

Greening Development Co-operation

EU REPORT



DAC Peer Learning on
Mainstreaming Environment

Visit to the

**European Commission and
European Investment Bank**

24-28 September 2018

Lessons learned for DAC members

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¹ **Source:** Message from Gabriela Ramos, 14 September 2011; Message from Nicola Bonucci, 15 September 2011; Message from Gabriela Ramos, 21 November 2011.

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Abbreviations and acronyms

CEP	Country Environment Profile
DAC	Development Assistance Committee
DG DEVCO	Directorate-General for International Co-operation and Development
EC	European Commission
EIA	Environmental impact assessment
EIB	European Investment Bank
EIP	External Investment Plan
ENVIRONET	Network on Environment and Development Co-operation
EU	European Union
GCCA+	Global Climate Change Alliance plus
IIED	International Institute for Environment and Development
NDC	Nationally Determined Contribution
NGO	Non-governmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PES	Payments for ecosystem services
REDD+	Reducing Emissions from Deforestation and Forest Degradation plus
SDG	Sustainable Development Goal
SEA	Strategic environmental assessment
Sida	Swedish International Development Co-operation Agency
SME	Small- and medium-sized enterprises

Executive Summary

The OECD is undertaking a peer-learning exercise on environment mainstreaming, to support OECD members who face challenges in this critical dimension of development co-operation. The key areas for learning are: how and why environment issues (including biodiversity, climate adaptation and mitigation, and pollution) are integrated across programmes; what has worked and why; what challenges remain and are emerging; and how these challenges can best be addressed.

This peer-learning exercise involves consultation with Development Assistance Committee (DAC) members, three country visits by peers, and independent facilitation by the International Institute of Environment and Development (IIED). It began with a survey of mainstreaming progress and challenges among members of the DAC Network on Environment and Development Co-operation (ENVIRONET) in February 2018. This informed an inception workshop that was conducted in May 2018 to allow ENVIRONET members to share their experiences, and resulted in an analytical framework prepared by facilitators from IIED. That framework guides peer-learning visits.

The first peer-learning visit was of the European Union (EU) institutions (the European Commission and the European Investment Bank) in Brussels from 24-28 September 2018. The peers involved in the visit were from Spain, Sweden and the United Kingdom. A DAC learning workshop in October 2018 reviewed the findings of the EU visit and drew out generic lessons with DAC members. This report shares the lessons that emerged from that visit. Peer visits are planned for Sweden in January 2019 and Canada in April 2019.

The peer-learning exercise of the EU was highly successful, energising the peers and revealing lessons that could be of wider value to OECD members as well as the EC and EIB. It is expected that the final results may inform future formal OECD peer reviews, which are carried out regularly of OECD members, and provide a basis for sharing among ENVIRONET members interested in enhancing their mainstreaming of environment and climate change.

Lessons on mandate and intentions

- A strong legal and policy framework that includes environment and climate within the organisational mandate opens the door wide to serious mainstreaming opportunities. Both the EC and EIB benefit from such a framework.
- Broader political dynamics – both within the organisation (as with the EC's focus on investments, jobs, growth, migration and security) and within partner developing countries (where jobs and growth are common priorities) – are important for focusing mainstreaming strategy. They can shift mainstreaming away from an overly comprehensive and technical environment agenda to one that focuses on specific environment issues that really matter.
- Financial targets or expenditure commitments for the environment, as in the EC and EIB, can create a clear and simple incentive to mainstream environment or climate, which are otherwise seen as complex and/or vague. But financial targets alone may lead to too narrowly-focused action.
- Combining environment with climate mainstreaming (as in the EC) is valuable, using the political priority of climate change to integrate marginalised environment issues – such as biodiversity, where the case and demand for mainstreaming tend to be weak and need support: here, the EC has adopted the Hyderabad target of doubling biodiversity finance.

Lessons on leadership, people and capacities

- Investing in technical and climate expertise and in mainstreaming expertise is essential. The issues are highly diverse and often technical in nature. Interdisciplinary skills and holistic perspectives are just as important: investment in these helps all staff to mainstream an increasing diversity of issues – including environment.
- Although driven by policy and legal commitments, in practice environment and climate mainstreaming often depends on diverse individual interests, motivations and values. This is notably the case in the EU. While personal motivation is valuable, it cannot be relied on to ensure optimum strategic and consistent mainstreaming
- Building a wider environment/climate network or community of practice across the organisation is therefore a useful strategy. Focal points across the institution can be a useful way to improve access to environment capacity, and to act as catalysts for the necessary collective responsibility for mainstreaming. This community should seek, encourage and mobilise environmental leadership from many quarters, both ‘supply-side’, i.e. environment specialists, as well as ‘demand-side’ and notably senior figures behind relevant ‘mainstream’ priorities.

Lessons on project cycle and tools

Mainstreaming could usefully be thought of as a “methodology to achieve multiple goals”, deploying processes applicable to any cross-cutting issue that needs to be integrated. The EC and the EIB are developing this approach based on experience with gender and human rights.

While environmental and climate change mainstreaming adds value to all sectors, it is more readily adopted by some sectors, such as agriculture and energy, that recognise their environmental dependence and/or impact. Mainstreaming in important ‘tougher’ sectors has required much more effort to ‘make the specific case’ for environment or climate – and the EC has been able to demonstrate successful mainstreaming in, for example, water and budget support.

