

Insights from DAC Members' reporting on environment and climate commitments

Climate change as a defining challenge to sustainable development

Climate change is a defining challenge of the 21st century, and it is both compounding existing threats to sustainable development as well as creating new obstacles (OECD, 2019^[1]). Sustainable development and climate change are therefore inseparable. The latest assessment report by the United Nations Intergovernmental Panel on Climate Change (IPCC) concluded that “human-induced climate change is already affecting many weather and climate extremes in every region across the globe” (IPCC, 2021^[2]). Heatwaves, heavy precipitation, droughts, tropical cyclones, sea-level rise and ocean warming and acidification are all phenomena that can undermine countries’ ability to achieve the objectives of the 2030 Agenda for Sustainable Development. Assessments by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) have also shown the significant alteration of nature across the globe by multiple human drivers, leading to a rapid decline in the majority of indicators of ecosystems and biodiversity health (IPBES, 2019^[3]). All these phenomena are altering the ecological systems that underpin economic activity and human societies, including their well-being, safety and development (Hoegh-Guldberg, Jacob and Taylor, 2018^[4]). Developing countries, especially those already affected by extreme poverty, fragility, inequality and other types of vulnerability, are the most exposed to the impacts of climate change (Hallegatte et al., 2015^[5]). Ultimately, this is undermining countries’ ability to achieve sustainable development.

The importance of integrating climate and sustainability into development pathways and efforts to achieve development outcomes has been highlighted by an extensive body of research and analysis. This body of work has also highlighted the key role that development co-operation and development finance can play in catalysing countries’ transitions to low-emissions, climate-resilient and environmentally sustainable development pathways (Germanwatch/New Climate Institute, 2018^[6]; OECD, 2013^[7]; CPI, 2019^[8]; WRI, 2018^[9]). In particular, it underlines the opportunities for development linked to a better alignment between development policies and climate and environment objectives in areas like climate change mitigation, climate change adaptation, environmental protection, biodiversity and sustainable ocean use and management (OECD, 2019^[1]; 2020^[10]; 2021^[11]).

Putting green growth at the heart of development co-operation is, therefore, a priority to bring about the shift to environmentally sustainable, low-emissions and climate-resilient development pathways in developing countries (OECD, 2019^[1]). Investing in activities that help developing countries mitigate and adapt to climate change is a key lever to catalyse climate action and mobilise the capacity and finance needed to achieve a transition to environmentally sustainable, low-emissions and climate-resilient development pathways. This is in line with commitments made by developed countries in Article 9 of the

Paris Agreement, including the commitment to mobilise USD 100 billion in climate finance from all sources by 2020.

The vast majority of international climate finance in support of climate action in developing countries comes in the form of official development finance. According to OECD estimates, in 2019, 79% of climate finance counting towards the USD 100 billion commitment took the form of official development finance. In addition, development finance instruments and activities directly mobilised private finance towards the USD 100 billion goal, which constituted a further 18% of the total reported (OECD, 2021^[12]).

Yet, recent reports show that the gap that separates ambition and action is still large. The most recent United Nations Framework Convention on Climate Change (UNFCCC) Nationally Determined Contribution (NDC) synthesis report finds that available NDCs from all 191 Parties taken together could lead to a temperature rise of about 2.7 degrees by the end of the century (UNFCCC, 2021^[13]). This would result in dramatic consequences for all countries but especially for those that have the least means to face the challenges that such a scenario would entail. At the same time, the Global Biodiversity Outlook 5 confirmed that none of the 20 Aichi Biodiversity Targets agreed through the Convention on Biological Diversity had been met by 2020, further threatening the achievement of the Sustainable Development Goals (SDGs) and weakening efforts to address climate change (CBD, 2020^[14]). Finally, despite growing concerns regarding escalating climate risks, the Global Commission for Adaptation recently underlined that finance flows are still falling short and do not reach the people and regions that need them the most (GCA, 2020^[15]).

Development co-operation can do more to support developing countries address climate change

To maximise its impact and effectiveness, development co-operation needs to evolve in response to the challenges posed by a world vulnerable to the escalating climate crisis and to the threats posed by worsening environmental degradation. Some elements of this transformation include better co-ordination across providers of development co-operation; enhancing the integration of climate and environmental concerns into development policies, strategies and approaches; proactive support for partner countries' own transition plans through capacity building, technical assistance and provision of concessional finance; and better-targeted support for the most vulnerable countries, with a particular focus on Small Island Developing States (SIDS) (DAC, 2020^[16]).

In November 2020, DAC Members came together to address these interrelated challenges. In the DAC High-Level Meeting Communiqué, they set out a number of commitments to improve their support to developing countries in taking ambitious climate action and achieving environmentally sustainable, low-emissions and climate-resilient development pathways, as the only sound option for achieving the ambitions of development co-operation under the 2030 Agenda (OECD, 2019^[1]; DAC, 2020^[16]). The four core commitments set out by Members of the DAC and on which this report is based are:

- **Commitment on co-ordinated approaches on environment and climate issues:** “We will consider options for co-ordinating development approaches with international climate and environment objectives through a member-driven process, according to a calendar to be confirmed by DAC Members” (DAC, 2020^[16]).
- **Commitment on systematic integration of environment and climate objectives:** “We will work to ensure that our post-COVID-19 development policies and programmes are consistent with international climate and environment objectives, and will work to integrate them systematically” (DAC, 2020^[16]).
- **Commitment on support for the sustainability transition:** “In the spirit of fairness and just transition, we will support developing countries to achieve their own transitions to environmentally

sustainable, low-emissions and climate-resilient development pathways, including by promoting sustainable, quality infrastructure” (DAC, 2020^[16]).

