Tracking green objectives and green development finance in Strategic Partnerships with civil society and multi-project mechanisms:

A guide to the Rio marker method and green development finance tracking

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Contents

1. Introduction

The purpose of this guide is to help the Strategic Partnership (SPA) organisations and managers of other so-called "multi-project mechanisms" (such as the FFU Windows with Danida Fellowship Center (DFC) and CISU's pooled grants) to track green development objectives and green development finance (collectively referred to as "Partners" in this guide). The guide is a living document and may be updated when relevant.

Over recent years, the Danish Ministry of Foreign Affairs (MFA) has been refining its approach to tracking and reporting the green development finance Denmark provides to developing countries. These changes look to more accurately account for development finance which targets the five components of green finance:

1. Biodiversity
2. Desertification
3. Environment
4. Climate change adaptation
5. Climate change mitigation

In the past, the green development finance channelled by Partners has been estimated at the aggregate level by the MFA. This approach represented a top-down perspective, and green finance calculations were based on broad assessments of the strategic objectives of a given organisation. The approach did not analyse the individual projects and activities being supported through these channels in any given year.

To improve the accuracy and "granularity" of this process, the MFA began a voluntary pilot project in 2018. Through the pilot, the MFA requested information from specific Partners (CISU, FFU, DanChurchAid and Danish Red Cross) regarding the objectives of the projects and activities which they funded in the previous year with the public finance provided to them.

As a result of this pilot project (which focused only on climate objectives), the MFA was able to more accurately estimate how much climate finance each organisation provided. This information was then used to more accurately report Denmark's climate finance to the EU and UNFCCC.

Based on those experiences, the MFA is extending the scope of the reporting and more Partners are requested to provide information regarding the five "green development finance" objectives.

The SPA organisations are required to report the information regarding green objectives in their strategic partnerships for 2022-2025 on an annual basis. The first reporting on the SPA engagements for the period 2022-2025 will be in 2023. This means, that reporting in 2022 (for funds spent in 2021) is voluntary for SPA organisations, but provides an opportunity to test the method.

As outlined in the following sections, the information regarding green objectives can be provided using the Partners own existing internal systems, or by following the "Rio marker method". The Rio marker method is used by the MFA and other developed countries to estimate their own flows of green finance. It is considered as manageable, in terms of the required time inputs, and is an international standard. The method is explained in detail within this guide.

Reading guide

Section 3: The five components of green development finance are defined and the Rio markers of "0", "1" and "2" are outlined.

Section 4: The "Rio marker method" to estimate green finance is explained.

Section 5: A practical guide to aid the Rio marking process, including three key tools, are presented.

Section 6: The Excel template to be completed is introduced.

Box 1: Four important changes compared to the exercise in 2021:

(1)

In 2021, the MFA requested that each Partner track their climate change adaptation and climate change mitigation finance**. Going forward, the exercise will track all five components of green development finance (biodiversity, climate change adaptation, climate change mitigation, desertification, and environment).** This can be achieved using Partners existing internal systems, or by using the Rio marker method.

(2)

In 2021 it was requested that reporting be undertaken using the Rio marker approach. **Going forward, Partners may report on their green finance using their own approaches, where methods exist**. Furthermore, if internal systems exist which cannot yet estimate green finance, but which could be easily adapted for these purposes, the MFA is open to these systems being built upon.

(3)

In the previous years' pilot exercises, only projects with partners in developing countries have been Rio marked and considered. Yet some public funding provided through SPAs for other activities could be classified as relevant towards green objectives. Other activities could be, for example, administrative costs which still support green activities. **Going forward, it is possible to include these other flows of finance in green tracking.**

(4)

in 2021, the MFA requested that each Partner track the projects they funded through both financial commitments and disbursements. **Going forward, information regarding projects and activities receiving financial commitments is all that is requested. Information regarding disbursements of finance is not required.**

A financial commitment is defined by the OECD as: *"A firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a beneficiary"*. A financial disbursement is the actual physical transfer of the funds to the beneficiary.

2. The use of existing, internal methods to track green finance

The ultimate objective of the exercise is to track green development finance. There is no condition that a specific method is used for the tracking. The Rio marker method is presented as a simple and low-input option.

If a Partner has existing systems which can be used (or adapted and then used) to report on green finance, they are welcome to use them. If this is the case, then the following information regarding the Rio marker method and the accompanying Annexes do not have to be used.

Partners should contact the MFA if they plan on using their own approach.

3. The Environment and Rio markers

The Environment and Rio markers are a set of policy markers used to indicate a project or activity's relevance towards five objectives:

1. Biodiversity
2. Desertification
3. Environment[1]
4. Climate change adaptation
5. Climate change mitigation

The five objectives are considered by Denmark as those which contribute towards green development, and therefore green development finance. The markers are used in reporting to the OECD, EU, and UNFCCC and are defined in Section 3.2, below.

Environment and Rio markers are assigned based on a set of documents and tools produced by the OECD, as outlined in Section 5. These documents include: a decision tree; definitions of the objectives; eligibility criteria; and indicative tables containing worked examples of Rio marking. These tools provide useful and detailed guidance regarding the marking process.

All tools can be found in the accompanying Annex PDF file[2] (including "indicative tables" providing worked examples of how projects targeting different sectors should be marked).

3.1. Markers of "0", "1" and "2"

All Danish support to developing countries is screened and marked with Environment and Rio markers to establish whether a project targets adaptation and/or mitigation.

A scoring system of three values is used, in which projects and activities are screened and "marked" as either: (i) targeting the conventions as a "principal" objective (score "2"); (ii) as a "significant" objective (score "1"); or (iii) not targeting the objective (score "0").

- A project can be marked with a "2" when the objective (biodiversity, desertification, environment, climate change adaptation, climate change mitigation) is explicitly stated as fundamental in the design of, or the motivation for, the project. Promoting the objective will thus be stated in the project documentation to be the principal reason for undertaking the project. In other words, the project would not have been funded (or designed that way) but for that objective.

- A project can be marked with a "1" when the objective (biodiversity, desertification, environment, climate change adaptation, climate change mitigation) is explicitly stated but is *not* the fundamental driver or motivation for undertaking and designing the project. The project could have two immediate objectives, e.g., improved water management and climate adaptation.

