



Annual thematic performance report 2009: Environment and Climate Change

February 2011

In 2008-09, Australia spent around \$175 million on environment and climate change programming under the aid program. This is expected to increase over coming years in line with the increasing aid budget. Whilst the focus has historically been to help developing countries address broad environmental challenges, there is now widespread agreement that climate change is a particular constraint to development with the potential to impede economic growth, exacerbate food shortages and erode recent gains in poverty reduction. The Australian aid program has responded by expanding its environment program to specifically target climate change challenges. The continued expansion of the program, together with the range of stakeholders focused on the sector, has highlighted the need for a strategic, whole of government approach to the environment and climate change program. In 2009, through wide stakeholder consultation, AusAID identified four priority areas to help guide the environment and climate change program: building resilience; greening growth; sustaining livelihoods; and enhancing our impact.

AusAID has made progress towards each of these four priority areas in 2009. Key achievements include assisting the Global Environment Facility to launch and implement a large-scale community-based adaptation program, establishing one of the first demonstration activities in Indonesia on reducing emissions from deforestation and forest degradation in developing countries (REDD+), initiating a program of support for the improved management of coral reef ecosystems in the Coral Triangle and working with small island developing states to support their participation in the international climate change negotiations.

There is also a range of challenges for the program. Climate change is a complex area of work, its impacts are difficult to measure and it will take time to deliver results. Climate change programs often require the establishment of politically complex new governance structures and are founded on stakeholder engagement and transparent public financial management. The complexity and timescale of climate change impacts and responses also means it is inherently difficult to measure results. Integrating environment and climate change into the aid program remains a challenge but is essential to achieve long-term sustainable outcomes. AusAID's environment and climate change group is working to deliver an effective, value for money, high quality program and to support the agency to effectively integrate environment and climate change considerations across the aid program. Systems to screen programs for potential environment and climate change impacts have been put in place and further measures are being developed to address the above challenges.

This report presents an overview of the environment and climate change program in 2009, examines the achievements across the four priority areas and finally sets out key areas of future focus for the program. Australia's financial contributions are reported in line with financial year 2008-09.

Overview of Australia's Environment and Climate Change program in 2009

In 2008-09, the total environment and climate change program was around \$175 million. Whilst historically, the environment program has focused on natural resource management for poverty reduction, climate change has emerged as a particular constraint to development. It has the potential to constrain economic growth, exacerbate food shortages and erode recent gains in poverty reduction as well as impede progress towards the Millennium Development Goals. In response, the environment program has strengthened its focus on climate change impacts and responses in developing countries. In 2008-09 a key focus for the program was to build the foundations needed to effectively expand climate change investment. These foundations include focusing AusAID's strategic priorities for the program, strengthening relationships with partner organisations, integrating environment and climate change considerations across the aid program and developing knowledge and capacity to deliver climate change and environment programs.

Strategic priorities for the environment and climate change program


In 2009, through wide stakeholder consultation, AusAID identified four priority areas to help guide the environment and climate change program: **building resilience** through helping people to adapt to changes in their environment, including responding to new opportunities; **greening growth** through supporting partner countries to pursue cleaner development pathways; **sustaining livelihoods** through the improved management of natural resources and ecosystems; and **enhancing our impact** through influencing international policy processes and improving the performance of our own development assistance in achieving environmentally sustainable outcomes. Table 1 shows the spread of official development assistance (ODA) across these program objectives in 2008-09.

Table 1: Spending in 2008-09 towards AusAID environment and climate change program objectives

	Bilateral Programs (including budget measures) (AUD million)	Global Programs (AUD millions)
Objective 1: Building resilience	12.5	28.4
Objective 2: Greening growth	24.4	85.0
Objective 3: Sustaining livelihoods	18.7	3.9
Objective 4: Enhancing Impact	-	2.2
Subtotal	55.6	119.5

Strengthening relationships with partner organisations

To address all of these priority areas requires ongoing and strengthened relationships with a range of stakeholders. Key partners for the environment program include Australian Government agencies, research institutions, partner governments and Non-Government Organisations. AusAID has worked to continue and strengthen relationships across the Government, including initiating the now established a Strategic Partnership Agreement between AusAID and the Department of Climate Change and Energy Efficiency (DCCEE). Partnerships with the research community, such as the CSIRO Research for Development Alliance, provide an important knowledge and evidence-base for responses to climate change. Engaging with international partners, both bilaterally and through multilateral forums, such as the United Nations Framework Convention on Climate Change (UNFCCC) and the Environment Network under the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC), has helped to build understanding, knowledge and capacity, to support coordinated international action.



