

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

DAC Network on Environment and Development Co-operation

OVERVIEW OF ONGOING WORK 2010

ENVIRONET Meeting: 23-24 February 2010

The attached document provides an overview of work undertaken by the Network on Environment and Development Co-operation (ENVIRONET) in the areas of integration of development co-operation and environment. It is submitted to its members for INFORMATION under item 3 of the draft annotated agenda at the meeting on 23-24 February 2010.

Linked to Output Area 5.1.1 of the DAC Programme of Work and Budget for 2009-2010.

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DAC NETWORK ON ENVIRONMENT AND DEVELOPMENT CO-OPERATION:

OVERVIEW OF ONGOING WORK 2010

I. ACTIVITIES CONDUCTED BY ENVIRONET, INCLUDING IN COLLABORATION WITH OTHER DAC AND OECD BODIES

I. A. PROMOTING STRATEGIC ENVIRONMENTAL ASSESSMENT

Objectives/Expected Outcomes

- Identifying, adapting, scaling up and expanding implementation of “good practices” at the interface of environment and development and supporting harmonised capacity development for environment-development integration and Strategic Environmental Assessment (SEA).
- Enhanced harmonisation of donors’ approaches towards the assessment of the environmental impacts of policies, plans and programmes in line with the principles and objectives of the *Paris Declaration on Aid Effectiveness*.

Progress to date

1. *Applying Strategic Environmental Assessment: Good Practice Guidance for Development Co-operation*, was endorsed by the DAC in 2006 and published as part of the “DAC Guidelines and Reference Series” in English, French and Spanish. The International Association for Impact Assessment (IAIA) awarded the Task Team on SEA, led by the UK and UNDP, its **Institutional Award** in 2006 for the Guidance work.
2. The 2008 DAC High Level Meeting endorsed a **Policy Statement on SEA**, which highlights the value and importance of harmonised SEA approaches as outlined in the *Paris Declaration* and aims to signal high-level collective commitment to their implementation.
3. The Task Team, now led by Canada, is focusing on promoting and monitoring the application of the Guidance and implementation of SEA in development co-operation, using a promotional leaflet, a brochure, a CD ROM and a PowerPoint Presentation. An **SEA training course** has been developed by GTZ, based on the SEA DAC Guidance. It has been field-tested in a range of countries, e.g. Algeria, Benin, Mauritania, Morocco, Namibia, Tunisia, Honduras, Indonesia, China and Vietnam. It has also been delivered in different East European countries, e.g. Belarus, Moldova, Ukraine, Armenia, Azerbaijan and Georgia, Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, Serbia, and Kosovo in the context of UNECE-UNDP-GTZ collaboration. The Task Team has initiated an ‘**SEA road show**’ process to raise awareness about SEA in both donor and partner governments. An SEA awareness workshop was organised in Zambia in 2008.
4. The Task Team has also published a series of **Advisory Notes** that supplement the Guidance with more detailed advice on the application of SEA in the context of i) climate change, ii) ecosystem services, iii) disaster risk reduction, and iv) post-conflict development. The Advisory Notes can be accessed under www.oecd.org/dac/environment/sea/an (in French: www.oecd.org/cad/environnement/ees/nc).
5. An **SEA survey** has been developed as a planning tool, as well as to identify and map out the possible opportunities to develop detailed case studies of SEAs. Best practice cases of SEAs were presented and peer reviewed at the **SEA Task Team workshop in Vietnam** in December 2008.

6. At the last Task Team meeting in October 2009 members approved a proposal from CIDA to develop a **generic methodology for reviewing SEAs** and to test it against 2-3 CIDA internal SEAs. The approach builds on Chapter 6 of the OECD DAC SEA guidance and also takes into account commitments in the Paris Declaration and Accra Agenda for Action particularly regarding building in-country capacity.

7. A report on *SEA in Practice in Development Co-operation: A Review of Recent Experience*, highlighting these good practice case studies, as well as generic issues on SEA, capacity development issues, problems and challenges, and lessons learned is being developed. A draft will be available at the ENVIRONET meeting in Paris on 23-24 February 2010.