Evidence is particularly needed of the economic contribution of the environment to in-country development, and associated economic risks, but too often this is missing. Indeed, the ‘environmental information’ that is often needed by decision makers is economic information on the environment.

Too often, mainstreaming efforts tend to be concentrated early in the operational cycle, yet achieving effective outcomes also requires mainstreaming in the business of implementation – which involves changing the mindsets and practices of stakeholders in, for example, construction and farming. More evidence is required of what outcomes and impacts have actually been achieved.

Mainstreaming is less about ‘supply-push’ of environmental information and principles and more about country ‘demand-pull’ about environmental potentials and risks: it depends on country partner commitment, priorities and capacity. Some unexpected successes have been achieved by the EC in mainstreaming in budget support: the processes of budget support can support ‘upstream’ policy dialogue and lead to decisions that work better for environment and climate.

A central technical assistance facility, such as the one maintained by the EC, can accelerate and broaden mainstreaming. But its role needs to be catalytic and forward-looking if it is to build collective responsibility and not undermine it. It can certainly help to organise the range of instructions, guides and tools. Their regular assessment, revision and harmonisation of these (as done by the EC in 2009, 2012 and 2016) helps more systematic and streamlined mainstreaming.

Lessons on knowledge, learning and innovation

'Mainstreaming fatigue' is a common complaint, and not only in the EC. In spite of efforts to establish interdisciplinary links, it still reflects a tendency to work in silos, rather than a reaction to repeated messages about the obligation to mainstream. The EC is aware of this, and of the need to address underlying structural issues – putting in place interdisciplinary approaches and strategies for achieving collective responsibility for environment/climate, as above. The longer-term, political and economic aspects of environment and climate need close attention, since prevailing short-term, technical and/or financial procedures tend to ignore these.

Organisational learning about how environment matters to the institution's work, and about what activities lead to successful environmental outcomes, can drive real improvements in mainstreaming. It is hoped that the current DAC peer-learning exercise already offers an opportunity to further strengthen organisational learning in the EC and EIB; and that the addition of learning from Sweden and Canada will produce rich learning for OECD members.

Where next?

For the EC, peer learning on mainstreaming comes at an opportune time, with a new programming cycle beginning. The EC has decades of experience of environment mainstreaming to learn from. But its approaches are evolving from an emphasis on grants and budget support, including large headquarters-managed thematic programmes (including on environment and natural resources), towards even more significant budgets at the regional and national level ('geographising') and a greater use of EU funds to leverage instruments. This increase in investment involves financial blending and is a change being experienced by many other DAC members; it highlights the relevance of the European Investment Bank's (EIB) experience of mainstreaming environment and climate in diverse financial vehicles

1. Objectives and Context

1.1 Objectives of the DAC Peer Learning

This peer learning is being conducted by the OECD Development Assistance Committee (DAC), a unique international forum of many of the largest funders of aid. The DAC supports improved contributions of development co-operation to sustainable development, notably by promoting knowledge management and exchanges on best practices. Formal DAC peer reviews are a well-known requirement of membership.

Peer learning is a more recent DAC response to the need to go into much greater depth on pressing trends and challenges in development co-operation. Members of the DAC's Network on Environment and Development (ENVIRONET) recently identified 'managing and mainstreaming environmental concerns' as a priority challenge. The current exercise is only the second learning process, and it has been informed by the first: a peer learning exercise on engaging with the private sector.

This learning process aims to take a broad approach to assess all relevant environment mainstreaming, and not just climate that tends to be the current prevailing focus. It seeks lessons on how environment is being integrated in DAC members' development strategies, policies and programmes, including finance instruments. It will identify what worked and what did not, and how to approach remaining and emerging challenges. The result, expected by May 2019 after three peer visits, should help to inform future peer reviews, and will be shared with all ENVIRONET members to offer insight for enhancing their respective approaches to mainstreaming environment.

1.2 Objectives and Context for the European Commission

The European Commission's Directorate-General for International Cooperation and Development (DG DEVCO) has decided to actively participate in the peer learning, both as a visited institution and as a visitor to others. The visit to DEVCO took place from 24 to 28 September 2018, with team members from Spain, Sweden and the United Kingdom as peer reviewers, and IIED and the OECD's Development Co-operation Directorate (DCD) as facilitators (see Annex 1 for list of team members). The visit was a joint initiative by DEVCO C2 (environment) and C6 (climate) whose mandates are policy development and mainstreaming, as well as managing the environment thematic funds of € 1.3 billion for 2014-20. In addition to DEVCO, team members met with European External Action Service (EEAS, the EU's diplomatic service), DG NEAR (neighbourhood countries and EU enlargement) DG ENV and DG CLIMA (environment and climate policy leads) and civil society representatives. The team held video calls with selected members of the 139 EU delegations including Africa (Uganda and Democratic Republic of Congo), Asia (Cambodia, Myanmar and Afghanistan) and the Caribbean (Haiti) – see Annex 2 for the schedule of meetings.

