papers, action plans etc. were widely disseminated through various channels. Links to climate were primarily identified in support of the water strategy, rather than across all aspects of the programme.

**It is not entirely clear what climate-relevant value SECO adds to IDSUN in Indonesia.** Although SECO has set funds for Swiss expertise in IDSUN, emphasizing the importance of complementarity and synergies, it did not proactively offer it or identified synergies. The emphasis on complementarity and synergies is positive, but SECO could benefit from more research to identify areas for Swiss expertise. The approach should be supply-driven, with SECO understanding what Switzerland can offer and what partners need. Knowledge sharing between partners should be increased. In the words of one interviewee: *"It's good that SECO sets aside a small portion of funds for Swiss expertise, but it's important for SECO to be proactive in identifying areas where Swiss expertise can be valuable, rather than waiting for demand from the partners."*

Overall, the evidence suggests that SECO's value added lies in its financial support, facilitation of technical capacity building, mobilisation of climate experts, and collaboration with Swiss and international consultants.

## 8 Lessons learnt

- **Links to climate need to be established early on in the process and adequate capacities ensured.** The climate is complex topic, and it needs careful attention and meaningful incorporation in the design phase - it makes little sense to add it later. Adequate financial and technical resources need to be ensured timely and localised climate context understood – what is meaningful to do, and what do climate mitigation and adaptation mean in a specific project context and locality? (all programmes)
- **Improved coherence and coordination and knowledge/experience sharing within SECO is needed for more effective work on climate.** There is a value in information sharing and what one interviewee referred to as 'global thinking' – some questions that need attention in SECO are as follows: What are effective practices and inspiring projects globally, and how can SECO support and facilitate climate cooperation across its offices at country level? What climate expertise can be mobilised in Switzerland and elsewhere? (all programmes)
- **IDSUN's programmatic approach is effective to achieve IDSUN's objectives and is likely to lead to greater impact, reach and sustainability, as opposed to a project city level approach**. "*Indonesia is an exceptionally large, complex and geographically dispersed country. It is also an - middle income country. In this country a national programmatic approach, which is WB's modus operandi, is likely to have a greater impact, reach and sustainability than a project city level approach. The latter could be a drop in the ocean." (UR_00803-01)*
- **Working through multilateral organizations increases the potential for sustainability and impact at scale**. Large, World Bank-led trust funds such as IDSUN in Indonesia and CPS in South Africa offer significant potential for replication and scaling of climate solutions. (UR_00803-01/ UR 00787-01 and 02)
- **Supporting demand-driven and innovative projects and engaging international and national experts increases success prospects**. (UR 00787-01 and 02)

- **Insufficient climate awareness limits success** – climate as such had rarely been addressed in earlier phases of the programmes, and even in later phases there has been reluctance to bring in climate more prominently. As a result, there has been insufficient focus on building climate-relevant capacity at the municipal and national levels, such as in conducting climate vulnerability/risk assessments, conducting Environmental Impact Assessments (EIAs), etc. (UR 00787-01 and 02)

**Annex 1 Documents**

- CSP (2022) Mid-Term Review of Phase II of the CSP. Report commissioned by the National Treasury, World Bank and SECO.
- Integrated Urban Development in Tunisia, Phase II Credit Proposal (2021). SECO
- Integrated Urban Development in Sousse Assessment of Phase I and Scoping Study for a potential Phase II (2021). SECO/WEIN
- Sustainable Urbanization Indonesia IDSUN, Phase II Credit Proposal (2022). SECO
- Sustainable Urbanization Indonesia IDSUN, Phase I Credit Proposal (2021). SECO
- Indonesia Sustainable Urbanization Multi-Donor Trust Fund IDSUN Annual Report 2021
- Cities Support Program in South Africa, phase 1 (CSP1), Completion Note (2020). SECO
- External Evaluation of the South Africa Urban Knowledge Hub - Technical Assistance Program (2019). Genesis Analytics
- External Evaluation of the South Africa Urban Knowledge Hub - Technical Assistance Program, SECO management response (2019). SECO
- Cities Support Programme Phase II Credit Proposal (2020). SECO

**Annex 2 Consulted people**

| Name | Position | Date met |
|---|---|---|
| Giroud, Silvio | WEIN, Programme manager IUD Tunisia | 26.04.2023 |
| Moez Naija | PIU lead and director of the municipal technical services (IUD Tunisia) | 17.04.2023 |
| Roman Windisch | WEIN, SECO programme manager (IDSUN) | 14.03.2023 |
| Luis Miguel Triveno | World Bank Programme manager (IDSUN) | 27.02.2023 |
| Pienaar Gerhardus Jacobus | SECO South Africa, CSP programme manager | 09.05.2023 |

## Integrating value chains and rules-based trade, CSR: multistakeholder platforms

### 1 Summary (for main report)

**SECO programmes recognise the important of climate to the success of value chain initiatives and the need for reforms to change practice**. The SECO supported programmes recognise that climate change creates obstacles for market to function especially for farmers and industrial parks (e.g. more pests for the coffee, less water for the parks). They also acknowledge that improving climate change practices by the farmers and industrial parks and all the relevant actors will require deep reforms in how the value chains function. The approach recognises that reforms are needed in market incentives and the biggest obstacles are not necessarily climate ones, they are "governance" and presence of "economic comparative advantage" related. In this regard the political economy is to some extent taken into account although this is also an area that could be strengthened.

**SECO mainstreaming guidelines are useful but have only been incorporated into the results frames of the most recent projects.** The guidelines are useful and promote good design

by asking project designers to i) identify the climate risks/opportunities (with questions to support this enquiry) and ii) to consider climate indicators (with examples of what they could be). However, mainstreaming in practice during implementation is left to the project staff. Only for two most recent projects were the guidelines built into the results frames (i.e. the industrial parks and Swiss cocoa platform climate). However it is too early to measure results against these result frameworks and doubts have been raised on the credibility of measurement.

**Private sector capital in value chains and industrial parks will increasingly be mobilised in the type of programmes supported and its climate intensity will increase but from a low starting point**. Only the Swiss Cocoa platform directly raises private sector capital, the other projects do so indirectly through the investment of farmers and industry. The private finance has multiple purposes, and it would be difficult to identify the pure climate part although it is plausible that it will increase.

**Overall the value chain- multistakeholder approach gives a good opening for mainstreaming climate and the approach has potential especially at the transformative/systemic level**. The approach strikes a good balance between growth and climate and between engaging at the level of policy and practical implementation. It has also shown the potential to mobilise Swiss added value and private sector financing. However, it can get easily trapped into overly complex, over self-congratulating, internal systems leading to a flood of guidelines, tools, methods and knowledge products within the projects with not a lot of information on how much they are actually used.

**2 SECO engagement in the thematic area**

**This thematic study centres on a value addition related to the way SECO works through multistakeholder processes and the contribution of this way of working to promoting climate mitigation and adaptation**. Multistakeholder processes seek to involve a multitude of stakeholders in finding solutions – public sector, private sector associations, companies, farmers associations, farmers etc by establishing multistakeholder platforms. These types of projects offer a key opportunity to mainstream climate change especially as they are focussed on multi-stakeholders and involve processes that aim to make transformative and systemic change.

**Although this theme is not formalised there are many projects that have elements of multi-stakeholder platforms for integrating value chains, promoting rules-based trade and corporate social responsibility.** The table and graphs below show information on the number and volume of projects in this area, their geographic distribution and partner arrangements.

| Business line | Integration in value chains | Corporate social responsibility | Rules-based trade system | Total |
|---|---|---|---|---|
| Number of project (overall) | 35 | 29 | 23 | 87 |
| Number of project with climate funding | 17 | 16 | 7 | 40 |
| **Climate volume** (million CHF) | **71** | **47** | **10** | **128** |
| *Mitigation* | *40.5* | *35* | *4* | 79.5 |
| *Adaptation* | *30.5* | *12* | *6* | 48.5 |
| *Rio Marker 1* | *53* | *31* | *9* | 93 |
| *Rio Marker 2* | *18* | *16* | *1* | 35 |

| | | | | |
|---|---|---|---|---|
| **Non climate volume** (million CHF) | **121** | **72** | **81** | **274** |
| **TOTAL VOLUME** (million CHF) | **192** | **119** | **91** | **402** |

*Figure 1*

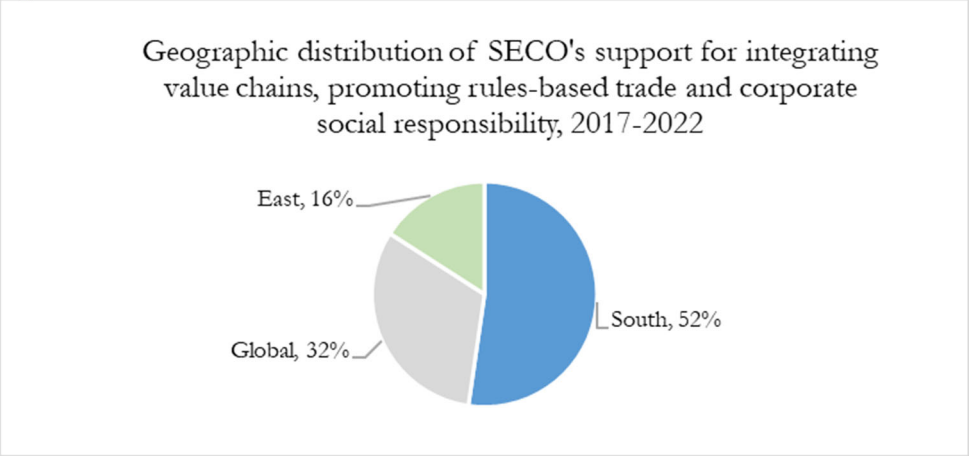



*Figure 2*

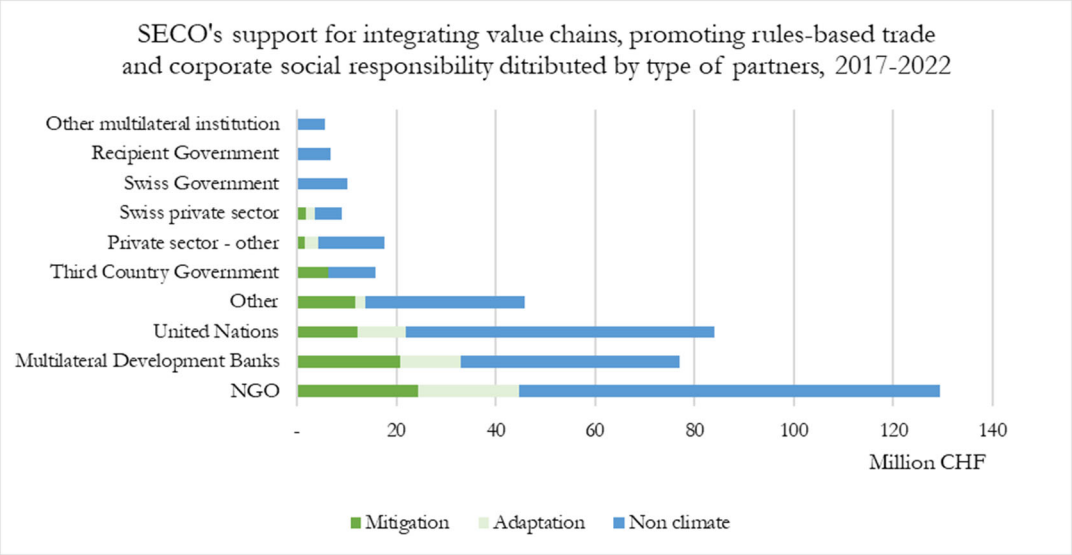



*Figure 3*

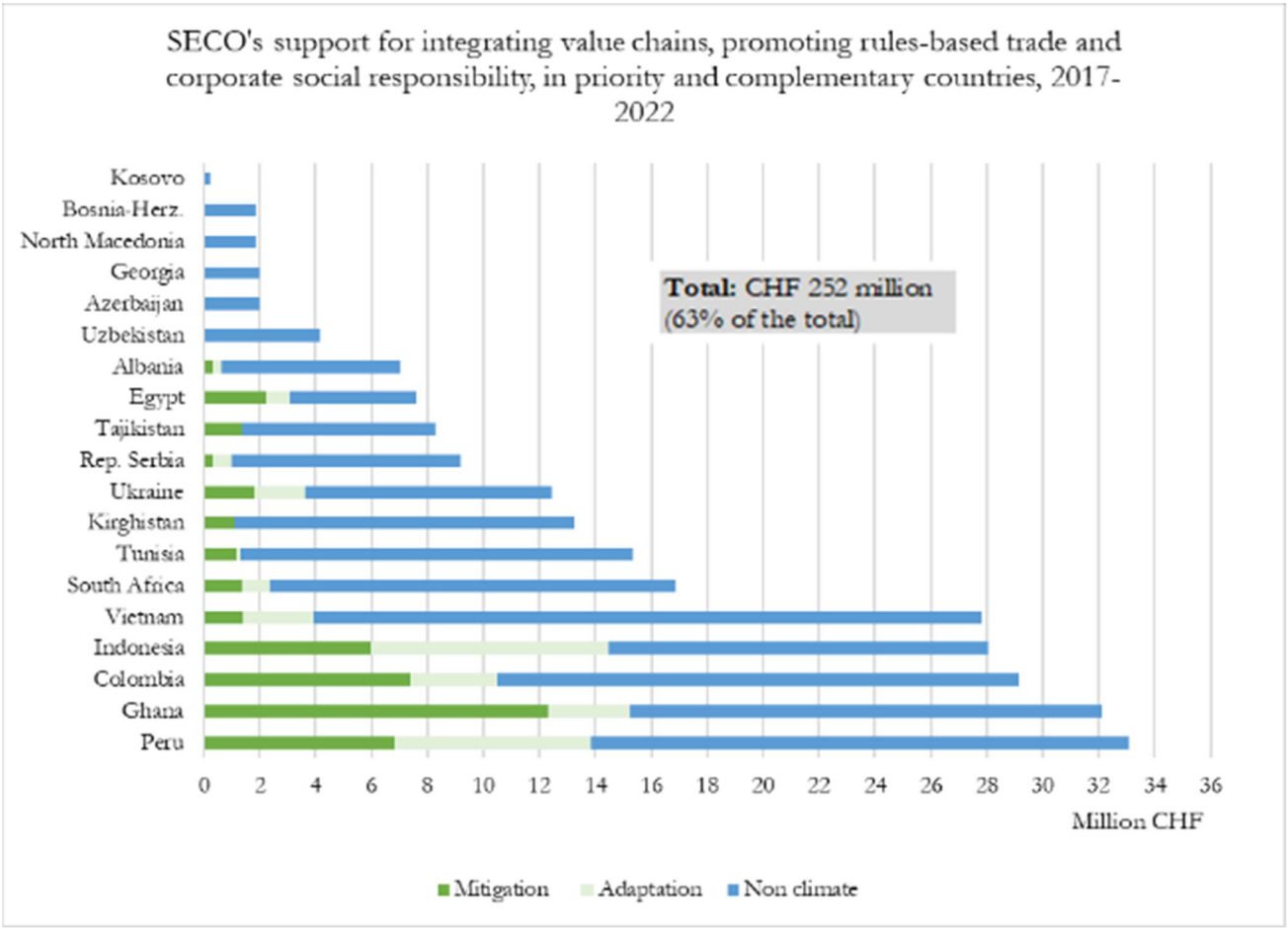



*Figure 4*

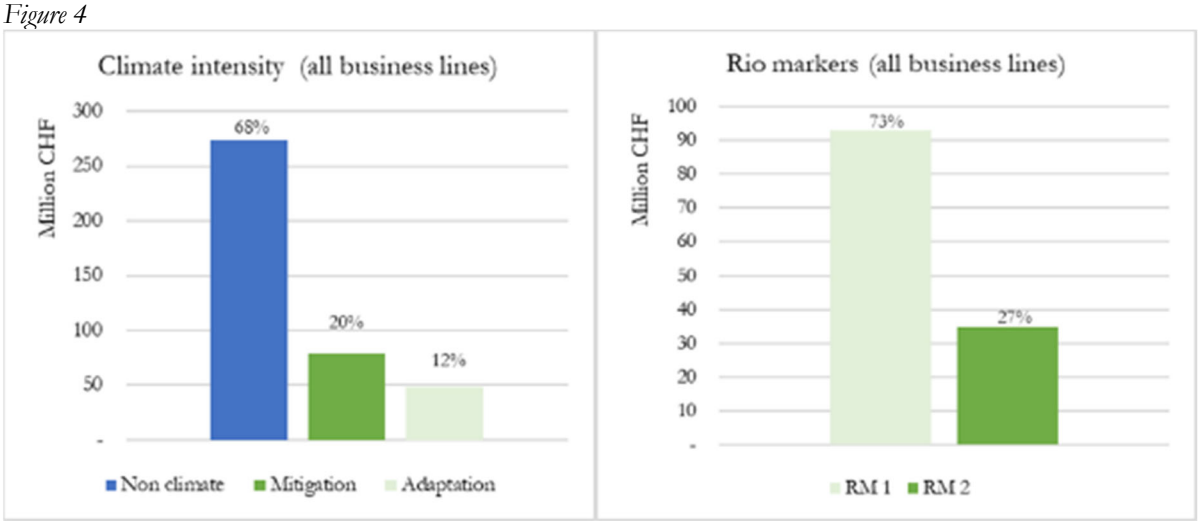
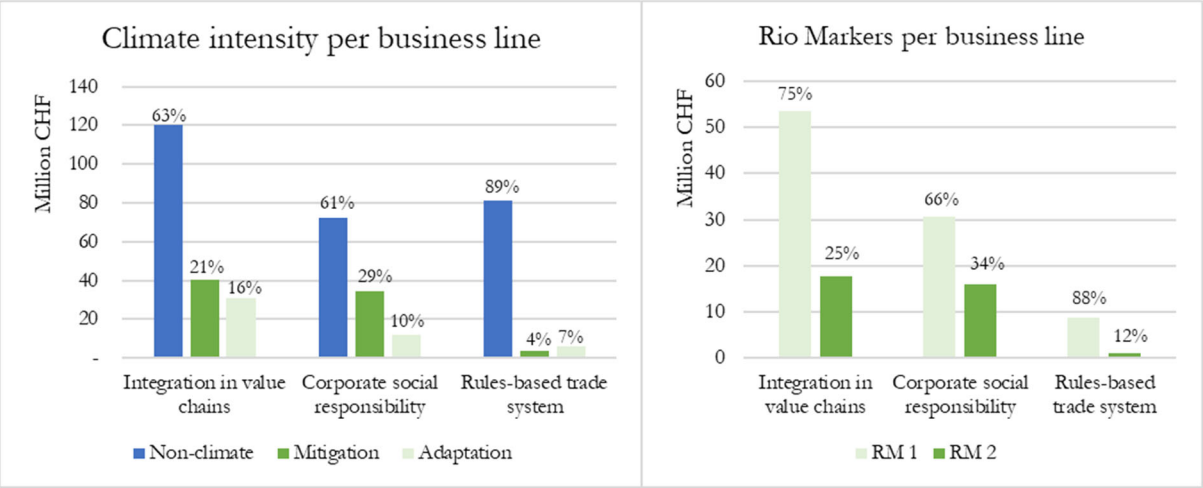



*Figure 5*




## 3 Sample selection

**Out of an initial long list of six projects, four projects all of which are considered "flagship" examples of SECO support to this themes have been selected** as the sample:

Partnership for Market readiness (PMR) is implemented by the World Bank. It was launched as a multi-donor trust fund at the climate conference in Cancùn at the end of 2010 and aims to involve emerging economies more closely in international climate protection. In 2019 a successor program known as Partnership for Market Implementation (PMI) was launched. During the period 2011-2020 SECO funded CHF 11 million in two phases out of a total of CHF 120 million. The programme works with 19 implementing country participant countries. SECO finance in the first phase focussed on 3 to 4 countries with the second phase (from 2013) specifically earmarked for Peru.

- The programme objectives are to provide a platform for sharing experience, fostering new and innovative market-based instruments, and building market readiness capacity for countries to scale up climate change mitigation efforts.
- The programme strategy is to achieve this vision through to helping countries design and implement carbon pricing instruments, including emissions trading systems, carbon taxes, and crediting and offset mechanisms through providing grants, technical assistance and upstream policy support delivered in-country (against country-defined roadmaps, formalized in Market Readiness Proposals), as well as through the production and dissemination of technical knowledge products and knowledge exchange facilitated through training sessions, workshops.

This programme was selected because it is an example of the value chain theme in terms of multi-stakeholder platforms that is heavily climate focussed (Rio marker 2) and one that has been supported by SECO for close to 10 years.

The Green Commodities Programme (GCP) is implemented by UNDP. It was launched in 2010 and has been supported by SECO since 2015 and is now in its third phase of support. SECO supports the operations in Peru (coffee) and Indonesia (palm oil) as well as supporting the learning network in the Green Commodities Community. The programme which operates in multiple countries is financed mainly by GEF and SECO with SECO providing CHF 5 million out of a total of CHF 62 million.

- The programme objectives are to improve the lives of workers, farming families and their communities while protecting high conservation value forests and vulnerable ecosystems. In both countries the work of the National Commodity Platforms will help to reduce deforestation.

- The programme strategy is to promote collaborative and innovative approaches in recognition that the problems confronting major agro-commodity sectors are too complex for any single stakeholder group to handle. Through so called National Commodity Platform, governments are supported to take the lead in creating national environments where sustainable commodity sectors can grow. This means facilitating neutral spaces where stakeholders can collaborate on a shared vision and agenda for action, often by building public private partnerships through which innovative solutions can be identified, piloted and implemented

This programme was selected because it is a long running programme that focusses on the value chain of distinct commodities. It has also been independently evaluated so detailed information on performance is available.

The Global Eco-Industrial Parks programme (GEIPP) is implemented by UNIDO. It was launched in 2018 with completion expected in 2023. It is financed by SECO through a grant of CHF 17 million. It has country level interventions in Colombia, Egypt, Indonesia, Peru, South Africa, Ukraine and Vietnam.

- The programme objective is to demonstrate the viability and benefits of greening industrial parks by improving resource productivity and economic, environmental and social performances of businesses and thereby contributing to inclusive and sustainable industrial development in the participating countries.
- The programme strategy is to promote scalable models by working groups of enterprises located in industrial parks together with tailored advocacy and enabling policy for and supportive governance of resource efficient and cleaner production methods. The aim is to embed better practices at three levels of governance: individual companies (micro), industrial parks management (meso) and local and central governments (macro).

This programme was selected because it is a variation of a long running area of SECO cooperation with UNIDO in the corporate social responsibility area.

The Swiss Platform for Cocoa is also included here as a "flagship project" to capture the global angle complementing the country angel covered in the Ghana country study. Even though the Platform for Sustainable Cocoa has just been evaluated, it would be justified to also look at the platform from the point of view of contributing to climate. The Swiss Platform for Sustainable Cocoa is a multi-stakeholder initiative, bringing together more than 70 members from along the global cocoa value chain: chocolate manufacturers, traders, retailers, NGOs, research institutions as well as the Swiss Government, represented by SECO. Together, the members represent more than 90% of Switzerland's cocoa imports. Launched in 2017, the platform is financed by member fees as well as by public-private partnerships. This enables the implementation of projects that drive real innovation in the sector and create tangible impact, thus linking the high-quality reputation of Swiss chocolate with sustainability.

- The programme objective is "to join public and private forces and promote sustainability in the cocoa value chain" (credit proposal December 2017).
- The programme strategy is to provide sector wide solutions by involving all actors along the global cocoa value chain. The programme uses a multistakeholder approach to establish a common understanding of the sustainability challenges in the cocoa value chain, thus creating the basis to enable systemic change that addresses the root causes of these challenges throughout the sector. This is done by sharing knowledge and experience among peers, piloting innovative solutions and leveraging investments through public-private partnerships, fostering transparency through a common monitoring framework, promoting dialogue with producing countries and coordinating activities with other international initiatives in the sector.

This programme was selected because it is a major initiative to involve Swiss private sector actors in the promotion of sustainability including climate concerns in a major commodity value chain. It is a recent initiative and reflects SECO's more recent approach to climate.

## 4 Overview of climate challenges and opportunities that SECO support aimed to address

**The programmes focussed mainly on creating policy related improvements in economic performance.** This was in with the overall SECO strategy and objectives that focus on framework conditions. The climate related challenges and opportunities that each programme sought to address are given below in table 1. Three of the projects were marked as making a significant contribution to climate action (i.e. with a Rio marker 1) and one had a Rio maker 2 (primary objective). Choices on the partners, modalities and areas of intervention in policy and practice were driven by the broader goals of sustainable development. Programme design clearly recognised the importance of environmental sustainability and to a varying degree also the challenges and opportunities afforded by climate change.

**The overall focus on the achieving commodity and sector specific policy and capacity goals as the basis for sustainable development seems balanced and well-conceived given the time frame and needs.** The two agricultural related programmes focussed on the climate issues, both adaptation and mitigation, related to introducing climate smart agriculture and especially curbing deforestation. The industrial programme focussed on the climate issues, both adaptation and mitigation, related to resource efficiency and pollution control. All the programmes aimed at transformative change through a mix of policy, capacity and demonstration effects using multi-stakeholder approaches and mobilising private sector actors.

**Evidence of mainstreaming and the focus given to climate was stronger in the most recently designed programmes**. Explicit mainstreaming or application of the SECO climate mainstreaming guidelines or equivalent practice at the time was not evident except to some extent for the later projects (GEIPP and the SCP). These two programmes mainstreamed climate in their contextual analysis, risk analysis and results frame climate. Measures undertaken by SCP, for example, include : i) establishment of a working group on climate resilience and biodiversity: ii) Attention to climate in a baseline report for later results monitoring and iii) financing of a special study on how climate finance can help Cocoa farmers.

| Table 1 Climate challenges/ opportunities SECO support aimed to address (Rio marker) | |
|---|---|
| PMR UR-00534 | The program aims to developing capacity and market related mechanisms and readiness for reducing carbon emissions in emerging countries. The program support countries in the process of introducing carbon pricing and other innovative instruments to reduce greenhouse gas emissions cost. It helps to countries to shift toward a low carbon pathway through experience exchange and tailoring options to each country's unique circumstances and development priorities. The programme was highly Paris Agreement aligned and supported specifically the Pars target of increasing the carbon price to over USD 40 per ton of $CO_2$. Key outcomes were: i) Establishing of post-2020 mitigation scenarios and identifying of packages of effective and cost-efficient policies—including carbon pricing instruments—to achieve climate change mitigation; ii) Promoting of good practice and facilitating of efforts to establish common standards and approaches for greenhouse gas mitigation; iii) Providing a platform for countries to focus on sharing technical knowledge and experience in order to facilitate the design and implementation of innovative instruments to ramp-up greenhouse gas mitigation. There was not a PMR log frame or results framework in place [SECO, 2022] although SECO did construct one as part of their credit proposal it does not seem to have been monitored. (Rio-marker 2, CC-M). |
| GCP UR-00847 | The programme contributes to mitigation and adaptation by introducing climate smart agricultural practices including curbing of deforestation and increasing climate resilience through better farm and water management. In Indonesia a major driver of deforestation is palm oil which is one of the value chains that GCP works with; reducing deforestation will reduce emissions and increase resilience. It is noted that the contribution is indirect and difficult to measure the attribution. There are no climate relevant indicators (Rio-marker 1, both CC-A/M) |

| | |
|---|---|
| GEIPP UR01231 | The programme objective and one of the outcomes focus on improving resource productivity and environmental performance of industrial parks which closely linked to climate. The programme design notes that it will foster the development of low-emission and climate resilient economies by supporting the implementation of appropriate framework conditions to increase the productivity of enterprises and to minimize the negative environmental and social impact of economic activities. One of the outcome indicators is linked to climate but without baseline or target (Reduced environmental footprint of enterprises (increased resource efficiency, saved or avoided GHG emissions, saved kWh, etc.). (Rio-marker 1, both CC-A/M) |
| SCP- UR 01047 | The programme addresses a number of social, environmental and economic challenges facing the cocoa value chain. It is recognised that cocoa is often produced at the expense of the environment through deforestation and loss of biodiversity, and cocoa-producing nations are impacted by climate change. One of the four target areas of the programme is climate, forest and agroforestry where the goal is a deforestation-free and climate-friendly cocoa supply chain. To contribute the platform engages in international efforts to halt deforestation and forest degradation and promote the adoption of climate-smart agriculture and agroforestry practices. Indicators are presented in the credit proposal on the percentage of farmers adopting climate smart agricultural practices and the organisational set up was designed with working groups (community of practice) where one of them was devoted to climate resilience and biodiversity. (Rio marker 1, both CC-A/M) |

**5 Evidence or absence of climate related changes**

**There is no clear evidence of direct/physical climate adaptation or mitigation change because apart from one programme this is not measured**. For the one programme that does measure direct climate results (UR-01231 GEIPP) there has not been enough time to monitor the effects

- It is highly plausible that beneficial but changes in climate resilience and mitigation have and will take place as a result of the multi-stakeholder processes. These processes aim at improving the policy, regulatory, capacity, collaborative and incentive environment for sustainable development.
- The different programmes contributed in different ways for the commodity value chains a longer-term impact would be expected in low emissions and greater resilience through curbing deforestation, adopting climate smart agricultural practices and engagement of the private sector both at the production and consumption ends of the market. However important landmarks have been achieved including the high-level approval of key policies such as the national coffee action plan in Peru ( UR-00847, GCP). It is also noteworthy that deforestation arising from palm oil in Indonesia has substantially reduced although as acknowledged by GCP there are many stakeholders and effects that have been involved in that reduction (interview GCP management). Tangible achievements also include reaching out to close to half a million farmers and training of nearly 50,000 farmers in climate smart agriculture practices in the cocoa value chain (UR 10047, SCP).
- The industry related programmes such as the GEIPP (UR 01231) the contribution was in the form of better policy, improved regulations and greater capacity to implement circular economy at central, local and individual enterprise level. These measures combining to reduce emissions and increase resilience to climate change.
- The PMR (UR-00534) promoted carbon pricing instruments including carbon pricing regulation as well as supportive modelling, option analysis, sector-based studies and country specific roadmaps for how different mitigation instrument could be implemented. The countries that PMR and later PMI worked with are responsible for over 40% of greenhouse gas emissions and the programme thus had a potential for impact at scale.
- Most of the policy and collaborative improvements are work in progress aimed at building awareness and changing mind-set. They are also long term and political in nature and thus unpredictable and difficult to influence.
- No evidence of negative changes (intended or unintended) however lock-ins are a potential blind spot – not systematically recognised at programme level except in the more academic and research arenas.