Future Work/Next Steps

- **Developing a generic Methodology to review the quality of SEA:** CIDA Canada has established a methodology for the review of their SEAs to ensure quality. The Task Team is currently considering the modification of this to be a standard review methodology and the voluntary adoption of this by Task Team members.
- **Producing new Advisory Notes:** Additional SEA Advisory Notes will be developed on a demand-driven basis. The Task Team is considering the development of an SEA Advisory Note on Bio-fuels.
- **Launching and disseminating the Report on SEA in Practice in Development Co-operation: A Review of Recent Experiences:** The *Report* will be presented at the meeting of ENVIRONET on 23-24 February 2010.

I. B. POVERTY-ENVIRONMENT LINKAGES

Objectives/Expected Outcomes

- Demonstration of the positive contribution of sustainable natural resources management to pro-poor growth and identification of the opportunities for growth, revenues, employment and poverty reduction through “responsible” natural resource management.
- Collaboration with other DAC subsidiary bodies to identify ways to integrate environment and natural resource management into development co-operation in the context of new aid modalities.

Progress to date

8. The OECD ENVIRONET Task Team on Natural Resources and Pro-poor Growth has produced a Report on *Natural Resources and Pro-Poor Growth: The Economics and Politics*. The Report features inputs from the DAC Network on Poverty Reduction (POVNET), the EPOC Working Party on Global and Structural Policies (WPGSP), the OECD Committee on Fisheries, and the Poverty-Environment Partnership (PEP). The Report demonstrates that sound and sustainable management of natural resources can contribute to long-term pro-poor economic growth and emphasises the need to address the political challenges raised by the unique features of natural resources. It includes overviews of key issues arising in relation to fisheries, forests, wildlife and nature based tourism, soils, water, minerals and renewable energies.

9. The Report was endorsed by the DAC in April 2008 and published under the DAC Guidelines and Reference Series (in English and French). This Report provides valuable inputs for the DAC Contribution to ongoing OECD-wide work on green growth.

Future work/Next steps

The Task Team has been discontinued following completion of its assigned task.

- **Dissemination of the Report:** ENVIRONET Secretariat and members will continue to disseminate the report to ensure that it reaches its intended audience with maximum impact on the work of policy makers in donor and partner countries. Upcoming events and conferences related to natural resources management and pro-poor growth may provide occasions to present and distribute the Report.
- **Build on Key Messages/Outcomes of the Report:** The Joint DAC/EPOC Task Team on Governance and Capacity Development for Environment and Natural Resource Management will use the key messages and outcomes of the work in their forthcoming Guidance on Capacity Development for Environment (see IIC below).

I. C. REPORTING OF AID ACTIVITIES IN SUPPORT OF THE RIO CONVENTIONS

Objectives/Expected Outcomes

- Improvement of the statistical reporting of aid towards the Desertification, Climate Change and Biodiversity Conventions in developing countries (in collaboration with the DAC Working Party on Statistics (WP-STAT)).
- Advice to the DAC with regard to the ODA eligibility of the “Clean Development Mechanism” (CDM) under the Kyoto Protocol.

Progress to date

10. **Statistical Recording of Aid towards the Rio Conventions:** ENVIRONET has been collaborating with the DAC Working Party on Statistics (WP-STAT) to improve the statistical data on aid in support of the implementation of the Rio Conventions (Desertification, Climate Change and Biodiversity) in developing countries. At its meeting in June 2008, WP STAT agreed to incorporate the Rio markers in regular CRS reporting. Several countries undertook to improve their reporting on the markers.

11. The DAC Senior Level Meeting (SLM) on 10 December 2008 [DCD/DAC/M(2008)11], underlined the urgent need for tracking ODA targeted towards climate change adaptation. Accordingly, a joint ENVIRONET/WP-STAT Task Team was established to improve the Rio Markers’ data quality and to examine the possible tracking of ODA flows in support of climate change adaptation.

12. A climate change adaptation marker was endorsed by the DAC on the 9 December 2009. The Task Team is now focusing its efforts on improving the coverage and quality of reporting under the Rio Markers and implementing the new adaptation policy markers.

13. **ODA Eligibility of the Clean Development Mechanism (CDM):** The 2008 DAC High Level Meeting (HLM) decided to postpone the review of the process agreed for reporting activities under the Clean Development Mechanism (CDM) as ODA funding. This review, initially envisaged to take place in 2007 [DAC/CHAIR(2004)4/FINAL], will have to be conducted over the 2009-2010 period.

