Indicator description	DFID spend on climate
Indicator Type	Input
Technical definition	Total DFID Official Development Assistance (ODA) spent on activities that address climate change, either bilaterally and/or through contributions to climate specific multilateral funds or organisations. It does not include DFID's share of core contributions to general multilateral organisations such as the International Development Association (IDA). Climate specific multilateral funds or organisations are those listed as such by the OECD-DAC. <u>How is it calculated?</u> Climate finance is approved, recorded and tracked within departmental budgets, allocations and processes, and identified on DFID's central finance system using International Climate Finance (ICF) budget centres. New ICF spend is identified and approved as part of the business case design and approval process. For programmes that are 100% climate finance, the full spend of the programme is reported. A percentage of a programme can be scored as climate finance if the programme incorporates elements that are addressing climate risks or using low carbon approaches or technology. Climate programmes need to consider future risk to avoid locking investment into vulnerable places or approaches, or into high-polluting or high emitting technologies.
Rationale	The Government has committed to provide international climate finance of at least £5.8 billion over the next five years (2016/17 to 2020/21). (Note: this therefore covers a period one year beyond the Single Departmental Plan). Of the £5.8 billion, DFID will spend at least £3.6 billion (at least £2.5 billion from 2016/17 to 2019/20 and at least £1.1 billion in 20/21).
Data calculations	**<u>Headline points:</u>** • Figures are produced by financial year. • The UK commitment to spend at least £5.8bn is for HMG, this methodology note exclusively explains

<table>
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DFID's contribution.

Climate finance is calculated via data from DFID's financial systems.
This methodology has been used for reporting climate finance since 2014.
Senior Responsible Officers are responsible for identifying the proportion of spend that is climate finance. This should be based on guidance provided by DFID's Climate and Environment Department to ensure consistency.

<u>Generic example</u>

The DFID programme hierarchy has components under programmes. There is no limit to the number of components a programme may have. Components are assigned to budget centres. For programmes that are completely funded by climate finance all components are assigned to the ICF budget centre. For programmes which are not fully climate finance, but have climate objectives integrated into a broader development programme, one or more specific climate components need to be created and must be mapped to the ICF budget centres.

A sample structure is shown below:

<table>
<tr><th>Project code</th><th>Component code</th><th>ICF Budget centre</th><th>Other Budget Centres</th></tr>
<tr><td rowspan="3">xxxxxx</td><td>xxxxxx-101</td><td></td><td>£x</td></tr>
<tr><td>xxxxxx-102</td><td></td><td>£x</td></tr>
<tr><td>xxxxxx-103</td><td>£x</td><td></td></tr>
</table>
</td>
</tr>
<tr>
<td>Data sources</td>
<td>Data is extracted from DFID's financial data system.</td>
</tr>
<tr>
<td>Reporting roles</td>
<td>This data is currently reported in the DFID Annual Report and Accounts and the DFID Single Departmental Plan (SDP) Indicators.

Related calendar year totals for HMG spend on international climate finance are reported annually to the EU (under the requirements of the Monitoring Mechanism Regulation) and biennially to the UNFCCC.</td>
</tr>
<tr>
<td>Worked example</td>
<td><u>Example programme</u>

ICF Support Requested
The programme supports the Government led strategy by delivering public works to build climate resilient infrastructure</td>
</tr>
</table>

and livelihoods and providing social protection payments when climate shocks occur. The percentages of ICF eligibility were estimated based on detailed information of climate vulnerability and previous programme performance.

Module	DFID Total (£m)	ICF %	ICF Allocation (£m)
1. Social safety nets for the climate vulnerable	146.6	75%	110.0
2. Soil and water conservation public works	15.3	90%	13.7
3. Roads (climate resilient)	6.9	25%	1.7
3. Admin and Mgt costs	9.2	0%	0.0
4. Shock-response contingency fund	39.1	90%	35.2
5. Capacity Building	10.5	10%	1.0
6. Management	6.9	10%	0.7
7. Livelihoods Support	15.6	25%	3.9
Totals	**250.0**	**66%**	**166.2**

ICF Cost Justification

Module 1. Climate Vulnerable Social Transfers – 75% ICF
(i) 56% of rural households in 2010/11 had been affected by a climate shock. This implies that 56% of social transfers in rural areas would be for the climate vulnerable without any targeting;
(ii) The programme is very well-targeted towards the climate vulnerable (Coll-Black et al 2012, Berhane et al 2013); (iii) the percentage of beneficiaries who experience regular climate shocks and receive social transfer is therefore significantly higher (> 90%) than the 56% base rate. iv) However the transfers have co-benefits and inclusion errors so 90% is not fully justifiable as ICF spending.

v) 75% is therefore a conservative estimate of the minimum percentage of climate vulnerable recipients of social transfers.