**6 Factors that can explain the change or its absence**

Positive factors include:

- **Long term programme using a proven approach to systemic change (framework conditions) in commodities** – use of national commodity platforms that go beyond certification and address root causes [SECO August 2020]. The continuity is important and led to a hard-earned seat at the table – it also led to a supportive project in plam oil (the SECO landscape project) [interview, GCP]
- **Good integration with wider processes**- although it was found that GCP struggles to get recognition within UNDP, it was noted that "*A good integration is reported with the UNDP climate and forest team."* [Sieber 2019, p16 ]
- **Being "instrument neutral"** – PMR customised its support to countries pursuing the most appropriate carbon pricing instruments for their national context. (94% of survey participants believe PMR's support is flexible enough to meet their country's need) [Ipsos-Mori, 2018]
- **Supporting early-stage capacity building** – it supports upstream policy analysis and stakeholder engagement prior to a decision on a specific policy; and provides additional funding to move beyond early-stage support [Ipsos-Mori, 2018]
- **Providing "hands-on" support** – it gives practical and technical support to break down national policy goals into key steps and distils key technical knowledge on carbon pricing. [Ipsos-Mori, 2018]
- **Fostering a participative but also coherent platform –** it creates space for networking and encourages learning among countries [Ipsos-Mori, 2018] – the platform also increases the learning, transparency and even competition among private sector companies [Interview with SWISSCO]. The small number of players made it easier to ensure coherence and advance practical action [interview, South Pole]. The use of influencers to support the multi-stakeholder platforms and advocate at political level has been important to respond to a complicated political economy situation [interview, GCP]
- **Linking to important international agreements – the PMR** evolved to meet the changing international context, for example by expanding its scope to include carbon taxes and linkages with NDCs. [Ipsos-Mori, 2018]
- **Co-benefits –** farmers note the benefits of shade trees to reduce heat and improve working conditions. This gives an incentive to adopt such practices. [Interview with SWISSCO]
- **Early use of mainstreaming guidelines –** this ensured that climate was built into the log frame and structure of the projects. [various interviews + SWISSCO credit proposal]
- **Mix of policy and action –** SECO added value was to support the launch and co-finance of a call for proposals that led to practical action such as introducing shade trees [various interviews + SWISSCO credit proposal]

Negative factors include:

- **Over load and complexity–** GCP progress assessment (p) notes that there were different expectations on GCP's thematic focus and how much it should engage with the environmental/climate dimension or social/economic dimension – and on the challenges of finding an integrated solution to working on all three dimensions (environmental, social, economic) [Sieber 2019, p15]. Information overload and efficiency challenges - Documentation not able to be reviewed in depth prior to Partnership Assemblies - Most important issues/questions sometimes lost in volume of information [Ipsos-Mori, 2018]
- **Overall internal programme focus** – the programmes appear to become internally focussed on their processes and on setting up temporary multi-stakeholder forums and – "*GCP undertook continued efforts to position itself within UNDP and beyond in an ever more crowded*

*environment of multi-stakeholder commodity initiatives, many of which are competing for funds and private sector attention.*" [Sieber 2019, p4 ]. "*Companies are immersed in their own internal logic – it has been harder than we expected to make change*" [SWISSCO interview] . The ownership and lead by actors in the partner countries does not appear to be strong – a strategy for transition of ownership from the external multi-country platforms is more evident in some than others .e.g. Peru coffee association [CPs and other documentation]

- **Uptake and assumptions on the political economy** - PMR's (UR 00534) support does not necessarily result in implementation of fully functioning carbon pricing instruments. While the PMR may contribute significantly, ultimately, this depends on the scope of the PMR's support agreed with each country, and political actions taken at the country level following the PMR's support. [Ipsos-Mori, 2018]
- **Overlapping of similar initiatives** - and difficulty (and perhaps negative incentive) to coordinate with others. The wider policy and funding landscape in which PMR(UR 00534) but also the GCP and other initiatives sit is becoming more crowded. A key feature of success and continued relevance is the ability to co-ordinated and manage potential overlaps between initiatives and ensure there are synergies in the work programs rather than duplications. There is also a need to evolve The PMR will need to undergo further strategic thinking on its focus and role relative to other initiatives to maintain value added. [Ipsos-Mori, 2018]
- **The size and critical mass to achieve transformation** – the critical mass and time span needed is easily underestimated. [interview South Pole]
- **Cumbersome reporting** – difficult for the private sector to satisfy the reporting requirements – they are too heavy [interview South Pole]

**7 Analysis of the role and value-added of SECO support in fostering change (or absence)**

**The SECO role in this theme, at least through the four projects, was mainly in terms of providing finance.** For two of the programmes (UR-01231, GEIPP and UR 01047, SCP ) the SECO funding was the main or only donor funding whereas for the UNDP implemented GCP programme (UR-00847) and the World Bank implemented PMR (UR 00534) the SECO funding was only a small proportion of the donor finance although potentially more significant when it was earmarked to just a few countries. Without SECO funding the GEIPP (UR0123) programme would not have gone ahead.

**The contribution and value added of SECO to the design and origin of the GEIPP (UR0123) programme was high**. The approach was closely linked to earlier SECO programmes in resources efficiency and cleaner production and SECO took an active part in the governance and in key decisions for example on country choice .

**The Swiss added value of SCP (UR 01047) is high because it mobilised Swiss private sector actors in the cocoa value chain.** SECO finance although only a third of the total funding was important for crowding in private sector actors and for outreach to beneficiaries at the partner country level. Member fees support the core funding of the programme and in total SECO's contribution CHF 8m leverages a total funding of CHF 26m. SECO co-funding of projects was a significant factor in ensuring that a public good emerged i.e. on sharing of data, lessons learnt and collaboration and also on encouraging private sector to think beyond the farm gate and support measures to improve the ecosystems.

**The added value of SECO for UNDP implemented GCP programme (UR-00847) is indirect.** The main elements of value added are the choice of partner and the openness to work with framework conditions even though they take longer and are more difficult to attribute [interview, GCP]. The earmarking on palm oil in Indonesia and coffee in Peru potentially gives

SECO a larger influence as their relatively small funding is concentrated and there is evidence of active engagement of the SECO offices at country level. There are also potential synergies from wider SECO support to these value chains and from Swiss commodity buyers. But from documents alone it is not easy to isolate much value added beyond the funding which amounts to just over 8% of the entire programme costs.

**The added value of SECO for the WB implemented PMR (UR 00534) is also less clear**. It was noted that there was a potential for use of Swiss know how [SECO, March 2013] noting that Switzerland has built up a leading international potential of expertise (especially project developers) in the CDM. Swiss expertise (such as INFRAS, perspectives/Uni Zürich; Grütter Consulting) is now also incorporated into the PMR activities . It was also noted that there could be spin off benefits on the part of SECO as the participation of the priority countries allows potentially attractive cross-references to trade promotion, private sector promotion and infrastructure financing programmes. Also relevant is that WEHU stayed in regular exchange with the Federal Office for the Environment (FOEN) with the aim to identify and build on existing complementarities between PMI an ongoing activities in the field of piloting article 6 of the Paris Agreement [SECO, March 2013]. The evaluation noted that the secretariat and partnership approach made it difficult for donors to exert influence and a lack of transparency with donors. [Ipsos-Mori, 2018,p77,79]. A side effect of this has been to allow the programme to focus on country needs rather than donor expectations . [Ipsos-Mori, 2018,p40]. The UK as a donor conducted independent reviews and appears to have had more influence than the other donors.

**8 Lessons learnt**

- Get all stakeholders in the room and address power dynamics early -a shared sense of purpose, process design and patience is essential. [GCP – UNDP 2021,p14]
- Flexibility in funding – pre-determined log frames need to be adjusted [GCP – UNDP 2021,p14]
- Work at global, community and individual level and aiming at a systemic approach [GCP – UNDP 2021,p14]
- Long term relationships that explore incentives for farmers to adopt climate smart practices but avoiding lock-ins are important as not enough is known to provide full answers for all situations [SWISSCO, sept 2022]
- Two ends of the value chain need attention - More effort should go into reaching end-consumers (climate literacy) and developing market demand for climate smart and deforestation-free cocoa (including credible monitoring). This should be combined with concrete efforts to unlock the finance from the downstream end of the value chain for the necessary investments in climate smart interventions [SWISSCO, sept 2022]
- Multi-country efforts related to the role of any carbon pricing instrument were highly influenced by the local environmental and developmental benefits conferred by reducing greenhouse gas emissions (UR-00534) [SECO,2202]
- Data and information is very important in policy advocacy (UR-00534) [SECO,2202]
- Aiming at systemic change means that a theory of change approach that is based on a solid causality and looks at drivers and barriers and measures their removal.
- Improvements in adopting climate smart agriculture can be triggered through the multi-stakeholder platforms [SWISSCO]

Annex 1 Summary of climate related change

| name | Change (positive/negative, intended/unintended) |
|---|---|
| PMR | • The country specific interventions were the core of PMR and helped to build the basis for a future implementation of a CO2 pricing instrument.[SECO,2022]<br>• "*The main reasons for delays was an often cumbersome and time-consuming administrative process that preceded the signing of a recipient executed bank agreement. With the years, the process became somewhat more efficient on the bank side, but the bureaucratic hurdles in implementing countries remained high*". [SECO,2022]<br>• *"Over half of the ICPs surveyed reported the PMR had very or fairly high impact on the following areas: stakeholder engagement (74%), improving MRV systems (61%), and benchmarking (55%). When asked about the impact on specific mechanisms in their country, almost half of the relevant ICPs reported a very or fairly high impact on offsets and crediting and ETS systems, with impact on carbon tax systems somewhat lower, but still noteworthy at 39%"* /SECO,2022]<br>• The PMR's work program, along with the PMR governance model (including Partnership Assembly meetings and knowledge-sharing events), helped create an international community of carbon pricing professionals. [SECO,2022]<br>• The knowledge management the *Carbon Tax Guide: A Handbook for Policymakers* and the *Emissions Trading in Practice: A Handbook on Design and Implementation*, both published by the PMR, are the most downloaded industry go-to guidebooks. [World Bank, 2019]<br>• The evaluation of 2018 concluded that PMR [Ipsos-Mori, 2018]:<br>o is the most prominent initiative in the carbon pricing policy landscape and is considered by many to be the only place where dialogue is happening at a practical and technical level across a broad spectrum of participants.<br>o influences global policy discussions regarding the use of carbon pricing for GHG reductions.<br>o is highly effective and efficient at improving readiness and generating dialogue on carbon pricing and PMR knowledge products are particularly valued.<br>o is positively impacting capacity and readiness to design, pilot and/or implement carbon pricing instruments and/or the core technical components needed for carbon pricing<br>• The evaluation of 2018 concluded that PMR led to: [Ipsos-Mori, 2018]:<br>o Carbon pricing regulation;<br>o Economic modelling to analyze the potential of carbon pricing instruments in a country;<br>o Sector-based options studies for the adoption of different mitigation instruments;<br>o Roadmaps for how different mitigation instruments could be rolled out.<br>• The Dfid annual evaluation in 2018 give an "A" (met expectations) rating to the program [DFID,2018]. The evaluation gives a rating on transformational change as "Tentative evidence of change – transformation judged likely" based on 3 criteria ( fostering political will; encouraging innovation; evidence of replication). it is noted that "The principal challenge for the PMR in demonstrating a reasonable likelihood for achieving transformational change is that its policy objectives are long-term but also highly political, and therefore unpredictable" (UR-00534) |
| GCP | • National Action Plan (NAP) on Sustainable Palm Oil in Indonesia (2019) - an important framework for efforts at different levels of government that seek to further improve the enabling environment, institutional capacities, and smallholder livelihoods in the Indonesian palm oil sector. 14 ministries, and governors, regents and mayors play a role in NAP implementation, benefiting 2.6 million smallholder farmers and 21 million upstream and downstream workers. [UNDP 2021, p54]<br>• Specific policy and regulatory processes that strengthen the enabling environment for sustainable palm oil at national and subnational levels, including through provincial platforms and action plans. Spatial plans and other regulations at provincial and district level to ensure the protection of High Conservation Value (HCV) and High Carbon Stock (HCS) areas, regulations on Community Plantation Development and Corporate Social Responsibility, and policies to improve traceability and smallholder capacity building have been developed and approved at national level and in different districts with support from GCP. These interventions have contributed to the protection of more than 105,000 ha of HCV/HCS ecosystems. [UNDP 2021, p54]<br>• In addition to that, other policy reforms UNDP is supporting, such as a regulatory umbrella for Essential Ecosystem Areas (KEE) could serve as a legal framework for the protection of 45 million ha.. including supporting the mandatory Indonesia Sustainable Palm Oil (ISPO) certification to become more robust and recognized. [UNDP 2021, p66]<br>• National Coffee Action Plan, which was approved and legalized by Peru's president in December of 2019 – serving 2 million employees in the coffee sector. "*The National Coffee Action Plan 2030, a multi-stakeholder initiative, marks an important milestone and is a strategic tool aimed to develop Peruvian coffee. Its focus lies* |

| | |
|---|---|
| | *on improving sustainable production, profitability and quality of coffee, while promoting low carbon emission technologies and conservation of forests. It provides the basis for further improvements in the livelihoods of coffee growing families as well as for social and financial inclusion."* Alain Buhlmann, SECO [UNDP 2018b,p2]<br>• The national coffee action plan identifies climate change as 2 of 5 points that are crucial for sustaining the coffee value chain (Minagri, 2018,p6), it also relates the coffee value chain to the wider Peruvian plans for combatting climate change in agriculture at the national level (p9), it also builds on national research on climate change in coffee issued by the Peruvian coffee association. The plan also identifies climate action as one of 5 vision points for the national plan. The plan makes relevant suggestions such as the use of climate resilient seed varieties<br>• *The Plan is a remarkable initiative and a good starting point to unlock the problems of the industry."*- Jose Ibarrola, Manager ECOM trading company Peru [UNDP 2018a,p1]<br><br>∑ Together these changes have a plausible potential to increase climate and shock resilience of smallholder farmers by ensuring a more robust market for their produce that will and though improved climate smart agricultural techniques e.g. tree shading for coffee. They also strengthen part of the enabling framework needed to curb deforestation and thus reduce carbon emissions. The project did not monitor any climate related effects and climate did not feature in the mid-term evaluation apart from noting that the programme outcomes have links to climate – it also has to be recognised that none of the potential beneficial effects are easy to measure. |
| GEIPP | • GEIPP has 6 indicator that are climate related. The results were not yet available at the midterm evaluation stage and only expected towards the end of the 2023. A proxy might be found by looking at other EIP type interventions under the earlier resource efficient and cleaner production (RECP) programme which was UNIDO/SECO supported [UNIDO, Dec. 2021]<br>•<br>o Ratio of companies/parks with environmental and energy management systems<br>o Energy efficiency (kWh/USD turnover)<br>o Renewable energy (Ratio of renewable energy use in park)<br>o Water efficiency (Ratio of water reused/recycled)<br>o Waste reuse and recycling (Ratio of solid waste reused/recycled)<br>o Climate change (GHG emissions reduction tCO2 Eq. / year)<br><br>• Capacity development actions and policy advice as well as knowledge management products have been delivered [SECO Nov 2021]<br>o Mapping of existing capacity of institutions and service providers on eco-industrial parks development<br>o Strengthened national Institutions relevant to EIP policy development and implementation<br>o Mapping of candidate industrial parks for EIP intervention<br>o Enhanced capacity of industrial parks and tenant SME's to meet international standards and requirements for EIP<br>o EIP requirements implemented by park management and tenant SME's<br>o Specific EIP tools developed<br>o EIP services delivery strengthened<br>o Lessons learnt from EIP interventions captured and effectively exchanged<br>o Awareness raising activities on EIP developed<br>• As noted by the credit proposal, mid-term evaluation and other documents: "*While it is uncontested that Resource Efficient and Cleaner Production (RECP) methods are an important ingredient for a more sustainable and climate friendly way of production, their broad deployment and effective use has yet to happen" [UNIDO Dec 2021] and "While these programs have been successful, it has been recognized that the efforts need to step up both in pace and scale as the challenge remains"[SECO, July 2018]* |
| SCP | • Referring the four climate related targets of the SWISSCO roadmap 2030 [SWISSCO, 2022]:<br><br>• Target 2 a) SWISSCO members actively engage, directly or through supply chain partners, in international efforts to halt deforestation, forest degradation caused by cocoa production area |

| | |
|---|---|
| | expansion and logging inside cocoa plantations. Results reported in 2022: 24 SWISSCO members reported to actively engage in international fora and initiatives around the topics of forests, climate-smart agriculture, agroforestry, and biodiversity. Out of this, 13 members indicated to be part of the Cocoa & Forests Initiative (CFI)4, therefore annually reporting on activities along the principles and objectives of CFI. However, 24 members reported not being engaged in any international fora or initiatives on the topic of deforestation and climate-friendly cocoa.<br>• Target 2 b) SWISSCO engagement in cocoa sourcing landscapes, involving at least 3 member companies and active facilitation by SWISSCO office. Results reported in 2022: As of 2021, 20 SWISSCO members reported already being actively engaged in sustainable cocoa sourcing landscapes in seven cocoa-growing countries<br>• Target 2 c) SWISSCO members enable farmers to adopt effective climate smart agriculture (CSA) or agroforestry practices. Results reported in 2022: SWISSCO members reported supporting a total of 540'402 farmers with CSA promoting activities and 459'872 with agroforestry related activities in 2017. The reporting for 2021 on these value chain projects indicated that 43'373 farmers have received training in climate smart agriculture practices during that year. A major part of the training is the introduction of shade crops. The adoption has been mixed and the main indicator is survival rates of the shade trees. There is also potential carbon removal.<br>• Target 2 d) Swiss cocoa supply chain partners are on the pathway towards net zero emissions with focus on the supply chain in line with the Paris Agreement by adhering to initiatives such as Science-Based Target Initiative (SBTi) or by undertaking equivalent. Results reported in 2022: 22 members adhere to initiatives such as the SBTi or have similar strategies in place to contribute to net zero emissions. However, Overall, the evaluation shows that a large share of SWISSCO members have not yet developed a strategy for achieving net zero.<br>• In 2021, 71% of cocoa bean equivalents2 imported into Switzerland were sourced from sustainable production. After a significant in-crease of 17 percentage points to 74% in 2020, the result in 2021 is a slightly decrease. 97% of the cocoa beans imported into Switzerland were from sustainable production. Cocoa beans represented 44% of all cocoa imports into Switzerland in 2021. [SWISSCO, 2021]<br>• Six papers on climate change in the cocoa sector as part of a SWISSCO convened conference [SWISSCO, December 2022] |

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# Annex E Paris Alignment Study

**Desk Study**

**Discussion of Paris alignment in terms of definition, current approaches and experiences to inform ongoing considerations related to Paris Alignment of SECO development finance.**

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This desk study on Paris Alignment forms part of an Independent Evaluation of the Climate Approach of the State Secretariat for Economic Affairs (SECO)'s economic cooperation division 2017-2022.

## List of Acronyms

| | |
|---|---|
| AFD | Agence Française de Développement Group |
| $CO_2$ | Carbon Dioxide |
| DFI | Development finance institution |
| DFID | United Kingdom's Department for International Development |
| EBRD | European Bank for Reconstruction and Development |
| EDFI | Association of European Development Finance Institution |
| EIB | European Investment Bank |
| EKF | Denmark´s Export Credit Agency |
| FCDO | United Kingdom's Foreign, Commonwealth and Development Office |
| FCO | United Kingdom's Foreign and Commonwealth Office |
| FMO | Dutch entrepreneurial development bank |
| GHG | Greenhouse gas |
| IFU | Danish Investment Fund for Developing Countries |
| JIM | Joint Impact Model |
| LDCs | Least Developed Countries |
| LTS | Long-term strategy |
| MDB | Multilateral development bank |
| NPV | Net Present Value |
| ODA | Official development assistance |
| OECD | Organisation for Economic Co-operation and Development |
| DAC | OECD Development Assistance Committee |
| PCAF | Partnership for Carbon Accounting Financials |
| PA | Paris Alignment |
| SECO | State Secretariat for Economic Affairs |
| Sida | Swedish International Development Cooperation Agency |
| SIDS | Small Island Developing States |
| UK | United Kingdom |
| UNDP | United Nations Development Programme |
| UNEP FI | United Nations Environment Programme Finance Initiative |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children's Fund |
| WEHU | SECO Trade Promotion Section |
| WEIF | SECO Private Sector Development Section |
| WEIN | SECO Infrastructure Financing Section |
| WEMU | SECO Macroeconomic Support Section |

## Executive Summary: What would it take for SECO to align activities to the Paris Agreement

This study is carried out in the context of an evaluation of the climate approach of SECO's economic cooperation division which is inter alia going to inform ongoing work on a climate strategy for SECO. As part of the on-going strategy work, SECO is considering whether to commit to Paris Alignment of its development finance. The purpose of this study is to assess what it would take for SECO to become Paris Aligned (PA). In order to do so, the study assessed approaches of partners such as the MDBs, and selected peers as well as SECO's existing tools related to climate with a view to Paris Alignment. Finally, the study provides recommendations as to steps to take, should SECO decide to commit to Paris Alignment.

While there is no officially agreed definition of Paris Alignment of development finance, there are commonalities amongst different development organisations' definitions and approaches for Paris Alignment, which include:

- *mainstreaming* climate change across all activities and operations increasingly based on climate risk analyses and alignment to NDC/LTSs or similar country strategies,
- *scaling up and mobilizing* climate finance,
- *phasing out financing that undermines* mitigation and adaptation goals,
- *aiming for an environmental improvement* aligned with the Paris Agreement (specifically 1.5 degree and 2-degree outcomes) involving science-based approaches, implying an improvement over the status quo.

Existing approaches to operationalize Paris Alignment can be broadly grouped under qualitative and quantitative approaches. Qualitative approaches provide tools for analysing climate risks, identifying strategies and measures to reduce emissions and promote resilience through activity and project selection. They draw on qualitative criteria and can make use of decision-tree like assessment, exclusion lists, qualifying criteria or criteria that shortlist potential investments for their alignment with mitigation and adaptation goals. In this sense qualitative approaches can be used to avoid projects more systematically with high GHG emissions or negative effects on climate resilience that might otherwise have been financed. Quantitative approaches are used for GHG accounting and useful for establishing and tracking quantitative targets, or project selection, based on expected emission reductions. They are applicable for physical assets, where GHG accounting can be performed due the existence of activity data and GHG emission factors.

These approaches are still being developed and refined. The increasing realisation that climate and development are intrinsically interlinked has led to more emphasis on upstream analytical work and a systems approach to addressing climate impacts over the project based also as a counterweight to an overreliance of sector specific positive and negative lists that may lead to overlooking new and cross sectoral solutions. This is what is seen in for example the WBG Country Climate and Development Reports that integrate development and climate considerations in one analytical framework, the increased emphasis on macro-fiscal forecasting to incorporate climate and greening in the context of public financial management by IMF. This analytical work will over time strengthen the national NDC/LTS and provide a framework for national and development partners activities alike.

**The review of Paris Alignment approaches of selected peers and multilateral partners has identified good practices and variations herein that can serve as an inspiration for SECO.**

The following table gives an overview of commitments and tools of selected peers:

*Table 3 Comparison of Paris Alignment approaches of SECO and peers*

| | Political commitment on PA | | | | Guidelines and tools for PA | | | Reporting | |
|---|---|---|---|---|---|---|---|---|---|
| | PA commitment | | Financial commitment | | Negative and or positive list | | Mainstreaming framework | National | Organisational |
| **Peer** | **National** | **Organisational** | **National** | **Organisational** | **National** | **Organisational** | | | |
| **SECO** | Through OECD DAC | | 400 mill/y by end 2024, (15% of total ODA) | 2022: 90 CHF million<br>2023: 92 mill CHF | MDB Fossil fuel policy, with negative list. | Refers to national policy | Business line based climate mainstreaming guidelines. | Through OECD DAC | Reporting Guidelines and Business Lines' guidelines provide indicators |
| **SIDA** | Through OECD DAC | OECD/DAC | Double to SEK 15 bill. by 2025 (app. 27% of total ODA) | Contribute to the doubling of Swedish climate finance | Actions to phase out fossil fuels in budget bill 2022 | Confirmed there is one through interview | Environmental assessment and tools including guidance on climate mainstreaming | Through OECD DAC | Green Toolbox includes indicators relevant for climate in many sectors |
| **FCDO** | Through OECD DAC and Green Finance Strategy | Aligns all new ODA spend with the Paris Agreement | Double to GBP 11.6 bill. 2021-2026. All ODA PA | All new ODA PA | Fossil fuel policy, with negative list. | Refers to national policy | - Climate risk Assessment<br>- Shadow carbon Price<br>- Alignment with NDC & NAP | Through OECD DAC | Elaborated indicators with methods and guidance |
| **AFD** | Through OECD DAC | PA commitment in 2017 | Increasing to €6 billion/y 2021 - 2025 | All new ODA PA | Commitment ending foreign public financing of coal, oil and gas by end 2022 | Exclusion list for extraction and use of fossil fuels for energy generation | Sustainable Development Analysis tool with scoring system. Climate risk analysis. | Through OECD DAC | Quantitative approach for projects and portfolio (ex-ante). Project evaluations (ex-post). |

**If SECO decides to Paris Align this would include the following improvements of the existing tools and instruments:**

**The ambition level: Committing to Paris Alignment**
Commitment of SECO to Paris Alignment of development finance could involve targets and timelines. Targets could be related to the scope of the commitment – all of SECOs activities (policy influencing, all programmes/projects) or a share of the development finance – where Paris Alignment were to be reached by a certain date; such a target could be complemented by a renewed target for SECO international climate finance also possibly including a target for mobilisation of private capital for climate investments. The commitment could involve gradual phasing in of the targets with a date for the full Paris Alignment of the activities supplemented with milestones. As SECO engages in middle income countries, climate action as a global public good could imply a higher target for climate finance as a share of development finance compared to other Swiss actors.