[1] The environment marker (or "Aid to Environment" marker) is not officially a Rio marker, but a "policy marker". For the purposes of this exercise and guide, all information regarding the Rio marker method also applies to the environment policy marker.
[2] Which are themselves selected pages taken from this file:
https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2020)44/ADD2/FINAL&docLanguage=En

- The score "0" ("not targeted") means that the project was examined but found not to target the (climate) objective in any significant way.

A single project can receive more than one Environment and Rio marker. Where appropriate, projects and activities can receive all five markers. The causes and solutions to global environmental issues and issues under the Rio conventions (biodiversity, climate change adaptation and mitigation, desertification) are intertwined. The Rio Conventions often complement and reinforce each other, and it is possible that the same project simultaneously addresses climate change, biodiversity and/or desertification objectives.

A marker of "Significant" often implies that there is more than one immediate objective within the activity. For example, an activity may have one climate change adaptation objective and one other objective which is not adaptation-relevant objective. More specifically, a good example of a project qualifying for a "significant" adaptation marker would be a water supply and sanitation activity to enhance social services for rural communities, which also builds in adaptation-resilience within infrastructure and design.

For example, a sustainable forest management project can contribute to biodiversity conservation, capturing carbon (climate change mitigation), and reducing climate risk (climate change adaptation). In drylands, such a project can also help to combat desertification.

Box 2: Marking advocacy and capacity building activities

Many CSO projects will engage heavily in activities which are related to advocacy and capacity building. Such activities can engage with training, technical assistance, capacity building, and advocacy. Although these activities lead more indirectly to green development outcomes, they are relevant and can be marked with Environment and Rio markers.

In the context of training, technical assistance, education, capacity building, and advocacy, **assign markers based on the intention (motivation) of the activity.** If the intent adheres to any of the definitions and eligibility criteria outlined below, it qualifies for that marker.

If a project is using financial resources on information work and advocacy in Denmark, a Danish NGO can decide themselves to subtract this from the total project budget.

3.2. Marker definitions, "eligibility criteria", and examples of typical activities

The definition of each marker, the eligibility criteria which show whether an activity (and the finance in support of it) should be scored against it, and typical activities receiving a given marker, are provided below. Detailed information regarding each marker and the tools to help the marking process are outlined in detail below, and additional information can be found in the accompanying Annex A file[3].

[3] Which itself contains only the relevant pages from the OECD guidance regarding Environment and Rio markers: https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2020)44/ADD2/FINAL&docLanguage=En

3.2.1. Biodiversity

Marker definition:

An activity should be classified as biodiversity-related (score Principal or Significant) if: It promotes at least one of the three objectives of the Convention: the conservation of biodiversity, sustainable use of its components (ecosystems, species or genetic resources), or fair and equitable sharing of the benefits of the utilisation of genetic resources.

Eligibility criteria:

The activity contributes to:

a) conservation or enhancement of ecosystems, species or genetic resources, and/or enhancement of the sustainability of their use, through in-situ or ex-situ measures, or the restoration of existing damages; or

b) integration of biodiversity and ecosystem services concerns within recipient countries' development objectives, economic decision making and sectoral policies, through measures such as institution building, capacity development, strengthening the regulatory and policy frameworks, research, technology transfer, knowledge management and stakeholder engagement; or

c) elimination, phasing out or reform of incentives, including subsidies, harmful to biodiversity, and provision of positive incentives for the conservation and sustainable use of biodiversity; or

d) maintenance of genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species; or

e) fair and equitable sharing of the benefits arising from the utilisation of genetic resources, including by appropriate access to these resources and by appropriate transfer of relevant technologies, as internationally agreed; or

f) developing countries' efforts to meet their obligations under the Convention.

The activity will score with a "principal objective" if its fundamental and primary objective is to directly and explicitly aim to achieve one or more of the above six criteria.

Examples of typical activities:

Typical activities take place in the following sectors: Water and sanitation Agriculture Forestry Fishing Tourism. Typical non-sector specific activities are: Environmental policy and administrative management; Biosphere and biodiversity protection; Environment education/training; Environmental research.

Typical activities:

- Integration of biological diversity concerns into sectoral policy, planning and programmes; e.g.
- Water resources protection and rehabilitation; integrated watershed, catchment and river basin protection and management;

- Sustainable agricultural and farming practices including substitution of damaging uses and extractions by out-of-area plantations, alternative cultivation or equivalent substances; integrated pest management strategies; soil conservation; in-situ conservation of genetic resources; alternative livelihoods;

- Combating deforestation and land degradation while maintaining or enhancing biodiversity in the affected areas;

- Promotion of sustainable marine, coastal and inland fishing;

- Sustainable use of sensitive environmental areas for tourism.

- Preparation of national bio-diversity plans, strategies and programmes; bio-diversity inventories and assessments; development of legislation and regulations to protect threatened species; development of incentives, impact assessments, and policy and legislation on equitable access to the benefits of genetic resources. protection Environmental education/ training Environmental research

- Establishment of protected areas, environmentally oriented zoning, land use and regional development planning.

- Protecting endangered or vulnerable species and their habitats, e.g. by promoting traditional animal husbandry or formerly cultivated/collected plants or ex-situ conservation (e.g. seed banks, zoological gardens).

- Capacity building in taxonomy, bio-diversity assessment and information management of biodiversity data; education, training and awareness-raising on biodiversity.

- Research on ecological, socio-economic and policy issues related to biodiversity, including research on and application of knowledge of indigenous people.

- Supporting development and use of approaches, methods and tools for assessment, valuation and sustaining of ecosystem services.

See pages 37-48 of Annex A (Section: “Indicative tables for climate change adaptation and mitigation markers, and the biodiversity marker”) for guidance on assigning biodiversity Rio markers by sector/subsector, including many examples of qualifying activities.

3.2.2. Desertification

Marker definition:

An activity should be classified as desertification-related (score Principal or Significant) if: It aims at combating desertification or mitigating the effects of drought in arid, semi-arid and dry sub-humid areas through prevention and/or reduction of land degradation, rehabilitation of partly degraded land, or reclamation of desertified land.

Eligibility criteria:

The activity contributes to:

a) protection or enhancement of affected ecosystems through the rehabilitation, conservation and sustainable management of land and water resources or the restoration of existing environmental damage; or

b) integration of desertification, land degradation and drought concerns with recipient countries' development objectives through measures such as institution building, capacity development, strengthening the regulatory and policy framework, or research; or

c) developing countries' efforts to meet their obligations under the Convention and voluntary targets when striving to achieve land degradation neutrality at national and subnational level.