Integrating environment, climate change and disaster risk reduction across the aid program

Strengthening internal capacity and integration was identified as a priority in 2008-09. In 2008, the OECD-DAC Peer Review of the Australian aid program identified the need to strengthen the integration of environment and climate change considerations across the aid program. Through integration AusAID can increase the awareness among its staff of how environment and climate change is inextricably linked to the aid program and thereby minimise its impact on the environment, reduce its contribution to climate change and reduce the vulnerability of investments to the impacts of climate change.

To guide the agency's approach, AusAID developed a roadmap for integration in 2008-09, which includes increasing staff awareness and capacity through training and tools; and reviewing and strengthening internal systems.

To increase staff awareness and capacity a new climate change, environment and disaster risk reduction training program for AusAID staff was launched in August 2009. The training has enabled 154 staff (97 at Post and 57 in Canberra) to develop new skills in integration. Feedback has highlighted that, following the training, staff are now more actively looking for ways to ensure these issues are considered.

To ensure new skills are effectively utilised, AusAID also strengthened internal communication and enhanced its environment and climate change internal staff network, including through consolidating links with work to reduce the risk of disasters in developing countries. A new newsletter was distributed to provide targeted and relevant information to network members. Positive feedback has been received from AusAID staff in Canberra and overseas. Online information was also updated to enhance relevance to the needs of internal and external stakeholders.

To strengthen the compatibility of AusAID systems with environment, climate change and disaster risk reduction priorities, new tools, guidance on integration and updates to AusAID quality processes were implemented. The continued application of these new systems and skills will require ongoing and sustained effort by AusAID staff across the agency.

Developing domestic and international knowledge, skills and capacity

Ensuring the objectives of the environment and climate change program are achieved, requires not only integration of these issues across the aid program, but also improvement of capacity and skills, domestically and internationally, to assess issues and respond effectively. In 2008-09, Australia took up seats on the Trust Fund Committees of the World Bank-administered Climate Investment Funds (CIF) alongside a broad range of contributor and recipient countries. Australia's involvement since the inception of the CIF has allowed us to assist in establishing the CIF's operational frameworks, select program pilot countries and allocate funding for investment strategies to help developing countries pilot low-emissions and climate-resilient development. Serving on the CIF governing bodies, including as Co-Chair for extended periods, has enabled Australia to participate in the design and operation of an innovative approach to climate change and development that will be influential in the design of a future global climate change financing mechanism. Our role has also ensured that the planning and implementation of the CIF work programs complement Australian bilateral funding to enhance the impact of our support to partner countries.

In July 2009, Australia took up the seat as Council Member of the Global Environment Facility (GEF) Council for the constituency of Australia, New Zealand and Republic of Korea. In 2009, the Council commenced negotiations for the fifth replenishment of the GEF (2010-2014), including shaping an institutional reform program designed to enhance the GEF's environmental outcomes by improving operational efficiency and better aligning programs with recipient country priorities.



During 2009, Australia participated actively in UNFCCC negotiations which culminated in the Copenhagen climate change conference. The outcome of this conference was encapsulated in the Copenhagen Accord, details of which are provided in the Major Achievements section.