- **Commitment on support for SIDS’ sustainable development:** “We commit to improving how our policies and programmes address the particular needs of SIDS, and to working with them to address obstacles they encounter in accessing finance for resilient and sustainable development” (DAC, 2020^[16]).

This chapter provides overarching findings on DAC Members’ efforts and progress in aligning their actions to these four core commitments. Information in this report reflects the most recent policies and approaches adopted by Members and, when possible, the evolution of such policies and approaches in recent years.

Commitment #1 on co-ordinated approaches on environment and climate issues

Key highlights

- At their High-Level Meeting (HLM) in November 2020, DAC Members committed to considering options for co-ordinating development approaches with international climate and environment objectives through a member-driven process.
- Following the High-Level Meeting, DAC Members have undertaken an extensive consultation process in order to set out common approaches to co-ordinate development actions and policies on environment and climate.
- The *OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change* constitutes the key outcome of this process, which outlines a new approach to aligning international development co-operation with the objectives of international climate and environment objectives, in line with developing countries’ own priorities and national transition plans.

In response to the commitment to enhance its co-ordination on environment and climate issues, the DAC has conducted an extensive exercise, which resulted in a shared declaration to COP26. This declaration, which is presented in full in Box 1, highlights key priorities for DAC Members’ collective action in support of developing countries’ efforts to fight climate change, biodiversity loss and environmental degradation and, through this, come closer to achieving the objectives of the 2030 Agenda for Sustainable Development.

The commitments and action points set out in the declaration represent a collective agenda for DAC Members with regard to the environment, climate change, and its systematic integration across development programmes so as to translate into concrete actions, measures and outcomes.

Box 1. OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change

Preamble

1. In advance of the 26th UN Climate Change Conference of the Parties (COP26) we, the members of the OECD Development Assistance Committee (DAC), have a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change (“the Paris Agreement”).

2. The climate crisis is existential, closely linked to environmental and ecosystem degradation, desertification and biodiversity loss. The world’s most vulnerable people, including but not limited to those living in poverty – especially women and girls – are hardest hit across all the Sustainable Development Goals (SDGs). Urgent action is essential to address climate change and deal with its impacts, including food and water insecurity, increased inequalities and exacerbation of conflicts.

3. The 2030 Agenda for Sustainable Development and the Paris Agreement are intrinsically linked. Sustainable development and climate action – including tackling nature loss and persistent inequalities – must be pursued in a coherent way to ensure that progress towards these objectives is effective, equitable and supports the best outcomes for all, including developing countries. To achieve the SDGs and the goals of the Paris Agreement, developing countries must have inclusive economic development, and for that they need electricity, which many poor people still live without. In this context, we will help address the rising energy demands of developing countries, to support their development priorities in the most sustainable way possible.

4. Despite many developing countries contributing very little to climate change, particularly Least Developed Countries (LDCs) and Small Island Developing States (SIDS), many suffer disproportionately from its impacts. We especially recognise the need to support adaptation actions in LDCs and SIDS, consistent with the Paris Agreement.

5. To keep the 1.5°C temperature goal of the Paris Agreement within reach, production and use of energy – which contributes three-quarters of greenhouse gas (GHG) emissions – must be rapidly decarbonised. To achieve this, as outlined in the Intergovernmental Panel on Climate Change’s 2018 special report on 1.5°C pathways, international financing must be directed to low GHG emissions alternatives. It must facilitate developing countries’ access to green technologies, make clean and sustainable energy technologies more easily available, accessible, affordable and efficient and support transitions to net zero emissions by 2050.

What does the DAC want to achieve?

6. The DAC’s core focus is sustainable development co-operation. We are committed to the SDGs and the Paris Agreement, including the transition to net zero GHG emissions and a climate-resilient future. We are encouraged that developing countries share our ambition. The primary climate objectives of DAC members’ Official Development Assistance (ODA) are: a) to support partner countries’ own just transitions to sustainable pathways and to achieve global net zero emissions; and b) to increase their ability to adapt to the adverse impacts of climate change and improve resilience.

7. These transitions should be just and fair. They will vary by country and must be driven by country context and led by developing countries, as expressed in their Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), long-term low GHG emission development strategies (LTSs), Disaster Risk Reduction Strategies, and other climate-resilient national plans. For some developing countries with limited access to energy, it may be possible – with additional and blended finance – to leapfrog to clean and efficient sources of energy production. For other developing

countries, the transition to more sustainable and efficient energy production may be longer and include low-emissions energy sources. In these exceptional circumstances, we should support the best available option. This support should be part of national energy system transition plans and reflect the Paris Agreement goals. The risks of stranded asset and carbon lock-ins must also be considered. Encouragement and facilitation of the faster roll-out of renewables and other cost-effective, efficient and low-emissions technology options in developing countries must be prioritised.