The activity will score "principal objective" if it directly and explicitly relates to one or more of the above criteria, including in the context of the realisation of sub-national, national, sub-regional or regional action programmes".

Examples of typical activities:

Typical activities take place in the following sectors: Water and sanitation, Agriculture, and Forestry. Typical non-sector specific activities are: Environmental policy and administrative management; Environment education/training; Environmental research.

Typical activities:

- Integration of action to combat desertification and land degradation into sectoral policy, planning and programmes (e.g. agricultural and rural development policy, plans and programmes);
    - Rehabilitation of land, vegetation cover, forests and water resources, conservation and sustainable management of land and water resources;
    - Sustainable irrigation for both crops and livestock to reduce pressure on threatened land; alternative livelihood projects;
    - Development and transfer of environmentally sound traditional and local technologies, knowledge, know-how and practices to combat desertification, e.g. methods of conserving water, wood (for fuel or construction) and soil in dry areas.
- Preparation of strategies and action programmes to combat desertification and mitigate the effects of drought; establishment of drought early warning systems; strengthening of drought preparedness and management; observation and assessment of CCD implementation, including monitoring and evaluation of impact indicators;
- Measures to promote the participation of affected populations in planning and implementing sustainable resource management or improving security of land tenure;
- Support for population/migration policies to reduce population pressure on land;
- Capacity building in desertification monitoring and assessment; education, training and public awareness programmes related to desertification and land degradation;
- Research on desertification and land degradation.

3.2.3. Environment

Marker definition:

An activity should be classified as environment-related (score Principal or Significant) if: Project/activity is intended to produce an improvement, or something that is diagnosed as an improvement, in the physical and/or biological environment of the recipient country, area or target group concerned; or it includes specific action to integrate environmental concerns with a range of development objectives through institution building and/or capacity development.

Eligibility criteria:

a) The objective is explicitly promoted in activity documentation; and

b) The activity contains specific measures to protect or enhance the physical and/or biological environment it affects, or to remedy existing environmental damage; or

c) The activity contains specific measures to develop or strengthen environmental policies, legislation and administration or other organisations responsible for environmental protection.

Examples of typical activities:

a) **Social infrastructure and services**: Water resources protection; water resources policies and water management that take into account environmental and socio-economic constraints, sanitation or waste management practices that bring environmental benefits.

b) **Economic infrastructure and services**: Infrastructure projects designed with comprehensive and integrated environmental protection and management components; activities promoting sustainable use of energy resources (power generation from renewable sources of energy); energy conservation.

c) **Production sectors**: Sustainable management of agricultural land and water resources; sustainable forest management programmes, combating land degradation and deforestation; sustainable management of sea resources; adoption and promotion of cleaner and more efficient technologies in production processes; measures to suppress or reduce pollution in land, water and air (e.g. filters); increasing energy efficiency in industries; sustainable use of sensitive environmental areas for tourism. (**Sustainable natural resources management** is a combination of management practices that have been planned and selected on the basis of interdisciplinary and participatory assessment of ecological, social and economic impacts of alternative management options, and resolution of possible conflicts or disputes concerning the significance and acceptability of the impacts of the proposed management alternatives.)

d) Projects/activities engaged with environmental policy and administrative management, biosphere protection, biodiversity, site preservation, flood prevention/control, environmental education/training, environmental research score.

The list is not exhaustive. Projects/activities may be scored against the objective only if the above criteria for eligibility are fulfilled.

3.2.4. Climate change adaptation

Marker definition:

An activity should be classified as adaptation-related (score Principal or Significant) if: It intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them.

This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.

Eligibility criteria:

An activity is eligible for the climate change adaptation marker if:

a) the climate change adaptation objective is explicitly indicated in the activity documentation; and

b) the activity contains specific measures targeting the definition above.

Carrying out an assessment of vulnerability to climate variability and change, either separately or as an integral part of a Partners' standard procedures, facilitates this approach.

To guide scoring, a three-step approach is recommended as a "best practice", in particular to justify for a principal score:

1. Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change: for a project to be considered as one that contributes to adaptation to climate change, the context of climate vulnerability should be set out clearly using a robust evidence base. This could take a variety of forms, including use of material from existing analyses and reports, or original, bespoke climate vulnerability assessment analysis carried out as part of the preparation of a project.

2. Stating the intent to address the identified risks, vulnerabilities and impacts in project documentation: The project should set out how it intends to address the context- and location-specific climate change vulnerabilities, as set out in existing analyses, reports or the project's climate vulnerability assessment.

3. Demonstrating a clear and direct link between the identified risks, vulnerabilities and impacts and the specific project activities: the project should explicitly address risk and vulnerabilities under current and future climate change as identified in the project documentation.

Examples of typical activities:

See pages 11-36 of Annex A (Section: "Indicative tables for climate change adaptation and mitigation markers, and the biodiversity marker") for guidance on assigning both adaptation and mitigation Rio markers by sector/subsector, including many examples of qualifying activities.

3.2.5. Climate change mitigation

Marker definition:

An activity should be classified as mitigation-related (score Principal or Significant) if: It contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.

Eligibility criteria:

The activity contributes to

a) the mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol; or

b) the protection and/or enhancement of GHG sinks and reservoirs; or

c) the integration of climate change concerns with the recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; or

d) developing countries' efforts to meet their obligations under the Convention.

The activity will score "principal objective" if it directly and explicitly aims to achieve one or more of the above four criteria.

Examples of typical activities:

See pages 11-36 of Annex A (Section: "Indicative tables for climate change adaptation and mitigation markers, and the biodiversity marker") for guidance on assigning both adaptation and mitigation Rio markers by sector/subsector, including many examples of qualifying activities.

4. The Rio marker method to estimate green finance

All “financial coefficients” and green finance totals are set to auto-calculate in the accompanying Excel. This information is provided for context.

Although the Rio markers originated as purely qualitative policy markers at the UN Rio Summit of 1992, they have since been used to quantitatively estimate finance in support of the objectives. After applying markers of “0”, “1”, or “2” for a project, green development finance can be estimated. The markers, and their associated “financial coefficients”, allow the amount of finance supporting green objectives to be estimated.

