

Operational Plan 2011-2015

DFID CLIMATE AND ENVIRONMENT DEPARTMENT

May 2011

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Introduction

- The UK Government is determined to help reduce the inequalities of opportunity we see around the world today. We believe that promoting global prosperity is both a moral duty and in the UK's national interest. Aid is only ever a means to an end, never an end in itself. It is wealth creation and sustainable growth that will help people to lift themselves out of poverty.
- In May 2010, the International Development Secretary, Andrew Mitchell, commissioned the Bilateral Aid Review to take a comprehensive and ambitious look at the countries in which DFID works through our direct country and regional programmes. The review focussed on the best ways for the UK to tackle extreme poverty, ensuring that we make the greatest impact with every pound we spend. In parallel, through the Multilateral Aid Review, DFID assessed how effective the international organisations we fund are at tackling poverty.
- On the 1st March 2011, the key outcomes of the reviews were announced, including the results that UK aid will deliver for the world's poorest people over the next four years. The Bilateral Aid Review has refocused the aid programme in fewer countries so that we can target our support where it will make the biggest difference and where the need is greatest. The Multilateral Aid Review findings enable us to put more money behind effective international organisations which are critical to delivering the UK's development priorities. In addition the independent Humanitarian Emergency Response Review looked at how the UK can build on its strengths in responding impartially to humanitarian needs and help ensure future disaster responses can be better prepared and coordinated.
- DFID is committed to being a global leader on transparency. In the current financial climate, we have a particular duty to show that we are achieving value for every pound of UK taxpayers' money that we spend on development. Results, transparency and accountability are our watchwords and guide everything we do. DFID regards transparency as fundamental to improving its accountability to UK citizens and to improving accountability to citizens in the countries in which it works. Transparency will also help us achieve more value for money in the programmes we deliver and will improve the effectiveness of aid in reducing poverty.
- The UK Aid Transparency Guarantee commits DFID to making our aid fully transparent to citizens in both the UK and developing countries. As part of this commitment we are publishing Operational Plans for country programmes. The UK Aid Transparency Guarantee commits DFID to making our aid fully transparent to citizens in both the UK and developing countries. As part of this commitment we are publishing Operational Plans for country programmes and other key parts of DFID's work. The Operational Plans set out the vision, priorities and results that will be delivered.
- We will concentrate our efforts on supporting achievement of the Millennium Development Goals, creating wealth in poor countries, strengthening their governance and security and tackling climate change. The prize, in doing so, is huge: a better life for millions of people, and a safer, more prosperous world.

1) Context

The context for Policy Division (PD) is changing. Externally, we know that three quarters of the world's poor now live in middle income countries and that many of these countries are characterised by poor governance; we also know that global challenges such as climate change, fragility and resource scarcity are impacting on the poorest; and that countries like India and China are changing the way development happens and demonstrating they have a critical role to play in solving global problems. At the same time, the deadline for the 2015 Millennium Development Goals is now in our sights with many challenges remaining and increasing pressure to focus on areas that are proving intractable e.g.. maternal mortality; access to water and sanitation; access to education for girls. This changing global context requires good global leadership - leading by example by demonstrating results and value for money. Internally, the context for PD is also changing. As DFID shifts to spending 0.7% of gross national income by the end of this planning period, and increases its aid footprint, there is an increasing imperative to make the very best investments with our increased resources. Evaluation, value for money assessments and transparency of aid are critical for achieving this. PD's role is to provide a policy function that is at the forefront of ensuring that the UK's development assistance achieves the maximum impact and value for money.

Climate change and environmental degradation are two of the biggest challenges to sustaining progress on saving lives and reducing poverty. Even if global warming is limited to 2 degrees, the World Bank estimates that 1-2 billion more people could face water shortages. Up to 400 million more people could be at risk of hunger. GDP in Africa and South Asia could fall by 5%, pushing millions more people into poverty. If warming is considerably more than 2 degrees, the impact on people will be far greater. The world's poorest people will be hit first and hit hardest by climate change.

