



Comments from the Federal Ministry for Economic Cooperation and Development on the Deval Evaluation Report “Climate Protection through Development Cooperation – Contribution of German development cooperation to mitigating greenhouse gas emissions in developing countries”

Summary

The Federal Ministry for Economic Cooperation and Development (BMZ) welcomes the report on “**Climate Protection through Development Cooperation**” submitted by the German Institute for Development Evaluation (DEval). The report describes itself as a study of development work by the BMZ aimed at mitigating greenhouse gas emissions (GHGs) with a particular focus on the **funding area “energy”**. The time period covered by the overall evaluation is from 2002 to 2023.

Continuing climate change and its impacts are among the biggest global issues being faced and pose major challenges for developing countries in particular. DEval explains that in order to achieve the goals of the Paris Agreement, GHGs need to be significantly reduced in all sectors. Given that **energy supply accounts for a third of all GHGs**, transitioning away from fossil fuels towards renewable energies and improving energy efficiency are key measures for mitigating GHGs.

According to DEval, the macro-quantitative study uses available data to carry out a statistical analysis to identify **connections, causality and evidence**. **German development finance relating to climate action and mitigation** alongside specific BMZ funds are assessed as part of a portfolio and allocation analysis. Measures for **mobilising private capital** to achieve climate goals are also included in the evaluation. The

focus is on the funding area “energy”, including power generation, distribution and efficiency.

The evaluation of measures for mitigating GHGs thus analyses a political priority of the BMZ’s activities to promote sustainable development and gives recommendations for action. It is clear from this analysis that many of the goals of German development cooperation are being successfully pursued and that the BMZ is making an important contribution to mitigating GHGs. The BMZ regards the findings of the evaluation as a **validation of how its portfolio has been further developed** in recent years.

Findings of the evaluation

DEval’s assessment of the **results of mitigation financing is overall positive**. Germany’s contribution is seen as fair and as complying with the provisions of the United Nations Framework Convention on Climate Change. The evaluation shows that climate finance is an important tool for combating climate change. However, DEval considers that the **impacts of mitigation have not been sufficiently well recorded in comparison with financing targets**. According to DEval, the validity of **reporting could also be improved**.

The evaluation recommends making more effective and efficient use of limited financial resources through stronger **alignment**.

Relevance of the findings

The evaluation is of relevance for the BMZ as it supports the **further development** of the **mitigation-related portfolio** within German development cooperation. In addition, the evaluation also contributes to accountability and transparency.

Recommendations by DEval and the BMZ's conclusions

DEval presents four recommendations, primarily for the BMZ. **Firstly**, DEval recommends the BMZ to uphold its obligations to **contribute a fair share to mitigating GHGs** in accordance with the principle of common but differentiated responsibilities (CBDR), and to continue to align its commitments with Nationally Determined Contributions (NDCs) in order to achieve the goals of the Paris Agreement.

Secondly, when it comes to its allocation of mitigation-related development cooperation measures, the BMZ should **address in a more targeted way both the synergies and the conflicting goals** that arise between socioeconomic development and GHGE mitigation in order to minimise potential goal conflicts and maximise synergies.

Thirdly, the BMZ should **continue to provide substantial support** for measures in the portfolio **with climate protection as their main objective** and those in the funding area **"energy"** as compared with other projects in the mitigation-related portfolio.

The fourth recommendation relates to the implementing organisations **KfW and GIZ**. DEval indicates that in future these organisations should document mitigation impacts at module level in a way that enables **valid statements to be made about the emission-mitigating impact** of development policy measures (or groups of measures).

The BMZ sees the **first recommendation** as an **acknowledgement of its activities to date** and agrees in principle. According to the report, 71 per cent of Germany's mitigation-related development finance commitments are goal-

oriented, meaning they are aligned with the requirements of the BMZ's development partners as formulated in the NDCs. As part of the P+ Facility, for example, partners receive support in implementing their NDCs and national adaptation plans. The **BMZ continues to support strong alignment**, including in the context of international donor coordination within the country. When it comes to increasing private sector mobilisation, current experiences gained from the Just Energy Transition Partnership (JETP) process in particular will be applied. This is not just about the direct mobilisation of private capital, but in particular about creating a better **enabling environment for involving the private sector** in achieving climate goals. The BMZ is driving progress on this topic in cooperation with other relevant actors, especially multilateral development banks.