8. Net zero emissions energy resources, including renewables, are increasingly the cheapest and most sustainable option for energy production in many developing countries. These technologies should be promoted and can create substantial environmental, social, economic and health benefits. Emissions reduction measures and renewable energy investments have the potential to increase innovation and improve access to energy and jobs. We will use our ODA and mobilise other resources to help developing countries access more technical opportunities to enable and accelerate a clean, sustainable and just energy transition on voluntary and mutually-agreed terms.

9. Developing countries are very clear about their need for increased support for adaptation, risk reduction and building resilience. We recognise that scaled-up efforts for adaptation and building inclusive climate-resilient societies are an essential and integral part of sustainable development.

What are we going to do?

10. DAC members are fully committed to implementing article 2.1.c of the Paris Agreement, and to making financial flows consistent with pathways toward net zero GHG emissions and climate-resilient development, while facilitating access to green technologies especially in the energy sector. We welcome the recent G7 commitment to support and accelerate global action to tackle climate change and make official finance flows consistent with the goals of the Paris Agreement. We also welcome the concrete steps by the international financial institutions and multilateral and bilateral development banks towards similar alignment. In combination with partner country investments, ODA has an important role to play in helping them shift their policies, regulations and laws in support of mitigation and adaptation.

11. As the custodians of the governance of ODA, we commit to aligning our ODA with the goals of the Paris Agreement. Climate and environmental impacts must be considered in all ODA spend, including in sectors not traditionally associated with climate and the environment. Alignment with the Paris Agreement will recognise the unique circumstances of partner countries and support their own low-carbon, climate-resilient development pathways and transition towards net zero economies, while minimising the risk of creating stranded assets.

- a) We will prioritise support to technologies focused on accelerating progress towards net zero systems, in particular renewable energy and energy efficiency. We could also consider carbon capture, utilisation and storage. We all make the same commitment as the G7 commitment to end new ODA for unabated international thermal coal power generation by the end of 2021¹.

¹ We, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States further commit to limit our ODA investments in fossil fuels to when there are no economically or technically feasible clean energy alternatives; and are part of host country transition planning, consistent with Paris Agreement and NDC commitments. ODA may be used to support efficiency improvements of existing fossil fuel based power generation facilities, as well as their decommissioning and we will notify the DAC of intended activities. We also recognise that in limited contexts – such as emergency and humanitarian crises – where access to grid-based power is unavailable, fossil fuel based power may still warrant ODA support.

- b) We will examine the type of power generation facilities that could be supported by ODA to meet the increasing demand from partner countries, including cost-effectiveness considerations.
- c) Based on thorough analysis of power generation needs and the role of ODA, we will develop henceforth an approach to transitioning ODA investments toward net zero. This will take account of developing countries' needs and NDC commitments, and be in line with the Paris Agreement, 1.5°C goal and best available science.

12. As part of partner country energy system planning, we will work to identify alternative sustainable, low-emissions, efficient, clean and renewable energy solutions to any current ODA fossil fuel support. While energy transitions will have many benefits for developing countries, we will work with our partners to mitigate any unintended harmful consequences to populations with heavy dependence on fossil fuels. We commit to promoting innovation and well-functioning markets to increase access to sustainable, low-emissions, clean and renewable energy in such circumstances.

13. We commit to greater accountability and transparency in how we define, account for and report ODA related to climate, biodiversity and the environment, and in climate finance more broadly. By the end of 2022, we will:

- a) Be more transparent in how we track our development and climate finance and the amount of climate-related development finance;
- b) Review the DAC's relevant statistical reporting and data sharing processes to make them more accessible to developing countries and more easily understood;
- c) Enhance the compatibility of DAC data, national databases and aid transparency initiatives;
- d) Harmonise DAC members' reporting in our Creditor Reporting System (CRS), especially with regard to the Rio markers;
- e) Develop a method for the CRS to measure specifically donor efforts on sustainable energy transition, in recognition of the importance of supporting transitions in sustainable development.

14. We will work with the multilateral system, especially the United Nations, the international financial institutions and regional and multilateral development banks, to deliver this Declaration. This will include: aligning our country-level assistance strategies more clearly with the latest available science, NDCs, NAPs, LTs, Disaster Risk Reduction Strategies and other climate-resilient national plans as appropriate; and working through them to develop in-country capacity, take climate mitigation measures and reduce vulnerability to natural hazards related to climate change.

15. We recognise the urgent need to support investments in adaptation and resilience that are nature positive, locally-led, inclusive, transparent and gender-responsive, including through nature-based solutions, climate information services, technology development and transfer, and monitoring and evaluation. Adaptation to the impacts of climate change is integral to sustainable and inclusive development, safeguarding gains made to date and preventing future losses.

16. The Paris Agreement recognises the importance of averting, minimising, and addressing loss and damage associated with the adverse effects of climate change. To maximise effectiveness for developing countries, action should align with existing mechanisms, such as the Sendai Framework for Disaster Risk Reduction and the DAC's Humanitarian-Development-Peace Nexus Recommendation. This includes being risk-informed, tailored to specific circumstances, integrated with adaptation, humanitarian aid, and emergency preparedness and response.