Future Work/Next Steps

- **Improving the data quality of the Rio Markers:** With the support of the three Rio Conventions' Secretariats, the joint ENVIRONET/WP-STAT Task Team will be meeting regularly to improve the data quality of the Rio Markers.
- **Tracking ODA flows in support of climate change adaptation:** The joint ENVIRONET/WP-STAT will work to implement the new marker on climate change adaptation.
- **ODA Eligibility of the Clean Development Mechanism:** Future work is to be defined in light of the development and evolution of the Clean Development Mechanism.

I. D. BIODIVERSITY AND DEVELOPMENT CO-OPERATION

Background and Objectives

14. 2010 is the International Year of Biodiversity, and COP 10 of the Convention of Biological Diversity will be held in Japan in October 2010. Biodiversity is relevant to development assistance, as the conservation of biodiversity contributes to poverty reduction and achievement of the MDGs. In this context, Japan has proposed that the DAC formulate and endorse a policy statement on Integrating Biodiversity into Development Co-operation.

Progress to date

15. DAC endorsed Japan's proposal concerning biodiversity on 3 November 2009.

Future Work/Next Steps

- A First Draft Policy Statement on Biodiversity is scheduled to be discussed by the 10th meeting of ENVIRONET on 23-24 (am) February 2010. This document will be submitted for endorsement by the DAC Senior Level Meeting on 14-15 April 2010.
- An Experts meeting on biodiversity is planned on the afternoon of 24 February 2010. This meeting has been organised jointly by the Secretariat of the Convention on Biological Diversity (CBD) and the ENVIRONET Secretariat.

II. ACTIVITIES UNDERTAKEN BY ENVIRONET JOINTLY WITH EPOC/WPGSP IN FOLLOW-UP TO THE DAC/EPOC MINISTERIAL MEETING

II. A. JOINT DAC/EPOC HIGH-LEVEL MEETING 2009

Background and Objectives

16. The Development Assistance Committee (DAC) and the Environment Policy Committee (EPOC) met at ministerial level on 4 April 2006 to identify key issues at the interface of the environment and development policy domains and to lay the basis of a strategic alliance between the environment and development co-operation communities to address these issues. They adopted a *Declaration on Integrating Climate Change Adaption into Development Co-operation* and a *Framework for Common Action around Shared Goals*. The *Framework* seeks to improve the co-ordination and coherence of efforts by Development Co-operation and Environmental agencies in OECD countries, in support of poverty reduction and the MDGs.

17. A follow-up Joint Environment and Development High Level Meeting (DAC-EPOC HLM) was held on 28 - 29 May 2009, back-to-back with the DAC High Level Meeting. The main purpose of this Meeting was to discuss priorities and mechanisms for further common action by the environment and development policy communities, with a special focus on climate change. High-priority issues addressed in the meeting included:

- financing for climate change adaptation;
- capacity development for environmental governance; and
- fostering low carbon development paths in developing countries.

18. The meeting endorsed a Report of Progress since the 2006 Ministerial Meeting and approved its transmission to Development and Environment Ministers. A Co-Chairs Summary of the Joint DAC-EPOC HLM is available, together with full meeting documentation at www.oecd.org/dacepochlm.

Future work/Next steps

Further Joint Meetings of DAC and EPOC could be considered in future.

II. B. INTEGRATING CLIMATE CHANGE ADAPTATION INTO DEVELOPMENT CO-OPERATION

Background and Objectives

19. The joint *Declaration on Integrating Climate Change Adaptation into Development Co-operation* (2006), invites the OECD to promote co-ordination and sharing of good practices “with the aim of developing guidance for integrating climate change adaptation in the context of development co-operation”.

Progress to date

20. A Joint EPOC-WPGSP/DAC-ENVIRONET Task Team on Mainstreaming Climate Change Adaptation into Development Co-operation was established and led by Switzerland and the Netherlands. The Task Team prepared a **Policy Guidance and Policy Statement on Integrating Climate Change Adaptation into Development Co-operation**. These documents were formally endorsed at the Joint Development-Environment High Level Meeting in May 2009 (See II. A. above).