Over the years, DEVCO has gained significant experience with integrating environment as a key cross-cutting issue in development cooperation. Article 11 of the EU Treaty committed to integrating environmental protection in EU actions, and subsequent policies have expanded on this, up to the New European Consensus on Development (2017) which aims at the Sustainable Development Goals (SDG) and asserts the need to mainstream environment and climate change concerns. Internal rules, guidance and tools have similarly expanded from the initial Environment Manual (Commission of the European Communities, 1993). Over the last four years, it has

particularly stepped up efforts with, *inter alia*, updated 2016 Guidelines on Integrating the Environment and Climate into EU International Cooperation and Development action, renewed engagement with colleagues in headquarters and EU delegations, a technical assistance “environment and climate change mainstreaming facility” and expenditure targets (20% on climate change, and doubling support to biodiversity). These efforts have contributed to a significant increase in internal awareness of environment and climate change, and most notably in the quantity – and also the quality – of environment and climate change integration.

External and internal factors now require the Commission to reflect on approaches and tools for mainstreaming to further enhance their effectiveness. This kind of learning is important, as only about 4% of development assistance is for dedicated climate and environment work – the environmental sustainability/impact quality of the ‘remaining 96%’ significantly depends on mainstreaming. The wider 2030 Agenda and the Paris Agreement call for deepening and broadening these efforts and the EC has already responded with the New European Consensus on Development for the SDGs. The operational challenge is how EU aid delivery responds to a changing international context with the growth of private sector engaging in developing countries and emerging players such as China now providing increasing external assistance. The Commission is preparing the new multi-annual budget cycle and cooperation instrument for 2021-2027. This is expected to leverage a growing share of investments through grants and guarantees – a shift which has already begun with the External Investment Plan (EIP), expected to leverage €44 billion EUR of investments with €3.9 billion guarantees and grants. There is also likely to be a significant cut in thematic programmes – by up to half – and more funds spent through the regional and national geographic programmes (‘geographisation’). The success of the 20% financial target for climate expenditures has led to plans to increase this to 25% of the EU budget. For aid expenditures, some key member states are pressing for climate and environment to rise from 20% of the future EU budget instrument for cooperation to 50%, with 10% for biodiversity.

While these new developments present new opportunities, some challenges to mainstreaming endure: “mainstreaming fatigue”, human resource and expertise constraints, challenging contexts for operations, competing priorities and cross-cutting issues and variable commitment. Thus the EC expected from the Peer Learning exercise:

- An external light review/assessment by peers: taking the time to take stock and reflect;
- Contrasting EC approaches with what other agencies do, highlighting different options;
- Fresh ideas and advice on how to renew the EC’s approach and tools, in an evolving policy context and in response to evolving cooperation approaches;
- Out-of-the-box thinking on how to overcome challenges;
- An opportunity to engage with colleagues and the EC hierarchy on mainstreaming.

1.3 Objectives and Context for the European Investment Bank

The European Investment Bank’s (EIB) Brussels office was visited during one morning of the same week; it holds many lessons for the EC and other DAC members as they shift towards more investment and private sector financing. The EIB is an investment bank (not a development bank) with 10% of its lending in developing countries. In these countries, EC development priorities are followed. This includes environmental mainstreaming which, at the EIB takes several forms. The Bank has a constantly updated set of joint Environment and Social Standards which are an integral part of the project appraisal procedures and often help shape projects. The EIB has always invested

in projects that have important environmental and sustainable development components. Nevertheless, the EIB is constantly setting ambitious environmental targets to strive towards an increase in the quantity of its projects with environmental integration (larger portfolio) and quality (projects designed with environment at their core). The Bank has a 35% target of climate-integrated funding in developing countries. It has been at the forefront of mainstreaming climate action with innovative financial instruments for many years: Green Bonds target investments in renewable energy and energy efficiency; Sustainability Awareness Bonds support investment in water, sanitation, pollution prevention, conservation and disaster risk management; and there are several risk facilities to attract further investment.

The EIB is confronting new challenges in supporting the EC and other institutions in launching initiatives which integrate important environmental components. As an example, the EIB is currently part of the High-Level Expert Group on Sustainable Finance which raises new expectations. Partner countries rarely have the capacity to implement the EIB's high (EC) standards and require significant engagement. Such levels of involvement require resources, constant effort and new tools, practices and procedures to integrate these innovations into the organisation's everyday work and overcome professional and bureaucratic silos. Environmental mainstreaming for the EIB means increasing the capacity to fulfil legal and policy requirements and respond to changing contexts by making positive contributions. By exchanging with peers in this exercise, EIB sought to absorb new perspectives on ways to achieve this goal.

2. Analytical framework for assessing mainstreaming

Based on the consultation to date (the survey of DAC members, and the inception meeting for this peer learning exercise held in Paris May 2018), an analytical framework for the learning exercise was developed by IIED.² It includes five main dimensions:

1. *Results and Outcomes:* What changes are achieved – across a spectrum from improved awareness, to improved decisions, behaviour and institutions, to actual changed conditions on the ground?
2. *Mandate and intentions:* What is the general thrust of the member's approach to development co-operation? How has environment been included in this i.e. in its development vision, institutional mandates, policies, strategies, theories of change, and management and staff priorities; and with what definitions and assumptions? What are the drivers of attention to the environment and what environmental issues are given most priority?
3. *Leadership, people and capacities:* Who is involved in mainstreaming environment in the context of development; in the lead development agency(ies), environment and non-environmental authorities and other influential players? What are their responsibilities for mainstreaming; skills applied and partnerships mobilised?
4. *Project cycle and tools:* How is environment promoted through tools and procedures throughout the 'policy cycle' – such as safeguards, standards, assessments, metrics and measurements, incentives and accountability mechanisms? How far are these embedded or separate, and how is this changing over time?
5. *Knowledge, learning and innovation:* How is the organisation learning what political economy drivers and constraints affect the links between environment and development; how this has

² IIED (2018) *Draft analytical framework for member learning visits, July 2018*. This paper elaborates the five dimensions with ten more detailed questions, which focus on dynamics and politics (drivers, choices, trends and impacts) around the notional 'operational cycle' from planning, to financing, to implementing and review.

changed over time; what is expected in future; and what continues to constrain environmental mainstreaming?