The use of financial coefficients to estimate green finance is simple: markers of “0”, “1” and “2” correspond to coefficients of 0%, 50% and 100%, respectively. If a project or programme is marked with an Environment or Rio marker of “0”, 0% of the finance associated with the project is reported as in support of that objective. If a project or programme is marked with a marker of “1”, 50% of the finance associated with the project is reported as in support of that objective. If a project or programme is marked with a Rio marker of “2”, 100% of the finance associated with the project is reported as in support of that objective.

There is a slight difference in the approach when calculating climate finance, as compared to biodiversity, desertification, and environment finance because two markers consider climate objectives. This is outlined below, in Sections 4.1 and 4.2. Because projects and other activities can receive multiple markers, how overlapping finance is considered is discussed in Section 4.3.

4.2. 4.1. How markers estimate biodiversity, desertification, and environment finance

The calculation of biodiversity, desertification and environment finance uses a simpler methodology when compared to climate finance calculations. This is because there is only one policy marker to describe each objective.

	Biodiversity/Desertification/Environment marker allocation		
	0: “Not targeted”	**1: “Significant objective”**	**2: “Principal objective”**
Financial coefficient	0% of the project’s finance contributes to the objective	50% of the project’s finance contributes to the objective	100% of the project’s finance contributes to the objective

Table 1: Matrix indicating how the environment and Rio markers determine the financial coefficient used to estimate Denmark’s green development finance. See Table 2 below for further information regarding how climate finance is determined, and how overlapping finance is adjusted for when two markers apply to a green objective.

4.3. How markers estimate climate finance

Estimating climate finance is slightly different to biodiversity, desertification, and environment finance. This is because two Rio markers must be considered at the same time.

Contributions relating to projects and activities that are assigned with a positive Rio-marker (of “1” or “2”) for either mitigation or adaptation (and a “0” for the other marker) are reported under the relevant heading. Projects and activities reported with a marker of “2” for one climate change marker, and a marker of “1” for the other, are considered as fully in support of the objective receiving the marker of “2”:

In such cases the project will count as 100% climate finance. Contributions to programmes and projects and activities assigned with equal positive Rio markers for both mitigation and adaptation are reported as cross-cutting.

The above is summarised in Table 2's matrix below. The matrix indicates how climate change mitigation and adaptation markers determine both the type of support and financial coefficients which are applied:

Rio markers	Mitigation "0"	Mitigation "1"	Mitigation "2"
Adaptation "0"	Not relevant	Mitigation: 50% of finance	Mitigation: 100% of finance
Adaptation "1"	Adaptation: 50% of finance	Cross-cutting: 50% of finance	Mitigation: 100% of finance
Adaptation "2"	Adaptation: 100% of finance	Adaptation: 100% of finance	Cross-cutting: 100% of finance

Table 2: Rio marker matrix table showing the "Type of Support" (blue text) resulting from all Rio marker combinations, and the subsequent climate finance coefficient percentage.

It should be noted that scores of "2" for both adaptation and mitigation are rare. Yet, a sustainable forest management project can contribute to capturing carbon (climate change mitigation) and to increasing resilience (climate change adaptation). Therefore, some REDD+ projects can be appropriate for double markers of "2". However, not all score combinations are equally meaningful and assigning a double "principal" score to both mitigation and adaptation in the same project should be considered only rarely.

The matrix removes the possibility of double-counting climate finance. Denmark ensures that in cases where projects or activities are marked for both adaptation and mitigation, the total amount of climate finance reported does not exceed 100% of the project's budget.

The "Type of Support" and any resulting climate finances is set to auto-calculate in the accompanying Excel. This information is provided for context.

4.4. How markers combine to estimate total green finance

Green finance is not the sum of biodiversity, desertification, environment, and climate finances. This would result in double counting.

The green finance coefficient is simply the same at the largest coefficient applied to either biodiversity, desertification, environment, or climate. The coefficient is multiplied by the project's budget to give green finance without any overlap.

5. A practical guide for assigning Rio markers

The Rio marker methodology is purpose-based. Projects and other activities should be marked according to their stated objectives. Persons applying Environment and Rio markers to projects and activities should therefore use project documents, a project summary, or information concerning the objectives of other activities to determine its markers.

Keeping in mind the definitions of markers of "0", "1" and "2" stated above, the marker should then consult three primary tools placed in the accompanying Annex A file and use them to populate the Annex B Excel file as outlined in Section 5, below.

These three tools are:

- The "Decision tree for scoring a project against Environment and Rio markers" (Page 3)
- The definition and eligibility criteria for each marker:
  - Biodiversity marker (Page 5)
  - Desertification marker (Page 7)
  - Environment marker (Page 8)
  - Climate change mitigation marker (Page 9)
  - Climate change adaptation marker (Page 10)
- The *"Indicative Tables to Guide Rio Marking by Sector/Sub-Sector"* for certain markers:
  - Climate change adaptation and climate change mitigation markers (Pages 12-36)
  - Biodiversity marker (Pages 37-48)

Summary: Assign a score of "0", "1" or "2" for each of the five green objectives in the provided Excel using the tools in the PDF Annex. This should be done for each project receiving a financial commitment in 2021 through a SPA/multi-project mechanism. The markers result in the auto-calculation of financial coefficients and green finance within the provided Excel.

This guide comes with two accompanying files which are used to aid and record the above process:

1. Annex A – Tools to aid Environment and Rio marking (PDF)

2. Annex B - Green development finance tracking (Excel)

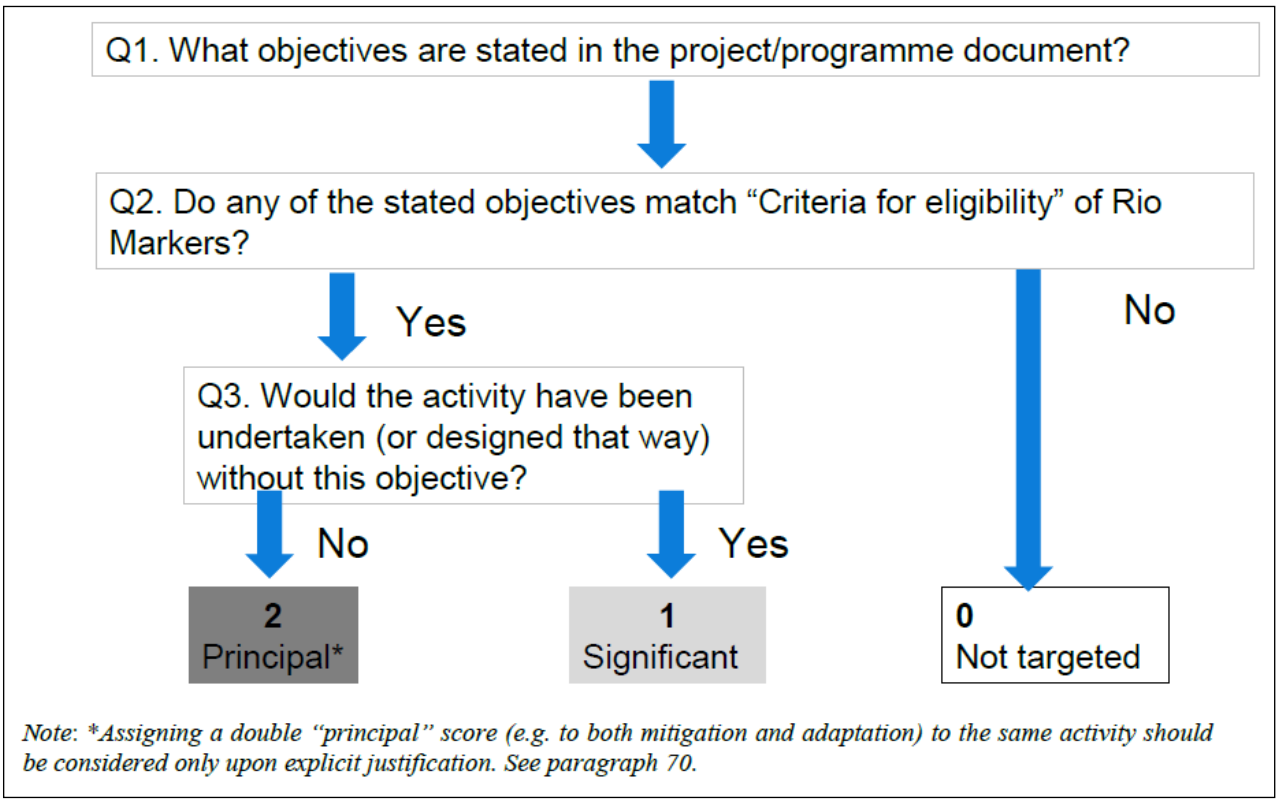


Figure 1: Decision tree for scoring a project against Environment and Rio markers. A marker of "Significant" often implies that there is more than one immediate objective within the activity. A marker of "Significant" often implies that there is more than one immediate objective within the activity. For example, an activity may have one climate change adaptation objective and one other objective which is not adaptation-relevant objective. More specifically, a good example of a project qualifying for a "significant" adaptation marker would be a water supply and sanitation activity to enhance social services for rural communities, which also builds in adaptation-resilience within infrastructure and design.

6. Adding information to the Excel file

A screenshot of the Excel file is provided on the following page. A rundown of the information requested in each column is as follows:

- Column A: Input activity title.
- Column B: Input the recipient country/region for the activity.
- Column C: Input the value of the financial commitment made to the activity. Finance is committed to a specific activity, project, programme, or institution when it is finally approved by the relevant authority and an agreement or similar document is signed with the recipient country or organisation.
- Columns D-H: Input the five separate Environment and Rio markers following your assessment and using the Rio marker method outlined above.
- Column I: Provide any comments in support of the assessment, where relevant.
- *Columns J-T: These columns are set to auto-calculate – no need to add anything here. They present the financial coefficients used to calculate green finance. They will also auto-calculate the figures in Table 2.*

Both SPA organisations and organisations managing multi-project mechanisms are requested to add information to the provided Excel.

In 2022 SPA organisations are requested to provide information regarding their projects and other activities in <u>two separate sheets</u>. The first sheet is for development-oriented projects and activities (formerly known as "Lot CIV" and "Lot LAB" projects), while the second sheet is for humanitarian-oriented projects and activities (formerly known as "Lot HUM" projects):

Going forward with reporting on the strategic partnerships for the period 2022-2025, and for organisations such as the Danida Fellowship Center and CISU, information shall only be provided in a single sheet for the whole partnership.

Green development projects funded by SPA organisations and administrators of multi-project mechanisms in 2021

All figures in DKK; Columns J to T are set to auto-calculate; Add rows to Table 1 as necessary

Table 1: Environment and Rio marker assessment of development projects funded through Strategic Partnership Agreements and multi-project mechanisms in 2021

			D-H. Environment and Rio markers					
A. Project title	B. Country/Region	C. Financial commitment (DKK)	Biodiversity	Desertification	Environment	Climate change adaptation	Climate change mitigation	I. Comment regarding assessment