Future Work/Next Steps (excerpted from the record of the last Task Team meeting held in Zurich on 28-29 January 2010)

- Task Team Members agreed that the OECD Guidance on Integrating Climate Change Adaptation into Development Co-operation was a key product of the Task Team and had been well received by many audiences. The emphasis is now on continuing to disseminate the guidance and developing user tools and a training course. The GTZ, acting on behalf of BMZ, presented a training course based on the Guidance and invited Task Team members to suggest individuals to be trained as trainers.
- Task Team Members shared experiences with using climate risk screening tools and assessments and agreed to support a study by the Secretariat in partnership with the International Institute for Sustainable Development (IISD) to look into options for harmonising the use of climate screening tools.
- The OECD Secretariat presented a review of the integration of Climate Change Adaptation (CCA) into Environmental Impact Assessment (EIA) procedures. The Task Team agreed to the publication of this report as an OECD Working Paper following the incorporation of comments.
- The Task Team also agreed to carry out work on the following issues / themes: monitoring and evaluation of climate change adaptation efforts, disaster risk reduction and risk sharing (led by Switzerland) and linkages between adaptation and mitigation. Proposals in these area are to be discussed at the next meeting of the Task Team. The Task Team also agreed to examine climate change issues in selected sectors and the Netherlands agreed to take the lead on developing sectoral guidance for the water sector. It was agreed to consider additional sector-specific guidance at a later stage.

II. C. GOVERNANCE AND CAPACITY DEVELOPMENT FOR NATURAL RESOURCE AND ENVIRONMENTAL MANAGEMENT

Background and Objectives

21. The *Framework for Common Action around Shared Goals*, (2006), seeks to improve the co-ordination and coherence of efforts by development co-operation and environmental agencies in OECD countries, in support of poverty reduction and the MDGs. The *Framework* places special emphasis on the need for capacity development for development-environment integration. The importance of capacity development in the Accra Agenda for Action further reinforces the need for this follow-up work.

Progress to date

22. A Joint EPOC WPGSP/DAC ENVIRONET Task Team on Governance and Capacity Development for Natural Resource and Environmental Management, led by Sweden, was established in November 2006. The Task Team developed four workstreams:

- **Greening Development Planning – A Review of Country Case Studies for Making the Economic Case for Improved Management of Environment and Natural Resources** (led by Sweden). The Report was published under the Environment Working Paper Series in January 2009.
- **Integrating public environmental expenditure within multi-year budgetary frameworks** (led by the OECD Secretariat in co-operation with Overseas Development Institute - ODI). A draft synthesis report was discussed by the Task Team at its Meeting on 25 September 2008 and was published under the Environment Working Paper Series in May 2009.
- **Assessing Institutional Capacity for Environmental and Natural Resource Management** (led by the OECD Secretariat). A reference framework for capacity assessment was discussed in detail during the Institutional Assessment Workshop held on 24 September 2008 and was published under the Environment Working Paper Series in May 2009.
- **A Survey of Environmental Agencies' development co-operation activities in developing countries** was carried out. The preliminary results were presented at the Task Team meeting in September 2008 and were published in May 2009.

23. The main conclusions from these work streams and avenues for future work were summarized in a Draft Report to Ministers, which was reviewed at the 2009 Joint DAC/EPOC High Level Meeting (See II. A. above).

24. The DAC/EPOC Meeting discussed Capacity Development and Governance for Environmental Management in the Context of the Accra Agenda for Action and concluded that there was a need for:

- *Comprehensive guidance on building capacity for integrating environmental considerations in national and sectoral plans and budgets, identifying approaches for “mainstreaming” and “upstreaming” environmental issues in sector policy dialogues, and testing the results of the work at country level. Capacity development in the context of climate change was of particular interest.*
- *Sharing of best practices with regard to capacity development and governance for environment, in the context of both the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. This should involve intensified collaboration between development co-operation and environment agencies.*

25. At the last Task Team Meeting of 24-25 September 2009, Co-Chairs Norway and the Poverty Environment Initiative (PEI) initiated a new phase of work towards the implementation of the HLM recommendations including the development of a Policy Guidance on Capacity Development for Environment.

26. In addition, the Task Team Secretariat is working with the Government of Malawi, the Working Party on Aid Effectiveness and Poverty-Environment Partnership (PEP) colleagues to organise a meeting on Integrating Environment into Country Systems in Lilongwe, Malawi on 4 March, back to back with the PEP and PEI meetings.

27. The next meeting of the Task Team will take place on 21 May 2010 in Paris and will include an update on the Malawi workshop and a presentation of several chapters of the CDE Guidance.