The sections below explore these five mainstreaming dimensions, postulating initial lessons that draw from peer discussions during the week of 24 September in Brussels:³

1. Results and Outcomes of Mainstreaming

The EU has been undertaking mainstreaming for over a decade and has shown improving progress.

Successive assessments (2009, 2010 and 2011) of environment and climate mainstreaming have “shown significant improvements”. The aim of mainstreaming is to bring about real change in internal EU procedures and investments, in support of improvements in developing country processes and institutions that ultimately lead to better environmental and developmental outcomes on the ground – although such outcomes will clearly take time to materialise.

DEVCO’s strategic indicator framework illustrates a concern to integrate environmental issues.

Five out of 35 DEVCO strategic indicators are directly linked to climate, environment or green economy.

The quantity of mainstreaming by DEVCO is increasing, as demonstrated by expenditure levels:

“Contributions by DG DEVCO to environment and climate actions have increased between 2014 and 2017 from 15% to 30% of financial contributions (environment) and from 10% to 25% (climate change)” (European Commission, 2018). Note this is simply an input measure – financial provision – but it does indicate growing attention to mainstreaming.

The quality of mainstreaming by DEVCO is also improving, as demonstrated by documentary assessment. The share of action documents showing good integration of environment rose from 46% (2014) to 58% (2017) and from 39% (2014) to 51% (2017) for climate change. However, the share of action documents for which mainstreaming was less good remained “almost steady” at 27-28% for environment and 35-33% for climate change (European Commission, 2018). Note this is simply an assessment of documents (largely project formulation documents), not of activities or behaviour in the field.

However, the quality of mainstreaming varies, depending on the sector. Agricultural, rural development and water projects, which are the largest area of EU programming, as well as energy projects, provide strong evidence of mainstreaming in the above way; however, private sector development and infrastructure and transport action documents reveal less success in mainstreaming (European Commission, 2018).

Environment mainstreaming case studies have been prepared that get closer to explaining particular stories of change. These go further than the above document assessments by exploring some outcomes and impacts, although they are very brief. Covering seven countries to date, these brief ‘success stories’ address mainstreaming activity in fields as diverse as agriculture, health, social protection, energy and development planning.

In terms of integrating environment and climate into developing partner country systems, there has been considerable progress through global programmes, notably support through the Poverty

³ The current document was prepared by IIED, based on notes of the week’s meetings, and brief reflections submitted immediately after the visit by the British, Spanish, Swedish and OECD peer team members.

Environment Initiative (PEI), Global Climate Change Alliance plus (GCCA+), Switch to Green and Green Economy programmes. There is much to gain on in-country partner mainstreaming by improved learning and collaboration between these different global support programmes.

2. Lessons on mandate and intentions

The EC and EIB both respond to very comprehensive legal, policy and political foundations that derive from highly comprehensive and negotiated concerns among EU member states – including environment. Although DEVCO is a development organisation, and EIB an investment bank, neither pure economic development nor financial investment are treated as single and overriding goals around which they organise their planning, action and accountability. There are, therefore, clear foundations for mainstreaming environment and climate at the level of the organisations' purpose and mandates. The preliminary lessons are:

A strong legal and policy framework to embrace environment and climate as fundamental objectives provides a strong basis for mainstreaming. EU treaties, laws and policies have built successively more ambitious high-level mandates to integrate environment and more recently climate issues, notably and most recently through the strategy to support the implementation of the 2030 agenda: the New European Consensus on Development (European Commission, 2017). This legal and policy basis for mainstreaming sends clear signals for staff to respond appropriately to the regulations on mainstreaming, not only in the organisations concerned such as DEVCO and EIB but across the EU institutional landscape, including the environmental audit process. There is a general acknowledgement that environment and climate are a firm part of EC and EIB overall mandates, or at least have secure entry points. However, strategically, EIB does not use the term 'mainstreaming' in order to reinforce the point that environment and climate are already integral to the organisation's purpose. Although the regulatory basis is sound, the layers of EU policy complexity built up over the years on environment and climate are not easy for all to grasp. A streamlined, 'at-a-glance' corporate view and narrative could now help.

Effective mainstreaming directly addresses the political and operational context. Sharing of lessons among the peers clarified that there is not a single, 'correct' approach to conducting mainstreaming, or to using the lessons resulting from the peer review. Mainstreaming needs to fit a particular institution's purpose, structure, partners, and issues faced. A persistent one-third of DEVCO projects are assessed as having 'poor quality mainstreaming'; the lesson here is the need for improved understanding of the local and/or sectoral context and the ability to tailor environment/climate concerns to suit this particular context.