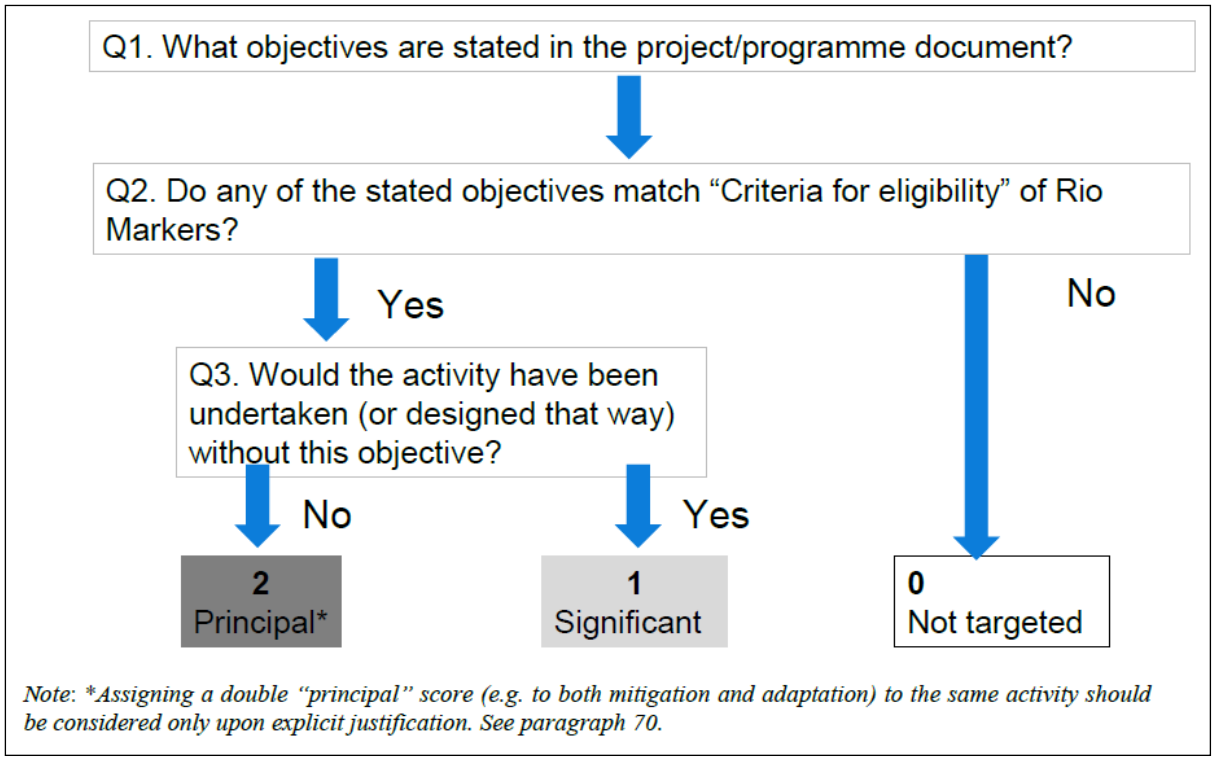
7. Worked Examples

7.2. 7.1. "Table Mountain Water Source Area Partnership: Protecting Critical Groundwater"

Project Summary	
Objectives, context and outcomes	Objective: The Table Mountain Strategic Water Source Area is well managed, including the sustainable use of groundwater, to ensure the continued provision of water to South Africa, supporting its people and ecosystems. Context: In terms of water, South Africa is in a tight spot. There are increasing challenges to water supply, driven by outdated and worn-down infrastructure as well as weak or lacking management. It is a high priority to improve water resource management by supporting the existing authorities and by mobilizing the communities and private sector that are resident in the areas and reliant on the water source. Groundwater is a very important water resource for private and commercial consumption, and an increasing number of private boreholes is highly likely to be driving the observed reduction from Cape Town's bulk water consumption, meaning that residents and businesses are now using private boreholes instead. The Day Zero period saw an unprecedented spike in borehole installations across the city. Just how many boreholes there are in the city, how much water is being used privately, whether this exceeds the recharge rate, and the impact on ecosystems, remains unclear. Greater water use through private and public means is the new norm, and it is pivotal to ensure a sustainable management and utilization of the resource. As drought events are predicted to become more common due to ongoing climate change, water will become an even scarcer resource that will need to be managed carefully. Groundwater is an important part of the sustainable management of water resources and water access for the City of Cape Town and it will be critical to understand the potential of groundwater reserves in an emergency. The last drought in South Africa – and Cape Town specifically, has shown that groundwater is increasingly becoming a viable water source for bulk and private water provision. The framework of groundwater policies, regulations, bylaws, monitoring and institutional mandates, which would ensure the sustainable use of this water resource by various governance bodies and stakeholders are currently not in place, not well understood, nor operational. The Table Mountain Water Source Partnership (TMWSP) will support the mandated government bodies in enacting their role and mandate, and will further mobilize the public – local communities in particular, as well as the private sector. The TMWSP should hereby contribute to ensuring that groundwater is well understood, monitored and regulated as a critical water resource. This objective will be achieved through 5 outputs: ***Output 1***: Good governance, policy and regulation systems are in operation for the TM-SWSA.

	Output 2: A sound knowledge-base and database is in place for the TM-SWSA. ***Output 3***: Expanding citizen science groundwater monitoring across more areas of Cape Town. ***Output 4:*** The public is aware and understands the importance of groundwater and its sustainable management. ***Output 5:*** Partners and national SWSA stakeholders have increased capacity through sharing of international best practices and Danish ground water management expertise.
Total amount (DKK)	4,999,200 DKK South African – Danish Strategic Water Sector Cooperation. The *City of Cape Town, Danish Embassy, Department of Water and Sanitation, GreenCape, University of Cape Town, University of the Western Cape, Water Research Commission, Anheuser-Busch and WWF signed in 2021 a collaborative agreement.*
Geographical location	Cape Town, South Africa

Determining the project's objectives using the OECD's tools:



*Note: *Assigning a double "principal" score (e.g. to both mitigation and adaptation) to the same activity should be considered only upon explicit justification. See paragraph 70.*

Environment (environment marker of "2")

The stated objective of the project is that: "The Table Mountain Strategic Water Source Area is well managed, including the sustainable use of groundwater, to ensure the continued provision of water to South Africa, supporting its people and ecosystems".

The project therefore is fundamentally focused on enhancement of the physical environment through sustainable water resource use and management. The project closely adheres to the definition and eligibility criteria of the Aid to Environment Rio marker. All 5 outputs are environment relevant.

Because the fundamental objective of the project is to ensure the sustainable use and management of a natural resource, the project would not have been undertaken without environmental objectives. Therefore, an environment marker of "2" is justified.

Adaptation (adaptation marker of "1")

The stated objective of the project focuses on natural resource use and management in the water sector, yet water resource management in South Africa is adaptation-relevant in the context of worsening climate change.

This activity represents a clear example of a project with more than one immediate objective.

The OECD's Annex 20 guidance for projects with purpose codes "14010" (see page 13 of Annex A) states:

"Activities can be scored against the adaptation marker if they aim or help to address the expected changes or fluctuations in water supply as a consequence of climate change. Drinking water and sanitation infrastructure can be vulnerable to disruption or destruction caused by flooding. In regions that face or are projected to face impacts/fluctuations in water availability and sanitation services due to climate change (e.g. water shortages due to drought or flooding, suboptimal functioning of sanitation facilities during floods), the following types of investments can score against adaptation:

- *investments in improving the climate resilience of the water supply and sanitation services*
- *investments in increasing storage to ensure access where climate change is expected to increase water stress and shortages.*

If the causal relationship is weak (e.g., a climate risk assessment shows that water supply is not affected by climate change in a region), the adaptation marker should not be assigned."