Future Work/Next Steps

- **Development of a Policy Guidance on Capacity Development for Environment:** The Secretariat is currently working to develop a guidance on capacity development for environmental and natural resources management and governance in line with the outcomes of the Joint HLM.
- **“Mainstreaming” and “Upstreaming” environmental issues in sector policy dialogue:** The Secretariat and Task Team are exploring initial ideas for integrating environment into economic sectors.

II. D. FINANCING OF WATER SUPPLY AND SANITATION

Background and Objectives

28. A key element of the *Framework for Common Action around Shared Goals* (2006) concerns capacity for appraising and managing environmentally-related expenditures of most direct importance to the development process, notably water supply and sanitation.

29. In response to the 2006 Ministerial mandate, a Joint Environment-Development Task Team on Sustainable Financing to Ensure Affordable Access to Water Supply and Sanitation was established, led by France.

Progress to date

30. The Task collected and analysed **good practices on approaches and tools** supporting strategic financial planning in the water supply and sanitation sector, drawing from experience in OECD countries as well as in the context of development co-operation. As a part of the Task Team activities, a **workshop** was organised in April 2007 jointly with the EU Water Initiative Finance Working Group to discuss different tools for conducting finance strategies in the water supply and sanitation sector, *i.e.* FEASIBLE model (developed by Denmark and the OECD) and SWIFT model (developed by the World Bank Water and Sanitation Programme).

31. The results of the comparative analysis and pilot experiences were summarized in a **Report entitled “Strategic Financial Planning for Water Supply and Sanitation”**. A preliminary version of the report served as background documentation for one of the official sessions at the Istanbul World Water Forum on 18 March 2009. Furthermore, it has provided inputs into the publication of the OECD Horizontal Water Programme report *Managing Water for All: An OECD Perspective on Pricing and Financing*. The final version of this report was presented as a background document for the discussions at the DAC-EPOC High Level Meeting on 28-29 May 2009.

Future work/Next steps

The Joint Task Team was discontinued after having fulfilled its mandate..

II. E. CONTRIBUTING TO OECD-HORIZONTAL PROJECT TO DEVELOP GREEN GROWTH STRATEGY

Background and Objectives

32. The *Declaration on Green Growth*, adopted at the Council Meeting at Ministerial Level in 2009 [C/MIN(2009)5/ADD1/FINAL], invites the OECD to develop, as a horizontal project, a Green Growth Strategy [C(2009)147/REV1], in order to achieve economic recovery and environmentally and socially sustainable economic growth. The declaration explicitly recognizes the role of DAC and “underlines the special need to co-ordinate international development co-operation activities in order to help developing countries promote green growth”. OECD is mandated to deliver an interim report to the 2010 MCM, and a synthesis report to the 2011 MCM.

Progress to date

33. As an input to the project, a preliminary proposal describing DCD’s deliverables to Green Growth Strategy has been drafted. It emphasised the importance of sound natural resource management in developing countries, as well as associated capacity development needs and governance challenges. Issues to be examined may include, *inter alia*, agriculture, water, biodiversity, forestry and renewable energy. In addition, options available to developing countries to shift towards lower carbon growth paths will be examined.

Future Work/Next Steps

- ENVIRONET AND POVNET Secretariats will provide outputs on Pro-Poor Green Growth to OECD wide work on Green Growth.
- A Literature Survey on Green Growth will be continuously updated.

GLOSSARY

AAA	Accra Action Agenda
CDM	Clean Development Mechanism
CER	Certified emission reduction
CRS	DAC's Creditor Reporting System
DAC HLM	DAC High Level Meeting
DAC SLM	DAC Senior Level Meeting
EFR	Environmental Fiscal Reform
EUWI	European Union Water Initiative
FEASIBLE	Decision-support tool engaging all the major stakeholders involved in financing water supply and sanitation infrastructure
EPOC	OECD Environment Policy Committee
IAIA	International Association for Impact Assessment
ODA	Official Development Assistance
PEP	Poverty Environment Partnership
PRSP	Poverty Reduction Strategy Paper
SEA	Strategic Environmental Assessment
SWIFT	Financial planning tool developed by the World Bank Water and Sanitation Program
UNDP	UN Development Programme
UNEP	UN Environment Programme
WP GSP	Working Party on Global and Structural Policies
WP STAT	Working Party on Statistics