Investment in climate change action is increasing

In 2008-09, Australia invested in all four priority areas identified in the strategy. Key investments included:

- \$150 million over 3 years (starting 2008-09) to the International Climate Change Adaptation Initiative, including: contributing to the Pilot Program for Climate Resilience (\$40 million over three years starting in 2008-09), one of the World Bank-administered Climate Investment Funds; \$25 million for practical adaptation activities in the Pacific and East Timor; \$20 million to the Pacific Climate Change Science Program; and support to the Alliance of Small Island States to assist members prepare for and participate in UNFCCC negotiations. This initiative was expanded in the 2010-11 Budget;
- Support for other climate change adaptation activities, including sea-level monitoring and vulnerability assessment in the Pacific, support for regional institutions such as the South Pacific Applied Geoscience Commission (SOPAC) and the South Pacific Regional Environment Program (SPREP), water resource management in the Lower Mekong River Basin, establishment of the AusAID-CSIRO Research for Development Alliance to enhance research into climate change and development; and a range of investments across the region in disaster risk reduction and preparedness;
- Implementation of the International Forest Carbon Initiative, providing \$200 million over five years (starting 2007-08) to support international efforts for REDD+ through the UNFCCC. This initiative was expanded in the 2010-11 Budget;
- Support for other climate change mitigation activities, including the Clean Technology Fund (\$100 million over 3 years starting 2008-09), one of the World Bank-administered Climate Investment Funds, and the Asian Development Bank's Clean Energy Financing Partnership Facility (\$7 million over two years starting 2007-08). The Government also pledged in August 2009 at least \$25 million over four years from 2009-10 for initiatives in clean and affordable energy in the Pacific region;
- In 2009, Australia committed \$2 million to the Coral Triangle Initiative, a joint initiative between the Governments of Indonesia, East Timor, Papua New Guinea and Solomon Islands to protect the livelihoods of the 240 million people dependent on the coastal ecosystems; and
- In 2008-09, Australia pledged \$9.44 million over three years to the seventh replenishment of the Multilateral Fund of the Montreal Protocol, which supports developing countries to phase out ozone-depleting substances.

Australia's investment in climate change action is expected to accelerate over the coming years in line with the aid program increasing to 0.5 per cent of Australia's gross national income by 2015-16. This reflects an increased focus on climate change among partner country priorities and is an integral part of Australia's work with the international community to drive a global solution on climate change .



Major Achievements


The major achievements delivered in the environment and climate change sector are outlined under each of the program objectives. Progress during 2008-09 set the initial foundations for expansion of climate change and environment investments.

Objective 1: Building resilience

- > AusAID support has assisted the GEF Small Grants Program to launch and implement a large-scale community-based adaptation program which is helping fund local-level adaptation responses in areas including food and water security and coastal protection. The program is working with communities in the Pacific, the Mekong Sub-region and Sri Lanka.
- > In partnership with the DCCEE, the Bureau of Meteorology and the CSIRO through the Pacific Climate Change Science Program, AusAID has supported the development of information systems to help decision makers in Pacific Island countries better understand how the climate and oceans have changed and how they are likely to change in the future.
- > Direct climate change adaptation support under the aid program to Pacific Island countries in 2008-09 included installation of over 600 water tanks in Tuvalu to ensure the population of Funafuti have sustainable access to fresh water, access to which may be threatened by changing rainfall patterns and seasonal fluctuations arising from climate change. This initial investment in direct adaptation support has paved the way for more recent activities in a range of countries, including integrating adaptation into major transport infrastructure activities in Vanuatu and Solomon Islands to ensure future climatic conditions and extremes are considered prior to construction.

Objective 2: Greening growth

- > Australia has supported Indonesia through the Kalimantan Forest and Climate Partnership under the International Forest Carbon Initiative, to undertake one of the first demonstration activities in the country. This is helping Indonesia, which retains significant forest cover but has a high rate of deforestation, to support practical action on REDD+, including work to rehabilitate peat swamp forest and research on how to estimate and monitor greenhouse gas emissions generated from peat.
- > Australia has worked with Indonesia to prepare a climate change Green Paper to explore policy options and strategies for curbing carbon emissions. The paper, released in December 2009, was well received and has informed the Government of Indonesia's approach in pursuing its low carbon growth objectives and emissions reduction targets.
- > Australia has also worked with Indonesia since 2008 on developing the Indonesian National Carbon Accounting System (INCAS). This work is likely to form the backbone of Indonesia's Measurement, Reporting and Verification (MRV) system.