Mainstreaming has often been based on scientific and technical justifications, but is successful if it also aims at the broader positive political agenda. In the case of the EU and wider DAC membership, this agenda includes the priorities laid out by President Juncker and other political leaders – of investments, jobs, growth, migration, security and sustainability. Mainstreaming strategy can benefit from being positive – being presented as 'improving the quality of development', and not only ensuring environment and climate safeguards are in place. This requires getting good evidence of the specific environment/climate links of these positive political priorities: for example, synergies between biodiversity management and peace and security are being explored in projects around Virunga National Park in Democratic Republic of Congo. Links to business and investment priorities are opened up by DEVCO's green economy programme, with its growing evidence base of opportunities for decent jobs and gender equity. In some contexts, the circular economy also provides a more politically neutral framing than 'green economy' for environmental

links with an economic agenda, and high-level EC political missions have sought to engage with developing countries on it.

An environmental financial target or expenditure commitment can create a strong incentive to mainstream. The EC has committed to spending 20% of its budget on climate, along with a target that is less well-known – doubling biodiversity spending from EU aid (equivalent to €332 million per year with a large share from the environment thematic programme). The climate target, which is a much larger share of expenditure, comes primarily from spending on climate-related agriculture and energy programmes, and may be increased in the next EU-wide budget. The EIB already has an ambitious target for climate action commitment for developing countries of 35% of lending by 2020, from about 25% in 2015. All these targets have put mainstreaming high on the operational agenda, incentivising both specialist environment and other staff to treat them seriously. The EC uses the Rio Markers to track the targets, whilst EIB uses a tracking system agreed with other Multilateral Development Banks. However, both exercise quality control to try to prevent over-stating achievements, and to ensure all contributions are captured by the statistical system. One lesson was that an emphasis on accounting for financial targets, to be useful, should be accompanied by medium to long-term monitoring of results to ensure real environmental integration into project design and improvement in the quality of activities.

A strategy to combine all aspects of environment and climate mainstreaming has been valuable, but other issues such as biodiversity, desertification and pollution may need greater attention. A combined approach has allowed environment in the EC and EIB to benefit from the greater political attention on climate. Biodiversity in particular will receive growing international focus in the run up to the 2020 Conference of the Parties in China. However, whilst the extent of biodiversity mainstreaming has shown some progress, it has been limited – most biodiversity support has been through dedicated projects rather than mainstreaming. Reasons given seem to be common across peers and include: the highly political, value-laden and often inconclusive arguments for biodiversity; the perceived risk of conflict of biodiversity conservation with poverty reduction; and the feeling that general environment mainstreaming can work as well as ‘defending the narrower biodiversity niche’. However, there is much potential in integrating biodiversity, e.g. into climate change adaptation and mitigation efforts, and this warrants greater exploration.

3. Lessons on leadership, people, and capacities

Deep technical expertise is available and is playing valuable roles at EC headquarters and at country level, complemented by environment and climate leadership to make mainstreaming a collective responsibility. However this sense of collective responsibility has room for improvement; and requires strong commitment from management both in headquarters and EU Delegations.

Technical expertise on diverse aspects of environment, climate and mainstreaming is essential, as the issues are highly diverse, often technical in nature, and with degrees of scientific complexity. Only 4% of the EU’s development cooperation budget managed by DEVCO is spent on stand-alone environment/climate activity, and it benefits from good technical advice. However, adequate standing capacity is also required to integrate environment throughout the remaining 96% of activities – and this covers a vast field of sectors and geographies and themes where the science and technology is changing rapidly. Despite its large size, DEVCO has quite a limited staff for mainstreaming: the C2 and C6 team leaders and their unit colleagues, supplemented by a contracted mainstreaming facility.

Environmental capacity support is challenging and needs to be strategically planned and delivered. The demand for environmental training in the EC remains limited, while in EIB it is mandatory. The response of DEVCO has been a shift from general training to more modular and tailored training and

integrating environment/climate with other areas of training (e.g. on budget support and investment). However, training has been less effective with non-environment staff, for many of whom there is limited awareness of environmental mainstreaming's purpose and tools. Effective means of communications are a key driver of capacity, diversifying capacity development to include more digestible forms, such as short videos (e.g. a recent video on how to apply the Rio Markers has been an innovative step). A 'people strategy' for environment mainstreaming may be useful to work out what the current staff capacities on mainstreaming are, where are the gaps and how these gaps can be filled.

A formalised system of environment/climate focal points across the institution can improve access to environment/climate capacity, and act as catalysts for collective mainstreaming responsibility.

The strategic placement of focal points with clear terms of reference and assured capacity could now be especially important during DEVCO 'geographisation'. The previous EU experience of environmental focal points, and the current positive EU experience of gender focal points (the latter supported by two formal instructions), can be built on to help build a community of practice across the institution.

It is important to seek, encourage and mobilise leadership from many quarters. There is some good leadership within the EC driving mainstreaming, but it can be strengthened. Strong collaboration is required, e.g. not only from the C2 lead on environment and C6 lead on climate, but also from the highest levels: the Commissioners' and Directors General's circular economy country missions are a good example. Different leaders can help make progress in diverse areas, and a more deliberate attempt to build them into an EU-wide community of leaders could pay off.

Diverse individual motivations to integrate environment and climate can be helpful, but cannot be relied on to ensure effective mainstreaming. Personal values and skills have often determined the depth of mainstreaming actions taken in the EC: these can vary from a desire to meet financial targets, to professional knowledge and ethics, to personal values (whether 'conservationist or otherwise), to wider knowledge about how mainstreaming can improve the quality of development. While this can help, it can also 'miss the mark' and meet resistance from 'mainstream' actors – which in turn may reinforce prejudices against environmental issues. With a strong mandate in the EU policy the environment responsibilities of all staff need to be clearer and fully formalised.