Climate change and environment are a **top priority** for the Coalition Government. The Coalition has committed to being 'the greenest government ever'. **DFID's priorities**, as set out in the DFID Structural Reform Plan, require a cross-government approach to delivery in which DFID leads on helping developing countries to tackle climate change and improve their management of natural resources, and on promoting the interests of poor people in international climate and environment negotiations. The spending review allocated £2.9 billion to international climate change (the International Climate Fund (ICF) to be managed jointly by DFID, Department for Energy and Climate Change (DECC) and Department for Environment, Food and Rural Affairs (DEFRA), with DFID as chair and secretariat of the ICF Board. This represents a significant uplift in climate spend across the Spending Review period.

International support is needed to help poor countries and poor people to adapt to the impacts of climate change and to adopt low carbon growth paths. **UN agreements** including in Cancun set the international context, including: the goal to limit global warming to a maximum of 2 degrees, pledges to reduce emissions and the commitment of developed countries to support developing countries to adapt to the impacts of climate change, protect their forests and grow in a low carbon way. UN agreements in Nagoya have set the international commitment to "significantly reduce the loss of ecosystems and biodiversity by 2020". Developed countries have committed to mobilise **\$100 bn for climate change** in developing countries by 2020 from a public and private sources. The UK is the only major donor to have publicly committed finance beyond 2012.

2) Vision

What Policy Division (PD) will do over the planning period will change. Recognising the increasing aid budget which DFID will have, PD's focus will shift much more to increasing the value for money of DFID's aid (and away from influencing the international system and other donors' aid). PD will shape, drive and deliver policy to transform poor people's lives. It will be the 'go-to' place for cutting-edge knowledge, innovation and expertise on what works/doesn't work and how to measure impact. It will make sure knowledge, learning and innovation flow across the organisation in a way that DFID staff can absorb and enjoy.

We will use the best ideas, evidence, and analysis to:

- support the delivery of the bilateral programme through: lesson learning across the portfolio; expertise on value for money, indicators and unit costs of investments; knowledge sharing and facilitation; capturing experience from innovation; delivering reviews of the portfolio etc.
- provide analysis and advice in support of Ministerial policy requests and business plan/Structural Reform Plan priorities;
- continue (but devote less staff time to) promoting change internationally and in international organisations by helping develop HMG policy positions for the G20, G8, international summits, and climate negotiations; and coordinating actions and policy positions with other donors, philanthropic organisations and international bodies
- engage in Whitehall policy discussions around aid and non aid (e.g. migration).
- build public and parliamentary support for the UK's development effort (PD answers half of all of DFID's Parliamentary Questions).
- deliver selected aid results that are better funded centrally e.g. eliminating polio and neglected tropical diseases; working through the international growth centre and climate knowledge network.

Over the Spending Review period, **DFID will aim to be a world leader** in demonstrating results, impact and value for money from supporting developing countries to tackle climate change.

CED will achieve its objectives to reduce poverty and help achieve a 2 degree or less world by:

- Building DFID and international knowledge, evidence and tools, including value for money metrics
- Supporting country level action – and be the rest of DFID's "go-to" place for excellent guidance and knowledge on climate and environment issues
- Leveraging finance from the multilateral system and the private sector to scale up green investment
- Building and reforming the international climate finance architecture, and supporting progress towards a global climate deal
- Supporting the transformation of DFID into a climate and environment smart organisation.

Alignment to DFID and wider UK Government priorities:

- **Structural Reform Programme (SRP):** CED is responsible for reporting on all eight of the actions under the SRP priority on climate change. Involving the private sector forms a major part of our work; we are increasing our focus on the impact of our work on women and girls; and will review how and whether to invest more in helping fragile states tackle climate change. CED leads on monitoring and reporting on the delivery of the DFID's international climate change and environment commitments.
- **DFID Business Plan:** CED provides oversight for the delivery of the two climate change indicators in the DFID Business Plan: climate spend and increasing poor people's resilience to climate impacts. We engage with the National Security Council in its role on climate change to ensure the needs of poor people are central.

What we will stop doing:

- We will reduce the number of separate projects CED manages in order cut down on bureaucracy.