Module 2. Small-scale water conservation (SWC) works – 90% ICF
SWC activities and small-scale irrigation are intrinsically focussed on:
i) reversing declines in productivity driven by climate changes
ii) building resilience to increasing climate shocks.
iii) drinking water supply programmes (a small share of the programme) also address climate change-induced pressure on groundwater.

iv) 90% ICF support takes into account that there are some elements that are not primarily climate focussed

Module 3. Public works – roads & social infrastructure – 25% ICF

Climate-proofing is built into infrastructure work e.g. placement of culverts to protect roads against potential flooding and these increase construction costs. In addition improving rural accessibility (roads) and social infrastructure (clinics, schools) also builds the resilience of rural households. Estimating the incremental costs of climate proofing infrastructure and the costs of providing resilience benefits provides the basis for the estimate that this module is 25% ICF eligible.

Module 4. Administration – 0% ICF

For simplicity, zero percent of admin costs are to be covered by the ICF.

Module 5. Contingency fund – 90% ICF

The purpose and use of contingency is to enable timely scale-up of transfer coverage and / or generosity in response to a climate shock. Triggers are climate and climate related production data. This fund is primarily focussed on climate shocks, other shocks can be occasionally responded to hence 90% ICF rather than 100% allocation. ***In the event that a non-climate shock drew down on the contingency, this would reduce the percentage counted as climate finance***.

Module 6. Capacity building – 10% ICF

A small proportion of capacity-building activities relate to implementing climate-smart provisions. This is estimated at 10% for the new phase of the programme.

Module 7. Management – 25% ICF

This line includes evaluation activities, which will generate further data on the programme's impact on climate resilience. This data is important not just for reporting adaptation and mitigation KPIs but for gathering the data needed to bid for climate market financing. These elements are essential to learning from the programme's experience and are a significant element of the next phase of it justifying 25% support from ICF.

Module 8. Livelihoods Support – 10% ICF

In the new phase of the programme, livelihoods support will increasingly focus on assisting households shift from low-input rain-fed agriculture to more climate-resilient livelihoods. This justifies 10% ICF support. This which could increase as evidence is generated on this livelihoods based approach to developing resilience.

<u>Loading onto finance systems</u>

<table>
<tr><td></td><td>
The proportion of ICF spend in each module is identified and removed; the module is then loaded as a component on to the finance system. The remainder (total ICF spend) is then combined and also loaded onto the finance system as a separate component under the ICF budget centre. Two components may be necessary if this spend includes both resource and capital spend (see lines 8 & 9 below).
<table>
<tr><th>Component</th><th>DFID Total (£m)</th></tr>
<tr><td>1. Social safety nets for the climate vulnerable</td><td>36.6</td></tr>
<tr><td>2. Soil and water conservation public works</td><td>1.6</td></tr>
<tr><td>3. Roads (climate resilient)</td><td>5.2</td></tr>
<tr><td>3. Admin and Mgt costs</td><td>9.2</td></tr>
<tr><td>4. Shock-response contingency fund</td><td>3.9</td></tr>
<tr><td>5. Capacity Building</td><td>9.5</td></tr>
<tr><td>6. Management</td><td>6.2</td></tr>
<tr><td>7. Livelihoods Support</td><td>11.7</td></tr>
<tr><td>8. ICF Resource spend</td><td>70.0</td></tr>
<tr><td>9. ICF Capital spend</td><td>96.2</td></tr>
<tr><td>Totals</td><td>250.0</td></tr>
</table>
</td></tr>
<tr><td>Baseline data</td><td>HMG spent £3.9bn on international climate finance over the previous 5 years (2011/12 to 2015/16) of which DFID spent £2.4bn.</td></tr>
<tr><td>Return Format</td><td>Amount of ODA, in £ sterling, spent by DFID on climate objectives, by financial year.</td></tr>
<tr><td>Data dis-aggregation</td><td>Not applicable – financial input only.</td></tr>
<tr><td>Data availability</td><td>Annually</td></tr>
<tr><td>Time period/ lag</td><td>Up to 1 year</td></tr>
<tr><td>Quality assurance measures</td><td> Senior Responsible Owners are responsible on a programme by programme basis for ensuring that when climate finance is recorded, this is justified with evidence and fully documented. Maintaining quality of spend will be critical and this will be included in internal audit and other programmatic reviews. </td></tr>
</table>

	Climate and Environment Department work closely with Finance Business Partners and Finance Managers in tracking climate finance to ensure that: 1. Annual UK commitments on climate finance are delivered for the SR period. 2. DFID builds an appropriate pipeline of programmes to be able to deliver a value for money portfolio of at least £1.1 billion of climate finance in 2020/21.
Interpretation of results	Comparison, over time, of annual climate finance figures may be affected by core contributions to large scale funds which may provide funding for programmes over several years. *E.g.* If DFID provides finance in 2017/18 to the Green Climate Fund (GCF), this will be merged with funds from other donors and distributed over a period of time as programme proposals are put to the board and approved. In such an instance DFID will have spent the money in 2017/18 but it may not be spent by the beneficiary in the same year.
Data quality	Follows similar processes to other DFID documents classified as National Statistics
Data issues	Poor classification and coding of programmes may result in over/under estimation of actual spend.
Additional comments	This indicator refers to the commitment in the Single Departmental Plan (SDP) to increase climate finance over the period 2016/17-2020/21. This extends one year beyond the lifetime of the Single Departmental Plan, which is from 2016/17-2019/20.
Variations from standard methodology	None