Interdisciplinary skills and holistic perspectives can promote mainstreaming – of an increasing diversity of issues. Mainstreaming is not simply a question of applying environmental expertise, and/or all staff having basic environment knowledge. The ability of all staff to handle multiple issues of any type, and mindsets that recognize multiple aspects of challenges and wish to work across 'silos', are important. Interdisciplinary approaches can go a long way to enable mainstreaming of any issue, and job descriptions, performance objectives and training should support their development and use. This is a lesson for many agencies addressing mainstreaming of all types and is easier said than done.

4. Lessons on project cycle and tools

Both the EC and EIB have extensive experience with a comprehensive set of guidelines and tools for mainstreaming environment and climate change in the project cycle. In the EC, this has been supported over the years by help desk services and more recently a technical environment and climate change mainstreaming facility. This externally-provided, but internally-housed, facility has supported DEVCO to assess programming and action documents particularly in the identification and formulation stages of projects. The EIB has a joint environmental and social safeguard system of

comparable rigour to those of other international financial institutions, which relies on clients to implement much of it.

Mainstreaming is most usefully thought of as a “methodology to achieve multiple goals”, applicable to any cross-cutting issue that needs to be integrated. It is not simply a question of ‘pushing’ a value-driven or narrow technical perspective. Rather it is an approach that implements a defined integration mandate with a defined purpose in sight. Triggered by gender and rights leads, all EC mainstreaming leads are beginning to explore the potential of a systems approach – integrating gender, rights and environment in a joined up, coherent way. The SDGs and development of the results-based approach currently provide imperatives and opportunities to pull these dimensions together (although there may be organisational challenges).

Mainstreaming both requires and justifies up-front investment. Mainstreaming is a complex and multi-faceted task that requires continuous effort and system-wide investment in staff, skills, procedures, tools and knowledge. But it can ultimately save costs through encouraging more sustainable results. This is recognised in the EC’s External Investment Plan where the five priority areas of small- and medium-sized enterprises (SME), energy, sustainable agriculture, digital agenda and sustainable cities provide good opportunities for mainstreaming.

Mainstreaming adds value to all sectors, and not only to natural resource sectors like agriculture (the ‘low-hanging fruit’ for mainstreaming effort). The EC has made progress with mainstreaming in some sectors, such as agriculture and water, which already tend to include environment and climate issues in their work, and where dependence on environmental assets and exposure to environment and climate risk is commonly accepted. More attention is needed to “harder” sectors like infrastructure and transport, where government and business have resisted environmental arguments and investments to date: here, safeguards such as environmental impact assessment (EIA) are in place, but positive opportunities e.g. to promote ‘ecological infrastructure’ are less commonly exploited. The External Investment Plan offers good opportunities to expand sector mainstreaming, as do the EIB priority investment areas of SMEs, infrastructure and innovation (as well as environment/climate).

Budget support has enabled some degree of mainstreaming, including through influencing ‘upstream’ policy decisions that work for environment and climate. 40% of EU external assistance has been budget support. However, 19.8% of this is considered to contribute to tackling climate change (European Commission, 2018). The policy (and political) dialogue components of budget support are important entry points for environment mainstreaming, providing opportunities to exchange knowledge and expertise that can then be integrated into the support programme. A 2018 report on how EC budget support in 90 countries contributes to each of the SDGs is an important step towards focusing on the best opportunities and needs.

Mainstreaming is less about ‘supply-push’ and more about country ‘demand-pull’: it depends on country partner commitment, priorities and capacity. Mainstreaming needs to be driven by specific and high-profile environment/climate priorities relevant to the country’s development, not diffused by an expansive scope of potential issues. A good starting point is (a) promoting environment in policy dialogue between country delegations and partners, reinforced by (b) identifying existing in-country demands for environment to be included, including through holistic processes such as nationally determined contributions (NDC) and SDG planning. The EC has supported national partner systems development through the United Nations (UN) Poverty Environment Initiative (PEI), Global Climate Change Alliance plus (GCCA-plus), and Switch to Green. The Green Economy work includes the policy processes facilitated by UN Partnership for Action on Green Economy, complemented by

societal dialogue and demand mobilisation by the seven national hubs of the Green Economy Coalition. There is now good scope to learn lessons across these partner programmes, to effectively mainstream environment through ‘geographisation’.

Evidence of the economic contribution of the environment to in-country development, and associated risks, is really valuable but too often missing. This evidence is essential given the jobs and investment focus of the next EC programming cycle, as well as the political priorities of developing partner countries. A fuller treatment of trade-offs is needed between poverty and environment objectives – there is a risk of achieving neither poverty nor environment objectives well if mainstreaming is ill-considered: both priorities must be kept in sight. Useful economic evidence includes the costs, benefits, risks and distributional aspects of action on environmental assets and risks, the costs of inaction, and current government expenditure on the environment.

Mainstreaming efforts tend to be concentrated early in the operational cycle, which often pays off well; but good outcomes require mainstreaming in implementation too. The EC has a strong focus on mainstreaming in the preparation phase, aiming to engage with project designers in identifying environment issues and shaping associated positive opportunities, and not merely safeguarding. But it is now important to complement this throughout the investment and implementation phases. Sector actors need to be supported to develop their capacities, ways of working, technologies and operations to deliver environment and climate mainstreaming.