3) Results

Headline Results

Pillar/ Strategic Priority	Indicator	Baseline (including year)	Expected Results (including year)
Adaptation	Numbers of people DFID supports to cope with the impacts of climate change	To be set by end 2011	To be set by end 2011
Adaptation	Number of sector and national plans under implementation that mitigate risks and ensure adaptation to climate change by poor people.	Choice of countries to be determined	At least 10 Public Service Agreement (PSA) countries – by 2015.
Forestry	Percentage reduction in hectares deforested and degraded and percentage of people living on less than \$1.25 a day who are dependent on forests for their livelihoods	Deforestation: TBC. Percentage of people: 90 percent (2011) (around 1.2bn people currently dependent)	Reduction in deforestation by 25% Percentage of people living on less than \$1.25 a day who are dependent on forests for their livelihoods reduced to 70 percent by 2015 (to fewer than 1bn people)
Low carbon development	Gigawatts of new clean energy capacity supported in developing countries	0 gigawatts in 2010 (CTF, SREP and GAP Results Framework)	3 gigawatts of new clean energy capacity indirectly supported (enough to supply over 2.5 million households) by 2015
Low carbon development	Amount of private sector finance mobilised as a result UK funding (the leverage ratio for private sector finance)	1:7.5 current ratio under the Climate Investment Funds (£1 donor funding raises £7.50 of private finance)	Average ratio of 1:8.25 (£1 donor funding raises £8.25 of private finance)
Environment	Number of developing country plans and budgets that include the value of natural resources	0 (2011)	At least 8 developing countries include the value of natural resources in national plans and budgets by 2015
Cross-cutting	Green Climate Fund meets DFID Multilateral Aid Review tests of relevance and effectiveness	2010: Zero. Green Climate Fund yet to be designed	Green Climate Fund designed in such a way as to satisfactorily meet DFID tests of relevance and effectiveness, operational by 2015
Cross-cutting	Number of DFID country offices who have completed climate change strategic programme reviews (SPRs)	6 SPRs underway (Feb 2011).	All country offices completed climate change strategic programme reviews by 2013.

3) Results (Continued)

Evidence supporting results

- **Low carbon development:** The recent emergence of low carbon development as a focus for international development means that the evidence base is still emergent, particularly for low income countries. There is reasonable data on energy but data is still weak on technology and innovation. The results we hope to achieve are ambitious and rely on the following key assumptions: long-term finance available and accessible to developing countries; political will amongst all countries to implement long-term low carbon legislative frameworks and policies; developing countries recognising the opportunities associated with low carbon trajectories and adopt and implementing low carbon development strategies (especially energy efficiency measures).
- **Adaptation:** While there is strong evidence that adaptation is essential to enable poor people to protect themselves from the worst impacts of climate change, there is very little good evidence to support results in this area; improving the evidence base will be a major focus of our policy work. Achieving our expected results will depend on progress to develop programmes for building resilience in developing countries to climate change and as well as work to develop monitoring and evaluation frameworks for new and existing programmes. It will also depend on the successful scale-up of existing programmes, developments at international negotiations and progress of international climate adaptation funds.
- **Forestry:** The availability of good evidence underpinning results in this area is limited but improving. There is now reasonable evidence on the costs of REDD+ interventions, and of costs and benefits of interventions to reduce illegal logging and to improve how forests are governed and managed. This issue benefits from having clear and measurable metrics such as hectares protected and national deforestation rates - but measuring impacts on forest-dependent people, including indigenous people, and on biodiversity remain challenging. The evidence base is improving through increased finance for research on REDD+ and real-time evidence generated as countries start to implement national REDD+ strategies and put in place systems to monitor and verify emission reductions.
- **Environment:** The availability of good evidence in this area is medium, with data published by the World Bank on countries' natural capital on a five-yearly basis. We will continue to work with partners to improve the evidence base and help developing countries apply the best evidence in the development and implementation of policy.