17. Healthy and sustainable ocean management is an integral part of our response to climate change, environmental degradation and protecting biodiversity. We are committed to promoting resilient and

sustainable ocean economies. We must give greater priority to global co-operation to help protect the oceans that support communities in coastal developing countries and SIDS, as well as in the rest of the world. We will help SIDS and coastal developing countries diversify their economies sustainably, supporting the conservation and sustainable use and management of ocean and coastal resources. SIDS face particular barriers in accessing international climate and environmental funds, as well as multilateral and private finance. We commit to reducing these and to mobilising finance for SIDS from all sources including using the catalytic role of ODA.

18. Climate change threatens water and food security and increases the risk of conflict over natural resources. Impacts are particularly severe in developing countries and fragile contexts least equipped to deal with the consequences of climate change. We commit to supporting innovative, climate-resilient integrated water resources management and water, sanitation and hygiene services. All water interventions need to prioritise sustainable use and conservation of ecosystems, particularly wetlands. Climate change is increasing the conflict over water, which demands greater dialogue and co-operation.

19. Nature and biodiversity play a fundamental role in sustainable development and in tackling climate change. As part of our commitment to the SDGs, the objectives of the UN Convention on Biodiversity and the goals of the Paris Agreement, we must conserve, protect and restore biodiversity and ecosystems, while addressing the causes and risks associated with its loss. We recognise that development finance needs to be aligned better with our environment and biodiversity objectives. We recognise the essential role of nature-based solutions to enhance climate mitigation and adaptation, while tackling deforestation and restoring biodiversity, building resilience and mitigating GHG emissions. They also provide a range of economic and social benefits, including for indigenous peoples and local communities. We will work to embed nature into our analyses, policy dialogue and operations to ensure that ODA does no harm to nature.

Financing solutions for developing countries

20. ODA represents a small share of total resources needed for sustainable development. Developing countries' domestic resources and private sector finance are already, or have the potential to be, far more substantial. The integration of climate and environmental action into national budgetary, fiscal and planning processes is fundamental to successful and equitable transitions. In support, ODA can be transformative, enabling access to the best technology and equipment on voluntary and mutually-agreed terms, to take risks, to finance innovation and to leverage additional public, private and blended finance.

21. We underscore our commitment to supporting developing countries in their just, managed, climate-resilient, inclusive and equitable transitions. Increased quantity and improved quality of finance from all sources is needed to support climate and environment objectives. It must be aligned with partner countries' own national plans and priorities. We will work across our governments to ensure the visibility of developing countries' needs in international climate discussions. We remain committed to continue scaling up climate finance from a wide variety of sources. We remain committed to the goal of mobilising USD 100 billion a year, from a wide variety of public and private sources to address the needs of developing countries, in the context of mitigation and adaptation actions.

22. Recognising the need to support developing countries in tackling climate change, we underscore the need for all countries that can do so to provide and mobilise climate finance. We welcome the increasing number of countries providing public finance with these objectives and encourage others to join this global effort.

23. We will use blended finance and risk mitigation instruments to stimulate more climate-related private sector investment. Attracting more private domestic and international finance for climate action requires

enabling policy frameworks and investment climates. We will work with developing countries to help them increase sustainable investment opportunities and strengthen the requisite enabling conditions. We have learnt from COVID-19 vaccine development that investing early and being prepared to finance risky – but critically important – innovation can yield substantial results, increase access to new technologies and incentivise countries to invest in new mechanisms. ODA and other official finance can play a critical role.

24. We are particularly concerned about the challenges developing countries face in accessing climate finance. As key shareholders and contributors, we commit to working with relevant bilateral and multilateral finance institutions to improve access. Best practice from development co-operation can usefully inform climate and environment finance institutions to facilitate access and support just and inclusive transitions. We must also develop capacity to help countries access and absorb this climate finance, especially LDCs, SIDS and landlocked developing countries.

25. We recognise that more – and more efficient and innovative – finance is needed to support adaptation and that most climate finance is currently invested in mitigation. We commit to increasing support by scaling up finance for adaptation. In line with the Paris Agreement, we reaffirm that scaled-up financial resources should seek a balance between adaptation and mitigation, reflecting country-driven strategies.

Using the resources we have more effectively

26. Existing resources must be used more effectively and consistently. We will work across our governments to find innovative ways to use these resources to maximise impact for our partners. The development effectiveness principles, to which the DAC remains committed, must be applied systematically to how we use development co-operation to support the goals of the Paris Agreement. We will share best practice and peer learning to enable and improve climate and environment policies. More effective development co-operation for climate needs better co-ordination across governments and funders, improved predictability and effective engagement with civil society organisations, to ensure interventions are localised and community-driven. As key shareholders in the multilateral system, we will work to promote development effectiveness principles across multilateral climate finance and ODA.

27. We commit to learning and using development best practice to inform our climate-related activities and will adapt or develop better tools, reflecting what we have learnt from COVID-19 about the importance of flexible, adaptable and shock-responsive mechanisms. We recognise the role that ODA can play in providing risk financing for innovation and commit to supporting partners wherever possible to finance risky – but potentially transformative – new ideas.