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- > Support provided through the Clean Technology Fund is assisting high-emitting developing countries to reduce the carbon footprint of their energy and transport sectors. In 2009, the fund approved financing of \$250 million in the Philippines to support investments in renewable energy, energy efficiency and mass transit. These investments are expected to result in a reduction of 3.7 million tons of carbon dioxide equivalent emitted per year, which is significant when compared against the country's total emissions in 2005 of 142 million tons. The fund also approved investments in concentrated solar power (CSP) generation in the Middle East and North Africa that would amount to a doubling of worldwide CSP capacity.

Objective 3: Sustaining livelihoods

- > The Australian Government commenced its support to the Coral Triangle Initiative on Coral Reefs, Fisheries and Food Security (CTI), which focuses on the livelihoods and food security of the 240 million people who rely on coastal marine ecosystems in Indonesia, Philippines, Malaysia, East Timor, Solomon Islands and Papua New Guinea. In 2009, Australia hosted the Coral Triangle Protection and Management workshop in Townsville and provided support to establish governance and institutional arrangements, which will enable the CTI become an effective and representative regional forum.
- > From 2008, AusAID supported the pilot environmental component of Indonesia's National Program for Community Empowerment in Rural Areas ("Green PNPM"), which provides grants to communities for projects demonstrating positive environmental impact, for example in reforestation, erosion control, water management and renewable energy. Australia's \$4 million contribution has helped Green PNPM fund over 700 community-selected projects on Sulawesi and Sumatra Islands, including 32 small hydro power schemes which will generate an estimated 400 kilowatts of renewable electricity and a mangrove planting program along eroding shorelines to protect several hectares of coastal fish farms from which 50 percent of villagers derive their income.
- > Since 1991, Australia has supported the GEF to shape policy reform and fund practical programs in developing countries that tackle climate change, biodiversity loss, ozone depletion, contamination by persistent organic pollutants and the degradation of land and transboundary water systems. In 2008-09, the GEF invested a total \$877 million in new environmental programs and raised an additional \$5.97 billion in co-financing from development partners.
- > Australia shares a seat with New Zealand and the Republic of Korea on the GEF Council. Through this role, AusAID has worked with Pacific Island countries and other GEF stakeholders to enable access by Pacific Island countries to over \$100 million in GEF funding. The twenty-five projects in the GEF Pacific Alliance for Sustainability will: support communities to conserve biodiversity; strengthen regional management of marine resources in the Coral Triangle; facilitate environmentally sound management of hazardous wastes; and promote renewable energy and improve energy access in the region.

Objective 4: Enhancing impact








Our support to climate change programs is set against the backdrop of the international climate change negotiations under the UNFCCC, which set the overall direction for international efforts. The UN Climate Change Conference in Copenhagen in 2009 resulted in new commitments towards REDD+ efforts and finance for developing countries.

- > In addition to Australia's commitments to fast-start and longer-term financing at the climate change conference in Copenhagen, we are active in international negotiations on REDD+ and became one of six donors (with Norway, Japan, the United States, Britain, France) to pledge \$3.5 billion in short-term funding for REDD+ at the conference. Australia's contribution is delivered through the International Forest Carbon Initiative.
- > We have supported research to inform the global debate on climate change, including a \$3 million research partnership with the Centre for International Forestry Research (CIFOR) from 2008 – 2012. Through the Australian Development Research Awards (ADRA), we have also supported research into a range of issues related to REDD+, including combating the illegal timber trade and better understanding the impact on livelihoods of incentive payments for avoided deforestation.




In response to the OECD DAC Peer Review of the Australian aid program in 2008, AusAID's environment and climate change thematic group undertook a detailed review of the agency's environmental management system in 2009 to identify opportunities to enhance our performance and approach to integration. A number of risk mitigation measures were identified and in 2009 we achieved the following:

- > Over 150 staff in Canberra and at post participated in a new in-house training program. An outcome of this training has been the inclusion of environment and climate change considerations in four country strategies (Indonesia, Philippines and Vietnam).
- > AusAID's quality processes now include environment considerations. The quality at entry (QAE) process requires reviewers to assess the design of programs for their compliance with the Environment Protection and Biodiversity Conservation (EPBC) Act. The quality at implementation (QAI) has also been updated to include specific guidance on how to report against environmental objectives.