**Revise and streamline the climate mainstreaming approach and apply it throughout the organization and for all activities**
Climate mainstreaming recognises the interlinkages of climate and development. As the evaluation will show, mainstreaming climate considerations into SECO activities is work in progress. There is still some way to go before mainstreaming guidance is used systematically in project preparation. Furthermore, the thematic project focused approach of SECO gives limited recognition to context and alignment with country strategies. Paris Alignment could involve revising the existing climate mainstreaming guidelines to create an overall framework for climate mainstreaming based on climate risk assessments and alignment with countries' low-carbon high resilience growth pathways on which basis mainstreaming at the business line and project level is to be considered. Climate mainstreaming also involves systematic use of outputs and outcomes indicators related to mitigation and adaptation. Operational procedures for systematic application of the mainstreaming guideline could also be considered. Development and application of climate mainstreaming guidelines will be even more important if the share of development finance channelled through bilateral channels increases.

**Apply an organization wide negative and/or positive list**
The current E&S exclusion list included in the Risk Guidelines could be reviewed to ensure that it is up to date, and used across all activities of SECO, incl. policy dialogue as well as financial support, following the example of the guidance document on fossil fuel exclusions that currently serves to guide Swiss board officials in MDBs. While universal negative list are more difficult to establish for adaptation because they depend on location-specific climate impacts, the annex provides examples of how peer organisations use negative lists. SECO could also establish a positive list for interventions systematically deemed climate positive to ease the burden on programme managers.

**Enhanced transparency of own operations and impacts through reporting**
SECO could ensure that indicators related to climate mainstreaming is systematically monitored to capture both mitigation and adaption outputs and outcomes. Presently, adaptation and climate resilience indicators are missing from some of the mainstreaming guidelines, and SECO standard indicators only captures a few indicators related to mitigation. The standard indicators could be complemented with indicators relevant for measuring adaptation and transformational impact on climate. The SECO monitoring system allows for adaptation of log frames (within boundaries) through the implementation phase to better capture changes – an opportunity that is rarely used but could be considered applied as experience with climate change indicators progresses and better data becomes available to ensure that results are captured.

**Promote climate mainstreaming and Paris alignment overall through partners and with partner countries.** SECO could continue and strengthen efforts to advocate for enhanced climate mainstreaming and Paris Alignment through its cooperation with multilateral organizations, financial institutions, CSOs and other implementing partners. Policy advocacy in multilateral partners is one of SECO's strongest avenues for wider impact in cooperation with like-minded countries. Institutional influencing could be complemented with screening of organisations' approaches to Paris Alignment and if deemed un-satisfactory would be cause for not providing finance. Paris Alignment would also imply policy dialogue with partner countries on the development of climate sensitive and relevant development pathways.

**Final note:**

Integrating climate into development to promote growth pathways that at one at the same to ensures poverty reduction with reduced GHG emissions and enhance resilience continue to be work in progress for all involved in development. Approaches will continue to develop to better addresses trade-offs and monitor impacts and new solutions will appear that we have not yet thought about. Hence tools and instruments must continue to evolve – what was one day considered state of the art – may be rendered insufficient the following day. This requires adaptability and capacity in institutions like SECO to respond to new developments.

**Definitions of Paris Alignment for different actors**

**Paris Alignment is a terminology derived from the ambition of aligning global public and private financial flows with the goals of the Paris Agreement**, referring to Article 2.1(c) of the Paris Agreement, committing signatories to make "*finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*" (UNFCCC, 2015). In this context, both the Agreement's mitigation (Article 2.1.a) and adaptation goals (Article 2.1.b) and the financial flows pertaining to them (Article 2.1.c) are relevant.

> Article 2.1 states that the aim of the Agreement is to "*strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by*":
>
> (a) "*Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change;*"
>
> (b) "*Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production;*" and
>
> (c) "*Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*." (UNFCCC, 2015)

In addition, the Paris Agreement's Article 4.1 puts the temperature goal into a time-bound and development perspective: "…*Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty"* (UNFCCC, 2015).

**While there is no universally agreed definition nor approach to Paris Alignment, the following sources are relevant in the context of considering aligning the activities of SECO's Economic Cooperation with the Paris Agreement.** It is evident from these sources that the terminology Paris Alignment (PA from here onwards) is often used in the context of development cooperation, including multilateral development finance and foreign aid, and in the financial sector, with global financial institutions making public commitments.[144]

It is also evident that interpretations of the terminology often implies that Paris Alignment includes a combination or all of several actions:

(i) the importance to "***mainstream*** climate change", that is, to consider climate action broadly and across all activities and operations based on climate risk and vulnerability analyses and aligning with country strategies (NDC/LTS),
(ii) the need to ***scale and mobilize*** the means to strengthen the response to climate change, which could be done by both scaling up development cooperation and increasing the share dedicated to climate finance,
(iii) the requirement to ***phase out financing that undermines*** mitigation and adaptation goals,
(iv) and relatedly to ***aim for more than a relative environmental improvement*** (versus the status quo) ***but rather an improvement that meets the Paris Agreement goals*** (specifically those that can be quantified, like the 1.5 and well below 2-degree goal). It is in this regard that scientific sources and science-based approaches are drawn upon.

**OECD Definition of Paris Alignment**

144 The various levels of credibility of financial institutions' PA pledges are increasingly discussed in the media and subject to scrutiny by NGOs (McCully, 2023).

According to the OECD DAC Criteria, the four main characteristics of Paris alignment for development cooperation are (OECD, 2019):

- It does not undermine the Paris Agreement (1.5 and not above 2.0 degrees) but rather contributes to the required transformation (Transformative);
- It catalyses countries' transitions to low-emissions, climate-resilient pathways (Catalytic);
- It supports the short- and long-term processes under the Paris Agreement (Supporting);
- It proactively responds to evidence as well as to opportunities to address needs in developing countries (Responding).

While useful, the OECD definition does not develop this at an operational level (Rydge, 2020) and thus there is no approach derived from this definition explicitly in Chapter 2.

**Paris Alignment Defined as Alignment with Certain Emission Pathways**

A variety of organisations often refer to commitments to specific emission pathways aligned with the goals of the Paris Agreement. Terms like "alignment with low-carbon pathways" or "aligned with a trajectory destined towards net-zero by 2050", "in alignment with the 1.5C degree target" are often used. One definition of PA could be the alignment of an organisation's emission pathway with a science-based scenario that itself is aligned with the Paris Agreement's mitigation goal. This definition implies that interventions can be analysed, and their impacts quantified at least to a certain degree, against emission trajectories. While this definition involves a degree of complexity in ensuring interventions' alignment with emission trajectories, and obviously neglects the adaptation goal, if implemented rigorously and if ambitious commitments are made, it is a valid interpretation of Paris Alignment.

**Climate commitments in the Context of Swiss Economic Cooperation**

In its international climate financing report of 10 May 2017, the Swiss Federal Council provides estimates of what it deems as a fair climate finance contribution, 450-600 million USD of public and private funds for the period 2017-20. International cooperation funding is also "*set to increase gradually from CHF 300 million per year in 2017–20 to approximately CHF 400 million per year by the end of 2024, equivalent to around 15% of total international cooperation resources.*"[145] (Eidgenossenschaft, 2020). SECO will deliver about 25 pct. of this funding through its budget allocations (with SDC responsible for the remaining part). In addition, SECO's WE has developed internal climate mainstreaming guidelines, which even though not assessing interventions' contributions against Paris Agreement targets, are useful tools for ensuring climate mainstreaming, and also provide indicators to assess impact (to be further discussed).

**Assessment of Paris Alignment Frameworks**

**There is still a scarcity of credible and user-friendly methods and metrics for organisations striving to PA their activities (Rydge, 2020) and this is a major constraint to Article 2.1 (c) materializing.** But PA is a rapidly expanding field of work, although PA "means different things to different actors" (Rydge, 2020). Its interpretation has wide-ranging implications on what and what not to finance, which might be in conflict with other organisational goals, including short-term objectives. It is thus unsurprising to observe that incentives to water-down PA and "greenwash" are strong, explaining in part the different approaches between different development organisations. Other differences are explained by the differing nature of organisations, their shareholder structure and the underlying shareholder interests, the relative importance of climate change to their mission, and the geographic focus of their activities.

145 P. 19 https://www.eda.admin.ch/eda/en/fdfa/fdfa/publikationen.html/content/publikationen/en/deza/diverse-publikationen/broschuere-iza-2021-24

**Existing approaches to PA by bilateral development finance institutions (DFIs) and multilateral development banks (MDBs) can be broadly grouped under qualitative and quantitative approaches.** Quantitative approaches involve Greenhouse gas (GHG) accounting of projects in the portfolios of DFIs and MDBs, and oftentimes GHG accounting of the portfolio as a whole. Quantitative approaches are appropriate when the organisation's interventions focus on physical assets, where GHG accounting can be performed due the existence of activity data and GHG emission factors, that can be directly translated into GHG emissions and/or reductions. Qualitative approaches to PA draw on qualitative criteria and can make use of exclusion lists, qualifying criteria or decision-tree like assessment, criteria that shortlist potential investments for their alignment with mitigation and adaptation goals. Qualitative approaches are useful to assess activities for which activity data and GHG emission factors are not available, or when activities do not consist in physical assets, but instead include for instance technical assistance, policy and regulatory advice, and other upstream support activities like feasibility studies etc.

**In the following sections, both qualitative and quantitative approaches are explained drawing on examples of emerging practice among MDBs, DFIs, and UN organisations.** These organisations represent both recipient organisations of SECO and peers. Examples used include organisations that were at the forefront of tackling Paris Alignment such as the MDBs including the European Bank for Reconstruction and Development (EBRD) and DFIs.

### Qualitative Approaches to Assess Paris Alignment

Qualitative approaches to PA focus on qualifying criteria or conditions to select what activities to be undertaken, financed, and supported. The following description of the MDB Paris Alignment Working Group's Building Block Approach includes practices from SECO's peers and partners. Annex I includes qualitative approaches using exclusion lists, sector-specific criteria, and taxonomies to be used independently or to supplement the building block approach.

#### The MDB Paris Alignment Working Group's Building Block Approach

As part collaboration in the MDB Paris Alignment Working Group, the MDBs worked on a model with 6 building blocks that breaks up Paris Alignment into different work steams. The building blocks create a good overview and hence has been used in this presentation of the MDB approach. B1 and B2 relate to point (iii) of the PA definition described in Chapter 0, *phase out financing that undermines mitigation and adaptation goals*. B3 relates to point (ii), *the need to scale and mobilize*. B4 relates to the provision of technical assistance towards (iv) *transformative improvement towards meeting the Paris Agreement goals*. B5 doesn't relate to any of the points in the definition but is rather about transparency and accountability, and lastly B6 is also related to (i) *mainstreaming*.

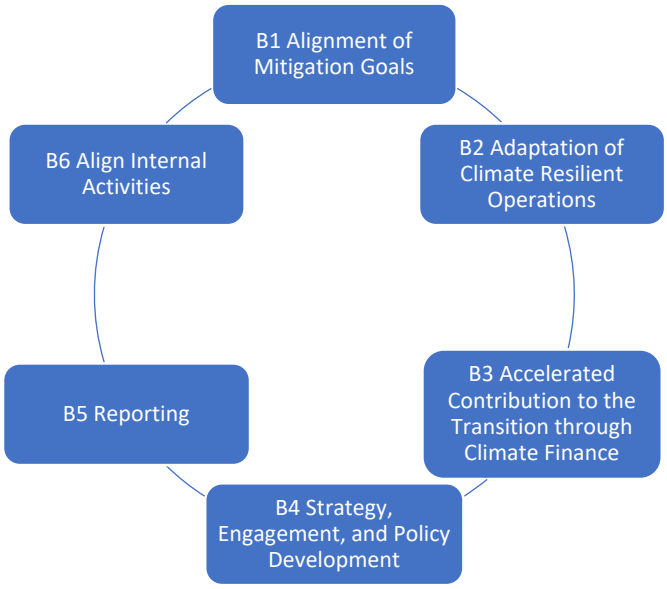


*Figure 35: Six Building Blocks of MDB Paris Alignment*[146]

**The MDB approach recognises that development and climate are interlinked. This implies that climate risk management must be supported systematically in the countries of operation, through up-stream analyses including climate informed macro-economic analyses over time leading to climate informed budgeting; systematic climate risk management in sector policy analyses as a framework for programme and project development and investment. Over time this should lead to a systems approach at the country level rather than a project by project approach. This is also what is guiding the development of the WBG Country Climate and Development Reports that seeks to integrate climate and development considerations into one analytical tool.B1 Alignment of Mitigation Goals**

**B1 describes a decision-tree like process consisting of several steps. As shown in Figure 36, it starts with a negative list/ non-aligned activities list. Projects are not aligned, aligned or "require more work" (Mabey, 2020). The negative list/non-aligned activities list typically includes items that are already on the MDB's exclusion list because they are considered in misalignment with mitigation pathways. For details on exclusion lists and negative lists, please see**

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Annex I. For many MDBs, this is coal powered energy or coal mining. **After this first short-listing, there is another level of assessment to see whether financed activities comply with specific criteria.**

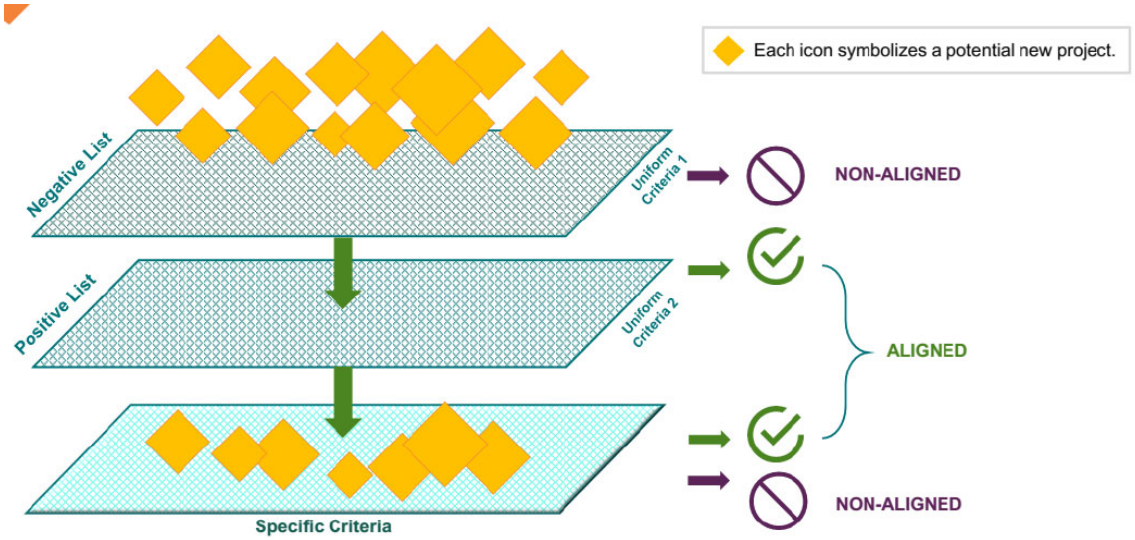


*Figure 36: Screenshot BB1 Classification Tree by E3G*

The specific criteria layer includes 5 checks. The first is the check of consistency with the NDCs. It should be stated here that although NDCs represent government commitments, those are not usually science-based targets, and will be updated every couple of years to allow for raising ambitions. Secondly, the activity should be checked for consistency with a country's long-term strategy (LTS)[147], where this is available. A third check involves consistency with global long-term pathways (for instance, pathways for sectors published by the International Energy Agency, One Earth Models, etc.). The fourth check consist in a no regret test to assess whether there are lower-carbon alternatives to a project or a program and / or the risk of carbon lock-in[148]. Finally, a fifth check consist in an economic analysis test, for instance in a cost-benefit-analysis that compares the project or program to alternatives, involves GHG accounting at the project/program level[149] and assess the stranded asset risk[150] in detail. In the context of climate change, the regulatory or environmental changes referred to here could include either physical risks to assets as a result of the increasingly strong climate change impacts, or transition risks, associated with regulatory, political, or economic changes in response to climate change that affect the asset value.

[147] In accordance with Article 4, paragraph 19, of the Paris Agreement, all Parties should strive to formulate and communicate long-term low greenhouse gas emission development strategies, mindful of Article 2 taking into account their common but differentiated responsibilities and respective capabilities. However, at present only 58 countries have submitted LTS and of these 57 most are developed countries (UNFCCC, 2023).

[148] Carbon-lock risk is the risk of setting on a course of action that in the near or long-term could exclude or impede lower-carbon options. For assets, the risk of carbon-lock in is determined by their usage or lifetime.

[149] In several MDBs (EBRD, EIB, IaDB), economic tests (cost-benefit analysis) are used for large infrastructure projects and they include typically a shadow price for carbon. While the outcomes of these tests heavily depends on what costs and benefits get monetized and what shadow carbon price is used, typically the economic return of the project must be (a) positive and higher than the mere financial return alone and (b) higher than that of alternatives. So, gas power plants ideally get compared in their economic Net Present Value to solar, hydro, and coal power, for example. Here too, the outcome will depend on what one is willing to consider.

[150] Stranded asset risk is a term used by financial institutions. "Stranded assets" are assets at risk of becoming obsolete from "unanticipated or premature write-offs, downward revaluation or being converted to liabilities due to regulatory or environmental changes" (Caldecott, 2013)

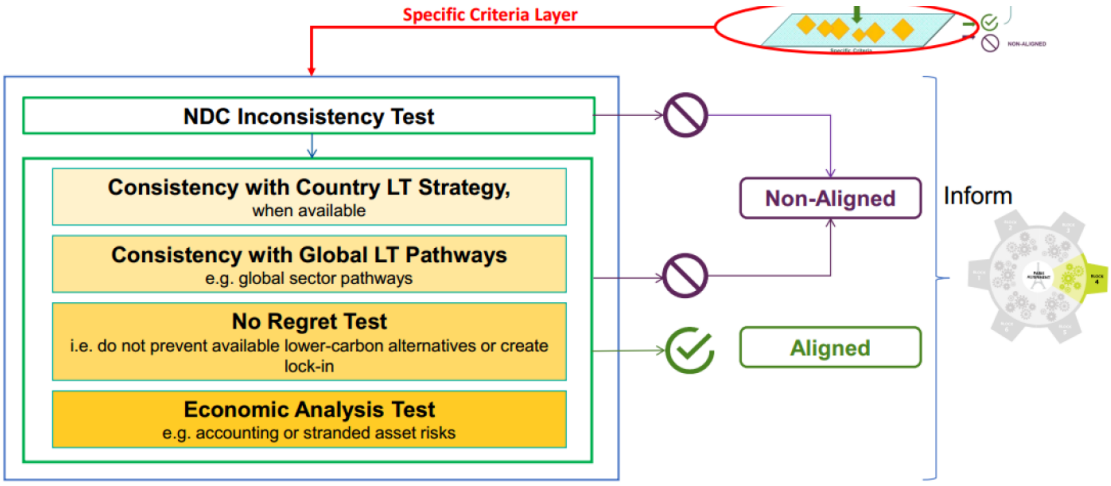


*Figure 37: Screenshot of BB1 Classification Tree Specific Criteria by E3G*

**B2 Adaptation of Climate Resilient Operations**

**Developing conditionally aligned and nonaligned activities from an adaptation perspective is not as feasible as for mitigation, and a process approach is more appropriate**. Physical impacts of climate change and vulnerabilities are highly dependent on geography and site location (as are adaptation solutions and responses), which makes it impossible to develop a universally applicable list of economic activities that are misaligned with adaptation goals. The establishment of a credible process for assessing PA of adaptation activities is more applicable.

**B2 relating to criteria for alignment with climate resilient pathways** is also following a decision-tree like process while focusing on different aspects. At three levels, aspects of proposed activities are assessed and only if all three can be answered in the affirmative, can the activity be considered PA. "*Level 1 identifies and assesses climate risk, asking if the operation (assets, stakeholders, etc.) are at risk. If the answer is "no" then the operation is Paris-aligned. If "yes", then the method moves to level 2. Level 2 looks at climate resilience measures asking if measures have been defined to limit value exposure or build climate resilience. Level 3 asks if the operation is consistent with national policies/ strategies for climate resilience. If the answers to the questions in either level 2 or 3 are "no" then the project is not Paris-aligned.*" (Rydge, 2020)

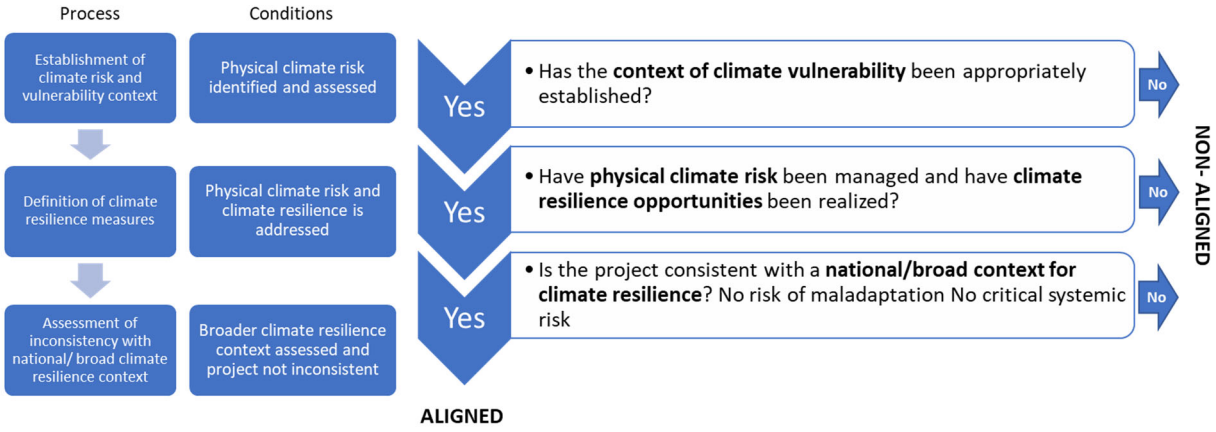


*Figure 38: Alignment with Climate Resilient Pathways according to Building Block 2 (B2)*

Even though sector and technology specific exclusion lists may not be as readily available or universally applicable for adaptation, there are efforts to provide standard sets of process criteria to assess adaptation. These mostly refer to compliance with conditions and a process rather than a threshold. For instance, in the *EU taxonomy for cement manufacturing* (see Annex), process criteria include the involvement of adaptation solutions that reduce most physical climate risks, and a robust climate risk and vulnerability assessment,

proportionate with the scale and lifespan of the economic activity, in order to assess the contribution to reducing climate risks.

**With regards to both B1 and B2, the decision-tree like approach and criteria is a helpful way to structure the decision process but it is evident that more detailed guidance and information is needed to make decisions at every step**. Here inspiration can be drawn from other MDBs and DFIs (see exclusion lists) can be drawn. For instance, to develop an exclusion list, to inform conditions/criteria for different sectors, or to learn about credible sources for pathways, or to derive at the appropriate considerations for an assessment of lock-in risk in emission heavy technologies and maladaptation practices.

**B3 Accelerated Contribution to the Transition through Climate Finance**

**B3 relating to accelerated contribution through climate finance is about actively supporting low-emissions and climate-resilient development pathways through interventions, by further scaling-up climate finance.** This entails both enhancing the share and size of the climate relevant contribution. This approach is strictly quantitative, even though the assessment of what actions classify as contributions to climate finance involve qualitative assessments, such as the use of OECD Rio Markers. [151]The MDBs PA approach for B3 includes striving to go beyond current efforts to:

(i) prioritize, target and report on climate finance,
(ii) mobilise private sector investments including by improving the regulatory frameworks and the business environment for private sector investments,
(iii) support clients' access to concessional finance, including for leveraging private capital, and
(iv) provide the needed technical assistance for climate action.

**B4 Strategy, Engagement, and Policy Development**

**B4 relates to engagement and policy development support, the MDBs frame this building block as the provision of support to countries and clients to put in place LTS and accelerate the transition to low-emissions and climate-resilient development pathways**, amongst other through support of NDC revision cycles.

As we already know that the current collective NDC ambition is not PA, support should focus on increasing NDC ambition, and LTS should focus on transitions towards net zero carbon and climate resilient economies, aligned with the long-term objectives of the Paris Agreement. Although, both NDCs and LTS only provide an overview of the short- and long-term climate ambitions of countries, and the support can also take a number of different forms in support of these overall strategies, including:

- General national planning processes to support enhanced ambition
- Fiscal policy reforms and financial support to catalyse private finance
- Sectoral policy reforms relevant for mitigation and adaptation
- Social policy reforms to support a just transition

Strategy, engagement and policy development can also be understood as taking an active role in the engagement with all partners through outreach and knowledge-sharing initiatives (Mabey, 2020). In SECOs position this could also mean the active engagement not only with recipient countries, but also with the multilateral financial institutions and other multilateral partners it engages with, in order to collectively scale up the climate ambition, and ensuring that funds channelled through multilaterals are PA.

**B5 Reporting**

[151] https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

**B5 Reporting relates to the level of transparency of climate related information and the development and application of tools for characterizing, monitoring and reporting on the results of PA activities.**

While B1 and B2 are important to ensure PA ex-ante, B5 is instrumental to assess PA ex-post. Development finance organisations should report on both positive and negative climate impacts. The reporting should ideally both consist of project-level and portfolio-level climate-related information, and include direct and indirectly financed projects, and absolute GHG emissions where possible.

Relevant information to report includes:

- Volume-based climate mitigation, adaptation and other environment commitments, including green finance ratio
- The source and destination of financing
- Commitments by instrument type and category (mitigation, adaptation, other environment objectives)
- Commitments by subcategory (subsector)
- Private finance mobilized, by source and category (Lütkehermöller, Kachi, Pauthier, & Cocharan, 2021)

Switzerland, and SECO by extension, already reports much of this information, and many of the details are already captured and publicly available through the OECD DAC External Development Finance Statistics (OECD DAC , 2023).

**B6 Align Internal Activities**

**B6 regards ensuring that ensure that internal operations, including facilities and internal policies, are PA, entailing that the organisations should have dedicated PA policies, ideally including targets for PA.** B6 puts in other words, the strategic direction and ambition, upon which B1 through B4 are the implementation instruments, and B5 the monitoring and evaluation.

The PA can consist of the establishment of a dedicated climate strategy together with climate mainstreaming in the organisations' overarching strategy and key sectoral strategies, together with a strategy to green its own operations.

The organisations' should also establish a climate finance target, which can be expressed in absolute terms or relative as a percentage of total finance provided. The target should also include a scope or coverage, and time horizon. In addition, the organization should also establish a "do no harm" portfolio-wide criteria to ensure that non-climate related funding undermines the achievement of the Paris Agreement (Lütkehermöller, Kachi, Pauthier, & Cocharan, 2021).

**Quantitative Approaches to Assess Paris Alignment**

**Mitigation**

**Quantitative approaches involve GHG accounting of projects or activities in the portfolios of DFIs and MDBs and oftentimes GHG accounting of the portfolio as a whole**. GHG accounting is defined as the process of measuring the amount of GHG emissions an organisation is producing in its immediate and wider orbit as a result of its activities. Quantitative approaches and GHG accounting are especially relevant for building block B5 Reporting described above, but are also used for setting and tracking quantitative targets.

Calculating GHG emissions that are associated with an organization is guided by the GHG Protocol, a global standardized framework. Moreover, there are many other established resources to credibly measure GHG emissions. For financial institutions, for example, the Partnership for Carbon Accounting Financials (PCAF) establishes and updates guidelines that ensure comparability and credibility.

**GHG accounting has several strengths.** It is an outcome-based approach, science-based and rigorous, and it allows to build a GHG emission budget that the organisation allowed to spend or that should be

reduced. This budget can be determined by the organisations strategic goal. For many organisations this goal is either relative GHG emission reduction (e.g. a reduction of the portfolio carbon footprint from year to year), or even a net-zero goal by a certain year. For example, for the Danish financial institutions IFU and Denmark´s Export Credit Agency (EKF) the goal is to have a net-zero portfolio by 2040 and 2045, respectively (IFU, 2022) (EKF, 2023). For Dutch FMO, that target year is 2050 (FMO, 2023). Since the adoption of the UN Climate Neutral strategy produced in 2009, the UN system has been collaborating on GHG emissions accounting, reporting and reductions through the Greening the Blue initiative across its various agencies.

**Quantified PA assessment can be done with a project-by-project or a portfolio approach.** The former ensuring that all projects do not undermine the achievement of the Paris Agreement targets. The latter approach leaves more flexibility, as the portfolio is assessed as a whole, and the organisation can therefore still invest and implement projects that lead to emissions, but can compensate these emissions with emission removals from other projects, such as forestry.