Conclusion

28. This Declaration will guide the DAC's work on climate, environment, ecosystem degradation and biodiversity loss henceforth. We commit to reviewing progress on our approach at our High-Level Meetings.

Source: OECD DAC (2021^[17]), Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change, <https://www.oecd.org/dac/development-assistance-committee/dac-declaration-climate-change-cop26.pdf>

Commitment #2 on systematic integration of environment and climate objectives

Key highlights

- DAC Members recognise the importance of climate change and the environment to sustainable development. They share a sense of urgency for enhanced action and stress their commitment to the systematic integration of environmental and climate change dimensions into their development programmes.
- Several DAC Members have explicit commitments to aligning their development co-operation with international climate and environmental objectives, notably the Paris Agreement. A majority refer to the general adherence or ratification of these agreements in reporting on the integration of their objectives into development co-operation. In addition, DAC Members frequently join coalitions or initiatives focused on key aspects of international climate change or environmental agreements.
- A majority of DAC Members have set international financing targets in support of action with regard to climate change and the environment, which in practice are largely delivered through official development finance. Over the 2015-19 period, the volume of official development assistance (ODA) with climate change and environmental objectives have shown an increase, but it is not possible to determine a general trend increase in the share of ODA that includes environmental and climate objectives, which would support an enhanced integration across the DAC. Many Members, however, have recently updated or expect to announce new targets imminently, especially with regard to financing climate action.
- All DAC Members report that action on the environment and climate change is either a key objective or a crosscutting priority for their development programmes. Several Members have strategies that focus specifically on aligning with and integrating international objectives, notably those of the Paris Agreement. Moreover, dedicated mainstreaming strategies are used in some cases to support the systematic integration of climate change and environmental considerations across their entire development programmes. Strategies and policies for climate change and the environment are complemented by a variety of sectoral strategies and operational tools to enable implementation on the ground. A significant number of DAC Members have also developed strategies for supporting post-COVID-19 development recoveries focused on building back better and greener.
- Finally, DAC Members often build on or rely on reference standards or tools, often developed at the international level, which have an important role in enabling common approaches, pooling resources and deploying delivery mechanisms and channels.

Climate and environment mainstreaming refers to the deliberate and proactive integration of environmental concerns, including climate, into development policies, plans, budgets and actions (OECD, 2019_[18]). While this integration of environmental and climate concerns is necessary to ensure the sustainability of all development co-operation activities, it has been difficult to achieve in practice (OECD, 2019_[18]). In particular, most DAC Members have environmental safeguards in place to screen out negative environmental practices. At the same time, they recognise that the challenge of sustainable development requires far more robust policies, capacities and approaches that integrate the wider range of environmental and climate threats (OECD, 2019_[18]). Similarly, there is a growing appreciation of the economic growth and broader development benefits that are to be gained from development pathways that fully integrate environmental sustainability and are nature positive.

To assess this commitment, this section provides an overview of the political commitments DAC Members have undertaken with regard to systematically integrating environment and climate goals into their activities, as well as the strategies, approaches, policies and tools they have deployed to give effect to these commitments.

Political commitments and targets on systematic integration

DAC Members share a clear sense of urgency to integrate climate and environment concerns into their development co-operation activities. In their reporting, all DAC Members stressed their commitment to aligning their international development co-operation policies and approaches with the objectives set out by international environment and climate agreements and goals. These commitments were expressed through official statements, development co-operation strategies, enshrined in national laws or other official documents.

A number of DAC Members have committed explicitly to aligning their development co-operation with international climate and environmental objectives, notably the Paris Agreement. In France, for example, the French Agency for Development (Agence française de développement, AFD) has a formal commitment to be “100% Paris aligned” since 2017. Similarly, in 2019, Sweden started its work to ensure that the alignment of its development co-operation with the Paris Agreement would be further enhanced. Another approach is to include development co-operation as part of broader national commitments and processes. Iceland reports that its most recent NDC includes, as one of three new or enhanced aspects, commitments to increase climate-related ODA activities. Yet other DAC Members have enshrined commitments about integrating environment and climate change into development programmes by law. Spain, for instance, through the Spanish Climate Change and Energy Transition Law (Boletín Oficial del Estado, 2021^[19]), mandates the adoption of an International Climate Finance Strategy, whose objectives include coherence of Spanish development co-operation with climate objectives, including by incorporating these principles into its regulatory and planning framework. Similarly, the law on Belgian development co-operation (Affaires Etrangères, Commerce Extérieur et Coopération au Développement, 2013^[20]) identified environment and climate as crosscutting issues that must be incorporated throughout all development co-operation. In 2019, the Netherlands published a policy to green its instruments for foreign trade and development co-operation, stipulating more specifically that these be in line with the Paris Agreement and the 2030 Agenda for Sustainable Development (Minister for Foreign Trade and Development Cooperation, 2019^[21]).

Beyond specific national commitments, many DAC Members report ratification of, or support for, international conventions or agreements in relation to the systematic integration of international climate and environment objectives into their development approaches. The agreements most frequently cited in DAC Members’ reporting are the Paris Agreement on Climate Change (26 of 30 Members) and the 2030 Agenda for Sustainable Development (24 of 30). Several Members also include references to the Sendai Framework for Disaster Risk Reduction (8 of 30) and the Convention on Biological Diversity (6 of 30). In referencing these agreements or conventions in reporting on commitments for development co-operation, such reporting suggests that these agreements also serve as a direct framework for ODA activities. Most DAC Members do not provide additional information on what these commitments imply concretely with regard to development co-operation.