Table 2: Ratings of the program's progress in 2009 towards AusAID Environment and climate change Objectives

Objective	Rating in 2007-08	Rating in 2008-09	Change
Objective 1: Building resilience <i>People better able to adapt to their changing environment</i>			Improved.
Objective 2: Greening growth <i>Partner countries pursue cleaner development pathways</i>			None.
Objective 3: Sustaining livelihoods <i>People's livelihoods improved through better management of natural resources and ecosystems</i>	n/a		Objective introduced in 2009. ¹
Objective 4: Enhancing impact <i>Improved performance of development assistance in achieving environmentally sustainable outcomes</i>			Improved.

Note:

-  The objective will be fully achieved within the timeframe of the strategy.
-  The objective will be partly achieved within the timeframe of the strategy.
-  The objective is unlikely to be achieved within the timeframe of the strategy.

¹ This objective was identified during the development of the internal strategic document in 2009. Prior to this, activities contributing to this objective were categorised under Objectives 1 and 2.

Portfolio Review

AusAID quality reports are used to monitor the performance of the aid program and ensure effective expenditure. Reports prepared for activities in the environment and climate change sector provide indicators of performance against program objectives. Table 3 below presents a consolidated table of ratings for each activity under Objectives 1-3. Due to their size, focus on policy influence and capacity building nature, activities under Objective 4 are not required to prepare quality reports. An assessment of performance for this objective is discussed under the previous section, Major Achievements. Recognising that we are only at the start of our climate change investments it will be important for AusAID to proactively use internal performance monitoring processes to ensure the continued quality and effectiveness of our programs. In 2010-11, mid term reviews of climate change programs will be undertaken to ensure early lessons from this new area of engagement are incorporated as funding to the program increases.

Table 3: Quality at Implementation – Consolidated rating of objectives for 2008-09

	Analysis and Lessons		M&E		Sustainability		Effectiveness		Efficiency	
	Number	%	Number	%	Number	%	Number	%	Number	%
Very high quality	-	-	1	7%	-	-	2	14%	-	-
Good quality	3	43%	3	20%	9	60%	7	50%	4	29%
Adequate	4	57%	10	67%	6	40%	4	29%	9	64%
Sub-total Satisfactory	7	100%	14	93%	15	100%	13	93%	13	93%
Less than adequate	-	-	1	7%	-	-	1		1	7%
Poor quality	-	-	-	-	-	-	-	-	-	-
Very poor quality	-	-	-	-	-	-	-	-	-	-
Sub-total Unsatisfactory	-	-	1	7%	-	-	1	7%	1	7%



Conclusions and recommended actions

AusAID is developing capacity, achieving results and supporting partners to address climate change and environmental impacts. Progress made during 2008-09, has identified some lessons for future work in the program:

- **Integrating environment, climate change and disaster risk reduction into our development programs remains critical for genuine sustainability.** Climate change adaptation, for example, cannot be addressed separate to the design and delivery of development assistance. Development gains in sectors such as health, food security and infrastructure will be undermined if the impacts of climate change, environmental degradation and natural disasters are not taken into account. Where possible, these considerations should be considered as early as possible in the planning processes of partner government systems and development assistance programs because adding adaptation requirements later can be complex and costly, which can further stretch already limited systems.
- **Climate change is a complex area of work, its impacts are difficult to measure and it will take time to deliver results.** Climate change programs often require the establishment of politically complex new governance structures and are founded on stakeholder engagement and transparent public financial management. Balancing short term gains with long term sustainability is important but challenging. An innovative performance assessment framework is required to acknowledge the importance of processes and that in many cases the practical results are the avoidance of negative impacts.
- **Engagement in multilateral and global funds can generate substantial impacts and influence.** The GEF and Climate Investment Funds have delivered significant levels of climate financing and piloted innovative ways of planning and implementing climate change activities. Australia's participation in the governance of these funds has generated substantial experience in the management of stakeholder relations and the design of effective organisational structures and decision-making arrangements to deliver climate change finance.
- **Whilst staff capacity to include environment and climate change considerations as part of aid activities is growing, this needs to accelerate and develop into a wider understanding of good practice.** Climate change is a relatively new and complex sector for the aid program. Incentives to deepen climate change skills and experience in AusAID need to be strengthened. Staff need skills and capacity to influence policy debates and engage effectively with multilateral partners. Continued effectiveness in an increasing climate change program will be dependent upon a commensurate development of staff capacity.
- **Geographical coverage of bilateral climate change support is relatively broad.** This requires a flexible approach to program design reflecting Australia' level of engagement, influence and resources in the relevant countries and regions. A broad geographical coverage, combined with minimal dedicated climate change resources, makes the integration agenda outlined above even more crucial for the effective and efficient programming of climate change funding.