Many guides and tools are available for mainstreaming, but they need to be assessed for their user relevance and demand. The framework provided by the EC Quality Results Group (QRG), with its formal authority to improve project quality, has been important in ensuring use within the EC. Some good tools are underused, such as the EC’s Climate Risk Assessment, in spite of requirements to implement it. This is surprising given the prominence of climate targets. As well as well-established tools, like EIA and strategic environmental assessment (SEA), there is innovation in for example Sustainable Value Chain Analysis, biodiversity risk management, and Multi-Risk Mapping. User needs and outcomes should be assessed and effective tools disseminated through a communication strategy involving for example multimedia and especially visual materials, such as videos. The EIB is now streamlining its burgeoning handbook according to 10 (soon 11) environment and social standards. Some EC tools are already proven and used successfully by other development agencies. The peer learning visit revealed the potential for EC, Member states and OECD to assess the growing availability of tools together – sharing and ‘demand-testing’ analytical material and guidance to reduce duplication.

- **Country Environment Profiles (CEP) are no longer produced regularly, but could be revived in more effective ways.** Even if quite out of date, CEPs are among the most-downloaded ‘environment’ documents produced by DEVCO. The idea of a good baseline of country information – perhaps now also with economic and political economy information on environment linked to development – could be considered. Effective mainstreaming will respond to context (where the DEVCO’s generic materials such as ‘sector scripts’ are perceived to assert perhaps too many environment and climate issues).
- **Strategic environmental assessment (SEA) can be a valuable game-changer, but its use is still limited.** SEA helps to shift from a ‘do-no-harm’ to a ‘do-more-good’ approach, identifying not only threats but also opportunities from environment and climate and drawing together EU delegations and country partners in dialogue. Although at first SEAs were procedural, this changed over time, as SEA became used more inventively; indeed in places it has been ascribed with “changing mentalities”. However, SEA can be an expensive and time-consuming exercise,

and so it must be used judiciously. Its relevance may grow in the shift towards leveraging investments.

- **Finance instruments tend to need templates to integrate environmental mainstreaming concerns.** Attention is now needed to blending, which is emerging as an important finance instrument. All new finance tools have environment needs ‘built in’.

Monitoring and evaluation of mainstreaming tends to focus on quantities, e.g. of financial inputs, but assessing mainstreaming quality has also offered powerful feedback. There is considerable monitoring of financial targets associated with environment, and notably climate. These have been supplemented with information on mainstreaming quality. Various (albeit irregular) evaluations – the EC environment audit committee (2006), *ex post* reviews of environment, climate and green economy work, and internal assessments of the quality of CEPs and SEAs, have proven powerful in identifying areas for improvement – all of which have been taken seriously. There is scope to learn from other monitoring and evaluation in the Commission. One example is DG ENV’s study of environmental integration in regional policy over three periods, which reviews the various methods used, e.g. SEAs and public procurement. Another is the annual reporting of gender results. Currently the EC is aiming to include environment in the general audit.

A central technical assistance facility can accelerate and broaden mainstreaming, but its role needs to be catalytic and strategic. The EC’s Environment and Climate Change Mainstreaming Facility is responsive and expert. As it is in-house, it is able to help in project cycle management and environmental awareness. It has supported DEVCO to review 1,400 actions over the last three years, and logged over 140 requests for advisory support (though 80% of these are from headquarters, and few from delegations). However, its potential scope of activities is huge. There is therefore a need to deploy central mainstreaming facilities strategically to avoid the paradox that its staff work only in reactive mode and/or end up doing the mainstreaming themselves. This includes coordination and joint working with the other facilities for biodiversity, Reducing Emissions from Deforestation and Forest Degradation plus (REDD+), GCCA+ and Switch to Green.

With investment lending increasing, environmental transparency and accountability requirements will become more important. As within the EU, civil society could play an important role both in asserting societal demand for mainstreaming and in holding parties to account. There is currently good and regular liaison with non-governmental organisations (NGO), which is promising. There are clear benefits to strengthening the watchdog role of civil society, which can be enabled by access to information and grievance procedures for civil society to follow.

Mainstreaming could be organised towards a strategic goal – notably to stimulate a ‘race to the top’ in environmental and social standards for investment – and not simply due-diligence goals. The EC has an ambitious mainstreaming policy and clear legislation, and new tools such as Value Chain Analysis. The EIB has very strong safeguarding, keeping high EU standards despite the need (as an investment bank) to be risk-averse and make a return. Its Natural Capital Financing Facility (within the EU) aims to provide proof of concept for private investment in a range of environmentally-progressive fields, such as green infrastructure, biodiversity offsets, pro-biodiversity business, and payments for ecosystem services (PES) that are driven by real ‘downstream’ buyers and markets. The peer learning team discussed ways to take this strategy to scale, e.g. triangular cooperation between EU organisations, developing countries, and other funders, notably Chinese investment.

5. Lessons on knowledge, learning and innovation

'Mainstreaming fatigue' is a common complaint in most development organisations, but early lessons from the EC suggest it can be countered by building a sense of collective (and not only individual) responsibility and by building interdisciplinary and holistic understanding.