DAC Members also commonly reported creating or joining coalitions, alliances and partnerships as an expression of commitment to, and as a means of pursuing, common goals. For example, 23 out of 30 DAC Members have joined the High Ambition Coalition for Nature and People with the goal of protecting at least 30% of the world’s land and ocean by 2030. Similarly, slightly more than half of DAC Members take part in the Global Ocean Alliance with the aim to protect at least 30% of the global ocean as Marine Protected Areas (MPAs) and Other Effective area-based Conservation Measures (OECMs) by 2030. Table 1 lists some recent environment and climate initiatives to which several DAC Members have signed up. While

joining these coalitions and initiatives implies a commitment to the high-level objectives they aim to pursue, and which may often go beyond domestic action, further information would be needed to assess to what extent participation in such common initiatives relates to or translates into commitments for development co-operation or external action more broadly.

Table 1. Major international environmental and climate initiatives to which DAC Members have committed

Initiatives	Scope	DAC Members supporting (out of 30)
Sendai Framework for Disaster Risk Reduction	The Sendai Framework is the first major agreement of the post-2015 development agenda. The Framework aims to achieve the substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries over the next 15 years.	29 + European Union
Leaders Pledge for Nature	The Leaders Pledge for Nature is endorsed by heads of state and government from 93 countries from all regions and the President of the European Commission for the European Union (as of November 5 2021).	27
The Coalition of Finance Ministers for Climate Action	The Coalition will help countries mobilise and align the finance needed to implement their national climate action plans; establish best practices such as climate budgeting and strategies for green investment and procurement; and factor climate risks and vulnerabilities into members' economic planning. It brings together fiscal and economic policy makers from over 50 countries in leading the global climate response and in securing a just transition towards low-carbon, resilient development.	25
High Ambition Coalition for Nature and People	Intergovernmental group of 70 countries co-chaired by Costa Rica and France and by the United Kingdom as Ocean co-chair, championing a global deal for nature and people with the central goal of protecting at least 30% of the world's land and ocean by 2030.	23
NDC Partnership	A global coalition of countries and institutions, collaborating to support countries to enhance the quality, increase ambition, and facilitate implementation of NDCs. It has more than 100 country members, including developing and developed countries, and also major international institutions and non-state actor members	18
Global Ocean Alliance	The Alliance is led by the United Kingdom, and its aim is to protect at least 30% of the global ocean in Marine Protected Areas (MPAs) and Other Effective area-based Conservation Measures (OECMs) by 2030. This is known as the 30by30 target. MPAs and OECMs will provide a higher level of protection than currently exists and allow both the marine environment and sustainable marine economies to thrive.	16
Coalition for Disaster Resilient Infrastructure	Aims to build resilience into infrastructure systems to ensure sustainable development, expanding universal access to basic services and enabling prosperity.	9
Coalition for Climate Resilient Investment	It represents the commitment of the global private financial industry, in partnership with key private and public institutions, to foster the more efficient integration of physical climate risks in investment decision making.	4
Framework for Resilient Development in the Pacific	Aims to guide and promote co-ordinated and integrated priorities and approaches for regional, national and community levels that embed risk considerations into sustainable development, which ultimately leads to development outcomes that are resilient to climate change and disaster risks. It presents holistic guidance for the development of communities of practice, projects and programmes.	2

Source: Authors, based on submissions by DAC Members.

Closely associated and often a key part of political commitments, many DAC Members – 24 out of 30 – report financial targets as underpinning the systematic integration of international climate and environmental objectives into their development programmes. A central, collective commitment for most DAC Members is the delivery to developing countries of USD 100 billion of climate finance per year by 2020.² For this commitment, scaling up the provision of climate finance to developing countries is in itself

2. The UNFCCC Annex II parties are those that are required to provide financial resources to enable developing countries to undertake emissions reduction activities under the Convention and to help them adapt to adverse effects of climate change,

a way to contribute to the alignment of development co-operation with international climate objectives. Several DAC Members have recently made use of international conferences, such as the Group of Seven (G7) Leaders Summit or the United Nations General Assembly (UNGA), to make special announcements, particularly on new financial commitments and targets, often in the context of the USD 100 billion objective.

Table 2 provides an overview of financial targets and commitments reported by DAC Members.