Cape Town and the project implementation area is highly vulnerable to water scarcity and droughts, both exaggerated by climate change. The provided documentation explicitly recognises this vulnerability to drought and the need for sustainable resource management.

Adaptation is noted as one of multiple objectives. As established above, the fundamental objective of the project is the enhancement of the physical environment. Adaptation is, therefore, a significant, but not the primary, objective of the project and a marker of "1" is justified.

The project adheres to the definition and eligibility criteria of the adaptation Rio marker.

Biodiversity, desertification and mitigation (markers of "0")

The project documentation makes no reference to biodiversity, desertification or mitigation. Because these objectives and purposes are not explicitly mentioned in the project documentation being reviewed, no markers can be applied.

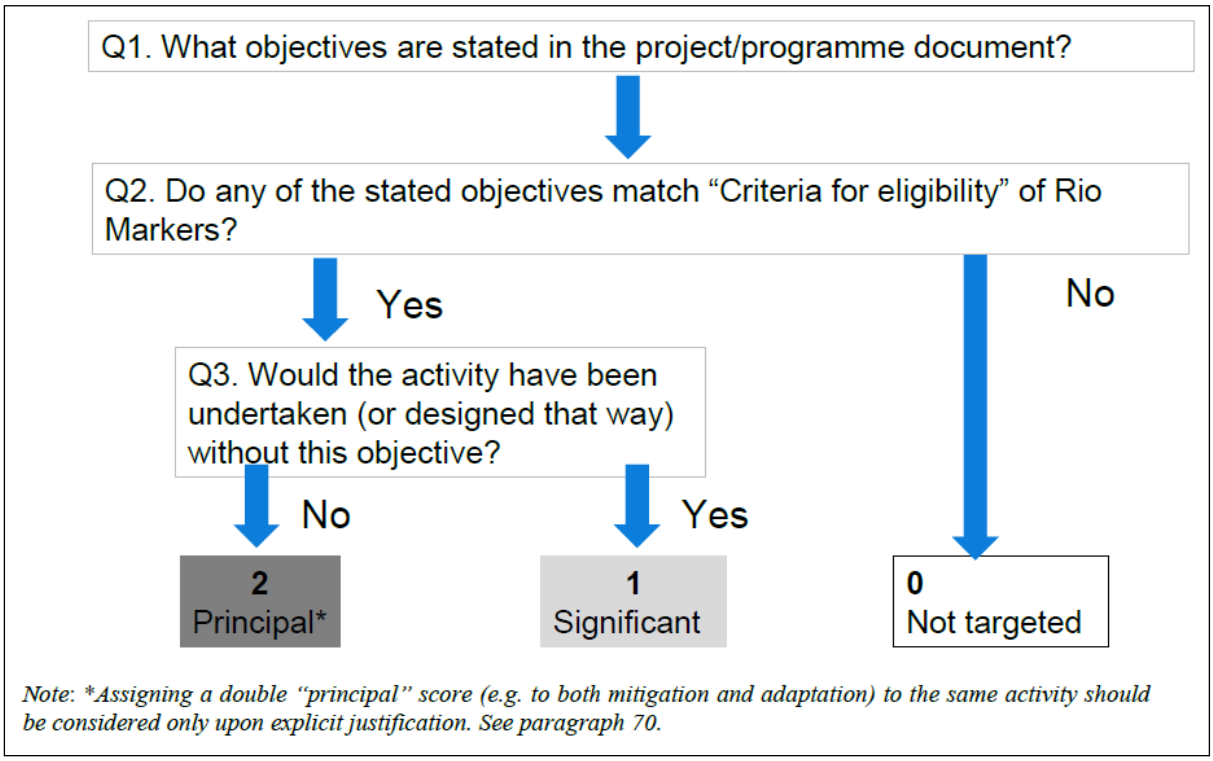
7.2. CARE's "Supporting Biodigester Sector for Green Jobs and Income Generation":

Project Summary	
Objectives, outcomes and context	Niger is one of the world's poorest and most climate vulnerable countries, ranking as 180 out of 181 countries in terms of vulnerability on the Notre Dame Global Adaptation Initiative (ND-GAIN) Index. Deforestation, both as a result of clearing land for farming and due to the production of charcoal for cooking, is seriously undermining climate resilience. More than half of Niger's population consists of young people under 25, and with no formal sector able to generate sufficient employment, the levels of un- and underemployment are high, constituting a serious development challenge. The empowerment of women is considered as a precondition for ensuring food security and enhancing resilience. Women play an important role in income-generating activities and small-scale vegetable and livestock production. However, with increased pressure on natural resources, it has become harder for women to access land and other natural resources and ensure an income. In Niger, in terms of climate adaptation, despite on-paper governance structures which aim to strengthen vertical linkages, there appears to be a huge gap in practice between communities on the one hand, and those important government structures on the other. As a result, climate vulnerable communities are isolated, and left largely to their own devices in terms of strengthening climate resilience. In light of the above, the Overall Objective of the project is: Nigerien Civil Society Organisations (CSOs), in partnership with local governments, promote green jobs and income generating activities and enhance the local adaptive capacity and climate resilience of the most climate vulnerable women and youth. This objective will be achieved through 3 outcomes: ***Outcome 1***: Local civil Society organisations and local government are able to implement locally-led and gender-transformative adaptation planning . ***Outcome 2***: Private sector actors and local entrepreneurs are operational in the biodigesters subsector. ***Outcome 3***: CSOs develop strong evidence-based advocacy campaigns, focusing on policy changes, especially through the National Adaptation Plan (NAP) process, which bring about strengthened climate resilience and creates green jobs and sustainable income generating activities.
Total amount (DKK)	9,813,441 DKK (CARE)
Geographical location	Zinder Region, Niger