3) Results (Continued)

Value for Money (VfM) Rationale

UK climate finance will focus on the high level priorities of adaptation and low carbon development (including forestry):

Adaptation:

- The Stern review highlighted that **adaptation is crucial** for dealing with the unavoidable impacts of climate change and the only response available for the impacts that will occur over the next several decades before mitigation measures can have any effect.
- Climate shocks that affect at least 0.5% of a country's population typically cut GDP per person by about 0.6%.
- Estimates of the cost of meeting global adaptation range from **\$75-100 billion by 2020** to \$15-29 billion per year by 2020.
- A number of studies demonstrate that spending on adaptation has positive growth effects, and that effective adaptation offsets about half the negative effects of temperature variations on income.
- In developing countries, disaster risk reduction measures have been shown to have yielded high benefits in relation to costs. For instance, the Stern Review cites a mangrove planting project in Vietnam that yielded an estimated £52 benefit for every £1 spent over the period 1994-2001 in terms of protection for coastal populations against typhoons and storms.

Low Carbon Development:

- We expect to yield greater value for money by promoting **transformational change** – for example by encouraging private sector investment or facilitating country-level planning – than from funding emissions reductions directly.
- The Climate Investment Funds, an example of our collaboration with **multilaterals**, offer a vehicle for scaled-up low carbon support with comparatively low transaction costs. We are supporting the generation of enough clean energy to supply 2.5 million households and the reduction of 500m tons of CO2 emissions.
- We propose to invest more in **country-level support** and working with the **private sector** to achieve even higher value for money than with conventional multilateral delivery. For example, we estimate that our climate public-private partnership 'CP3' will achieve a **leverage** £9 for every £1 provided by the UK, compared to just over £8 expected leverage from the CIFs.
- Our bilateral activity on low carbon development is focused on '**results-based financing**', where the returns on investment are potentially large.

Forestry:

- Emissions from deforestation and forest degradation account for nearly 20% of current human-induced global emissions. Evidence suggests an average cost of preventing emissions through forestry investments of between \$3 and \$5 per tonne of CO2. This suggests £200m could protect at least 160,000 hectares of forest - equivalent to taking 1.7 million cars off the road. We aim to reduce the proportion of people living on less than \$1.25 a day who are dependent on forests for their livelihoods from 90% to 70% by 2015 (to fewer than 1bn people). Investments in protecting forests generally provide benefits of between 5 and 13 times their cost – and may therefore be the most cost-effective way of reducing global emissions.

4) Delivery and Resources

While Policy Division (PD) will continue to set the agenda, including for the international community, on key policy themes that can have significant impact on development (climate, wealth creation, health, education, anti-corruption, fragility etc.), our delivery focus will change to be more strongly country-facing – with demands from DFID country offices increasingly shaping Policy Division’s priorities and work-programmes, and Policy Division increasingly helping to improve the value for money of bilateral programming. A broad menu will include:

- facilitating the flow of knowledge and information across DFID in thematic areas which require rapid scale-up, new niche areas for DFID or with specific poor/vulnerable groups (e.g. people with disabilities).
- increasing value for money of programme delivery, bringing in learning from elsewhere, advice on unit costs, benchmarking, metrics and indicators, and implementing specific findings from portfolio reviews.
- capturing experience from innovation to contribute to programme design and business cases.
- shaping & strengthening UK/DFID policy that can provide a framework for action at country level e.g. guidance on elections briefing, assessments of cash transfers and getting the most from the UK International Development CSOs.
- looking across the sectoral portfolio to assess the overall coherence.
- provide practical guidance to country offices to operationalise policy themes.
- In exceptional circumstances, filling staffing gaps on a short term basis in high priority countries where the lack of technical capacity is threatening the ability of the country office to achieve results. These would be agreed with the PD Director.

Climate and Environment Department (CED) will also have the following roles in the new Spending Review period:

- Provide **support to country offices** to deliver on adaptation, LCD, forestry and environment.
 - **Deliver** a significant portion of DFID’s climate change and environment **spend** demonstrating results, impact and value for money
 - **Contribute to HMG’s wider international climate objectives**, including by monitoring progress on ICF delivery, including DFID’s £1.8 billion, and supporting the ICF Board to manage this spend – working closely with other government departments
 - Help the rest of DFID become **Climate Smart**
 - **Build knowledge**, evidence and tools, including VFM metrics and evaluation, acting as a **reservoir and facilitator of knowledge** for the rest of DFID
 - **Influence** the international negotiations and architecture including to improve the results of MDBs and set up an effective Green Fund
 - Scale-up our work with the **private sector** to leverage green investment
 - **Provide support to Ministers** and senior management on climate change and environment.
- CED will therefore continue its policy, knowledge and influencing work and scale up its work on: designing and managing effective programmes, and supporting the rest of DFID and HMG to ensure the ICF delivers excellent results, impact and VFM, and that all UKaid is climate smart. We will continue to support work in **fragile states** such protecting forests in DRC and Nepal, and ensure that improving the lives of **women and girls** is considered in our programming.
 - The ‘Tried and Tested’ programmes that form the basis of CED’s current programme allocation **£362m** consist largely of support to **major multilateral funds and international multi-donor initiatives** on climate and environment, including the GEF, Global Water Partnership, CDKN and the Advocacy Fund – see Annex 2 for full list.
 - CED is working up proposed programmes ‘For Further Scrutiny’: a **mix of new, innovative projects** to be led by DFID and a range of partners and involving the private sector, and **continued or scaled-up support to multilateral** and multi-donor programmes.

4) Delivery and Resources: Programme Spend

Pillar/Strategic priority	2010/11		2011/12		2012/13		2013/14		2014/15		TOTAL 2011/12 - 2014/15	
	Resource £'000	Capital £'000	Resource £'000	Capital £'000								
Wealth Creation											0	0
Climate Change	63,472	250,000	76,000		127,000		80,000		79,000		362,000	0
Governance and Security											0	0
Education											0	0
Reproductive, Maternal and Newborn Health											0	0
Malaria											0	0
HIV/Aids											0	0
Other Health											0	0
Water and Sanitation											0	0
Poverty, Hunger and Vulnerability											0	0
Humanitarian											0	0
Other MDG's											0	0
Global Partnerships											0	0
TOTAL	63,472	250,000	76,000	0	127,000	0	80,000	0	79,000	0	362,000	0

4) Delivery and Resources: Operating Costs

	2010/11		2011/12		2012/13		2013/14		2014/15		Total	
Frontline staff costs UK - Pay			12.3	805	15.3	1,006						1,811
Frontline staff costs UK - Non				87		97						184
Administrative Costs - Pay	39.2	2,152	32.9	1,862	32.9	1,862						3,724
Administrative Costs - Non Pay		577		175		175						350
Frontline staff costs Overseas - Current contracts	6.75	800	5.75	605	2.75	220	0	0	0	0		825
Total	45.95	3,529	50.95	3,534	50.95	3,360	0	0	0	0	0	6,894

4) Delivery and Resources: Efficiency Savings

	PAY £'000	Non Pay £'000						
Administrative Cost Savings Initiative								
Reduction in Consultancy Payments		130						
Reduction in Travel		109						
Reduction in Training								
Reduction in Estates & Property Costs								
Reduction in costs as a result of Office Restructuring								
Other Reductions (Inc. Reclassified posts if coun	453							
Total	453	239	0	0	0	0	0	0

Efficiency savings in Admin staff costs do not tie back due to staff numbers running above anticipated headcount during 2010/11 and therefore leading to a bid for increased capacity going forward in new spending period (background at Quest Doc: 2946121). It is anticipated that these will be picked up in overall PRD efficiency savings.

5) Delivering value for money

Improving value for money analysis is an important focus of all of our work. We are working to **improve value for money across:**

- DFID and HMG:** Through our drive to make all DFID programmes Climate Smart and our closer working with country offices, we will be helping the rest of DFID to improve the measurement of value for money in climate and environment-related programmes. CED is leading on developing measures of impact and value for money to track progress across the organisation. As part of the UK Government's strategy for implementing the HMG International Climate Fund, we will be developing a monitoring framework for tracking the value for money of ICF investments.
- CED's programme spend:** We are working to ensure that robust value for money measurements are incorporated in all new and existing CED programmes and that programme decisions are taken on the basis of results, impact and value for money. DFID's new Business Case model will be used for all new programmes and will help in making value for money assessments, in terms of both programme and administration resources - for example, measuring the effectiveness and value for money of funding and staff time dedicated to setting up and managing programmes.
- The international system:** We are working to influence where possible improvements in results measurement of our multilateral partners. For example on the Climate Investment Funds (currently our largest programme spend) we have been working to ensure a robust performance measurement system is developed and built into programme and project design more systematically. Helping developing countries to measure the results and effectiveness of national and sector plans related to climate and environment will also be part of our support through programmes such as the Pilot Programme for Climate Resilience.
- And in the efficiency and targeting of our administration resources:** We are making significant savings in our administration spend including consultancies, DFID staff travel and training. We are also revising our balance of FLA posts in country and in the UK to ensure best value for money in staffing costs. Through developing annual CED work plans and using the new Business Case model for programme spend, we will be taking a more strategic approach to allocating staff time on the basis of where most value can be achieved.