Mature mainstreaming is more about collective responsibility for environment/climate and less about individual 'championship' of it. Valuable though individual drivers of mainstreaming have been, there is no substitute for a strong corporate view and common narrative of environment/climate in development (EC) and investment (EIB). Staff and partners need a clear view of environmental assets and risks associated with the respective EC and EIB programmes, and to feel they are working collectively to address them.

Organisational learning about how environment matters in the institution's work can drive real improvements in mainstreaming. *How* an organisation learns about environment in its work (and not just *what* it learns) can reinforce mainstreaming strategies and build confidence to implement them. Learning opportunities like annual environment weeks, seminars and case studies have helped, but the EC and EIB could benefit from more deliberate, strategic (and potentially collective) knowledge management. The aim is to connect and inform a community of practice of 'environment' and 'mainstream' actors across the organisation, and build in useful feedback loops so that their work feeds learning.

The longer-term, political and economic aspects of environment and climate need closer attention where operational procedures tend to be short-term and technically/financially-driven. Both the EC and EIB have highly organised project cycle systems which provide clear entry points for mainstreaming. But this can still be challenging for longer term processes like environmental and climate change which include cumulative, non-linear and threshold effects. Mainstreaming guidance and tools have been rather technical in nature and bundled together in processes like EIA and SEA. But mainstreaming is more of a system-wide challenge and other forms of knowledge are important, e.g. the political economy and economics of environment, ways of connecting to other actors including civil society, evolving scientific knowledge about ecological behaviour and limits ('planetary boundaries'), and means of horizon scanning. In the long run, there is more to be done to integrate environment and climate concerns across the EU institutional machinery, but there are excellent foundations from which the peer group has learned much.

6. Next steps

The next steps are a visit to Sweden in January 2019 and to Canada in April 2019. IIED will prepare a synthesis report on all findings in April 2019, together with country annexes (for the EC this will be based on the current report) and the OECD DAC will organise a dissemination workshop in May 2019.

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Annex 2 Schedule of the visit to European Commission and European Investment Bank

time	Monday 24/09/2018	Tuesday 25/09/2018	Wednesday 26/09/2018	Thursday 27/09/2018	Friday 28/09/2018
09.00	10.30 Visiting team preparatory meeting	09.00-10.30 EU Environment and climate change policies and their implementation <i>[DG ENV, DG CLIMA, EEAS]</i> @ DG Environment, Avenue de Beaulieu 5 (BU 5-00/B) 11.00-13.00 Achievements, lessons and challenges to date: Results of evaluations; analysis of quality of integration; financial flows; geo- & sector-wise analysis. <i>[C2, C6, MF, K.Rao, C.Paul]</i> @ DEVCO - Loi 41/6/A77	09:30-12.00 Mainstreaming in EIB operations. EIB mandate and relevant environmental policy/ investment objectives. Discussion of environmental mainstreaming tools, procedures, resources and lessons learnt. @ EIB Brussels office Rond-point Schuman, 6 <i>EU thematic action on CC and green economy – over lunch</i>	09.00 Views from the field Conference call with Asian EU Delegations (MM, KH, AF); @06/A59 11.00-11.45 Budget support operations <i>[DEVCO A6]</i> 11.45-12.45 Mainstreaming in the project cycle. Meet staff of DEVCO B1 - Gender Equality, Rights, Governance, and DEVCO O4 - Results, evaluation and business processes	09.30-11.30 Stakeholder workshop Presentation and discussion of preliminary findings <i>[All stakeholders]</i> @ VIP room, Loi 41 12.00-13.00 Debriefing - Joint reflection on process - Learning outputs and next steps (Sweden, Paris) <i>[C2, C6, EIB, OECD DAC, IIED]</i>
13.00	<i>Lunch</i>	<i>Lunch</i>	<i>Lunch</i>	<i>Lunch</i>	<i>Lunch</i>
14.00	14.00 Introductory briefing DEVCO environment & climate change policies; history, objectives and approaches Agenda and main actors <i>[DEVCO C2, C6, MF, DAC focal person, DG NEAR]</i>	14.00-15.30 Mainstreaming in geographic programmes <i>[DEVCO geo-units, RESPAs]</i> 15.30-16.30 Mainstreaming in sector programmes – example Agriculture and food security <i>[C1, C2, C6, MF]</i> 16.30-17.30 Mainstreaming in blending and investments Blending operations, external investment Plan (EIP) and investment facilities <i>[C2, C3, EIP Sec; EIB, S2G]</i>	14.30-15.30 Views from the field Conference calls (parallel) with EU Delegations in Latin America @04/A124; and Africa @02/A73 15.30-17.00 External views on mainstreaming in the EU Informal roundtable meeting - chaired by visiting team - with invited development and environmental NGO's <i>[VT, EIB]</i> 17.00-17.30 Courtesy call - Carla Montesi, Director DEVCO C Environment in the vision and mandate of the EC/DEVCO <i>[Heads of Units C2 and C6]</i>	Preliminary lessons and key messages Peer visitors meet to agree on initial findings	Departures
17.30	15.30-17.30 Mainstreaming in practice: Communication, safeguards, tools, activities, challenges <i>[C2, C6, MF]</i>				
18:00	<i>@ Thon Hotel: debrief</i>	18:00-20:30: Informal gathering	<i>@ Thon Hotel: debrief</i>	<i>@ Thon Hotel: debrief</i>	



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