**At the same time, GHG accounting has limits.** For one it requires external or internal capacity to do GHG calculations – for the portfolio as a whole at regular intervals (e.g., an annual basis), the "carbon footprint", and for new projects that are being considered on an ongoing basis. This approach assumes the availability – either internally or through external procurement – of GHG accounting experts. Moreover, it assumes a certain degree of data availability on the activities that are financed to calculate their GHG emissions. One solution to data scarcity is the Joint Impact Model (JIM). The Association of European Development Finance Institution (EDFI) has adopted the JIM tool as one of the methods to assess PA, to estimate GHG emissions in instances where project-specific information is unavailable. (EDFI, 2022). Although, while some tools and proxy data is available, the more proxy data is drawn on, the less precise the GHG emissions estimates and the less relevant the assessment will be.

**More importantly, GHG accounting only measures emissions but does not give sufficient guidance how to reduce them. Additional measures have to be pursued that result in a less carbon-intensive portfolio.**[152] E.g., excluding the most emission-intensive activities for which there are alternatives, such as fossil fuels; pursuing a selective approach in financing only the greenest technologies in carbon-intensive sectors where there are few to no feasible alternatives; and offsetting the remaining or excess emissions of activities through investments into carbon sequestration projects or credible carbon credits. In this pursuit, some of the tools that are used in qualitative approaches to assessing PA (Chapter 2.2) can help guide project selection.

With regards to quantitative approaches, there are selected opportunities where GHG accounting could add to accountability and results-based management at SECO. These are occasions where SECO co-funds or co-finances physical assets and where sufficient data is available. GHG accounting in these instances could be done by external service providers. For instance, if SECO were to co-fund a project involving a relatively new technology or if the merit of a project should be assessed against other, possibly lower-carbon alternatives, then GHG accounting might render very valuable insights. This could form part of a cost-benefit analysis with emissions accounted for as economic cost.

**If SECO decides to pursue GHG accounting, it can draw on many resources and examples by organisations practising this approach.** Should SECO go beyond merely selected project/activity assessments of GHG emissions and commit to a net-zero goal, it should heed the advice by the UN Environment Programme Finance Initiative (UNEP FI) in this regard:

"*11 recommendations for credible net-zero commitments for financial institutions which are seeking to employ state-of-the-art practices.*

| | |
|---|---|
| *i.* | *Align with science-based, no/low overshoot 1.5°C scenarios* |
| *ii.* | *Align with the assumptions and criteria of the scenarios (including by sector) as soon as possible* |
| *iii.* | *Establish near-term (ideally 5-year) targets* |

[152] Note that, at a project level, if using project specific data (i.e. not JIM) then an in-depth GHG assessment can guide decarbonization by highlighting hotspots and similar.

| | |
|---|---|
| *iv.* | *Commit to transparent reporting of GHG emissions and their allocation to real-economy inventories* |
| *v.* | *Establish an appropriate emission scope, striving for full coverage as soon as possible* |
| *vi.* | *Strive for real-economy impact, enabling the transition* |
| *vii.* | *Require neutralisation of residual emissions* |
| *viii.* | *Finance the transition (considering investments required for the transition and a Just Transition)* |
| *ix.* | *Provide transparency on metrics, underlying scenarios and methods used to classify products as sustainable, including appropriately disclosing the sustainability impact of products and services* |
| *x.* | *Identify unique purpose implementation; and* |
| xi. | *Disclose transparently and comprehensively the scenarios, metrics, and targets employed, and disclose progress ideally annually.*" |

(UNEP FI, 2021)

**Organisations that pursue a quantitative approach to *measure* their GHG footprint and that of their individual projects can and do make use of qualitative approaches, as these tools help to actually *reduce* the GHG footprint.** For example, an exclusion list that banishes financing for fossil fuels and a policy that sets criteria on low-carbon technology for carbon-intensive industries will be needed if portfolio emissions are to be reduced to a degree considered PA. EDFI, for instance, has adopted a harmonized PA approach that combines fossil fuel exclusions and relatedly investment categories of "aligned, "misaligned", and "conditional financing" as well as the proper use of carbon accounting, using the Global Standard by PCAF and the JIM tool (EDFI, 2022).

**Adaptation**

**Quantitative approaches for assessing PA of adaptation goals are far less common and developed than for the mitigation**. This is because with the 2 degree and 1.5-degree goal, there are global goalposts from which climate budgets and emission pathways can be drawn and broken down. For adaptation, the PA's Article 2 simply states the need to align financial flows with climate resilient pathways and in that context emphasises the need of "*increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience …, in a manner that does not threaten food production*" (UNFCCC, 2015).

**There are quantitative methodologies to measure climate change's physical damage and the monetary benefits of implementing adaptation solutions that reduce this.** For example, a cost benefit analysis of early warning systems can forecast the monetary value of such an investment by relying on some assumptions and some evidence of their effectiveness. A quantitative metrics of any adaptation investment or solutions could be "Loss and Damage (in USD) avoided" or its economic Net Present Value (NPV) where economic benefits (infrastructure damage avoided, lives saved as measured in disability-adjusted life years, etc.) have been sufficiently quantified. But this practice for climate resilient and adaptation does not benefit from (a) quantitative meta-targets like 1.5 degrees or 2 degrees in the Paris Agreement as mitigation does, and (b) nor does it benefit from an eco-system of established best practice and data availability (on emission factors, for example) that GHG accounting does. To conclude, while there are quantitative metrics, there is not a "system of accounting" for adaptation (as GHG accounting is for mitigation) that would amount to a full quantitative approach that can easily be applied by SECO, its partners, and its peers.

**As member of the OECD DAC Switzerland, and SECO by extension, are already at the general level committed to align development co-operation with the goals of the Paris Agreement**, through a joint Declaration ahead of COP26 in 2021. The Declaration emphasized the adaptation needs in developing countries, ending support for unabated coal power, the link between poverty and climate change, and the need to mobilize finance from various sources. The Declaration also advocated for the application of the development effectiveness principles: country led, result focussed, mutual accountability and transparency and inclusive partnerships. SECO is already making use of a set of instruments, which could be enhanced to constitute effective PA by the organisation. It is also worth noting that SIFEM and the Swiss Export Credit Agency has committed to Paris Alignment.

This chapter presents SECO's existing instruments and approaches related to mainstreaming, and propose approaches to gradually enhance them to achieve PA, followed by a presentation of PA instruments and approaches applied by selected peers for potential learning, alignment and identification of good practices. The lack of a common PA definition, and the potential variety of its interpretation, coupled with differing mandates and modes of operation makes it hard to compare and establish best practice, but the analysis is helpful to provide inputs to the proposed approach for enhancing SECO's PA described in Chapter 0. The selected peers are the Swedish International Development Cooperation Agency (Sida), the United Kingdom's Foreign, Commonwealth and Development Office (FCDO) and the Agence Française de Développement Group (AFD). They have been selected as being deemed frontrunners on the topic of PA, and having established objectives, instruments, and procedures to achieve PA.

*The analysis is structured in a top-down manner (see*

Figure 39), starting by identifying the strategic climate objectives and climate finance targets set by or related to the organizations[153], providing insights on the political commitment and ambition related to PA. It is important to note that the ambition in terms of absolute size of climate finance provided is partially out of the organizations' control, as they might have different mandates, and countries have different approaches to channel climate finance. Also, the size of the economy, historic and current emission also impact the understanding of what a "fair share" is.

This is followed by a presentation of the operational approaches for project screening, design and assessment to analyse the practical approaches for PA applied by the organizations[154]. Lastly, monitoring and evaluation approaches are described to assess the level of detail of reporting (transparency) of the organizations', and their adequacy to ensure PA for the whole portfolio[155].


*Figure 39: Elements analysed for PA of SECO and peers*

[153] This relates to building block B6, B3 and B4 described in Chapter 0.
[154] This relates to building block B1, B2 and B4 described in Chapter 0.
[155] This relates to building block B5 described in Chapter 0.

Note that SECO and analysed peers report climate finance data to the OECD DAC, using Rio Markers tagging, which can be used to monitor PA in terms of absolute amounts and by extension relative share of climate finance provided. Therefore, the sections on reporting focus on approaches beyond OECD DAC reporting, with an emphasis on internal procedures and climate relevant indicators which can be used to monitor PA progress related to mitigation and adaptation impacts and transformational aspects of the interventions.

**SECO**

**Paris Alignment Political Commitment, Strategic Objectives and Targets**

As established above climate action is a strategic objective for SECO's economic cooperation as it is for Switzerland's international cooperation in general (Eidgenossenschaft, 2020). SECO has over the past years delivered above the climate finance target for SECO. The climate finance target for 2020 was 80 million CHF disbursed compared to actual disbursement of 87 million CHF. And similarly for 2021, SECO's climate finance target was 90 million CHF compared to the disbursement of 111 million CHF.

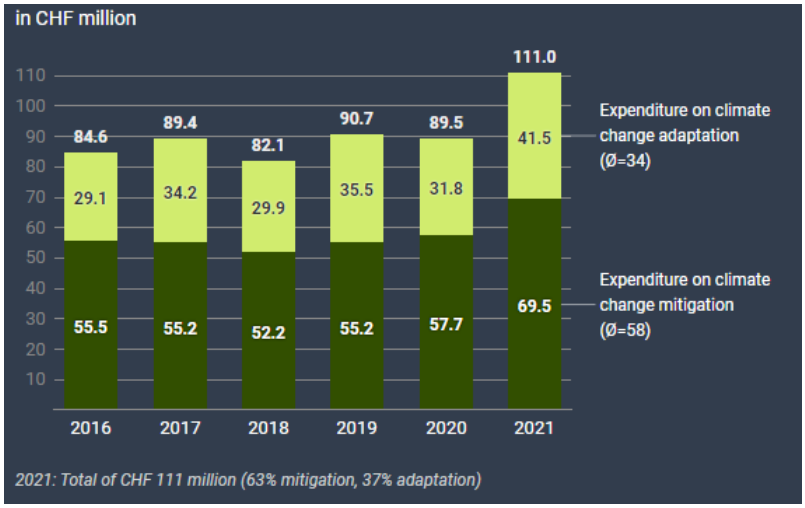


*Figure 40: SECO's annual climate-relevant spending (SECO, 2022)*

Most of SECOs climate related funding (approx. 70%) is transmitted through multilateral channels (MDBs and UN organisations). The support consists mainly in technical assistance that catalyses change e.g. regulatory frameworks, development of green bonds; and can also include grants for investment project preparation activities, as well as psychical investments. A smaller portion of SECOs climate funding is implemented bilaterally. (OECD DAC , 2023). SECO also takes part in the Swiss delegation to the climate negotiations and contributes to Swiss climate finance reporting in accordance with the UNFCCC.

**Guidelines for Project/ Investment Screening and Implementation**

**SECO has relevant instruments to address climate concerns. The first screening instrument can be identified in the *Updated Swiss Position on Fossil Fuel Investments in MDBs* policy** (Swiss Confederation, 2022), relevant from a "no harm" approach perspective. The policy rejects any coal financing, up-stream fossil energy activities, oil / diesel power plants, unless they are needed as emergency power capacities, and mid-stream oil projects. Gas power plants and mid- & down-stream gas as well as downstream oil projects are generally not supported, except in exceptional circumstances. Exceptions are based on a set of specific criteria, and need to take into consideration countries' specific circumstances of countries. The policy acknowledges potential need for updates to the document in a second stage, to include other $CO_2$ intensive sectors (e.g. waste, transport, industry, buildings and agriculture). SECO's section Infrastructure Financing has also an energy approach paper which states that it does not finance fossil fuel power generation projects.

In addition, **the policy includes how Swiss support for MDB investments through financial intermediaries should advocate for policies that call for a decarbonisation strategy by the intermediaries**, including:

- a formal commitment to support the goals of the Paris agreement,
- a requirement for commercial banks to review the $CO_2$ intensity of their portfolio and a strategy for reducing the $CO_2$ intensity of their portfolio over the next 5 years
- a requirement to not invest in coal and upstream projects for private equity funds

**The policy guides Switzerland's participation in Board meetings in MDBs. It could be expanded to cover all of SECOs activities covering all $CO_2$ intensive sectors.** Examples from other DFIs carbon-intensive non-aligned technologies can be seen in the annex on taxonomies, sector-based criteria and exclusion lists. Moreover, there are examples of peers' exclusions relating to adaptation[156].

**SECO's Climate Mainstreaming Guidelines**

Climate mainstreaming guidelines have been developed for SECOs four sections for Macroeconomic Support (WEMU), Infrastructure Financing (WEIN), Trade Promotion (WEHU) and Private Sector Development (WEIF). The guidelines differ slightly in structure and approach, but represent tools which can already be used, and could be further streamlined and improved over time to ensure progressive PA of projects and SECO's portfolio. As the guidelines are thematic, they to a large extent leaves out the context – hence they do not provide a general framework for the intervention linked to the country situation including impacts from climate change and related risks nor systematic references to alignment of interventions with NDCs or other relevant country strategies.

WEMU establishes an approach to climate mainstreaming, starting by describing principles, including "no harm", case-by-case assessment and general guidelines to integrate climate in the project cycle, from identification to preparation, implementation and closure/ex-post. Identification includes assessment of available climate relevant data and analytical work, guiding questions for understanding the country context to identify climate-relevant activities, including country and its institutions' climate positioning and climate related macroeconomic measures in play, expected climate impacts and existence of relevant climate policies (NDC, sectoral strategies etc.). The identification also includes guidance on setting Rio Marker, which is also relevant for reporting. Most of the actual guidance is relevant for preparation, while the focus on implementation and closure/ex-post has an emphasis on monitoring and reporting. The guideline also has a dedicated focus on the project's own operation's carbon footprint, seeking to minimize and track emissions from e.g. travel and apply practices as green procurement and use of local consultants. Annex I of WEMU's guidelines also contains an overview of climate measures in WEMU business lines, which could be used as basis as a positive list for quick screening. Annex II contains a list of climate related indicators which would be useful for monitoring and reporting. Although, the indicators could benefit from a further differentiation into mitigation, adaptation and cross-cutting qualitative and quantitative indicators, and further definitions and methods to track them.

WEIN climate mainstreaming guidance do not refer to principles of "no harm" approach nor to climate risk or vulnerability analysis. The guide has a focus on identifying climate-related opportunities, including guide on Rio Markers application. As with the WEMU guidelines, the emphasis is on project design, but project managers are here provided with a guided question approach (in its Annex I), rather than process guidance as is the case in the WEMU guidelines. The guideline's Annex II provides a list of qualifying measures for both urban governance, mobility and water & sanitation, which could be used as positive list for quick screening. Its Annex II also includes a list of climate related indicators divided by mitigation, adaptation and crosscutting measures, which would be useful for monitoring and reporting of each type intervention. The indicators are also measure specific, which make them easier to apply compared to the WEMU guidelines.

WEHU climate mainstreaming guidance are provided in a table format, and takes a different approach than the two priors, by first identifying Business Lines and themes within them, and secondly defining their climate mainstreaming potential. The guidelines are project focussed with no references to context, policy frameworks or climate risks and vulnerability analyses. Themes considered not to have a big mainstreaming potential are exempt from further need to assess how projects can incorporate climate considerations. It

[156] For examples, EIB excludes in the agriculture and forestry sectors the mandate to "not expand into areas of high carbon stocks or high biodiversity value".

does therefore not incorporate an explicit intervention wide "no harm" approach. Themes considered relevant are provided with guiding questions for incorporating climate consideration, divided in both mitigation and adaptation questions. In addition, it provides relevant indicators divided in both mitigation and adaptation. The mitigation and adaptation subdivision brings logic and structure, helpful for programme managers to structure their assessment, and identify the relevant metrics for monitoring climate impacts and reporting.

WEIF climate mainstreaming guideline seeks to incorporate climate into the project lifecycle, including design, implementation, monitoring and evaluation. The project cycle definition is slightly different than the one applied by WEMU and no references to context. In addition, the guideline states that its application is meant for projects where climate has so far not been considered as relevant or been analysed systematically. The PM are expected to follow a 3-step procedure The guide provides guiding questions to identify climate considerations for both mitigation, adaptation and cross-cutting measures, and provides examples of climate indicators, for each of its business lines.

**Reporting**

*SECO's Reporting Guidelines* assist program managers on the process, methodology and content of reporting by implementing partners (SECO, 2017). The guidelines are divided by business lines with respective relevant indicators for the Outcome L*ow-emission and climate-resilient economies*. The indicators are mostly quantitative, and provide a good set of central indicators for tracking mitigation relevant impacts. However, the guidelines are lacking adaption and climate resilient relevant indicators (except WEIN's), and indicators that could provide insights into the transformative nature of the interventions, e.g. the indicator "contribution to increased share of renewable energy in the electricity mix" could provide such insights when coupled with "kilowatt hours additionally produced from renewable energy". On the aspect of climate finance, the indicator *Green investments additionally triggered in mio. USD and financing instruments supported* can provide insights in mobilized/leveraged finance through SECO support, an example of a transformation-relevant indicator which can also add to the information on SECO's contribution to the overall climate finance landscape. This indicator could further be divided in public and private sources for improved understanding of SECO's sphere of influence.

In addition, some of the indicators referred to in the climate mainstreaming guidelines in section 0 can provide inspiration for tracking broader climate impacts of SECO's interventions, including on potential transformational impact. **There is in general room for alignment between the overall Reporting Guidelines and the Sections' Climate Mainstreaming Guidelines.** Importantly, adaptation and climate resilience indicators must be better integrated to address and track performance in this regard.

**Sida**

Like SECO, a large focus of SIDA's work is on bilateral development cooperation through multilateral organisations, through which just under half of its total support is channelled (Sida, 2023). Sida provides grants, mobilizes capital, and provides financial instruments as part of its work with multilaterals. SIDA also takes part in the Swedish delegation to the climate negotiations and contributes to Sweden's climate finance reporting in accordance with the UNFCCC. Sida also funds capacity building for developing countries through interventions relating to transparency, in accordance with the Paris Agreement.

**Paris Alignment Political Commitment, Strategic Objectives and Targets**

Even though Sida has not unilaterally communicated a PA commitment, it was instructed by the Swedish government in 2020 to "*analyse and explain what lessons the authority has learned so far and what further measures are needed to ensure Swedish bilateral development cooperation increases alignment with the Paris Climate Agreement"* (Sida, 2020). Acknowledging that that there is no agreed definition of PA, the evaluation reflects what PA should mean for SIDA by listing: (i) the importance to "mainstream climate change" broadly and across all activities and operations, (ii) the need to scale and mobilize climate finance, (iii) the requirement to "do no harm".

In 2022 SIDA also developed a Climate and Environment Policy, which although not directly stating PA as a commitment, it commits to the implementation of the Paris Agreement, and to strengthen climate adaptation measures, support sustainable energy solutions and reduce risk disasters, acknowledging that their impact will be collaboration with their partners.

In 2021, Sida provided 4,121 million SEK of climate finance, a slight increase from 2020, when levels dropped after having increased in previous years. **Sida's climate finance in 2019 was 6,65 billion SEK, 18% of total budget. In 2022, Sida received a specific assignment from the Swedish government to contribute to the doubling of Swedish climate finance by 2025 (compared with 2019 levels)** (Sida, 2022).

In 2022, Sida has conducted the following activities to increase its climate finance contribution:

- Developed internal system mechanisms;
- Identified possibilities to increase support to activities with mitigation or adaptation as the main objective;
- Identified strategic development cooperation strategies and partners;
- Explored opportunities for synergies with ongoing activities within biodiversity;
- Analysed opportunities to develop multi-country interventions;
- Developed methods to support to strengthen integration of climate change and environment into Sida's operations (Sida, 2022).

**Guidelines for Project/ Investment Screening and Implementation**

**Sida's environmental management system's environmental policy and action plan is the main overall tool used to ensure PA**. Sida applies an exclusion list that it uses for screening project activities, which is being updated. As for the Swedish position on fossil fuel Investments in MDBs policy, the exclusion list includes fossil fuels, with some exceptions for crisis and humanitarian settings.

**Sida requires an environmental assessment including climate consideration from partners implementing projects for all its projects and programmes**. The scope of the assessment is to ensure environmental and climate integration, beyond a "no harm" approach, through three steps (1) identifying and harnessing opportunities for positive impact, (2) avoid and mitigate negative impacts, and (3) Manage risks from environmental degradation, climate change and loss of biodiversity. The assessment is considered a key tool in the project evaluation. The guide to the environmental assessment is part of Sida's Green Toolbox, which also includes Environmental and Climate Change Indicators at country and sector level. SIDA's PA evaluation (2020) concluded that Sida's systems, with the environmental assessment at the hearth, are sufficient to achieve environment and climate integration into interventions.

The PA evaluation also analysed interventions Rio Marked "0" and concluded that **all sectors and a majority of interventions have great potential in contributing to more transformative and environmentally sustainable development, and are relevant for enhanced PA.** Exclusion of non-climate relevant projects might lead to a lack of clarity regarding the type of activities that the intervention will support when implemented, with risks that the interventions might undermine PA by creating scope for investment that leads to negative climate impacts, if this is not taken into account initially. The same conclusion on the need to accelerate climate integration methods in all activities is also provided in the evaluation of the Swedish climate change initiative of 2020 (Colvin, et al., 2020).

**Another major insight of the evaluation of SIDA's PA was the importance of advocacy on multilateral organisation and the knowledge on climate and environmental topics this would require from Sida and the multilateral organisations.** Environmental and Climate integration should both consider the reduction of negative environmental impacts of aid programmes with the UN but also the value of technical assistance to, say, the World Bank's ESMAP program, to push reforms, reduce fossil subsidies, energy efficiency and influence the World Bank's loan portfolio in this direction. Through strategic dialogue, SIDA can ensure that lending to the water sectors integrates climate resilience, etc. This echoed a similar recommendation from OECD DAC for Sida to lobby for improved environmental integration by multilateral organisations, as has already been done in relation to gender mainstreaming. E.g. evaluating whether UN agencies apply environmental safeguards, requiring assessments of environmental integration into major policies and plans (OECD, 2019).

**Reporting**

Sida has published a Guidance on Environmental and Climate Change Indicators providing *guidance on how to identify and use environmental and climate change indicators at country and sector level"* (Sida, 2010). The document provides examples of relevant indicators in a large variety of sectors, acknowledging that climate impacts the whole of the economy and society. The sectors listed include: Health, Education, Research, Democracy, Human Rights, and Gender Equality, Conflict, Peace, and Security, Humanitarian Aid, Sustainable Infrastructure and Services, Market Development, Environment, Agriculture and Forestry. Some of the indicators provided have also the capacity to be used to assess transformative impacts, e.g. on the *creation of policies* and *share of renewables in the total energy use*. The listed indicators although seem to lack the capacity to track climate finance related indicators, such as leveraged climate finance from other sources.

**FCDO**

The FCDO was created in September 2020, bringing together the former Department for International Development (DFID) and the former Foreign and Commonwealth Office (FCO). FCDO has the mandate to deliver the UK Governments Strategy for International Development. FCDO provides both bilateral support and support through multilateral channels, including UN agencies, MDBs, global health and education funds and the Commonwealth. Its current strategic objective towards 2025 is to increasingly allocate resources (2/3) towards bilateral channels (FCDO, 2022). UK support for International Development has historically provided grants, mobilized capital, and provided a variety of financial instruments as part of its work with multilaterals, with an increased ambition to use guarantees to unlock additional climate finance for partner countries.

**Paris Alignment Political Commitment, Strategic Objectives and Targets**

**In June 2019, the UK government committed through its Green Finance Strategy to align ODA with the Paris Agreement.** The commitment was reiterated in national documents and in UNFCCC communications (ICAI, 2021). **The Prime Minister has communicated the intention to double the climate finance contribution to at least 11.6 billion GBP from 2021 to 2026.** The UK Government's *Strategy for International Development* further sets the target for all new bilateral ODA to be PA in 2023, while ensuring that it does no harm to nature (FCDO, 2022).

In 2021, the UK reviewed PA specifically, focusing on relevance and coherence of the UK's emerging approach to alignment of all UK aid-spending departments (ICAI, 2021). The report acknowledges the challenge of PA of all ODA, given the absence of agreed best practice and high diversity of developing country contexts. The report resulted in fours specific recommendations (ICAI, 2021):

1. Ensure commitment of PA ODA, with timebound milestones, embedded in the forthcoming International Development Strategy

This is now a reality, with commitments set for 2023. Their achievement should be secured through the application of tools and guidance for project and investment screening and development.

2. Develop a cross-government reporting and accountability process for PA of ODA allowing public scrutiny of progress

This relates to improvements in the monitoring and reporting, as it is still not clear to government staff how progress will be measured and monitored.

3. Build appropriate capacities across ODA spending teams to design and deliver PA

Acknowledging existing capacity gaps to implement the established PA guidelines.

4. Work with other leading countries and institutions, including developing countries, to establish and promote international best practice on ODA PA

Highlighting that NDCs might not be PA, taking into consideration countries capabilities and circumstances, and using diplomatic and technical strengths in support of PA in the whole range of multilateral entities and the UNFCCC.

**Guidelines for Project/ Investment Screening and Implementation**

In its *Green Finance Strategy 2019* the UK points towards four main tools to implement PA:

1. Ensuring programming is in line with the government's fossil fuel policy, and prioritises alternatives to investment in fossil fuels.

2. Conducting a formative climate risk assessment to inform programme design and activities.
3. Using an appropriate shadow carbon price in relevant bilateral programme appraisals.
4. Align with and, where possible, elevate countries' NDCs and adaptation plans.

The tools have since 2021 been mandated to be used at the design and development stage of new FCDO ODA and non-ODA programmes, including for bilateral programmes and programmes and support delivered through multilateral organisations with the exception for humanitarian aid (ICAI, 2021).

**The UK fossil fuel policy states that the government "*will no longer provide new direct financial or promotional support for the fossil fuel energy sector overseas, other than in the limited circumstances outlined in this document, and align its support to enable clean energy exports.*"** (Department for Business, Energy & Industrial Strategy and UK Export Finance, 2020). The policy also frames the UK's voting position on projects at the boards of MDBs and other development finance institutions receiving UK government funding. A strength of the policy is that it is relatively strict and ambitious on fossil fuel phase-outs and that it differentiates between fossil fuel projects that support expansion (which it largely does not support) but at the same time provides leeway for projects that support fossil fuel exit and decarbonisation. For example, it includes an exemption for *Decommissioning of existing fossil fuel energy assets*, and *Carbon Capture and Storage (CCS), or Carbon Capture Usage and Storage (CCUS) projects"*, activities which in practice lead to mitigation. This is a relevant detail that should be incorporated in exclusion lists to ensure that the fossil fuel industry itself can be supported in transitioning towards a low carbon development, while not needlessly extending the lifetime of polluting assets or leaving loopholes for fossil fuel expansion. It also differentiates well between humanitarian contexts and other, non-humanitarian development finance.

**The climate risk assessment tool supports the analysis of how climate change impacts could affect programming, aiming to reduce negative impacts on development projects.** It identifies four programme development phases where climate risks can be assessed: (1) concept note, (2) business case development), (3) programme design, (4) implementation. Programme teams perform the risk assessment during the concept note and business case, full climate risk screening must be undertaken only if significant risks are identified during these phases. The 2020 analysis of UK aid's PA notes that this approach leads to a focus on identifying risks rather than reducing their incidence, and that programmes risk to progress without climate risk management throughout their design.

**The shadow carbon pricing tool applies a price on carbon to steer investment decisions, and is applied to both expected direct emissions and emission reductions, thus incorporating both costs and benefits emissions and reductions.** Determining a shadow carbon price is complicated and resource-intensive, and the FCDO applies several exceptions to its application, including for:

- A selection of relevant sectors
- business cases for less than £10 million,
- programmes operating solely in low-income countries,
- programmes operating solely in extremely fragile countries,
- programmes delivered through multilateral organisations.

The application of these criteria leads to approximately 70% of FCDO programmes not applying a shadow price on carbon (ICAI, 2021).

**The FCDO alignment with countries' NDCs and National Adaptation Plans (NAPs) reflects the focus on country-driven approaches, and integration of common but differentiated responsibilities aspects in PA.** In addition, NAP alignment is especially relevant as adaptation is very context specific. Although, FCDO is also aware of the current NDC ambitions' inadequacy to achieve the targets of the Paris Agreement, and that some countries' lack resources and capacity to provide detailed climate action plans. Therefore, UK support is open to use proxy measures to create PA scenarios for particular sectors such as energy, transport and land use (ICAI, 2021).

Given that a significant proportion of support is provided through other implementing organisations' FCDO also relies on their efforts to achieve PA. The review of UK's ODA PA advises cooperation with other leading countries and financial institutions to promote best practice in PA (ICAI, 2021).