Project description	Biogas from biodigesters has a potential to replace charcoal as the primary source of cooking fuel, thereby reducing the rate of deforestation from charcoal production. Whilst biodigesters provide opportunities for entrepreneurship and green jobs (masons) in their own right, by focussing on opportunities create on the input- (manure) and output-side (slurry for composting) of biodigesters, the project seeks to support additional income generating activities, especially for women and youth. To scale biodigesters in Niger, we embed biodigesters in locally-led climate adaptation planning aimed at the local level, as well as in evidence-based advocacy campaigns aimed at the national level. The proposed project will contribute to achieving the following: 1) building the capacity of local CSOs and local government to implement locally-led and gender-transformative adaptation planning, 2) develop the skills in private sector actors and local entrepreneurs to produce biodigesters and pilot models for delivery of biodigesters and 3) support CSOs to develop and implement evidence-based advocacy campaigns which support locally-led adaptation planning and, green innovations, like biodigesters, which create green jobs, sustainable income opportunities, and strengthen climate resilience. Specifically, the project addresses the following: • The project addresses one of the key challenges that undermine the resilience of vulnerable communities in Niger, by reducing the rate of deforestation. • The project raises awareness about climate change by using a Community-Based Adaptation (CBA) approach which reinforces effective and efficient participatory management of natural resources. CARE has a long track record of CBA programming, which involves the implementation of a number of participatory and inclusive tools. These tools are designed not only to arrive at locally-led adaptation plans, but also for communities to raise awareness of climate change and consolidate existing knowledge of climate impacts, and how to adapt to the changes. • The project responds to local and national strategies related to planning and adaptation, risk management and reduction by strengthening the capacity of both CSOs and local governments to use tools for locally-led adaptation planning, and thereby bridge the gap between communities and local government for the purposes of climate resilience. • The project strengthens community level skills, focussing on women and youth, by focussing on biodigesters as a climate resilience innovation, so that people and communities achieve economic resilience and empowerment through green jobs and entrepreneurship and enterprise development. The project strengthens skillsets by training masons for building biodigesters and supporting entrepreneurship and enterprise development in the biodigester subsector, and by focussing on opportunities for green job and income generation at the input- and output-sides of the biodigesters. For example, at the input side, the project supports women and youth engaging chicken farming (with the chicken manure being used as a biodigester input) and supports women and youth in marketing slurry for

	composting. Women are also supported to establish permagardens and commercial tree nurseries. • The project identifies sustainable business that diversifies livelihood by creating new green jobs and increases income by piloting different delivery models of biodigesters. • The project demonstrates that projects have potential for replicability and scaling by piloting different delivery models of biodigesters, testing to commercial viability, and developing a business case. Furthermore, by packaging evidence of locally-led adaptation into policy advocacy campaigns, the projects scales adaptation planning into local and national level policy processes and generates scale. • The project is implemented in partnership with a local organisation, GARKUA, which will ensure ownership, local leadership and sustainability.

Determining the project's objectives using the OECD's tools:



Adaptation (adaptation marker of "2")

The stated objective of the project is to: "promote green jobs and income generating activities and enhance local adaptive capacity and climate resilience of the most vulnerable women and youths". The project has multiple adaptation-relevant objectives which will benefit adaptive capacity and resilience through a decreased dependence on charcoal in Zinder, Niger. SDG 13 "Climate Action" is stated as a target.

For projects engaged in General Environmental Protection, the OECD's Annex 20 guidance (in the "indicative table") states: "Development and implementation of adaptation strategies at national level or in the context of de-centralisation programmes" can score adaptation markers of 2. Further evidencing the adaptation marker.

The project documentation also states it seeks to embed biodigesters in locally-led climate adaptation planning as well as in evidence-based advocacy campaigns at the national level. OECD guidance (in the "indicative table" for purpose codes of "160") also states adaptation scores of 1 or 2 can be given to projects which: "Support of vulnerable people including women and children in areas vulnerable to the effects of climate change through the promotion of climate-resilient agriculture, food security and basic services". Again evidencing the adaptation marker.

The project closely adheres to the definition and eligibility criteria of the adaptation Rio marker. All 3 outcomes are adaptation-relevant.

Because the fundamental objective of the project is to ensure climate change adaptation, without which the project would not have been undertaken, an adaptation marker of "2" is justified.

Desertification (desertification marker of “1”)

Regarding desertification, deforestation in Zinder, Niger is closely linked to desertification. Where deforestation results in increased soil erosion, reducing crop yields and increasing topsoil depletion.

The project adheres to the definition and eligibility criteria of the desertification Rio marker.

Therefore, while the fundamental objective of the project is adaptation (the project would likely have been undertaken without desertification concerns), a desertification marker of "1" is seen to be justified.

Biodiversity (biodiversity marker of “1”)

The project proposal document from CARE outlines that “by reducing the demand for charcoal, a key driver of deforestation in the Sahel, the project works to reduce deforestation, combat desertification and halt biodiversity loss.” Adding that “through permagardens and commercial tree nurseries the project also works to and halt and reverse land degradation." SGD 15 “Life on Land” is stated as a target.

The project adheres to the definition and eligibility criteria of the desertification Rio marker.

Because an objective of the project is to reduce deforestation, and forests in the Zinder region are biodiversity rich, the objectives will directly result in a reduction of biodiversity loss. Therefore, while the fundamental objective of the project is adaptation (the project would likely have been undertaken without biodiversity concerns), a biodiversity marker of "1" is seen to be justified.

Mitigation (mitigation marker of “0”)

Regarding mitigation, OECD guidance in the indicative tables of Annex 20 states: "Fuel switching from one fuel to a different, less GHG-intensive fuel type qualifies as mitigation (score 1 or 2) if a net emission reduction can be demonstrated taking extensions of capacity and lifetime of the facility into account."

It is noted that switching from charcoal production and usage to biogas production and usage could result in emissions reductions. However, there is no inclusion of such considerations in the project documentation. No GHG accounting information evidence of expected mitigation benefits have been provided. As a result, there is no evidence to assign a positive mitigation marker and a score of "0" is justified.

Environment (environment marker of “2”)

The activity contains specific measures to protect or enhance both the physical environment (through biodigestor construction) and biological environment (through reduced desertification and deforestation), while also remedying existing environmental damage.

Through usage of biodigestors the project enageges in waste management practices that bring environmental benefits. Furthermore, the project is engaged with sustainable natural resource management (through sustainable management of agricultural land; sustainable forest use,

combating land degradation and deforestation; and the adoption and promotion of cleaner and more efficient technologies in production processes).

The project closely adheres to the definition and eligibility criteria of the Aid to Environment Rio marker. All 3 outcomes are environment relevant.

Because the fundamental objective of the project is to ensure climate change adaptation through sustainable natural resource management and waste management, the project would not have been undertaken without environmental concerns. Therefore, an environment marker of “2” is justified.