6) Monitoring and Evaluation

Monitoring of CED's Operational Plan:

- **CED will conduct a full annual review** of OP results framework
- **Six-monthly traffic light review** of results framework
- **Three-monthly updates** on overall progress by Team Leaders
- **Process:** CESU will coordinate monitoring of progress. Team Leaders and Department Head will agree any follow up action. A CED work plan will be drafted capturing detailed actions for 2011. This will be monitored concurrently with OP review processes.

Evaluation:

- CED is working in partnership with Evaluation Department to build the capacity across DFID to **monitor and evaluate climate change investments**
- We will revise and draft a **climate change evaluation strategy** for DFID. We will prepare and communicate synopses for different audiences in DFID, including developing prototype materials for DFID climate change evaluation.
- We will complete a review of **existing monitoring and evaluation frameworks** relevant to climate change and prepare a DFID draft framework. We will do this by working with country offices and CED.
- We will review the **Strategic Programme Review Pilots** to capture learning and build this into wider work.
- We propose to **engage one staff member** in Palace Street to build DFID's capacity including country offices on developing and supporting evaluation.

Building capacity of partners in monitoring and evaluation:

- The capacity of partners in results and evidence varies and is limited by the nature of climate change as an emerging policy area: baselines are well-established in some areas of LCD and forestry and under development in adaptation. We will be working to influence where possible improvements in results measurement. For example:
 - **On the CIFs** (currently our largest programme spend) we have been working to ensure a robust performance measurement system is developed and built into programme and project design more systematically.
 - **Through SPRs**, we are supporting country offices to improve their planning, results and evaluation on climate and development .

7) Transparency

Transparency is one of the top priorities for the UK Government. We will meet our commitments under the UK Aid Transparency Guarantee: we will publish detailed information about DFID projects, including programme documents and all spend above £500. Information will be accessible, comparable, accurate, timely and in a common standard with other donors. We will also provide opportunities for those directly affected by our projects to provide feedback.

All **Policy Division** Departments will publish detailed information of all new programmes on the DFID website, and all procurement over the £25,000 threshold. Annual project performance reporting and end of project evaluation from April 2011 will also be published. We will ensure that wherever possible, all information in the public domain is comprehensive, accessible, comparable, accurate and timely. We will also seek opportunities for feedback by those benefiting from PD programmes. We will meet the standards set out in the International Aid Transparency Initiative (IATI) and will encourage our partners to do the same.

Impact and VFM: Key for 2011-15 will be transparency on results, impact and VFM. We are working these into our programming and strategies in order to communicate these transparently.

Finance: In the new Spending period FCPD, with support from CED, will be tracking DFID spend on climate change (ICF) for the first time and will report this publicly as an indicator in DFID's Business Plan. We will continue to improve the accuracy and comprehensiveness of financial data on climate change and environment ODA reported to the OECD DAC. We will continue to press other donors to report their climate support transparently and help to improve the system for international measurement of climate support.

Communications: We will ensure that our external communications are accessible and engaging, including supporting DFID Communications Division's drive to present data in a more innovative way. We will also work with partners to make more information available publicly about DFID-funded programmes.

Partners: We are working with partners to improve transparency and improve access to information and feedback from beneficiaries. For example the DFID-funded Climate and Development Knowledge Network <http://www.cdkn.org/> which links climate change knowledge with people around the world, and www.faststartfinance.org – a site where developed countries share information on the delivery of their Fast Start commitments.