**Reporting**

**The FCDO is quite advanced on the identification of metrics and approaches to assess impact.** It lists two major climate relevant performance metrics in its *Outcome Delivery Plan: 2021 to 2022, number of people supported by the FCDO to cope with the effects of climate change*, and *levels of clean energy capacity (megawatts) installed with FCDO support*. The FCDO also has guidance for several other climate relevant indicators, including *$CO_2$ emissions reduced or avoided, people whose resilience has been improved, installed capacity of clean energy, public finance mobilized for climate change purposes, private finance mobilized for climate change purposes, and extent to which International Climate Finance intervention is likely to lead to transformational change.* It even has guidance for metrics such as *additionality and attribution* and *emissions reductions or avoided/ supported by ICF technical assistance.* Each indicator is provided with its own methodology that defines the indicator and provides guidance on how the analysis should be performed for interventions[157].

**AFD**

Agence Française de Développement (AFD) is a public international financial institution with an international network of 85 offices, mainly in developing countries. Its subsidiaries, Proparco, is dedicated to private sector financing, and Expertise France, is the French public agency for international technical cooperation projects. AFD provides mainly grants and debt instruments through bilateral and multilateral channels. With its status as a financing company, it is not a direct peer to SECO, although, as frontrunner and early mover on PA[158] it provides a good basis for learning and approaches to ensure PA.

**Paris Alignment Political Commitment, Strategic Objectives and Targets**

**AFD was one of the first institutions to announce its PA ambition, already in 2017. Its climate and Development Strategy 2017–2022 established the ambition to ensure 100% PA**, through consistency of all interventions with low-carbon and climate-resilient development pathways**. In terms of share of climate finance, the objective is to have 50% of commitments in projects with climate co-benefits**, which was expected to lead to more than EUR 5 billion of climate finance per year in 2020. Special emphasis is given to adaptation, especially in Africa, least developed countries (LDCs) and small island development states (SIDS), with more than EUR 1.2 billion per year by 2020. AFD reached approx. US$6 billion EUR of approved climate related finance in 2021 in developing countries, employing a range of financial instruments, including loans, budgetary aid, guarantees, investments in capital or in grants, and technical assistance.

In addition, for AFD, PA would entail ensuring that all activities don't undermine the Paris Agreement, applying the "no harm" principle. The strategy also aims at increasing transparency through expanding the reporting on its climate relevant projects to all its interventions, to ensure coherence with low-carbon and climate-resilient development pathways throughout the portfolio.

**Guidelines for Project/ Investment Screening and Implementation**

**The AFD operates with an exclusion list which includes projects that finance the extraction and use of fossil fuels for energy generation**. This includes projects that construct, extend, or refurbish fossil fuel-fired power plants, infrastructure associated to a facility for producing, storing, or processing fossil energy resources, or for generating electricity from fossil energy sources, and projects for the exploration, production or processing or dedicated exclusively to the transport of coal, gas and oil. The exclusion list makes an exemption for projects involving mini-grids served by hybrid power plants (AFD Group, 2023).

**The AFD uses a Sustainable Development Analysis tool to ensure projects are aligned with the Sustainable Development Goals (SDGs), including climate considerations.** The tool provides a grid system to identify the expected impacts of projects (AFD Group, 2022). **The scope goes beyond "no harm", with the ambition to assist in identifying transformational projects.** The climate analysis is

[157] The guidance documents can be found here: https://www.gov.uk/government/publications/uk-climate-finance-results
[158] AFD is one of the first institutions to commit to PA. In 2017 AFD announced the ambition to ensure PA of all its activities (OECD, 2019).

divided in mitigation and adaptation, and impacts classified as positive, neutral or negative. The mitigation analysis covers the following topics:

- Alignment with low-carbon climate challenges, including NDC and LTS alignment
- Technical measures / long-term carbon efficiency
- Mobilisation of financial and private actors
- Impacts on public policy

The rating based on the assessment of the topics can result in a range from -2 to +3.

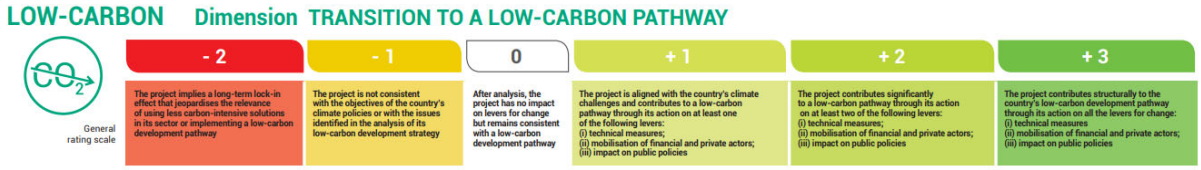


*Figure 41: AFD Sustainable Development Analysis Scoring for Mitigation Dimension*

The adaptation analysis has a different approach, with guiding questions that take into account the level of access to information on current and future climate risks, considerations for integration of climate risks, capacity building, transformational impact potential and integration of uncertainty. The rating system is the same as for mitigation, with a different set of descriptive interpretations of the ratings.

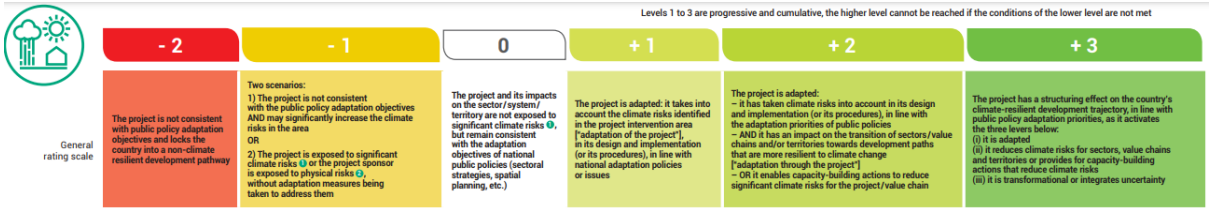


*Figure 42: AFD Sustainable Development Analysis Scoring for Mitigation Dimension*

**The AFD also performs a climate risk analysis (focusing on physical risks) to characterise the level of climate related functional and/or structural risk that projects could encounter during their life cycle.** The analysis is used to plan adequate risk mitigation measures during the appraisal process (AFD, 2021). Risks are assessed for nine climate risks, including:

1. increase in average temperature,
2. increase in average rainfall,
3. decrease in average rainfall,
4. heatwaves,
5. wildfires,
6. water scarcity,
7. floods and landslides,
8. cyclones,
9. coastal erosion and flooding

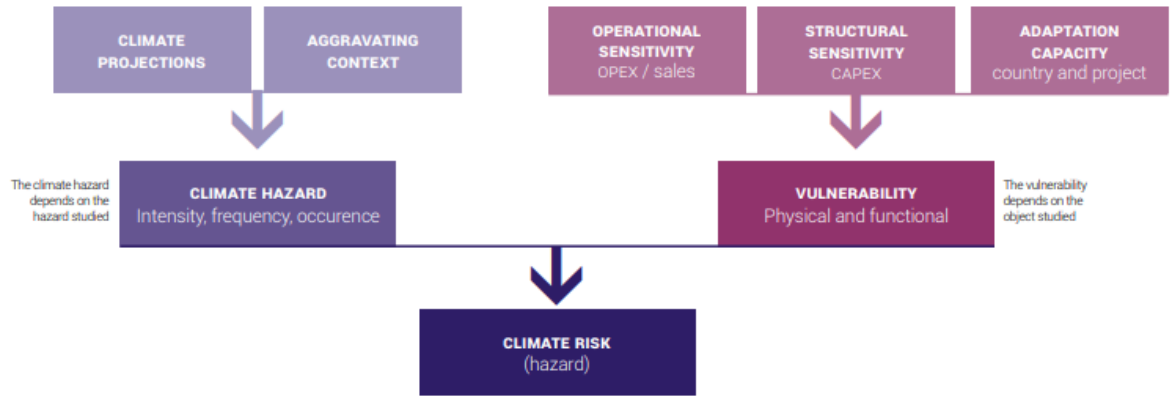


*Figure 43: AFD Methodology to assess climate risks of projects*

AFD also screens borrowers' physical climate risks with a rating method, taking into account their exposure to physical shocks, and their capacity to assess the impacts and manage these risks. These assessments are used to analyse the AFD's overall loan portfolio's exposure to climate risks (AFD, 2021).

**Sector-country matrix for physical risks**

| Country<br>Sector | Mayotte<br>Water distribution | | Initial score (identification committee) | Red flags triggering specific due diligence | Risk mitigation techniques identified during the due diligence process? | Final score |
|---|---|---|---|---|---|---|
| Cyclones | Country level risk score<br>Sector level risk score | ● | ● | ! | yes | ● |
| Sea level rise | Country level risk score<br>Sector level risk score | ● | ● | ! | no | ● |
| Extreme precipitations | Country level risk score<br>Sector level risk score | ● | ● | ! | no | ● |
| Water stress | Country level risk score<br>Sector level risk score | ● | ● | ! | yes | ● |
| Thermal stress | Country level risk score<br>Sector level risk score | ● | ● | ✓ | | ● |

*Figure 44´: AFD climate risk rating for borrowers*

Finally, the AFD also maps transition risks for funded projects, through measuring their carbon footprint, which can form the basis for ineligibility. It has put in place selectivity criteria to limit the emissions impact of its project portfolio while also considering countries' different levels of development. For borrowers, transition risks are assessed with a transition risk rating tool. The analysis focuses on the borrowers' positioning on its market, with emphasis on the risk of technological change. For sovereign borrowers the focus is on the energy systems impacts on macroeconomic balances, to assess energy vulnerability and its macroeconomic consequences (AFD, 2021).

**Reporting**

**AFD measures the carbon footprint of each project it finances.** Being a financial institution with a large part of the portfolio relatable to investments in physical assets, where emission and resilience impacts can be more directly connected with the institution's activities. This makes quantitative approaches more appropriate than for institutions with a larger portfolio related to technical assistance. Each year, the AFD publishes the volume of aggregate emissions reduced or avoided by its mitigation projects, which are calculated ex ante (AFD, 2021).

AFD also performs evaluations of projects ex-post to assess their impacts. These evaluations are project specific and the authors haven't found any publicly available information on the use of these evaluations or other efforts to assess aggregate impacts for the entire AFD group.

*Table 4 Comparison of Paris Alignment approaches of SECO and peers*

| | Political commitment on PA | | | | Guidelines and tools for PA | | | Reporting | |
|---|---|---|---|---|---|---|---|---|---|
| | PA commitment | | Financial commitment | | Negative and or positive list | | Mainstreaming framework | National | Organisational |
| **Peer** | **National** | **Organisational** | **National** | **Organisational** | **National** | **Organisational** | | | |
| **SECO** | Through OECD DAC | | 400 mill/y by end 2024, (15% of total ODA) | 2022: 90 CHF million<br>2023: 92 mill CHF | MDB Fossil fuel policy, with negative list. | Refers to national policy | Business line based climate mainstreaming guidelines. | Through OECD DAC | Reporting Guidelines and Business Lines' guidelines provide indicators |
| **SIDA** | Through OECD DAC | OECD/DAC | Double to SEK 15 bill. by 2025 (app. 27% of total ODA) | Contribute to the doubling of Swedish climate finance | Actions to phase out fossil fuels in budget bill 2022 | Confirmed there is one through interview | Environmental assessment and tools including guidance on climate mainstreaming | Through OECD DAC | Green Toolbox includes indicators relevant for climate in many sectors |
| **FCDO** | Through OECD DAC and Green Finance Strategy | Aligns all new ODA spend with the Paris Agreement | Double to GBP 11.6 bill. 2021-2026. All ODA PA | All new ODA PA | Fossil fuel policy, with negative list. | Refers to national policy | - Climate risk Assessment<br>- Shadow carbon Price<br>- Alignment with NDC & NAP | Through OECD DAC | Elaborated indicators with methods and guidance |
| **AFD** | Through OECD DAC | PA commitment in 2017 | Increasing to €6 billion/y 2021 - 2025 | All new ODA PA | Commitment ending foreign public financing of coal, oil and gas by end 2022 | Exclusion list for extraction and use of fossil fuels for energy generation | Sustainable Development Analysis tool with scoring system. Climate risk analysis. | Through OECD DAC | Quantitative approach for projects and portfolio (ex-ante). Project evaluations (ex-post). |

**Recommendations for enhanced Paris Alignment for SECO**

**If SECO decided to work towards becoming Paris aligned – based on the current methodologies this would entail the following steps:**

**Communicate a clear political commitment for PA, including targets**
The first step in ensuring PA entails a high-level commitment. SECO could publicly commit to PA, clearly defining the scope for PA of SECO, and establishing climate finance targets, including timelines[159] for the achievement. This should include a target year by which **all or a part** of new funded activities can be considered Paris-aligned, and a quantitative absolute and/or relative climate finance target. SECO's focus on middle income countries and often working with multilaterals implies that SECO has many opportunities to provide climate mainstreamed finance. This suggests, that SECO might want to consider an earlier or higher target for itself compared overall Swiss development finance. To give itself flexibility, SECO could also consider a rolling average over 3 years rather than an annual goal by a certain year.

SECO could publicly commit to Paris Alignment, by defining the scope for the organisation, and establishing climate finance targets, including timelines[160] for the achievement.

**Revise and streamline the climate mainstreaming approach and apply it throughout the organization**
SECO could consider revising and potentially merging the 4 existing climate mainstreaming guidelines to create an overall framework for climate mainstreaming.

SECO could consider establishing an umbrella guideline for mainstreaming climate change. It should take its starting point in climate risk and vulnerability analysis for the country and the sector, before considering specific mainstreaming questions related to the specific business line or project. The guidelines could also identify a limited set of climate relevant indicators for each business line or sector, that can support aggregated reporting of results. Guidelines should ideally also be able to capture aspects related to ambition and transformative impacts. The guidelines should support ensuring country ownership by ensuring interventions' alignment with NDCs, or other relevant national climate policies or strategies, and where possible contribute to enhanced climate ambition and impact beyond NDC. The approach could be structured based on the AFD approach, providing clear delineation between mitigation, adaptation and cross-cutting interventions and impacts.

To further guide investment decisions towards higher impacts, SECO could consider establishing a shadow price on carbon to include in cost-benefit analysis and guide its own direct investments, although this would require quantification of emissions and availability of resources. A shadow price on carbon would be a powerful tool to guide investments and inform the design and selection of interventions with maximized mitigation impacts.

**Apply a revised organization wide negative and positive list**
SECO could consider establishing an organization wide exclusion list for activities which by SECO is deemed to be undermining the Paris commitments. They could include fossil fuels, both upstream and downstream projects, although considering that some specific investments in fossil fuel assets related to e.g. decommissioning and transitions to renewable fuels and deep energy efficiency, might actually be climate positive. SECO could also establish positive lists of intervention activities automatically deemed climate positive, easing the climate mainstreaming requirements and assessment to ease the burden on programme managers.

**Enhanced transparency of own operations and impacts through reporting**

[159] See **Annex IV** for an example of timeline for PA of FCDO.
[160] See **Annex IV** for an example of timeline for PA of FCDO.

SECO could ensure that indicators used in the assessment of interventions are streamlined and can capture both mitigation and adaption impacts, including indicators relevant for transformational impact, and if relevant leveraged public and private finance. Indicators used in the assessment ex-ante should ideally be monitored during implementation and reported ex-post. It is therefore important to prioritize quality rather than quantity to not put overdue burden on limited resources. SECO could get inspiration from FCDOs indicators[161] on impacts of climate finance, and their methodologies.

As SECO works mostly through multilateral partners, qualitative approaches to screen and assess impacts seem to be appropriate when coupled with some quantification of expected or achieved impacts where possible. As SECO supports both through technical assistance but also through investments leading to real assets, it could consider establishing a hybrid approach, and use quantitative approaches for investments with direct impacts on emissions and resilience. The PCAF *Global GHG Accounting and Reporting Standard for the Financial Industry*, can be used as guidance to perform the quantitative assessment of GHG impacts. For adaptation a context specific approach is needed, but a central indicator could be inspired by FCDO's approach *number of people supported by the FCDO to cope with the effects of climate change*, for which FCDO guidance is provided.

In order to assess SECO's impact on the PA aspect of the scale of climate finance, SECO could consider also tracking public and private finance mobilized or leveraged through SECO. The OECD provides DAC methodologies that can guide this assessment[162].

**Enhance climate mainstreaming through partners**

SECO should continue and strengthen efforts to advocate for enhanced climate mainstreaming and PA through its cooperation with multilateral organizations and financial institution. The exclusion list is a good starting point, but influence for climate activities could be a major objective for Switzerland in the Boards and in its direct support for MTDFs and other types of cooperation involving Swiss finance to ensure improved PA.

[161] See https://www.gov.uk/government/publications/uk-climate-finance-results for a list of FCDO indicators and methodologies.

[162] See the Draft *DAC methodologies for measuring the amounts mobilised from the private sector by official development finance interventions:* https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-Methodologies-on-Mobilisation.pdf

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## Annex I

**It is important to state ahead that qualitative approaches can be informed by science-based pathways to an extent and lead to a rigorous selection**. Note that not all taxonomies and sector-specific criteria discussed below are science-based in that they are based on or derived from scientific sources (aligned with an emission pathway based on IPPC scenarios, based on IEA modelling, based on a net-zero by 2050 scenario, etc.).

### Qualitative Approaches consisting in Exclusion Lists or Negative Lists

**It is evident that exclusion lists are increasingly restrictive on fossil fuels** – most typically coal throughout the value chain but increasingly also oil and gas with a focus on upstream infrastructure – is a common feature. Exclusion lists/negative lists are usually part of a wider approach, for instance when they are the first step in project selection as part of a building blocks approach. All of SECO MDB partners have exclusion lists (World Bank group, EBRD, GCF, AIIB, African Development Bank, Asian Development Bank) but note that they differ widely, i.e. are not aligned. While more and more MDBs exclude coal power and even coal mining, there is for instance a lot of discrepancy in what assets are financed in the oil and gas sector.

The following table illustrates the fossil fuel exclusion list of other MDBs and DFIs as well as EDFI's exclusion list:

*Table 5: Exclusion list for fossil fuels for EDFI members, EIB, and Danish IFU*

| • | • Coal | • Oil | • Gas |
|---|---|---|---|
| • EDFI[163] | • Coal prospection, exploration, mining or processing<br>• Transport and related infrastructure primarily[164] used for coal for power generation<br>• Construction of new or refurbishment of any existing coal-fired power plant (including dual)<br>• Any business with planned expansion of captive coal used for power and/or heat generation[165] | • Oil exploration or production<br>• Crude Oil Pipelines<br>• Oil Refineries<br>• Construction of new or refurbishment of any existing HFO-only or diesel-only power plant[166] producing energy for the public grid and leading to an increase of absolute CO2 emissions[167] | • Standalone fossil gas exploration and/or production[168]<br>• LNG terminals, gas pipelines, gas power plants are not mentioned suggesting that the transport, storage and burning of gas is not on the exclusion list. |
| • BII, direct finance<br>• [169] | • Excluded fir direct and indirect finance | • Excluded<br>• | • Mostly excluded |
| • EIB | • Excluded | • Excluded | • Excluded, with few exceptions[170] |

[163] https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Fossil-Fuel-Exclusion-List-October-2020.pdf

[164] "Primarily" means more than 50% of the infrastructure's handled tonnage

[165] This does not apply to coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.

[166] For indirect equity through investment funds, investments (up to a maximum of 20% of the fund) in new or existing HFO-only or diesel-only power plants are allowed in countries that face challenges in terms of access to energy and under the condition that there is no economically and technically viable gas or renewable energy alternative.

[167] i.e. where energy efficiency measures do not compensate any capacity or load factor increase.

[168] Gas extraction from limnically active lakes is excepted from this exclusion

[169] British International Investment https://assets.bii.co.uk/wp-content/uploads/2022/03/29184736/Fossil-Fuel-Policy.pdf 3 Directed lending is defined as"term financing extended to a financial intermediary with a defined use of proceeds".

[170] Exceptions for gas for EIB:

| | | | |
|---|---|---|---|
| | | | • Exceptions downstream regarding projects on EUs projects of common interest approved before 2022, relatively efficiency gas-fired power plants, rehabilitation of gas network projects under certain conditions, efficient has-fired small boilers. |
| • IFU[171] | • Excluded. Standalone fossil fueled power plants. Drilling, exploration, extraction, refining and sale of crude oil, natural gas and thermal coal. Storage, supporting infrastructure (pipelines etc.), transportation and logistics, and services primarily related to fossil fuels. Any business using captive coal for power and/or heat generation. | | |

A few observations here:

- **Despite joint working groups and efforts to alignment, there is wide discrepancy between MDBs when it comes to financing fossil fuel projects.** Some are banishing all fossil fuels across value chains (Extraction, transport, and burning/processing) and others only focusing on coal and upstream activities for oil and gas. SECO should take this discrepancy into consideration before it relies fully on pledges or self-declarations of Paris Alignment from its multilateral partners.
- **Coal is typically the most restricted, likely due to its carbon intensity and its increasing non-competitiveness as an energy source. Fossil gas is more loosely excluded with upstream projects (exploration and extraction) increasingly being excluded while gas pipelines and gas power plants are still permitted.** While some EDFI members may not finance gas pipelines or power plants or LNG terminals themselves, others are and this is reflected in EDFI's exclusion list seemingly still permitting them.
- **Most policies reflect political priorities.** The Asian Development Bank, for example, has had upstream oil and gas excluded due to risk considerations (rather than purely climate ones) for longer than, for example, EBRD. On the other hand, it was relatively late to exclude coal power, a predominant source for power generation in Asia.

Exclusion list examples not directly related to fossil fuels but relevant for Paris Alignment include the below:

*Table 6: Exclusion list items not related to fossil fuels, EIB and IFU*

| | |
|---|---|
| • EIB | • Examples<br>• No more support for airport capacity expansion and conventionally-fuelled aircraft.<br>• Energy-intensive industry: Support will be withdrawn from any new capacity based on traditional high carbon processes (and without abatement technologies). In the case of existing conventional plants, the EIB Group will support energy efficiency, depollution or circular economy projects that have an economic life expiring before 2035 – i.e., well in advance of the 2050 date by which the sector should be operating on a net-zero emissions basis.<br>• Agriculture and forestry: "not expand into areas of high carbon stocks or high biodiversity value"<br>• no longer support export-orientated agribusiness models that focus on long-distance air transport for commercialisation. This measure would exclude investments dependent on the international shipping of fresh, perishable agricultural goods through long-haul air cargo. |

- Projects included under the 4th list of Projects of Common Interest co-financed with the EU budget, and approved by the Board by end 2021, subject to projects passing the EIB's own cost benefit analysis;
- gas-fired power plants which provide a credible plan to blend increasing shares of low-carbon gas over the economic lifetime of the project, such that the emission standard of 250g CO2e/kWhe is met on average over that economic lifetime
- gas network projects that are planned to transport low carbon gases, including the rehabilitation and adaptation of existing gas infrastructures when it is part of this goal; and
- efficient gas-fired small boilers applicable for buildings or SMEs where in line with the EU Eco-Design Directive, or appropriate standards outside the EU (Eco-Design is a basic legal requirement for selling boilers in the EU market).

[171] https://www.ifu.dk/wp-content/uploads/2022/06/IFU-Climate-policy-of-April-2022.pdf

| | |
|---|---|
| • IFU | • Investments and/or other projects that aim to produce or make use of agricultural or forestry products associated with unsustainable expansion of agricultural activity into land that had the status of high carbon stock and high biodiversity areas<br>• Biomaterials and biofuel production that make use of feedstock that could otherwise meaningfully serve as food or compromise food security.<br>• Export-oriented agribusiness models that focus on long-haul air cargo8 for commercialisation<br>• Meat and dairy industries based on production systems that involve unsustainable animal rearing and/or lead to increased GHG emissions as compared to best industry, low-carbon standards/benchmarks[172] |

## Qualitative Approaches to assess Paris Alignment using sector specific guidance

**Sector-specific guidance can be drawn on to expand exclusion lists and inform criteria/conditions list**. A number of think tanks, such as E3G, have added to the Building Block approach and included their own methods and metrics (Rydge, 2020). Sector specific criteria can be drawn on to expand exclusion lists and inform criteria/conditions list, e.g. allowing for natural gas infrastructure in a transition from coal towards renewables. For instance, German watch, New Climate Institute and WRI have conducted research how development banks can support the Paris Agreement and developed the following guidance based on scientific mitigation pathways for the energy generation, storage and distribution sector.

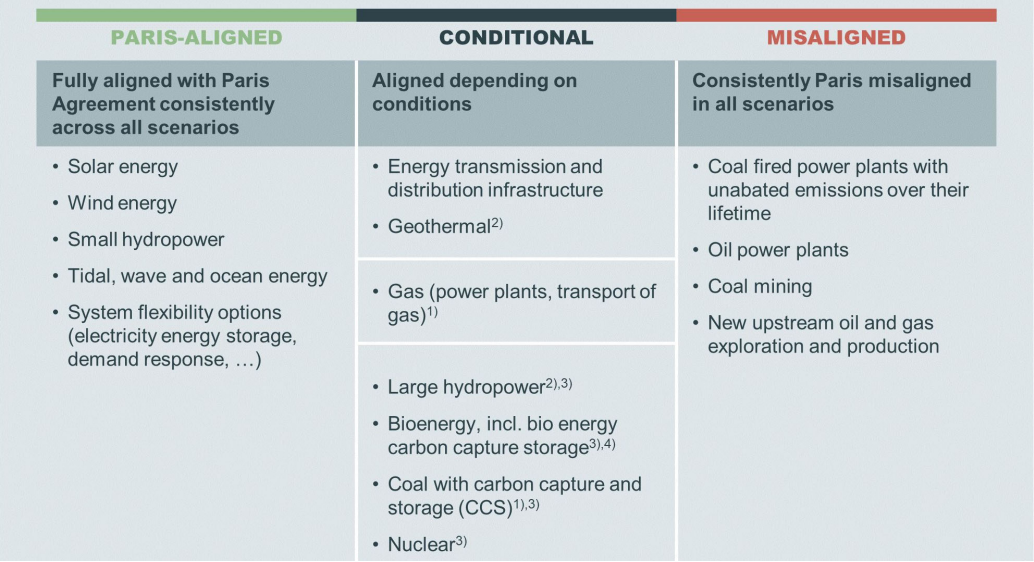



*Figure 45: Reviewing scientific <2°C Scenarios (Germanwatch and NewClimate Institute, 2018)*

[172] See https://www.ifu.dk/wp-content/uploads/2022/06/IFU-Climate-policy-of-April-2022.pdf

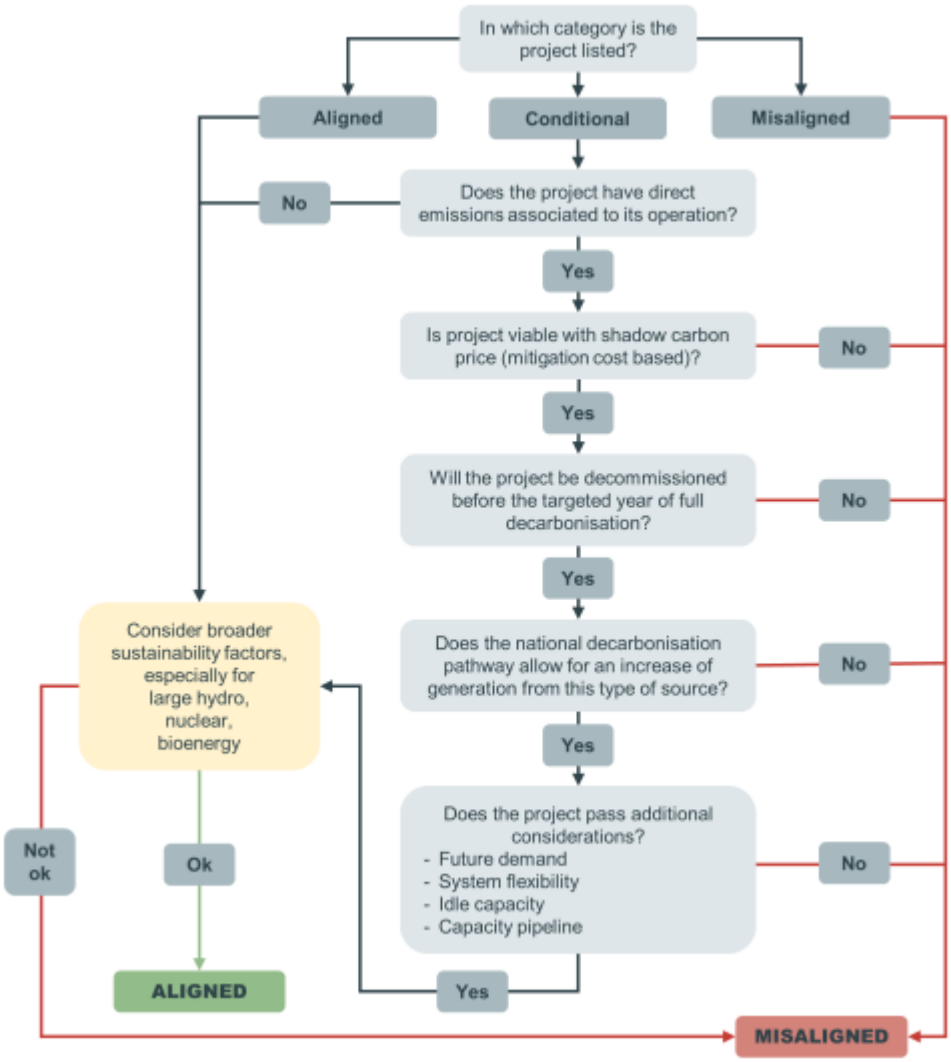



*Figure 46: Decision tree for assessing the alignment of conditional actions (Germanwatch and NewClimate Institute, 2018)*

**While the energy sector is covered, there is a scarcity of sector-specific criteria that is informed by scientific pathways.** Thankfully, the body of evidence is growing in many sectors. For instance, in the building and construction sector, there is a growing level of certifications, some of which seek to certify an environmental performance in the building sector that is not just better than the status quo, but could be considered Paris-aligned. Another example is the sector guidance by the Science-Based Targets initiative, which is science-based. Note however that many of the sector guidance manuals are still being developed.

