Climate Finance in IOE evaluations
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The many faces of finance

Climate Finance refers to all funding of climate action:
- Funding of mitigation and adaptation efforts
- Funding of just transitions
- Funding of loss and damage
- Funding of actors & communities, private and public initiatives

Finance in general refers to all streams of money to:
- Governments
- The private sector
- Private citizens
- Philanthropy
- Trade, currency exchange, whitewashing, etcetera

2020: US$ 83.3 bn (OECD)
This is 0.1% of all finance

2020: US$ 83 trillion (GoBankingRates)
Totals differ per source, and range between $44-440 tr., whereas CC finance has not yet reached $100 billion
IFAD is focused on partnership and scores high in this regard
Climate Finance partnership is relatively new
Almost all banks have a green unit, that aims to do green investments and climate investments
The overall portfolio of the bank needs to be looked at. Trust your partner, but accountability is also a solid foundation for partnership
Many old-fashioned banks, in it only for the money, have started up climate finance, as this now is often seen as a public relations exercise
Despite sometime being involved in money laundering and financial involvement in criminal activities, most banks are legitimate and accountable, but not “climate finance”
A cautionary tale:

- The Netherlands aims to turning farming and agriculture towards climate neutral practices.
- A vision of climate friendly farming and agriculture emerged from Agenda 2030 and the Paris Agreement of 2015.
- Especially intensive livestock farming needed to scale down.
- A growing group of “green” farmers focused on climate neutral practices and biodiversity supporting farms.
- Dutch policy aimed to support climate neutral farming.
- The RABO bank, which profiles itself as a cooperative, sustainable bank, unfortunately continued its practice to mainly invest in intensive livestock farming and agriculture, and for a long time refused to finance green initiatives (global portfolio €74.2 bn).
- Not all countries have a Grameen bank
- Many countries have a traditional banking system that will be focused on return on investment in traditional economic terms
- Some have green banks, but their green credentials are usually not independently verified
- Many LDCs and SIDS lack an effective banking system and are dependent on aid and investments of the regional banks and the World Bank
- Increasingly we see the world’s largest banks opening up small investment portfolios to demonstrate that they are “green”, but this tends to be less than 1% of the bank’s portfolio
- Evaluations should look at the credentials of IFAD’s financial partners – this is perhaps also for the ECG to discuss and promote?
The design phase should start with a broad, heuristic context analysis. Context needs to be explored to establish the boundaries of the evaluation. First context analysis is part of the IOE tradition: context of the investment programme. For climate finance, transboundary issues are important and contextual. Weather systems have huge transboundary implications. Ecosystem services often go beyond borders. Biodiversity issues, deforestation, water management etc. The country itself tends to have much of this information, but also the climate funds (GCF, CIF, GEF and bilateral and regional funds).
To go into climate sustainability an evaluation needs to have a broader scope:

- Corporate level evaluations: especially if the funding/banking side of investments would be looked at for IFAD as a whole
- Thematic evaluations: focusing on climate sustainability in the IFAD portfolio
- Subregional evaluations: focusing on a number of countries that share ecosystems and weather profiles, as well as a range of environmental issues (water, deforestation, biodiversity, etc.)
- Country strategy and programme evaluations: where the climate portfolio is substantial
- Other evaluation types less likely, unless CC is prominent
Countries have national plans for climate action: the Nationally Determined Contribution shared with UN FCCC

Mitigation and adaptation targets can be found in these documents

Funding tends to be separated: mitigation tends to focus on energy transitions that may costs huge amounts

Adaptation is also costly, but this is more difficult to justify and usually adaptation receives dramatically less funding than mitigation

While the climate crisis gets worse, mitigation needs to include appropriate adaptation and vice versa – this is not yet happening

Other issues, like loss and damage and Just Transition, are relatively new, but it would be good to prepare for them
With the climate crisis becoming more urgent, the focus tends to shift towards transformational change as the way to speed up the transition.

- This is recognized in the evaluation manual of 2020 – see for example box 7.
- While this leads to sophisticated theories of change (see for example figure 9), the focus on transformational change of complex systems could be sharper.
- It would benefit from incorporating/reflecting on the dimensions of transformational change as identified by the Transformational Change Learning Partnership of the Climate Investment Funds.
FIVE DIMENSIONS OF TRANSFORMATIONAL CHANGE

RELEVANCE
Alignment with and attentiveness to goals and context through time

SYSTEMIC CHANGE
Fundamental shifts in system structures and functions

SPEED
Accelerate impacts to achieve the appropriate speed of change

SCALE
Contextually large change processes and impacts

ADAPTIVE SUSTAINABILITY
Robustness, resilience, and adaptiveness of change
Non-linear pathways

FIGURE 2. "S-CURVE" MODEL USING DIMENSIONS TO TRACK TRANSFORMATIONAL CHANGE IN CLIMATE ACTION
- Principles for Transformational Climate Finance (June 2023): https://tinyurl.com/4v72by7h
- Toolbox for Just Transition: https://cif.org/just-transition-toolbox/home
- The TCLP is shifting from a Learning Partnership to a Community of Practice for Transformational Change
- Management/practitioners and (Independent) evaluation are both involved in the new Community of Practice
- IFAD has been involved at the start of TCLP but not recently – something to be picked up?
A corporate IFAD perspective on climate finance should be discussed, as private banks pay lip-service and undo with their main portfolio what they support in climate finance

The Climate Investment Funds through the Transformational Change Learning Partnership (TCLP) have taken the lead in publishing the most advanced guidance and toolboxes

IOE’s manual is fundamentally sound but could do with an update on complexity and non-linearity of transformational change

IOE’s evaluations have scope for climate finance, but will need fine-tuning to look at transboundary issues, include a broader context analysis and including a corporate perspective on climate finance

Suggestion: to connect IOE and IFAD management/practitioners to the new community of practice of TCLP