Table 2. Financial targets and commitments

Updated on 8 November 2021

	Recent climate finance announcement
Australia	In November 2021 at COP26, Australia committed to further enhance its international support to climate change adaptation and resilience and mitigation with an AUD 2 billion commitment over 2020-2025, doubling its previous pledge, to be implemented through Australia's development programme.
Austria	The Austrian Federal Ministry for European and International Affairs (MFA) has set a goal of 50% for environment in projects and programmes under the country and regional funding instruments for 2021, which will increase to 55% in 2022 and 60% from 2023 onwards. The Austrian Development Bank (OeEB) has a target of 40% of new commitments (over five years) for projects qualifying as international climate finance.
Belgium	Belgium set the target of a contribution of EUR 50 million annually until 2020. Currently, discussions between the different entities competent for climate policy on new target setting for the post-2020 period are ongoing. The Minister for Development Co-operation of the Federal Government has expressed the intention to contribute to the Belgian effort with an annual contribution of EUR 100 million.
Canada	At the 2021 G7 Leaders' Summit, Canada announced a doubling of its international climate finance commitment to CAD 5.3 billion over the next five years, which includes increased funds for adaptation and biodiversity. The Government of Canada also increased its grant contributions of climate financing up to 40%, from 30% previously.
Czech Republic	No quantitative targets.
Denmark	The Danish government has decided that 30% of Danish ODA will be allocated to green initiatives, of which 25% will be allocated to climate and 5% to biodiversity. Of the climate allocations, 60% will be allocated for adaptation.
European Union	The President of the European Commission, Ursula Von der Leyen, in her State of the Union Address to the European Parliament of September 2021, proposed an additional EUR 4 billion for climate finance until 2027, contributing to the commitment made by the major economies to provide at least USD 100 billion per year to the least developed and most vulnerable countries. President Von der Leyen also made a pledge to double the European Union's external funding for biodiversity, in particular for the most vulnerable countries.
Finland	According to the Government Programme (2019), Finland will scale up climate finance as a part of its development finance, taking due account of its contribution based on the Paris Agreement. The aim is to direct half the climate finance to climate change adaptation, for example, through international funds and civil society organisations. Investment-based and loan-based finance will be continued, especially for the purpose of boosting climate finance. Finland tracks progress on this as a part of its annual results-based management process.
France	France has committed to mobilising EUR 5 billion for climate action in developing countries in 2020, including EUR 1.5 billion for adaptation. In December 2020, President Macron announced an increased commitment: EUR 6 billion per year from 2021 to 2025, out of which one-third will be dedicated to adaptation.
Germany	Germany plans to increase its climate finance by EUR 2 billion to EUR 6 billion (USD 7.26 billion) a year by 2025 at the latest. Furthermore, Germany works intensively towards increasing the amount of finance committed to nature.
Greece	No quantitative targets.
Hungary	No quantitative targets.
Iceland	No quantitative targets.
Ireland	In 2015, Ireland set a Programme for Government commitment to provide EUR 175 million in total in climate finance between 2016 and 2020. Ireland has since updated this target to, at a minimum, double the overall percentage of their development assistance that counts as climate finance by 2030.
Italy	As announced at the G20 Rome Leaders' Summit, Italy aims to increase its international climate finance commitment to USD 1.4 billion a year over the next five years.

and who are required under the Convention to provide information on financial resources provided. The Annex II list is narrower than the OECD DAC Membership.

	Recent climate finance announcement
Japan	At the G7 Summit 2021 in Cornwall, Prime Minister Suga stated that Japan will provide climate finance both public and private, totalling JPY 6.5 trillion over the next five years from 2021 to 2025 and that Japan will further enhance its adaptation assistance to developing countries vulnerable to climate change.
Korea	Korea is committed to raising the share of its ODA for green projects/programmes above the average of OECD DAC countries by 2025. As for loans, Korea will triple the amount of its ODA loans for green projects by 2025 and double the share of green-related loans by 2025, as laid out in the Post-COVID Strategy and the Green Economic Development Cooperation Fund (EDCF) Strategy.
Luxembourg	Luxembourg's development co-operation is specifically committed to increasing the environmental and/or climate co-benefits of its portfolio of interventions and to financing a greater number of dedicated projects. No quantitative targets yet.
Netherlands	In 2022, the Netherlands expects to increase climate finance to EUR 660 million in public climate finance and mobilise EUR 640 million in private climate finance. The Netherlands is committed to continuing allocating at least half of its public climate finance to adaptation.
New Zealand	New Zealand has committed to delivering at least NZD 300 million in climate finance over 2019-22 to drive reduced greenhouse gas emissions globally and improved climate resilience of institutions, infrastructure, environments and populations, focusing on the Pacific and supporting a green COVID-19 recovery. Of this NZD 300 million climate finance commitment, at least two-thirds are to be spent in the Pacific and at least 50% on adaptation initiatives.
Norway	Norway has decided to double its annual climate financing by 2026, from NOK 7 billion in 2020 to NOK 14 billion by 2026, and at least triple its support for adaptation by 2026. Norway has announced its intent to maintain its finance for REDD+ on at least today's levels until 2020, which amounts to approximately USD 400 million per year.
Poland	Poland has announced its intention to provide USD 8 million until 2020 for climate finance, including for the Green Climate Fund.
Portugal	No quantitative targets.
Slovak Republic	No quantitative targets.
Slovenia	The 2018 Strategy sets a target of 35% of country programmable aid (CPA) for climate-related interventions (mitigation and adaptation, marker score 1 or 2) by 2022 and 40% by 2030. The target for environmental protection is set to 50% of CPA by 2022 and 60% of CPA by 2030.
Spain	At COP26, Spain announced that it will increase climate finance in order to reach EUR 1.35 billion a year by 2025, with a 50% increase in the current commitment.
Sweden	On a central level, Sida should by 2020: <ul style="list-style-type: none"> • increase the share of funding with the environment as a principal objective (the main objective) from 11% (2016) to 15% (2020) and environment as a significant objective from 32% (2016) to 45% (2020); • increase the share of funding to climate change ("climate financing") to 28%; • increase the share of funding where biodiversity is a principal objective to 4% and biodiversity as significant objective to 15%; • increase the number of guarantees where the environment is a principal objective to eight guarantees, with a volume of at least SEK 3 billion.
Switzerland	Switzerland's international co-operation funding in this field is set to increase gradually from CHF 300 million per year in 2017-20 to CHF 400 million per year by the end of 2024. This will be equivalent to around 15% of the total international co-operation resources.
United Kingdom	The United Kingdom is doubling its international climate finance commitment to help developing nations with GBP 11.6 billion over the next five years up to 2025/26, including GBP 3 billion to be spent on protecting, restoring and sustainably managing nature.
United States	The United States announced it will double its investment in support of vulnerable countries by 2024, achieving roughly USD 11.4 billion per year.