**Moreover, it is challenging to develop lists of aligned, conditionally aligned and nonaligned activities from an adaptation perspective**. It would be easy to avoid maladaptation and establish a "negative list" or exclusion list, if there were a list of technologies or activities that are non-aligned across geographies, that constitute maladaptation in every location. But physical impacts of climate change and vulnerabilities are typically highly dependent on geography, even site location, and this makes a universally applicable list of economic activities that are misaligned with adaptation goals impossible. Whether ground use of water is "maladaptation" or negligible depends on local circumstances. Whether an investment in planting water-intensive crops is mis-aligned depends on whether there is water scarcity or whether water scarcity is expected to aggravate due to climate change. In addition to physical impacts and vulnerabilities being location-specific, adaptation solutions too are location-specific.

**When it comes to selecting and assessing what projects and activities to support with a view to climate resilience, what can be done for adaptation instead is establish credible processes and**

**share learning from practice**. The EU Taxonomy of Sustainable Finance, for example, focuses on process when it comes to adaptation for most activities (see below for cement). Part of the early efforts on this was the publication of *'Common Principles for Climate Change Adaptation Finance Tracking'* (IDFC, 2015), for instance. This was followed by publications documenting lessons and a paper on climate resilience metrics (IDFC, 2019). (Rydge, 2020) considers these helpful to operationalize the Building Blocks Approach when it comes to climate resilient pathways (B2). This paper (IDFC, 2019), which was co-authored by the major MDBs, including SECO recipient organisations, is highly recommended in designing processes in MDBs that ensure climate resilience. Similarly, SECO can take inspiration in developing a methodology for PA with the climate resilience goal in mind.

**Moreover, there are aspects of climate resilience that can be measured and used** both mainstream. Below is an overview of indicators used by MDBs and DFIs (IDFC, 2019).

*Table 7: Overview of Aspects of Climate Resilient measured at DFIs and MDBs (p.22 (IDFC, 2019)*

| Type of indicator | Indicator captures | Metric example | Level of results chain | Alignment with core concepts | Reference |
|---|---|---|---|---|---|
| Quality of project design metrics at the project (asset) level | Physical climate risks in projects | Budget committed to resilience measures (input indicator)<br>Early warning system implemented and operational (output indicator)<br>Road section built with climate resilience measures (output indicators)<br>Road and transport service along corridor linking two capitals resilient to climate change (outcome indicator) | Quality of project design/diagnostics, inputs, and activities and project results/ outputs and outcomes | Application of this tool involves identifying and evaluating location-specific (in this case the road corridor) physical climate risk (core concept 1)<br>The physical climate risk is projected to manifest starting in 10 years (anticipatory) (core concept 2) compatible with the variable and often long timescales. | AfDB, Annex II |
| Quality of project design and results at the project (asset) level | How effectively the project aligns with predefined climate change mainstreming objectives | Bronze rating (B) for the Smallholder Agricultural Productivity Enhancement Program for Sub-Saharan Africa (see IsDB example in Annex II) | Quality of project design/diagnostics, inputs, and activities and project results/outputs and outcomes | Tool adapted to all specific con-texts with rating standards (core concept 1)<br>Covers all levels of the results chain from design to post-evaluation (core concept 2). | IsDB, Annex II |
| Quality of project design metrics at the project (asset or system) level | The quality of the inclusion of climate-related risks in the economic and financial assessment and the disclosure of risk reduction measures implemented (as relevant) | Project score of A+ | Quality of project design/diagnostics, inputs, and activities<br>The WBG system operates at two levels:<br>(i) At the asset level, this system focuses on project resilience using Level 1 of the results chain by assessing the quality of project design<br>(ii) At the system level, this system focuses on resilience through projects using Level 2 of the results chain to look at outcomes in terms of improved climate resilience of the wider system in which the project is located. | These levels require:<br>• an assessment of context- and location-specific vulnerabilities (core concept 1);<br>•consideration of variable and long-term temporal scales (core concept 2); and<br>• a view on outputs and out-comes within the specific project boundary and beyond (core concept 4). | World Bank Group Section "Application of Climate Resilience Metrics" |
| Input metric at the project or portfolio level | Volume and distribution of the costs of addressing climate change vulnerabilities | US$25.3 million in adaptation financing in an MDB education project | Quality of project design/inputs | Assessment of context and location-specific vulnerabilities (core concept 1).<br>Identification of relevant activities within the boundaries of the pro-ject (core concept 4). | MDB/IDFC Section: "Application of Climate Resilience Metrics" |
| Output metric at the project (asset) level | Outputs that directly contribute to climate resilience | 79 km of improved drains constructed<br>21 cyclone shelters constructed with separate and safe facilities for women | Project results/outputs | Assessment of context and location-specific vulnerabilities (core concept 1). | ADB example Section: "Application of Climate Resilience Metrics" |
| Output metric at the project and portfolio level | Residual physical climate risk of each investment loan and the overall cumulative residual climate risk in the EIB in-vestment loan portfolio | Residual climate risk of project's financed underground power transmission lines | Project results/outputs | Assessment of context and location-specific vulnerabilities (core concept 1). The metric is derived from assessment of location- and sector-specific sensitivities to occurred and projected climate-related hazards over the economic life-time of the operation (core concepts 2 and 3). Adaptation opportunities within and outside the boundaries of the project (core concept 4). | EIB example Section: "Application of Climate Resilience Metrics" |
| Output and outcome metrics at the project (asset) level | Climate resilience outcome generated by the project activities | Rain gage stations installed and in operation in the project area (output indicator)<br>Days per year with severe traffic restriction due to landslides in road sections (outcome indicator) | Project results/outputs and outcomes | Assessment of context and location-specific vulnerabilities (core concept 1).<br>The outcome indicator is only meaningful together with information about whether relevant weather events occurred (core concept 2, compatibility with variable timescales associated with climate change impacts, and core concept 3, explicit understanding of the inherent uncertainties associated with future climate conditions).<br>Identification of relevant activities within the boundaries of the pro-ject (core concept 4). | IDB, Annex II |
| Output and outcome metrics at the project (asset) level | Climate resilience outputs and out-comes generated by the project activities | Expected additional water volume derived from water sources less affected by climate variability or change, such as surface water infiltration galleries and purification plants (output indicator)<br>Percentage of households with sufficient drinking water during dry spells (outcome indicator) | Project results/outputs and outcomes | Indicators are based on context-specific climate risk analyses, while examples reflect typical project types. They are widely compatible with uncertainties associ-ated with future climate change. | KfW Section: "Application of Climate Resilience Metrics" |
| Outcome metrics at the project (asset) level | Climate resilience outcome generated by the project activities: water savings in arid zones | Annual water savings of 9,500,000 m3 (physical outcome) expressed also as a climate resilience benefit of €4.25 million per year (valorized outcome) | Project results/outcomes | These outcomes were estimated on the basis of the project location being in an arid zone where future climate conditions will exacerbate water stress (core concept 1: context-specific approach).<br>"Cubic meters of water saved in an arid zone will remain a relevant climate resilience metric in an uncertain climate change context (core concept 3: ability to cope with future uncertainty)." | AfDB Annex II |
| Outcome metrics at the project (asset) level | Climate resilience outcome generated by the project activities | Estimated 2.3 days per year of avoided weather-related disruption to the relevant section of the road network and increased road lifespan of 5 years compared to the pre-project baseline (physical outcomes).<br>These savings can also be expressed as a combined economic value of €1.7 million per year (valorized out-come) | Project results/outcomes | These outcomes were estimated based on a project-specific analysis of the expected contribution of the project to building the climate resilience of the road network to projected extreme weather events (core concept 1: context-specific approach). | EBRD Section: "Application of Climate Resilience Metrics" |

**To summarize, while there are qualitative metrics and methodologies that probe climate resilience of activities, these too are more process-focused questions and steps rather than thresholds, binary decision criteria, or positive and negative lists of technologies that hold constant across geographies**.

**Qualitative Approaches to assess Paris Alignment using Taxonomies**

**Taxonomies can be used to complement the Building Block approach, either to inform an exclusion list or to inform criteria/conditions**. Some taxonomies, such as the mitigation guidance of the EU Taxonomy for Sustainable Finance, are science-based in that they are derived from scientific sources that relate to the Paris Agreement's 1.5 degree or well below 2-degree goal.

**If a DFI or MDB draws on the EU Taxonomy of Sustainable Finance to decide or to inform a decision on whether to finance economic activities or not, it could make an informed, science-based decision drawing on carbon intensity as a criteria for mitigation aspects, and drawing on criteria for adaptation**. For instance, if the financing for a new cement plant were considered, the EU Taxonomy could be consulted and it could be assessed whether the cement plant meets the requirements for mitigation, which are a carbon intensity below a value for tCO2equivalent per tonne cement produced, and the conditions that it Does no Significant Harm (DNSH) to the Taxonomies other priorities (adaptation, water, circular economy, pollution prevention, biodiversity). Note that to be included in the EU taxonomy, an economic activity must contribute substantially to at least one of these environmental objectives and do no significant harm to the other five, as well as meet minimum social safeguards. If the decision should be based only in relation to the mitigation goal, then only the carbon intensity would matter.[173] The carbon intensity (e.g., "*specific GHG emissions from the clinker and cement or alternative binder production are lower than 0,469 tCO2e per tonne of cement or alternative binder manufactured*"), as can be seen from the example below, could be used as a "conditional criteria" or as the second step selection criteria as part of the building blocks approach.

*Table 8: Manufacture of Cement – Example of Taxonomy assessing Activity for CC Mitigation – Shortened excerpt [174]*

| | |
|---|---|
| **Description** | Manufacture of cement clinker, cement or alternative binder. The economic activities in this category could be associated with NACE code C23.51 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006. |
| **Substantial contribution criteria** | The activity manufactures one of the following: grey cement clinker where the specific GHG emissions (99) **are lower than 0,722(100) tCO2e per tonne of grey cement clinker;** cement from grey clinker or alternative hydraulic binder, where the specific GHG emissions(101) from the clinker and cement or alternative binder production **are lower than 0,469(102) tCO2e per tonne** of cement or alternative binder manufactured. Where CO2 that would otherwise be emitted from the manufacturing process is captured for the purpose of underground storage, the CO2 is transported and stored underground, in accordance with the technical screening criteria set out in Sections 5.11 and 5.12 of this Annex. |

**For adaptation, the EU taxonomy proposes criteria that typically refer more to compliance with conditions and a process rather than a binary threshold.** See below the example for cement. The "Substantial Contribution Criteria" for cement manufacturing include adaptation solutions that reduce most physical climate risks but details are not given. Likely because physical risks are location and context-specific. But in addition to the implementation of solutions, other criteria are a robust climate risk and vulnerability assessment, proportionate with the scale and lifespan of the economic activity, and use of climate projections and assessment of impacts based on best practice.

[173] Note that with water, biodiversity, circular economy, pollution control, etc. the Taxonomy for Sustainable Finance by the EU includes criteria that is relevant, but not strictly related to the goals of the Paris Agreement (as mitigation and adaptation are).
[174] This is an excerpt from the EU Taxonomy Compass which can be found here. https://ec.europa.eu/sustainable-finance-taxonomy/home

*Table 9: Manufacture of Cement – Example of Taxonomy assessing Activity for CC Adaptation – shortened excerpt* [175]

| | |
|---|---|
| **Description** | Manufacture of cement clinker, cement or alternative binder. The economic activities in this category could be associated with NACE code C23.51 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006. |
| **Substantial contribution criteria** | 1. The economic activity **has implemented physical and non-physical solutions ('adaptation solutions') that substantially reduce the most important physical climate risks** that are material to that activity.<br>2. The physical climate risks that are material to the activity have been identified from those listed in Appendix A to this Annex by performing a **robust climate risk and vulnerability assessment** with the following steps: screening of the activity to identify which physical climate risks from the list in Appendix A to this Annex may affect the performance of the economic activity during its expected lifetime; where the activity is assessed to be at risk from one or more of the physical climate risks listed in Appendix A to this Annex, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity; an assessment of adaptation solutions that can reduce the identified physical climate risk. The **climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that: for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale; for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios(122) consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments**.<br>3. The **climate projections and assessment of impacts are based on best practice** and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports (123), scientific peer-reviewed publications and open source (124) or paying models.<br>4. The **adaptation solutions implemented**: not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; favour nature-based solutions (125) or rely on blue or green infrastructure (126) to the extent possible; are consistent with local, sectoral, regional or national adaptation plans and strategies; are monitored and measured against pre-defined indicators and remedial action is considered where those indicators are not met; where the solution implemented is physical and consists in an activity for which technical screening criteria have been specified in this Annex, the solution complies with the do no significant harm technical screening criteria for that activity. |

**While the EU Taxonomy for Sustainable Finance is the most developed and credible among taxonomies covering many economic activities and thus bound to be influential, it is important to state its limits in the context of a recommendation to SECO.** For one, it should be mentioned that while it was conceptualized to be science-based, the taxonomy as ultimately and currently approved was subject to political intervention and to the extent that this was given into (nuclear activities and energy generation and distribution from fossil gas), it is not science-based.[176] Secondly, when demanding that financed economic activities comply with the criteria, it must be borne in mind that these criteria are based on EU standards and the "common but differentiated responsibilities for climate action" must be considered. Whether, for instance, a cement plant in a developing country should have to comply with these high standards to be considered sustainable is an open question. Perhaps it should be if it receives SECO support (or any support as part of development cooperation), perhaps not. At present, Danish DFI IFU compares its financed projects to EU thresholds for information purposes. Moreover, EIB has committed to reporting on its projects in comparison to the EU taxonomy (Rydge, 2020) but as far as the authors know does not plan to make it a decision criteria.

**Other taxonomies and green certification principles from industrialized as well as emerging and developing countries are summarized by Rydge** (Rydge, 2020) **drawing on other authors** (Network for Greening the Financial System, NGFS, 2020) (Hussain, 2020).[177] Moreover, the OECD has given an overview of definitions and taxonomies for sustainable finance from the EU, China, Japan, France and the Netherlands (OECD, 2020).

[175] This is an excerpt from the EU Taxonomy Compass which can be found here. https://ec.europa.eu/sustainable-finance-taxonomy/home

[176] See https://www.europarl.europa.eu/news/en/press-room/20220701IPR34365/taxonomy-meps-do-not-object-to-inclusion-of-gas-and-nuclear-activities

[177] See (Rydge, 2020) listing *"The Chinese taxonomy; The Bangladesh Taxonomy; The Mongolian Green Taxonomy; The Climate Bonds Taxonomy; The Vietnam Central Bank's directive on green loans E&S risk management; The Pakistan Central*

**While not explicitly called a taxonomy, another source that posits carefully modelled milestones that could inform positive or negative lists, are those of the IEA Net Zero Emission (NZE) Global Scenario by 2050 milestones**. Here to the immediate (2021) end to new oil and gas field approvals for development and the immediate cessation to new coal mines or mine extensions feature prominently. This is reflected in the exclusion list of DFIs and MDBs. But there are other points there that could inform an exclusion list or conditions/criteria list for a couple of sectors. For real estate financing, the milestones that by 2030 all new buildings be zero-carbon-ready has strong implications. The milestones that no new cars be sold with internal combustion engines (ICE) by 2035 has implications for car loan products in 2025 but, if taken seriously, also for financing in years before that of production facilities of automotive suppliers and manufacturers (as done by IFC and other private sector MDBs and DFIs).

*bank requirement on financial institutions to follow the Green Banking Guidelines; The Brazilian banking association's classification framework at the national level; Task Force on Climate-related Financial Disclosures (TCFD); The United Nations Environment Programme Financial Institutions (UNEP-FI) working group framework including the Principles for Responsible Banking; Green Bond Principles; Green Loan Principles; Equator Principles; The Moroccan Capital Market Authority's (AMMC) guidelines at the national level regarding green, social, and sustainability bonds; The Common Principles for Climate Mitigation Finance Tracking, developed by MDBs and the International Development Finance Club (IDFC).*

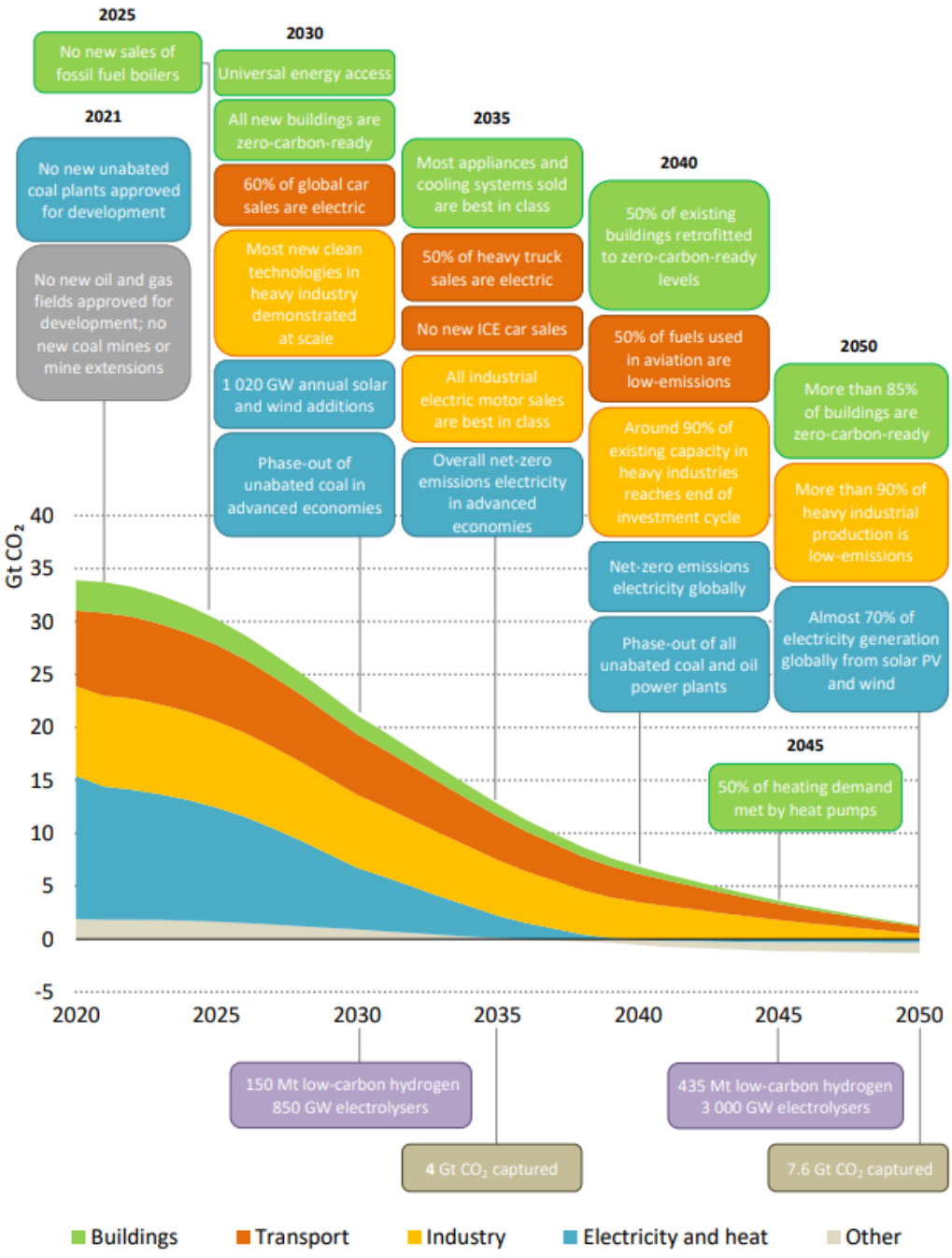



*Figure 47: Key Milestones in the Pathway to Net Zero*

## Annex III
## SECO Reporting Guidelines - Climate relevant indicators

| Target Outcome IV: Low-emission and climate-resilient economies | |
|---|---|
| ***Business line 1*: Integrated urban development** | |
| **Observation Area 1** | **Indicators** |
| Improved planning criteria and selective measures promote sustainable urban development in partner countries. | **21 Number of inhabitants benefiting from sustainable urban development projects**<br>**22 Number of cities with urban development measures (including for improving governance) in the sectors of public transport, energy efficiency and natural disaster risk management**<br>**3 Measures for improving capacity development**<br>**23 Greenhouse gas emissions saved or avoided in t CO2eq** |
| ***Business Line 2*: Sustainable energy supply** | |
| **Observation Area 2** | **Indicators** |
| By including sustainable and climate-compatible aspects, SECO contributes to improving the energy policy as well as reforms and investment measures and to increasing energy efficiency and supply (e.g. by promoting renewable energy). | **24 Kilowatt hours saved through energy-efficiency measures and kilowatt hours additionally produced from renewable energy**<br>**23 Greenhouse gas emissions saved or avoided in t CO2eq** |
| ***Business line 3*: Resource-efficient private sector** | |
| **Observation Area 3** | **Indicators** |
| Promotion of a resource-efficient private sector | **9 Number of jobs created and retained**<br>**23 Greenhouse gas emissions saved or avoided in t CO2eq**<br>**24 Kilowatt hours saved through energy-efficiency measures and kilowatt hours additionally produced from renewable energy**<br>**25 Increased resource efficiency**<br>**26 Green investments additionally triggered in mio. USD and financing instruments supported** |

# Annex IV
# Example of timeline for PA of FCDO


Source: (ICAI, 2021)

## Annex V: Glossary

| | |
|---|---|
| GHG Accounting | Greenhouse gas accounting is defined as the process of measuring the amount of Greenhouse gas emissions an organisation is producing in its immediate and wider orbit as a result of its activities. |
| Scope 1, 2, and 3 emissions | Scope 1 emissions are direct emissions from organisation-owned and controlled resources. Scope 2 emissions are indirect emissions from the generation of purchased energy from a utility provider. Scope 3 emissions are all indirect emissions—not included in scope 2—that occur in the value chain of the reporting company, including both upstream and downstream emissions. For a financial institution, "Scope 3", or the emissions associated with the financial institution's portfolio, represent nearly 97% of their total emissions (UNEP FI, 2021). |
| Removals, Sequestration | The withdrawal of greenhouse gases (GHGs) from the atmosphere as a result of deliberate human activities. These include enhancing biological sinks of CO2 and using chemical engineering to achieve long term removal and storage. Carbon capture and storage (CCS), which |

| | |
|---|---|
| | alone does not remove CO2 from the atmosphere, can help reduce atmospheric CO2 from industrial and energy-related sources if it is combined with bioenergy production (BECCS), or if CO2 is captured from the air directly and stored DACCS). |
| Portfolio carbon footprint, portfolio emissions | The sum of the total absolute emissions from Scope 1, 2, and 3 of the companies or projects belonging to the portfolio of activities of the financial institution that are attributed to the financial institution. |
| Net-Zero | A state (e.g. for an investment portfolio) where emissions produced equal emissions sequestrated. A situation in which the total metric-weighted anthropogenic absolute emissions and removals, of a system are zero i.e. a net balance is achieved between the anthropogenic GHGs put into the atmosphere and those taken out.<br>It can also be a shorthand for 'net-zero CO2 emissions by 2050' and describe a global state where anthropogenic carbon emissions globally need to reach zero (with a limited amount of offsetting, or netting) in order for the planet's climate system to stabilise at no more than 1.5°C above pre-industrial levels by 2100 (50 years after net zero is achieved) (UNEP FI, 2021). |
| Positive and negative lists | List of project types where it is relatively straightforward to infer alignment (positive lists) or non-alignment (negative lists). |
| Pathways and long-term strategies | A low-carbon pathway represents an analytical view of the evolution of a sector/country based on current best science to achieve rapid decarbonisation and transition towards carbon neutrality in line with the goals of the Paris Agreement. Alignment can be inferred from external public sources. |
| NDCs | NDCs are determined by each country individually and normally include targets for GHG emissions reduction and information on how these targets will be met. Often lack specificity but this will improve with time. |
| Taxonomy | A taxonomy is a legal classification system used to define economic activities that are aligned with a certain goal, "green", or aligned with the Paris Agreement |
| Science-based | In this desk study, the term science-based is used to describe metrics, targets or policies that are based on or derived directly from scientific sources. In this context, scientific sources that relate to the Paris Agreement goals. The sources could be modelling by the International Energy Agency (IEA) based on 1.5 degree or below 2-degree pathways. Or it could be, for instance, the Science Based Targets initiative defines a science-based target as "*Emissions reductions targets adopted by companies to reduce GHG emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures, as described by the Intergovernmental Panel on Climate Change (IPCC)*"[40] |
| Maladaptation | "Maladaptation is actions that may lead to increased risk of adverse climate-related outcomes, including through increased GHG emissions, increased vulnerability to climate change, or diminished welfare, now or in the future. Maladaptation is usually an unintended consequence" (IDFC, 2019). |

# Annex F Evaluation Framework and Methodology

## Evaluation Framework

The terms of reference (ToR) for the evaluation included six evaluation areas, based on the standard OECD/DAC evaluation criteria, and a set of 20 indicative evaluation questions. To enhance the usefulness of the findings, the evaluation team simplified the evaluation matrix by clustering the questions into three overarching questions, which were then translated into eight specific evaluation questions under the following categories: strategic relevance, cooperation approach, and results.

The evaluation focussed on three overarching questions:

- **Strategic relevance:** Is *the division* doing the right thing? – I.e., evidence that the strategic approach developed by *the division*, including the objectives of mainstreaming and mobilisation of private funds for climate, responded to the climate change objectives outlined in the Swiss cooperation strategies and significantly addressed climate change including in partner countries.
- **SECO ways of working:** Are the ways of working, incl. institutional structures and capacities, choice of partners, and instruments, conducive to supporting climate action?
- **Results, impact, and sustainability:** What are the results, impact, and sustainability of climate activities supported by *the division?*

These overarching questions were then translated into eight evaluation questions as follows:

| Cluster | Evaluation question |
|---|---|
| 1) Strategic relevance | **Strategy - EQ1**: To what extent does the position of climate change in *the division's* strategy and the strategy itself respond adequately to the urgency for climate action in partner countries and globally?<br>**Climate and growth - EQ2**: To what extent does the focus on climate change compete with other policy imperatives to foster sustainable development and eradicate poverty? |
| 2) Cooperation approach | **Institutional set up - EQ3** To what extent does the internal institutional set-up, capacities, and procedures support climate action in particular mainstreaming and Paris alignment?<br>**Value added and synergies - EQ4** To what extent does *the division's* climate support provide value added/exploit a niche in Swiss climate efforts and in global climate efforts? |
| 3) Results | **Results - EQ5** To what extent has climate intervention led to or contributed to achieving the expected objectives?<br>**Results – EQ6** To what extent has the division's activities supported mobilization of private funds?<br>**Impact – EQ7** To what extent are the interventions generating or are expected to generate significant positive or negative and intended or unintended impacts?<br>**Sustainability – EQ8** To what extent are the results likely to be sustainable? |

Table 1 below shows the relationship between the clusters, evaluation questions and OECD/DAC evaluation criteria. This is followed by an outline of the evaluation questions, the main indicators, and their rationale. The detailed evaluation matrix in Annex 3 if the Inception report (January 2023) provides more detail on the data requirements, the methodologies relevant for each question and indicator as well as reflection on the reliability and validity of the indicators and data available.