Steps are being taken to put a **stronger focus on verifiable mitigation impacts**, although this comes with difficulties including the fact that data cannot be collected immediately but only with a certain delay, meaning that impacts can only be measured at a later date. Assigning emission mitigation impacts directly to specific measures aimed at changing the enabling environment (such as highly effective energy policies) is thus currently difficult, but should not be neglected as a result. The BMZ will continue to provide **extensive capacity for annual reporting** on international climate finance and has developed a transparent, internationally **recognised data collection method**. The BMZ's guide on climate markers (Rio markers) is currently being revised, and will contribute to raising renewed awareness of the importance of correctly assigning markers.

Regarding the second recommendation, the BMZ is very aware of both the synergies and the conflicting goals arising from mitigation-related development cooperation activities, and is actively promoting a just transition with this in mind. The BMZ draws on **scientific analyses** in its strategy development, commissions projects by institutes such as the World Resource Institute (WRI) and the NewClimate Institute (NCI), and carries out consultations with the German Institute of Development and Sustainability

(IDOS) and the Potsdam Institute for Climate Impact Research (PIK) on these issues. Within the framework of the existing bilateral and plurilateral partnerships in the area of climate action, **the BMZ works with partners to identify the greatest possible benefits in terms of both socio-economic development and GHGE mitigation.** Through the quality criterion "Environmental and climate assessment", the risks and potential in the area of climate and the environment (including mitigation potential) across all development policy measures are presented and the resulting recommendations for action integrated where possible. With a view to ODA effectiveness, it is in the interests of the BMZ to coordinate with other ministries in all of its activities. Bilateral and plurilateral partnerships such as the NDC Partnership take place **in cooperation with other ministries** such as the Federal Foreign Office (AA), the Federal Ministry for Economic Affairs and Climate Action (BMWK) and the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). In-depth discussions are also held with the relevant federal ministries in the area of environmental policy. In order to reflect the role of **biodiversity** in development cooperation, alongside that of climate protection and adaptation, the BMZ is putting a special emphasis on mainstreaming this topic.

The BMZ welcomes the **third recommendation** to continue supporting mitigation-related development finance in the funding area "energy". The **energy sector plays a crucial role** in achieving a socially just climate and energy transition. Accordingly, the BMZ will continue to support mitigation-related measures in the energy sector in a bilateral and multilateral context. However, there are **other sectors** in the portfolio that are also **key to mitigating GHGEs.**

The recommendation to focus in particular on projects with mitigation as their primary objective can therefore only be implemented to a limited degree. Mobility, urban development and green infrastructure in particular play an equally important role in achieving a just transition.

The BMZ also views the **fourth recommendation** positively. At the module level, country- and context-specific GHGE mitigation is already being recorded with corresponding module objective and output indicators. Assigning specific GHG indicators is an option that depends on the individual project context and concept. The BMZ's implementing organisations carefully verify which indicators for measuring goal achievement are most appropriate for the module objective and whether a specific GHG indicator can be assigned at the module objective or output level. The BMZ is currently gaining **initial experience in the use of standard indicators.** The current standard indicator data collection method for GHG emissions was developed in cooperation with KfW and GIZ and corresponds to other international data collection methods. Together with GIZ and KfW, the BMZ will verify whether adjustments – and if so, which adjustments – could help to achieve an even more precise record of GHG emissions. Feasibility and economic viability need to be considered in this context.

The BMZ would like to thank DEval for the findings and recommendations described in the report. Optimisation processes will be initiated based on the recommendations made and a critical assessment.

The full DEval evaluation report on "Climate Protection through Development Cooperation" can be downloaded at www.deval.org/en/evaluations.

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