Key priorities to improve the impact of the environment and climate change program over the coming year, include:

1. **Delivering our fast-start funding effectively to meet the four environment and climate change program objectives.** The progress made in the first years of work on climate change has set a strong foundation for increasing funding to the program. New funding should build on existing climate change activities, including through increasing multilateral engagement and expanding the program in line with strategic assessments undertaken to identify needs and opportunities in partner countries. New programming should be guided by experience in the climate change program to date to ensure that future investments effectively contribute to program objectives.
2. **Continue to improve the evidence base for climate change action in developing countries.** The scientific evidence base must be accessible by, and responsive to, the needs of partner countries; including by working closely with national and regional institutions to build capacity and knowledge. This will mean ensuring scientific support is effectively communicated to target audiences in partner countries so that it can inform national and local-scale action on climate change adaptation and sustainable livelihoods.
3. **Further grow the capacity of AusAID staff to integrate environment, climate change and disaster risk reduction into the aid programs.** Integration makes good development sense, but it is also a prerequisite to ensure compliance with the EPBC Act and that development pathways are consistent with efforts to address climate change. AusAID's country strategy development process can target efforts to countries where there is greatest demand for support to the environment and climate change sector. It is critical to provide overseas staff with the means to address these issues. This can be facilitated by ensuring the environment and climate change internal staff network remains relevant to agency needs and continuing tailored training, including new delivery methods such as e-learning. An environment focal point network will also be set up to establish a community of good practice within the agency.
4. **Strengthen the focus of AusAID's rural development and food security programs on climate change impacts.** Development approaches need to take account of climate change trends and impacts, and as a first principle, protect the productivity and functioning of natural resources and ecosystems that sustain livelihoods. Continuing to deepen the relationship between AusAID's environment and climate change and the rural development thematic groups will enable existing and future programs to continue to work towards Objective 3, Sustaining Livelihoods.
5. **Deepen the linkage between environment and climate change and AusAID's infrastructure program.** Climate change will have a significant impact on infrastructure assets and the reliability of service provision in the long term. Further strengthening of the links between our environment and climate change and infrastructure thematic groups will facilitate continued work in partnership with developing countries to improve the planning of infrastructure delivery.
6. **Continue to drive practical action on REDD+ in Indonesia.** As a leading developing country trialling this approach to reducing emissions, Australia and Indonesia have the opportunity to demonstrate practical action on the ground to provide confidence and stimulate continued progress globally.



7. **Using AusAID-funded scholarships to advance environment and climate change program objectives.** Scholarships are an important capacity building tool supporting the achievement of development objectives, particularly where low capacity or leadership has been identified as a constraint to development in partner countries. Identifying needs and pursuing opportunities for scholarships in targeted areas would complement current work in partner countries and contribute to the objectives of the environment and climate change program.

These improvements will help to strengthen the environment and climate change program and allow AusAID to more effectively pursue the four program objectives, identified during 2009: building resilience; greening growth; sustaining livelihoods; and enhancing our impact. As funding to the environment and climate change program increases, AusAID will deepen its investment in efforts to meet each of these four objectives, building on the foundations established in the early years of the program, including strengthened relationships with partner organisations, integration of environment and climate change considerations across the aid program and enhanced knowledge and capacity to deliver climate change and environment programs. Building on these efforts to date, AusAID is well placed to enhance the impact of the aid program in the environment and climate change sector and assist Australia's partner countries in this important area.