***Table 10 Relationship between the clusters, evaluation questions and OECD/DAC evaluation criteria***

| Criteria | Strategic Relevance EQ1 to EQ2 | Ways of working EQ3 to EQ4 | Results and impact EQ5 to 7 |
|---|---|---|---|
| **Relevance** | **xxx** | **x** | **x** |
| **Coherence** | **x** | **xxx** | **x** |

| | | | |
|---|---|---|---|
| **Efficiency** | | **xxx** | **x** |
| **Effectiveness** | | **xx** | **xxx** |
| **Impact** | | | **xxx** |
| **Sustainability** | | | **xxx** |

xxx substantially covered; xx largely covered; x also covered

**Cluster 1: Strategic relevance**

| EQ 1 Strategy | Areas of enquiry |
|---|---|
| To what extent does the position of climate change in *the division's* strategy and the strategy itself respond to the urgency for climate action in partner countries and globally? | 1.11 **Mainstreaming -** The extent to which the objective of mainstreaming in *the division's* strategy is relevant and adequate for addressing climate change and led to climate awareness; and whether the combination of targeted interventions and mainstreaming interventions are conducive to reducing emissions and fostering adaptation in priority countries<br>1.12 **Mobilisation of private funds for climate –** The extent to which the objective of mobilisation of private funds is relevant and has been addressed as an intention across business lines<br>1.13 **Choices -** The extent to which the choice of countries business lines/activities as well as partners reflect the needs for climate activities in partner countries and respond to the objectives set out in the Swiss/SECO strategies, including the objective of mobilisation of private sector mobilisation<br>1.14 **Ambition level and target -** The extent to which the climate finance target and the objective regarding private sector mobilisation is relevant also considering the scale of the climate challenges and the actions of peers<br>1.15 **Balance -** The extent to which the balance between mitigation/adaptation is relevant and reflects country needs |

This question focused on the overall strategic **relevance** of the SECO strategy for climate change for reducing greenhouse gas emissions (GHG) and building resilience in partner countries and globally. The question sought to answer whether the strategic approach developed by *the division* responds to the climate change objectives outlined in the Swiss cooperation strategies and whether the approach significantly addressed and contributed to climate change mitigation and adaptation globally and at partner country level, including alignment with the Paris Climate Agreement. In answering this question, the team took as a point of departure, the defined role of SECO in the Swiss aid architecture.

The question assessed the importance attached to climate change in SECO's strategy and implications of the shift in addressing climate from the 2017-2020 strategy compared to today's strategy. It assessed the relevance of the financial target and the two main climate-related objectives related to 1) mainstreaming by systematically considering climate risks and opportunities to promote climate resilient investments, and 2) mobilising private funds for climate. Has the strong emphasis on climate mainstreaming fostered a wider climate awareness across *the division* resulting in identification of climate opportunities across the portfolio? (1.1 and 1.3) How was the objective of mobilisation of private funds for capital addressed across business lines, and did the objective lead to increased emphasis on mobilisation? (1.2)

It assessed the choice of partner countries based on vulnerability to climate change, as well as the choice of priority business lines and activities with regards to relevance for the countries - also taking into consideration SECO comparative advantages and other development partner activities. And it assessed the choice of partners also in light of the two main climate related objectives. (1.3) It sought to provide answers to strategic questions as to what are the drivers and levers for the choices made and what role did climate considerations play in making these choices?

The question assessed whether the balance between mitigation and adaptation was relevant and reflected country needs. (1.4)

The main sources of information for this question were strategy and policy documentation, portfolio level analyses, interviews with key informants as well as country case studies and thematic studies. Findings from all EQs from EQ2 through EQ8 also contributed to answering this EQ. The study on Paris Alignment contributed to the analysis and assessment of relevance of SECO activities.

| EQ 2 Climate and growth | Areas of enquiry |
|---|---|
| To what extent does the focus on climate change compete with other policy imperatives to foster sustainable development and eradicate poverty? | **2.1 Alignment -** The extent to which activities of *the division* are relevant for decoupling economic growth and increased GHG emissions and supporting countries in their transition to a low-carbon growth path in accordance with Paris alignment and broader objectives<br>**2.2 Co-benefits -** The extent to which there are co-benefits from climate action on other development objectives and the extent to which SECO exploits synergies in its activities<br>**2.3 Trade-offs -** The extent to which there are trade-offs and risks associated with funding climate and other development objectives – and how they are dealt with |

This question recognised that the strategic goal of addressing climate change is a subset of the wider SDG agenda that seeks to provide sustainable development to all, through poverty reduction. The overall goal of SECO is defined as economic growth and sustainable prosperity with climate and resource efficiency defined as a transversal theme. There is a growing international consensus that in the long run climate mitigation and climate adaptation/resilience are necessary preconditions for long term growth and poverty reduction[178]. In the short term there are however important policy choices related to the transition to a low-carbon trajectory that have implication for poverty and inequality.

The question sought to assess the extent to which SECO made a relevant contribution to supporting countries' transition to a low-carbon growth trajectory. Drawing on findings related to EQ 5, 6 and 7 with regards to results and impact, and the Paris Alignment study, the evaluation assessed relevance of activities for decoupling growth from increased emissions – also bearing in mind that it is inherently difficult to evaluate contributions to transitory processes as they are most often a result of many actions over a span of years. This evaluation focussed on the plausibility that SECO activities (policy, funding, and technology) contributed to a transition to low carbon growth. (2.1)

The question also addressed the extent to which there were co-benefits from climate action on poverty and trade-offs between climate objectives and poverty reduction and growth. And related to this, whether there was a tipping point where climate was taken up a too large role in the portfolio of SECO to the detriment of the overall objective? Or to the contrary, if SECO projects are at a long-term risk if climate issues are not considered? (2.2 and 2.3). Finally the question as part of the trade-offs looked into areas of high risk and hence high opportunity (if done well) funded by SECO such as extractive industries, and tourism to bring out the dilemmas that funding in these areas pose with regards to climate impact.

The main sources of information for this question were SECO strategies, the portfolio analysis, semi-structured interviews, country case studies, thematic case studies and the Paris Alignment study. The depth of the assessment of these issues covered by indicator 2.2 and 2.3 in SECO funded activities depended on the availability of data, in particular to what extent ex-ante analysis was carried out that clarified the policy choices and the potential co-benefits or trade-offs on poverty and in-equality, and whether this was monitored during the implementation phase. Research and peer partner evaluations were brought in to support the analysis.

[178] Lankes, Soubeyran and Stern: Acting on Climate and poverty: If we fail on one, we fail on the other: LSE Policy Insight 2022:

**Cluster 2: Cooperation approach**

| EQ3 –Institutional set up | Areas of enquiry |
|---|---|
| To what extent does the internal institutional set-up, capacities, and procedures support climate action in particular mainstreaming and Paris alignment? | **3.1 Structures** - The extent to which the internal structures and cooperation with country offices are conducive for climate activities, particularly mainstreaming and Paris alignment<br>**3.2 Procedures** - The extent to which procedures and internal guidance are adequate for reaching the objectives, particularly mainstreaming, mobilisation and flexibility to adapt<br>**3.3 Instruments** - The extent to which availability of instrument (including grants, blending etc) are relevant for delivering the strategic objectives, particularly mainstreaming, private sector mobilisation, and Paris alignment<br>**3.4 Capacity** - The extent to which the capacities in *the division*, and knowledge management are supportive of climate activities<br>**3.5 Monitoring** - The extent to which *the division's* monitoring and evaluation system has been suitable for planning, steering and learning and accountability issues at project and institutional level, particularly mainstreaming, private sector mobilisation, and Paris alignment |

**Rationale.** The question on the institutional set up was examined across 5 areas of enquiry which aimed to show insight on the internal institutional readiness for climate and climate mainstreaming and to shed light on internal institutional factors including the organisational incentive environment that explained relevance and results. The question looked first at the institutional structure of SECO with its 4 operational units, the country offices, and importantly the climate network and then whether or how this structure tended to enhance or hinder climate action and climate mainstreaming. It then looked at the procedures and the available instruments. Next the capacity in terms of skill set but also resource was examined but bearing in mind that the intention was not to carry out a systematic work study of staffing levels and productivity and taking into consideration the relatively centralised headquarter operations meaning that many tasks are carried out at headquarters . The aim here was to gain insight on the extent to which staff familiarity and access to in-depth knowledge were served by the climate network and wider structure. Finally, the monitoring and evaluation system was looked at for evidence that it is suitable for supporting SECO-WE across the project and programme cycle given the demand of climate mainstreaming.

The main sources of information were reviews of SECO's organisational structure, guidelines and procedures, instruments, as well as the country and thematic case studies in combination with interviews and a staff survey to get a wider input.

| Question 4 – value added and synergies | Areas of enquiry |
|---|---|
| To what extent does *the division's* climate support provide value added/exploit a niche in Swiss climate efforts and in global climate efforts? | 4.9 **Clarity** – The extent to which climate as a transversal theme fostered climate conscious project development and helped identify climate change opportunities across all thematic areas<br>4.10 **Partner cooperation** – The extent to which SECO cooperation with partners is relevant for delivering the strategic objectives |

| | |
|---|---|
| | 4.11 **Comparative advantage** – The extent to which the interventions draw upon and leveraged Swiss knowledge and expertise<br>**4.4 WOGA** – The extent to which coordination and synergies with other Swiss government entities furthered Swiss climate objectives<br>**4.5 Coherence** – The extent to which cooperation with Swiss stakeholders incl. the private sector and civil society organisations promoted Swiss climate objectives, coherence with other development partners<br>**4.6 Complementarity** – The extent to which activities are coordinated, amplifying or complementary to those financed by other donors, multilateral organisations, and possibly the Swiss private sector |

**Rationale.** This question looked at the cooperation approach and the extent to which SECO, given its limited financial resources, was able to add value by defining a niche that would bring about the greatest degree of climate action. The concept of value added is complex and was here defined as the value added beyond just the direct financial support looking at where SECO was able to mobilise value by focussing on special areas of SWISS expertise (not available or easily available elsewhere) and on the catalytic mode of operation whereby high leverage was obtained financially and in terms of making change in policy and framework conditions. Value added is an important part of the Swiss international cooperation. In the Swiss international cooperation strategy (2021-2024) it is defined as one of 3 criteria that inform Swiss international cooperation along with addressing partner needs and Swiss interests. The underlying rationale for this is that Switzerland cannot support everything worldwide and it makes sense to prioritise where it has a comparative advantage. The value added was examined across 6 indicators which aimed to show insight on the niche that SECO-WE engaged in and how this benefitted or not climate action. (4.1 to 4.3)

The question also assessed synergies for SECO in its cooperation with other Swiss government partners(e.g. the Federal office of Environment) as well as other Swiss stakeholders in pursuing climate action. (4.4 and 4.5) Finally, it assessed complementarity to the activities financed by others development partners (4.6)

The main sources of information were guidelines, country case studies, thematic case studies, complemented with interviews with Swiss stakeholders, implementing partners and development partners and the staff survey.

**Cluster 3: Results**

| EQ5 – Results | Areas of enquiry |
|---|---|
| To what extent has climate intervention led to or contributed to achieving the expected objectives? | 5.7 **Results** - The extent to which the interventions contributed to emissions reductions and climate adaptation in accordance with the expected targets and partner country objectives, priorities, strategies and plans e.g., NDC, NCCS, LTS, NAP etc.<br>5.8 **Targets** -Whether the SECO climate target on financing is achieved in itself and in relation to Paris agreement<br>5.9 **Why and why not?** The most important factors for success and for failure |

**Rationale:** EQ5 questioned the results obtained on climate change through two main questions. Firstly, on the extent to which the interventions achieved the expected climate change targets and were in accordance with priorities and objectives of partner and country strategies and plans. The second question analysed if SECO has achieved its own target on climate financing as well as the specific targets in the contexts of the UNFCCC COPs. Lastly, the EQ looked at the factors that have contributed to success or failure in order to be able to inform the future strategy. The approach to responding to this question had three levels. It

examined the whole portfolio in the database to find out what was reported in quantitative and qualitative contributions to climate change. Secondly, the country visits and interviews with stakeholders informed this questions and thirdly project information in documents like the credit proposals, progress reports and evaluations from country and thematic case studies gave valuable information. Factors related to internal SECO ways of working were covered in EQ3.

The main sources of information were the SECO results framework, the country and thematic case studies as well as the reviews and evaluations carried out by SECO and implementing partners as well as peers.

| **EQ 6 – Mobilisation of private funds** | **Areas of enquiry** |
|---|---|
| To what extent to which the division's activities supported mobilisation of private funds | 6.7 **Results** The extent to which the division's activities to support mobilisation of private funds were successful?<br>6.8 **Sustainability –** the extent to which these activities resulted in self-sustained private financial flows for climate<br>6.9 **Why and why not –** The most important factors for success and failure |

**Rationale:** EQ6 assessed the results related to the objective of mobilisation of private funds for climate. This objective is linked to the need to dramatically increase available financing especially for developing countries to finance a green transition and adapt to climate. It assessed mobilisation efforts across business lines and analysed **how** this objective has been implemented and assessed the quantitative results, as well as the extent to which these results can be expected to be sustained after the SECO intervention ends. Finally, the question assessed factors related to the success or failure of private sector mobilisation. Factors related to internal SECO ways of working including instruments and capacities as well as synergies with the Swiss private sector were covered in EQ3 and 4,

The main sources of information were the SECO results framework, thematic and country case studies, as well as partner's assessment of private mobilisation results and factors related to SECO funded activities.

| **EQ 7 – Impact** | **Areas of enquiry** |
|---|---|
| To what extent are the interventions generating or are expected to generate significant positive or negative and intended or unintended impacts? | 7.7 **Low carbon** - The extent to which the division contributes to 'decarbonisation'? The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio<br>7.8 **Climate resilience** - The extent to which the division contributes to 'climate adaptation'; The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio<br>7.9 **What about non climate actions?** - The extent to which there is a positive or negative climate impact from interventions that are not marked climate relevant |

**Rationale:** The rationale for **EQ7 impact** looked at three lines of impact in relation to climate change. Firstly, it looked at the way in which SECO supports countries in their low-carbon transition and 'decarbonisation' path to achieve net zero emissions at the latest in 2050. Secondly, assessed the pathways supported by SECO to increase the capacity of countries to adapt to climate change and to reduce the negative impact of climate-induced natural disasters. Negative and unintended impacts were also identified. Lastly, at the project level it was examined if there were negative or positive impacts on mitigation and/ or adaptation as well as missed opportunities in projects that were not marked climate relevant. This was done by applying the Paris Agreement alignment methodology, through country visits and semi-structured interviews with SECO staff, partners and beneficiaries and analysis of country and thematic case study documents and portfolio analysis.

The main sources of information for this question were the country and thematic case studies as well as the reviews evaluations carried out by SECO and implementing partners.

| EQ 8 – Sustainability | Areas of enquiry |
|---|---|
| To what extent are the results likely to be sustainable? | 8.11 **Transformation -** The extent to which the supported interventions are transformative<br>8.12 **Policy and systems changes -** The extent to which the interventions led to policy and systems changes<br>8.13 **Vulnerability of portfolio -** To what extent are SECO's projects considered a long-term risk if the climate change is not mitigated soon enough<br>8.14 **Environmental considerations -** To what extent are the divisions interventions considering ecosystems and biodiversity?<br>8.15 **Why or why not? -** The most important factors for sustainability or lack of sustainability |

**Rationale.** Based on four questions this **rationale for EQ8** examined to what extent the results created are likely to be sustainable. Sustainability can be achieved through **transformative change** e.g. a development that fundamentally changes the way society operates or deals with certain issues in this case if would be the way in which the results on climate change lead to a new way of using natural resources and organised society that will lead to decarbonisation and increase adaptive capacity. It was assessed through country visits, interviews with beneficiaries and partners and document review. Transformational change is a process of which part will be happening in the future and it can be hard to find concrete solid evidence. The findings were to some degree based on indications and tendencies that point in the direction of transformational change. Secondly, it assessed if and to what extent there was a **vulnerability** in the portfolio so that the positive impact on climate change in one part of the portfolio is undermined by another part which is not climate related and have negative impacts or where mitigation results are not expected to happen soon enough. This was assessed through applying a Paris Agreement assessment tool developed by the team and through interviews and focus group discussions with SECO staff and partners. The concept of **planetary boundaries** has nine dimensions i.e., stratospheric ozone depletion, biodiversity loss and depletion, chemical pollution and release of novel entities, climate change, ocean acidification, freshwater consumption and the global hydrological cycle, land system change, nitrogen and phosphorus flows to the biosphere and oceans and atmospheric aerosol. It was assessed how SECO integrate environmental considerations in project design and implementation.) For informing future strategies it was important to identify the factors that have led to success or failure.

The main sources of information for this question were the country and thematic case studies, the reviews and evaluations carried out by SECO and by implementing partners as well as monitoring and evaluation data and possibly reporting to OECD.

### Methodology

To account for the interdisciplinary and situation and sector-specific nature of climate interventions, the evaluation employed a comprehensive approach by incorporating four levels of inquiry to address the evaluation questions.

- **Strategic level:** Assessment of the portfolio, strategies, policies, and their relevance to achieve the objectives
- **Institutional level**: Assessment of guidelines, business model and operational practices, and tools
- **Country and thematic level**: Based on a portfolio analysis, country case and thematic studies were to provide insight into SECO support to climate.
- **Project level**: Within each of the countries, five to six projects were selected. Furthermore, additional case studies focusing on thematic deep dives aligned with SECO's business lines and areas of comparative advantage were chosen, along with high-risk/high-opportunity areas that are of particular interest to SECO.

A combination of quantitative methods (portfolio analysis) and qualitative methods (interviews, field visits, workshops, document, and literature review) was used to build a robust base of evidence and to triangulate evidence. These methods are briefly described below.

- **Portfolio review and analysis:** Data related to SECO operations signed since 2017 was consolidated to present an overview of SECOs commitments to climate across its portfolio, incl. 13 priority and six complementary countries and close to 370 projects. The full portfolio analysis is presented in Annex A.
- **A strategy, policy, and literature review:** The review encompassed the Swiss and SECO international strategies[179] as well as the country programmes and strategies. This also included the climate mainstreaming guidelines, relevant risk assessment procedures, monitoring and reporting and other tools. International relevant literature was also reviewed, including implementing partner strategies and policies and in particular MDB concepts and methodologies.
- **Country case studies**: three country case studies were developed to gain a better understanding of SECO's support to climate at that level.
- **Thematic case studies**: Four thematic case studies were developed reflecting areas of SECO comparative advantages within each of the four thematic priority areas/business lines that also reflect the unit structure as well as three projects selected for their high risk/high opportunity settings. These studies were carried out as contribution analyses. The rationale for these case studies were deep dives into themes where SECO expertise and value added were recognised in order to get insights as to how SECO dealt with climate in these areas and to assess the contribution for SECO to climate change mitigation and adaptation.
- **Paris alignment study**: The purpose of the study was to assess what it would entail for SECO to become Paris aligned[180]. Hence the study assessed SECO Paris alignment readiness including by reviewing tools and procedures related to Paris readiness as well as developing a hybrid methodology by drawing on other development partners' methodology and testing it on a number of projects in agreement with the evaluation team and SECO (WEQA).
- **Interviews:** interviews with SECO headquarters and country level staff. Interviews with the wider Swiss international cooperation arena including SDC, SIFEM, civil society and the private sector. Interviews with partners both at country level and globally and both as beneficiary organisations and implementing agencies. An overview of interviewees are given in Annex E.
- **Workshops:** The first was held during the inception visit with the climate network. Another will be held to discuss the draft evaluation findings, conclusions, and recommendations.
- **Validation of interim findings** – frequent communication during the evaluation and presentation and discussion of intermediate findings with WEQA at relevant stages of the evaluation e.g. after country and thematic case studies.

**Sampling**

The methodology and sampling strategy for the case studies, including country case studies and thematic case studies, are explained below. The sampling aimed to provide valuable insights into the broad and diverse climate activities of SECO. The selection covered a wide range of activities in terms of their share in the financial portfolio, encompassing all business lines, albeit with varying emphasis. It also encompassed diverse countries.

A crucial criterion for the sampling was climate relevance, meaning that the projects contribute to either mitigation or adaptation, or both, and are marked with Rio markers 1 (significant) and 2 (principal). Additionally, projects marked with Rio Marker 0 were included to assess missed opportunities.

Efforts were made to prevent overlaps between projects selected for country case studies and thematic case studies. However, in a few instances of "Swiss flagship projects", a deliberate decision was made to allow

[179] This includes the Swiss international cooperation strategy 2017-2020 and 2021-2024 and the SECO strategies 2017-2020 and 2021-2024

[180] Please refer to Annex G for definitions of Paris Alignment

for overlap. This was done to evaluate the projects from two distinct yet complementary perspectives: 1) in the country case studies, the focus was on the projects' relevance to the respective countries and how SECO facilitates transformative change in those contexts, and 2) in the thematic studies, the emphasis was on SECO's contribution within a broader thematic area. These overlaps also enabled cross-validation of findings and engagement of more team members in examining a single project.

**Country case studies**

The selection criteria for country case studies were as follows:

- Coverage of all priority areas
- Different vulnerabilities and climate relevance
- Different geographies
- Rio markers
- Mixture of partners
- Staff availability

Based on the preliminary analysis of the portfolio presented in the inception report and the analysis of climate vulnerability and readiness, three countries were chosen: Albania, Ghana, and Indonesia. Albania was considered the most relevant country for the East region, while Ghana and Indonesia were considered the most relevant countries for the South region.

Within these countries, a number of projects were selected for deep dives. The selection criteria for these projects across the countries were as follows:

- Representation of at least all the SECO units and, to the extent possible, business lines
- Selection of projects with collaboration between the SECO units
- Balance of different partners, including multilaterals, private sector, government, and NGOs
- Combination of Rio markers 0, 1, and 2 for both adaptation and mitigation
- Inclusion of projects linked to thematic studies for additional triangulation
- Consideration of the age of projects, including mature projects with evidence of results and more recent projects reflecting new thinking and maturity of the new strategy
- Availability of relevant documentation

Field visits were conducted in Albania and Indonesia. In the case of Ghana, it was decided in consultation with the Swiss cooperation office (SCO) of SECO in Ghana and SECO-WE not to carry out a country visit in order not to overburden the country office as there were already many other missions planned for the spring 2023 and the SCO informed that the few climate-relevant projects were in the startup phase. Methodologically, it was also decided to focus on a broader set of projects looking at general trends in the climate approach without going into details. On the suggestion from the SCO the bilateral agreement between Switzerland and Ghana on the Paris Agreement's article 6 on market development for climate change emissions was included despite not being ODA.

The table below outlines the sample of projects in the three countries, along with brief notes. For detailed information on the sampling strategy and selected countries and projects, please refer to Annex A.

***Table 11 Sampled projects for country case studies***

| Code (L1) | Name | Mitigation/ Adaptation (RM) | Period | SECO funding (commitment) | Business line |
|---|---|---|---|---|---|
| **ALBANIA** | | | | | |
| UR_01090-03 | Disaster Risk Financing and Insurance (DRFI) | Adaptation (RM1) | 2022-2027 | CHF 8m (CHF 2.5m for East, CHF 0.45m bilateral for Albania) | Growth-promoting economic policies |
| UR_00723-02 | Entrepreneurship Programme | 0 | 2019-2023 | CHF 11M (Albania CHF 1.4m) | Corporate social responsibility |

| | | | | | |
|---|---|---|---|---|---|
| UR_01075-04 | Organic Trade for Development | Both (RM1) | 2019-2023 | CHF 5m (Albania CHF 1.25m) | Integration in value chains |
| UR_01273-01 | Renewable energy auctions Programme | Mitigation (RM2) | 2019-2024 | CHF 5m | Urban development and infrastructure |
| UR_00648-02 | Solid Waste Management in Albania | Mitigation (RM1) | 2021-2026 | CHF 6.9m | Urban development and infrastructure |
| **GHANA** | | | | | |
| UR_01042-02 | Ghana Private Sector Competitiveness Programme II | Mitigation (RM1) | 2022 - 2028 | CHF 9m | Integration in value chains |
| UR_01230-01 | Ghana Solar-Photovoltaic based Net-Metering | Mitigation (RM2) | 2022 - 2027 | CHF 12.6m | Urban development and infrastructure |
| UR_00535-02 | Sustainable Recycling Industry II | Mitigation (RM1) | 2019 - 2025 | CHF 6.5m | Corporate social responsibility |
| UR_01047-01 | Swiss Platform for sustainable cocoa | Both (RM1) | 2019 –2023 | CHF 8m (increased CHF 1m in 2020 due to high number of quality projects | Integration in value chains |
| UR_01244-02 | Promoting sustainable investment through integrated ESG standards | Both (RM2) | 2021 –2028 | CHF 16.85m, of which CHF 1,52m is committed for Ghana | Corporate social responsibility / Access to finance |
| UR_01281-01 | CAPE/ Climate change mainstreaming in Governance Programme | Mitigation (RM1) | 2019 - 2021 | CHF 2.750m | Growth-promoting economic policy |
| **INDONESIA** | | | | | |
| UR_01248-01/088 | Renewable Energy Skills development (RESD) | Mitigation (RM2) | 2019-2021 2020-2025 | CHF 6.5m | Market-oriented skills |
| UR_00939-02 | Design for Greater Efficiency (DfGE) | Mitigation (RM2) | 2021-2024 | CHF 0.93m | Market-oriented skills |
| UR_01070-01 | Sustainable Tourism Development in Indonesia (STDI) | Adaptation (RM1/0) | 2017-2022 | CHF 11.750m | Integration in value chains/Market oriented skills/Rules-based trade system |
| UR_00803-01 | Sustainable Urbanisation in Indonesia | Adaptation (RM1) | 2017-2021 | CHF 1,425m | Urban development and infrastructure |
| UR_01275-01 | Sustainable Landscape Programme Indonesia (SLPI) | Both (RM2) | 2022-2027 | CHF 9m | Integration in value chains |
| UR_01247-01 | Water Supply IUWASH PLUS | Mitigation (RM1) | 2019-2021 | CHF 4.370m | Urban development and infrastructure |

**Thematic case studies**

The selection of thematic studies was based on the business lines, taking into account the consultation with SECO and the preliminary portfolio analysis presented in the inception report. The decision was made to focus on the following four themes, which partly align with the business lines and also cut across them:

- Within the growth promoting economic policy business line: Public Financial Management (PFM) interventions.
- Within the integrated value chains, the rules-based trade system business lines: Multistakeholder platforms.
- Within the finance business line: Greening the financial sector and mobilization of finance for climate.
- Within the urban development and infrastructure business line: Support for urban planning and mobility.

It is important to note that one business line, 2.4 Market-oriented skills, was not covered in the selection. Within the business line 1.4 urban development and infrastructure, the focus was specifically on urban planning, which resulted in excluding the large areas of energy and water, primarily due to volume considerations. However, and energy was addressed in the context of project selection in the case study countries.

For each of the thematic case studies, the criteria for project selection were as follows:

- Combinations of Rio Marker 0, 1, and 2.
- Combinations of climate adaptation/mitigation and both.
- Combinations of global/country-level projects.
- Combinations of implementing partners.
- Combinations of single SECO unit and joint efforts where possible.
- Consideration of project age, including both advanced and recent projects to reflect current thinking.
- Availability of documentation.

The four themes encompass various degrees of climate relevance, including projects marked with Rio Markers 0, 1, and 2, and also exhibit variation in terms of support for adaptation and mitigation.

The tables below present the choices based on the criteria and with some notes added as to the unit(s) responsible, and relevance for the case study.

***Table 12 Sampled projects for thematic case studies***

| Code (L1) | Name | Mitigation/ Adaptation (RM) | Period | SECO funding (commitment) | Business line |
|---|---|---|---|---|---|
| **PUBLIC FINANCE MANAGEMENT** | | | | | |
| UR_01281-01 | Climate Action Peer Exchange (CAPE) / Green PFM | Mitigation (RM1) | 2019 - 2021 | CHF 2.75m | Growth-promoting economic policies |
| UR_01090-03 | Disaster Risk Financing and Insurance (DRFI) | Adaptation (RM1) | 2022 - 2025 | CHF 8m | Growth-promoting economic policies |
| UR_00841-01/ UR_00439-03 | Subnational PFM in Albania/ PFM MDTF in Indonesia | | 2022 - 2027 | CHF 4,5m/ CHF 9m | Growth-promoting economic policies |
| **MULTISTAKEHOLDER PLATFORMS** | | | | | |
| UR_00847-02 | Green commodities | Both (RM1) | 2018 - 2023 | CHF 5m | Integration in value chains/Market |

| | | | | | |
|---|---|---|---|---|---|
| | programme Phase I and II | | | | oriented skills/Rules-based trade system |
| UR-01047-01 | Swiss Platform for sustainable cocoa | Both (RM1) | 2018 - 2022 | CHF 3.5m | Integration in value chains/Market oriented skills/Rules-based trade system |
| UR_01231-01 | Global Eco-Industrial Parks Programme | Both (RM1) | 2018 - 2023 | CHF 15.625m | Integration in value chains/Market oriented skills/Rules-based trade system |
| UR_00534-01 and 02 | Partnerships for market readiness and Partnership for market implementation | Both (RM2) | 2020 - 2030 | CHF 11m | Integration in value chains/Market oriented skills/Rules-based trade system |
| **GREENING THE FINANCIAL SECTOR AND MOBILISATION OF FINANCE FOR CLIMATE** | | | | | |
| UR_01244-01- and 02 | Promoting sustainable investment through integrated ESG standards | Both (RM1/0) | 2019-2028 | USD 4.75m<br>USD 16m | Access to finance |
| UR_00917-01 and - 02 | Capital Market Strengthening Facility<br>Sustainable long term financing facility | Not foreseen/Both (RM0/1) | 2015-2021<br>2021-2026 | CHF 2.26m<br>CHF 14.8m | Access to finance |
| UR_00943-01<br>UR-1282.01.01 | SECO17 SDG Impact finance Initiative – recently selected projects though a call for proposals | Both (RM1/1) | 2017-2020<br>2021-2025 | CHF 7m<br>CHF 19.5m | Access to finance |
| **URBAN PLANNING AND MOBILITY** | | | | | |
| UR 00787-01 and 02 | Integrated urban development in Tunisia Phase I and II (IUD) | Phase 2: Both (RM2) | 2018-2026 (both phases) | CHF 4.5m | Urban development and infrastructure |
| UR_00950-01 and 2 | Cities Support Programme South Africa (CSP) | Phase 1: not foreseen<br>Phase 2: Both (RM2) | 2015-2020<br>2020-2024 | CHF 1.8m<br>CHF 9.2m | Urban development and infrastructure |
| UR_00803-01 | Sustainable Urbanisation in Indonesia (IDSUN) | Adaptation (RM1) | 2016-2022 | CHF 14.3m | Urban development and infrastructure |
| **EXTRACTIVE INDUSTRIES** | | | | | |
| UR_00877 | Responsible Mining Index | RM1, Mitigation | 2015 – 2017<br>2018 - 2020 | CHF 6.0m of which CHF 2.1million in Phase II | Rule-based trade systems |

**Assessing Sample Composition in the Climate-weighted Portfolio**

Figures 35-37 below provide a comparative breakdown of the sample in relation to the total climate-weighted commitments, considering various factors such as the type of implementing partners, type of climate action (mitigation and adaptation), Rio markers, and SECO business lines.

The sample included 27 projects and aligned quite well with the distribution of climate commitments in terms of implementing partners, type of climate action, and Rio Markers (figures 35 and 36). However, it did not quite reflect the weight of the urban and development infrastructure in the portfolio, as some large

projects were not included e.g. PIDG (figure 37). The decision to not include PIDG was that an evaluation was ongoing.4

*Figure 48 Comparing sampled to total climate weighted commitments - type of implementing partners*

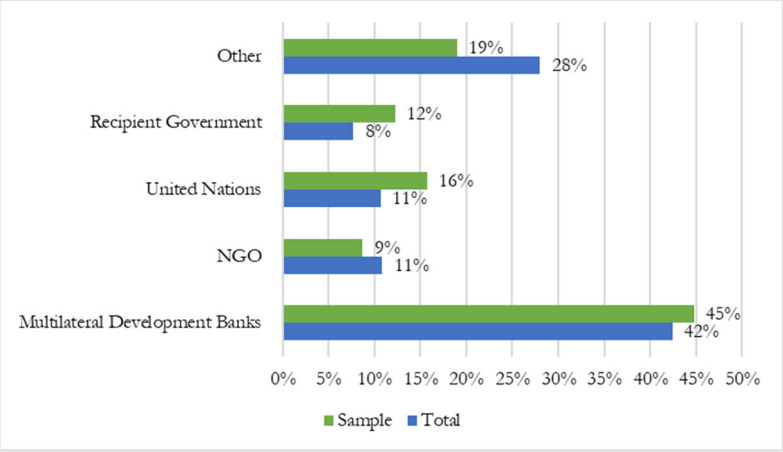



*Figure 49 Comparing sampled to total climate weighted commitments – mitigation vs adaptation, and Rio Markers*

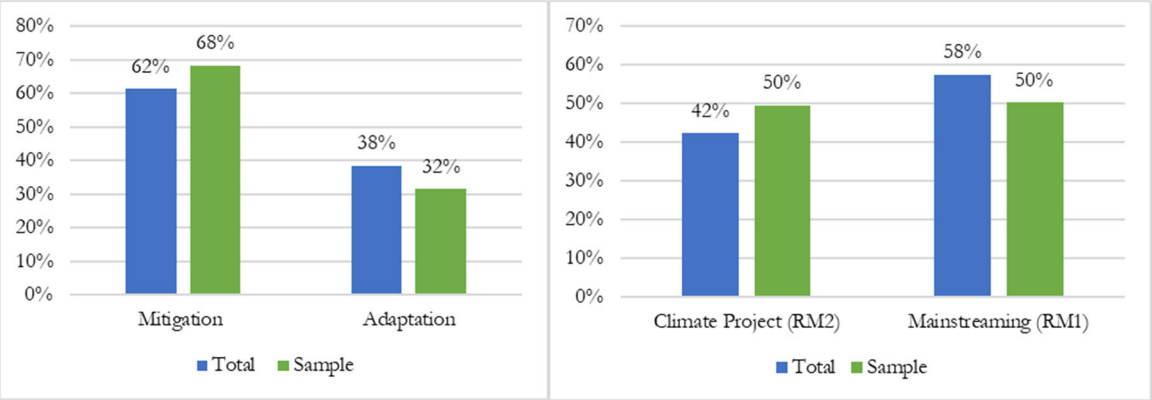
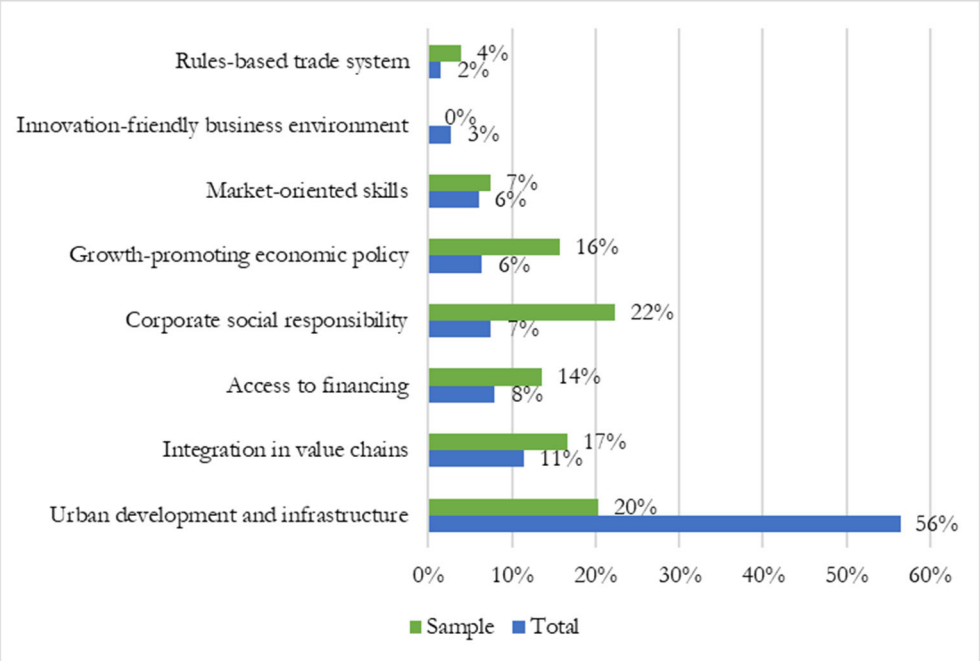



*Figure 50 Comparing sampled to total climate weighted commitments - business lines*



## Annex G List of people consulted

| SECO Bern | | |
|---|---|---|
| **Name** | **Organization** | **Date met** |
| Martin Saladin | Head of SECO WE | 17.05.2023 |
| Marcus Schrader | Head of WELG | 17.05.2023 |
| Sturm Valérie | Evaluation manager, WEQA | 29.11.2022 |
| Salamé Guex Françoise | WEIN, head of climate network | 29.11.2022 |
| Giroud Silvio | WEIN | 29.11.2022 |
| Grunder Jonas | WEIF | 29.11.2022 |
| Sieber Patrick | SDC, global programme climate | 29.11.2022 |
| Frei, Irene | Swiss representative at EBRD | 29.11.2022 |
| Ischer Philipp | WEHU | 29.11.2022 |
| Mortier Laurence | WEPO | 29.11.2022 |
| Müller Andres | WELG | 29.11.2022 |
| Eggli Stephan | WEMU | 29.11.2022 |
| Volery Julien | WEMF | 29.11.2022 |
| Fontaine Anouk | WEQA | 29.11.2022 |
| Keller Philipp | Co-head of WEIN | 29.11.2022 |
| Burrus Garance | WEIN | 29.11.2022 |
| Schneider Johannes | WEQA, Head of Section Quality, and Resources, Evaluation | 29.22.2022 |
| Guigas Nicolas | WEKO (2nd contribution to the EU) | 29.11.2022 |
| Lukas Schneller | Head of Political Section | 29.11.2022 |
| Milena Mihajlovic | Results monitoring and reporting WEQA | Throughout |
| Daniel Aeby | Risk Management WEQA | 29.11.2022 |
| Liliana de Sá Kirchknopf | Head of Division WEIF | 29.11.2022 |
| Julien Volery | Programme Manager WEMF | 29.11.2022 |
| Roman Windisch | SECO | 13.03.2023 |
| Philipp Keller | SECO | 15.03.2023 |
| Oliver Bovet | SECO | 22.03.2023 |
| Swiss WOGA and Stakeholders | | |
| Gabriela Blatter | FOEN | 16.03.2023 |
| Maya Wolfensberger | Helvetas | 18.04.2023 |
| Janine Kuriger | SDC | 24.03.2023 |
| Delia Berner | Alliance Sud | 22.03.2023 |
| Laurent Matile | Alliance Sud | 22-03.2023 |
| H. Egler | South Pole | 24.03.2023 |

| Albania | | |
|---|---|---|
| **Name** | **Organization/position, project or topic** | **Date met** |
| Hungerbühler Silvan | SECO PM | 15.03.2023 VIRTUALLY |
| Maria De Melo | EBRD HQ in London: Principal, Energy Policy | 24.03.2023 VIRTUALLY |
| Tatiana Skalon | World Bank Washington DC: Program Manager | 24.03.2023 VIRTUALLY |
| Sigita Stafa | Embassy of Switzerland in Albania<br>National Programme Officer for:<br>UR_01090-03 Disaster Risk Financing and Insurance UR_01075-04 Organic Trade for Development | 27.03.2023 |
| Eduart Rumani | Embassy of Switzerland in Albania<br>National Programme Officer for:<br>UR_01273-01 Renewable energy auctions Programme<br>UR_00648-01 Solid Waste Management in Albania<br>UR_00723-02 Entrepreneurship Program | 27.03.2023 |
| Alejandro Espinoza | IFOAM: Program Manager | 27.03.2023 VIRTUALLY |
| Elona Pojani | Tirana University: Faculty of Economy | 27.03.2023 |

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|---|---|---|
| Perseta Grabova | Tirana University: Faculty of Economy | 27.03.2023 |
| Keler Gjika | World Bank office in Tirana: Financial Sector specialist | 27.03.2023 |
| Anisa Kume | Ministry of Finance and Economy: Head of Unit, Fiscal Risk Management | 27.03.2023 |
| Alba Dakoli Wilson | Deputy Team Leader<br>UR_00648-01 Solid Waste Management in Albania | 27.03.2023 |
| Blendina Cara | Swisscontact in Tirana: Program Officer | 28.03.2023 |
| Valer Pinderi | ALADINI, e-commerce association | 28.03.2023 |
| Kushtrim Shala | ICT Labs – Uplift support programme for start ups | 28.03.2023 |
| Blerina Ago | Activealbania, Tourism start-up | 28.03.2023 |
| Laureta Dibra | UNDP: NAP Project Manager | 28.03.2023 |
| The National NGOs Forum on Climate Change in Albania | Participation at the forum of the Albanian NGOs | 28.03.2023 |
| Iris Kazazi | National Project Coordinator for Albania, UR_01075-04 Organic Trade for Development Project | 29.03.2023 |
| Ami Çarçani | Ministry of Agriculture and Rural Development, Director for Implementation of Priorities and Statistics | 29.03.2023 |
| Irfan Tarelli | Ministry of Agriculture and Rural Development, General Director for Agriculture | 29.03.2023 |
| Ervin Demo | Municipality of Berat: Mayor | 30.03.2023 |
| Mirela Buhuri | Municipality of Berat: Local Project Coordinator, | 30.03.2023 |
| Denada Gjogu | Municipality of Berat: Head of Sector SWM | 30.03.2023 |
| Elvira Mijshova | Municipality of Berat: Cleaning company (private) Berat Municipality | 30.03.2023 |
| Petro Sinjari | Municipality of Berat: Director Legal Department | 30.03.2023 |
| Sokol Toska | Municipality of Berat: Director Taxes and Tariffs | 30.03.2023 |
| Rovena Shehu | Municipality of Berat: Director of Finance | 30.03.2023 |
| Eduart Rumani | Swiss Embassy | 31.03.2023 |

| **Ghana** | | |
|---|---|---|
| **Name** | **Organization/position, project or topic** | **Date met** |
| Chantal Bratschi-Kaye | SECO-WE/Ghana focal point, macroeconomy | 06.03.2023 |
| Daniel Menebhi | SECO-WE/Solar PV net metering | 08.03.2023 |
| Martin PETER | SECO-WE/ SWISSCO | 08.03.2023 |
| Daniel Benefoh | EPA/ Article 6 | 10.03.2023 |
| Gisela Roth | SECO-WE/ IFC Integrated environment & social governance (IESG) | 13.03.2023 |
| Edi Medilanski | FOEN/ Article 6 | 14.03.2023 |
| Mathias Schluep | World Resources Forum (WRF)/ Sustainable Recycling Initiative | 14.03.2023 |
| Damilola Sobo Tania Mansour, Yewande Ciwa, Moez Miaoui | IFC/ Integrated Environment & Social Governance | 20.03.2023 |
| Annika Böhlen | Halba/ SWISSCO | 21.03.2023 |
| Anne Schick | SECO – Swiss Cooperation Office Accra/ Sustainable Recycling Initiative | 24.03.2023 |
| Christian Rodin | SWISSCO/ SWISSCO | 22.03.2023 |
| Angela Yayra Kwashie | UNCDF LoCAL Ghana CO/ Mainstreaming of CC in decentralized budget support | 27.03.2023 |
| Yannick Träris | KliK Foundation/ Article 6 | 28.03.2023 |
| Ebenezer (Ato) Simpson | NIRAS/ Private Sector Competitiveness Project | 31.03.2023 |
| Simone Häberli | SECO SCO Ghana/overall report | Email |

| **Indonesia** | | |
|---|---|---|
| **Name** | **Organization/ position, project or topic** | **Date met** |
| Phillipp Orga | SECO, Head of Office | 27.02.2023 |

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|---|---|---|
| Andrea Zbinden | SECO, Deputy Head of Office | 27.02.2023 |
| Devi Dine Chandra | SECO, Programme manager | 27.02.2023 |
| Banu Karim Sjadzali | SECO, Programme manager | 27.02.2023 |
| Pak Leonardo Teguh Sambodo | Director Industry, Tourism and Creative Economy BAPPENAS | 27.02.2023 |
| Ibu Virgi | Director Water, BAPPENAS | 27.02.2023 |
| Luis Miguel Triveno | World Bank Jakarta, Programme manager | 27.02.2023 |
| IUWASH project team and representative of the Water Utility | Water Utility in Bogor, project team | 28.02.2023 |
| Martin Stotelle (RESD project manager) + seven representatives of Politeknik, including 2 students | Politeknik Negeri Jakarta, project manager and students | 28.02.2023 |
| Ruedi Nuetzi | Swisscontact, project manager | 28.02.2023 |
| Ferry Sambam Samosir | Sustour, project manager | 01.03.2023 |
| Pak Augusgiaz | Head of Economic Department, BAPPENAS, Labuan Bajo | 01.03.2023 |
| Pak Pius Bout | Head Tourism Development Local Council, Labuan Bajo | 01.03.2023 |
| I Made Sukadana | General manager, Sudamala Resorts | 01.03.2023 |
| Community Group Women for the Environment | 12 members of community group, Labuan Bajo | 01.03.2023 |
| Februanty S. Purnomo | Indonesia Climate Change Trust Fund | 01.03.2023 |
| Salman Alibhai | IFC Jakarta | 03.03.2023 |
| Grace Tjandra | IFC Jakarta | 03.03.2023 |
| Alexandre Hugo Laure | World Bank Jakarta | 03.03.2023 |
| | Bappenas Director Urban | 03.03.2023 |
| Jimmy Wilopo | Daemeter, project manager, SPLP | 02.03.2023 |
| Group of palm oil and pineapple farmers, incl. women farmers producing pineapple derivatives | 16 members of community group | 02.03.2023 |
| Head of Mengkapan village (village government) | SPLP programme | 02.03.2023 |
| Siak District Government – Department for Agriculture | Six government officials | 02.03.2023 |
| Farmer applying oil palm – pineapple intercropping | SPLP programme | 02.03.2023 |
| Nutrunti Indira | Win Rock | 03.03.2023 |
| Martina Locher | SECO | |
| Roman Windisch | SECO | 14.03.2023 |

| **Other** |
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| Name | Organization | Date met |
|---|---|---|
| **Thematic study - Greening of finance and mobilization of private funding for climate** | | |
| Jonas Grunder | WEIF | 04.04.2023 |
| Christine Lewis | WEIF | 04.04.2023 |
| Katrin Ochsenbein | WEMU | 04.04.2023 |
| Massimo Bloch | WEIF | 04.04.2023 |
| Janine Walz | WEIF | 06.04.2023 |
| Philippe Bruegger | WEIF | 06.04.2023 |
| Valerie Donzel | WEIF | 27.03.2023 |
| Abujafar Saleh | SECO | 04.04.2023 |
| Sarah Cuttaree | IFC Corporate Governance Officer | 06.04.2023 |
| Catiana Garcia-Kilroy | World Bank GP Finance, Competitiveness and Innovation | 19.04.2023 |
| Jorg Frieden | Chairman of the Board SIFEM | 31.03.2023 |
| Safeya Zeitoun | SIFEM | 31.03.2023 |
| Trang Tran | Convergence | 18.04.2023 |
| Karin Tang | UBS Optimum | 20.04.2023 |
| Sabine Döbeli | Executive Director Swiss Sustainable Finance | 05.05.2023 |
| **Thematic study - Public Financial Management** | | |
| Stephan Eggli | WEMU, climate network focal point, DRFI, CAPE | 28.03.2023 |
| Philippe Brügger | WEMU, PFM Indonesia | 31.03.2023 |
| Narin Panariti | Local consultant, Albania | 29.03.2023 |
| Franziska Spoerri & Sigita Stafa | WEMU/ SCO Albania Strengthening subnational PFM | 30.03.2023 |
| Tatiana Skalon | The World Bank, DRFI | 26.04.2023 |
| Richard Anthony Sutherland | The World Bank<br>MCCGP II | 28.04.2023 |
| Abdulaziz Almuzaini | The World Bank<br>MCCGP II | 28.04.2023 |
| **Thematic study - Integrating value chains and rules-based trade, CSR: multistakeholder platforms** | | |
| Christian Robin | Executive Director SWISSCO | 22.03.2023 |
| Ischer Philipp | SECO - WEHU climate person + PMR+ GEIPP | 20.01.2023 |
| Hans-Peter Egler | Director of Public Affairs South Pole (SWISSCO) | 24.03.2023 |
| Andrew Bovarnick | Programme director | 5.4.2023 |
| Andrea Bina | monitoring lead (GCP) | 5.4. 2023 |
| Leif Pedersen | Team lead (GCP) | 5.4.2023 |
| **Thematic study – Urban planning and mobility** | | |
| Giroud, Silvio | WEIN, Programme manager IUD Tunisia | 26.04.2023 |
| Moez Naija | PIU lead and director of the municipal technical services (IUD Tunisia) | 17.04.2023 |
| Roman Windisch | WEIN, SECO programme manager (IDSUN) | 14.03.2023 |
| Luis Miguel Triveno | World Bank Programme manager (IDSUN) | 27.02.2023 |
| Pienaar Gerhardus Jacobus | SECO South Africa, CSP programme manager | 09.05.2023 |

# Annex H List of documents consulted

## ALBANIA

### General

- World Bank, Albania Country Risk profile; 2021
- SECO/SDC Swiss Cooperation strategy 2018-2021
- Switzerland's international cooperation is working. Final report on the implementation of the Dispatch 2017 – 20, 2020 (52p)
- SECO/SDC Swiss Cooperation strategy 2022-2024
- Switzerland's international cooperation strategy 2021-2024, 2020 (52p)

### Disaster Risk Financing and Insurance (DRFI) (UR 01090-03)

- Albania climate risk country profile; World Bank Group
- Project data shit WEMU-Disaster risk financing and insurance(DRFI) Phase II, 2016-2021
- Credit proposal and funding request - Disaster risk financing and insurance(DRFI) Phase III
- Program Review (2017–2022)- Sovereign Disaster Risk Finance and Insurance in Middle-Income Countries Sovereign Disaster Risk Finance and Insurance in Middle-Income Countries; A partnership between the World Bank's Crisis and Disaster Risk Finance team and the Swiss State Secretariat for Economic Affairs (SECO)
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- EBRD-SECO Renewable Energy Auction Programme- Semi-Annual Progress Report for SECO
- Credit Proposal - 29.11.2019 - Renewable Energy Auctions Program Regional: Western Balkans and SEMED Project duration: 2019-2024

### Organic trade for development (UR 01075)

- SECO, OT4D CP phase 2, 2019 (27p)
- OT4D, inception report 2020 (18 p)
- OT4D explainatory notes
- OT4D report, 2021
- www.organictrade4development.org
- OTD projects data sheet (18p)
- Mueller,A. et al, Soil carbon sequestration, 2020 (4p)
- INFOAM, Full cost accounting to transform agriculture and food systems, February 2019 (7p)
- INFOAM, Policy tool kit- guidelines for public support to organic agriculture, September 2017 (247p)

### Solid waste managment project (UR00648-02)

- KFW annual report June 2022 (11p)
- KFW annual report December 2022 (12p)
- SECO, Credit proposal, 2021 (19p)
- Infrastructure Umwel, Project Identification, Solid Waste Management in Albania, April 2015
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- SECO EP credit proposal , April 2019, (26p)
- Guidelines for climate mainstreaming in private sector development, 2020 (12p)
- The Swiss Entrepreneurship Program (Swiss EP) in a nutshell, 2022, (16p)
- No-Cost Extension of the Swiss Entrepreneurship Program, Phase II, February 2023 (2p)
- Evaluation Report for the External Evaluation of the Swiss Entrepreneurship Program (Swiss EP), Phase II (2019-2023), building on Phase I (2015- 2019), 2022 (58p)

- Report of Swisscontact to SECO on the implementation of the Swiss Entrepreneurship Program, Progress Report 2022 (30p)

**GHANA**

- Annual Report 2020, Swiss Platform for Sustainable Cocoa
- Baseline report, Program Evaluation and Impact Assessment of the Global Program for Sustainability, 16th January 2023, Trinomics, DT Global
- City Resilience Programme, Annual Report 2019 – 2020, WBG and GFDRR
- Climate Risk Profile – Ghana, World Bank Group, 2021
- Climate-smart agriculture and agroforestry in cocoa – Guidance document on financing needs and opportunities, SWISSCO
- Cooperation Strategy S 2021 – 2024 Ghana, SECO
- Credit Proposal, Ghana Solar-Photovoltaic based Net-Metering, 9 Feb 2022
- Credit Proposal, Integrated Environmental, Social and Governance (ESG) Programme 2021 - 2028
- Credit Proposal, Swiss Platform for Sustainable Cocoa Support Programme, 08.12.17
- Final Evaluation of the Local Climate Adaptive Living Facility (LoCAL) Evaluation Report, UNCDF, IPE Global, Dec 2022
- For sustainable prosperity SECO's economic development cooperation 2021-2024
- Global Annual Report on Integrated Environment, Social and Governance (ESG) Program: Driving Sustainable Investment September 15, 2021 – June 30, 2022
- Global Program on Sustainability, annual report 2020/21, World Bank, GPS, Waves
- GrEEn Progress Report Year 2, UNCDF LoCAL, 2022
- Implementation Report, Swiss Economic Cooperation and Development Ghana Cooperation Programme 2022
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- Memo, Proposal for a budget increase (CHF1 million) for the Swiss Cocoa Platform Support Programme, 20. April 2020
- Midterm Evaluation Report, Sustainable West Africa Palm Oil Programme (SWAPP) II, Ghana, PPP, Proven AG Solutions
- Progress Report 2022, Sankofa Project - Empowered by Alliances for Action, SECO Innovative Value Chain Projects Private Sector Co-Financing Facility for the Swiss Platform for Sustainable Cocoa
- Project Data Sheet, Ghana Private Sector Competitiveness Program 2017-2021
- Project Data Sheet. Sustainable Recycling Industries Phase II 2019-2023, SECO
- Proposal Sankofa 2_ signed 2022
- Results Framework Dispatch 2021-24 final version February 2021
- Status Report 2022, 2nd phase Sustainable Recycling Industries, Tobias Schleicher, Andreas Manhart, (Oeko-Institut e.V.) Dr. Sampson Atiemo (Mountain Research Institute) Letitia Nyaaba (Ghana National Cleaner Production Center)
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- Updated Nationally Determined Contribution under the Paris Agreement (2020 - 2030) – Ghana
- World Bank Paris Alignment Method for Investment Project Financing Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/099710403162331265/IDU0782c88ff0c719041ed08b850a84f82eccaa4
- World Bank Paris Alignment Method for Investment Project Financing March 7, 2023
- TENDER ID. 238202 Tender Document For the implementation of the "Ghana Private Sector Competitiveness Program Phase II"

INDONESIA

- Concept Note, Energy Access through Skills Development Programme
- Concept Note, Sustainable Tourism Indonesia, 2017
- Credit proposal, IDSUN, Sustainable Urbanisation Trust Fund, SECO, 2016
- Credit proposal, Sustainable Landscape Programme Indonesia, SECO, 2022
- Credit proposal, USAID IUWASH, SECO, 2019
- Final Report Mid Term Review (MTR) of the Sustainable Tourism Development Initiative (STDI) Indonesia, 2021
- Independent Terminal Evaluation of IDSUN MDTF, 2021
- Indonesia Sustainable Urbanization Multi-Donor Trust Fund IDSUN Annual Report, 2021
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- Updated Nationally Determined Contribution Indonesia, 2021
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- Project Proposal to the Sustainable Landscape Program in Indonesia (SLPI) of the Federal Department of Economic Affairs, Education and Research EAER, State Secretariat for Economic Affairs SECO for the Sustainable Landscape Initiative in Kutai Timur (SUSTAIN KUTIM) Project, GIZ

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GCP


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GEIPP


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SCP


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- SWISSCO, Baseline report 2022
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- Credit Proposal and funding request, Disaster Risk Financing and Insurance, Phase III, 24 January 2022, SECO
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- IFC: Global Annual Report on Integrated ESG Program: Driving Sustainable Development (September 2021-June 2022)
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**Thematic case study – Urban planning and mobility**


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**Other**


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