Source: DAC Members' reporting.

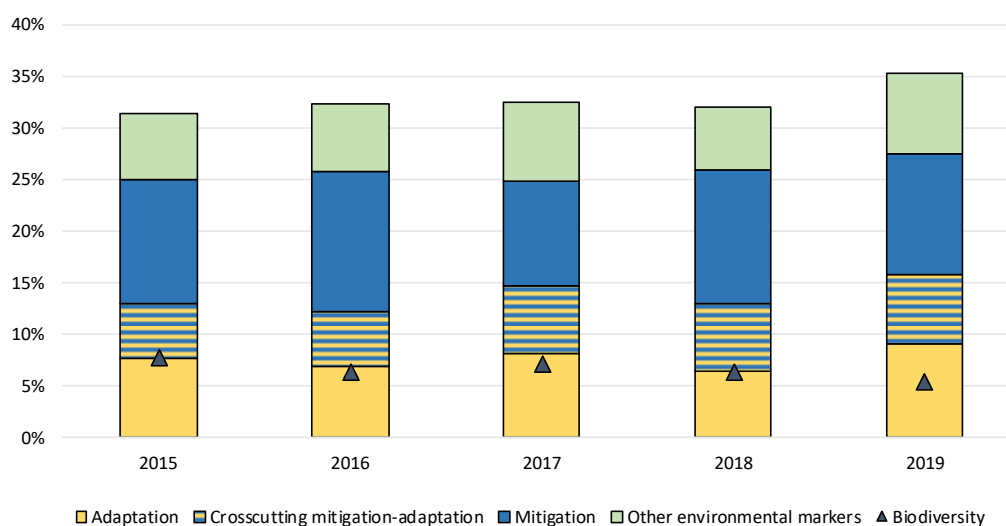
Alternatively, or in addition to financial commitments, DAC Members also set other quantitative objectives. For example, the Netherlands has set specific targets to deliver access to renewable energy to 50 million people and double the productivity and incomes of 8 million small-scale food producers between 2015 and 2030. Similarly, Japan has announced support for at least 5 million people over the four years from 2019 to 2022 to increase resilience to disasters and provide training for a total of 48 000 people, including government officials and local leaders, as well as education for a total of 37 000 children on disaster risk reduction (DRR). The United States has set specific targets by 2025, including to help at least 20 countries to mobilise at least 20% of needed funding to implement their NDCs and leverage resilience and adaptation goals. Finally, France's approach takes into account targets in terms of carbon dioxide emissions by

specifying that 50% of AFD support to developing countries needs to have climate co-benefits and should help avoid 4 million tonnes of carbon dioxide per year (on average) over 2020-22.

When it comes to the systematic integration of environmental and climate change objectives into development co-operation, the DAC statistical system provides widely used, publicly available and highly disaggregated data. Even before the introduction of the “Rio Markers”, the DAC had established a general environment marker in 1997. To favour alignment and track finance towards the objectives of certain international agreements and objectives, several UN Conventions have been integrated in the DAC statistics system since the 1990s. Since 1998, the DAC has tracked ODA flows targeting the objectives of the Rio Conventions on biodiversity, climate change and desertification through the OECD-DAC Creditor Reporting System (CRS) using “Rio Markers”. The Rio Markers identify activities that mainstream the conventions’ objectives into development co-operation and help track donors’ portfolios alignment with and support to the objectives of the conventions. DAC Members are requested to indicate for each development finance activity if the activity targets these environmental objectives. The Rio Markers on biodiversity, climate change mitigation and desertification were introduced in 1998, with a fourth marker on climate change adaptation being applied to 2010 flows onwards (DAC, 2020^[22]). Given their stated purpose to track mainstreaming of international environmental and climate change objectives, the policy makers provide a good indication of the extent of the systematic integration of these objectives across development programmes of DAC Members (Figure 1). To date, the Rio Markers represent the most comprehensive, publicly available activity-level data on climate-related development finance from bilateral donors.


Figure 1. DAC Members’ integration of climate objectives

As a share of bilateral allocable aid (commitments)



Note: “Other environmental markers” include biodiversity, environment and desertification that do not overlap with mitigation and adaptation. Biodiversity-related ODA is integrated in the columns, as well as presented separately for better visibility.

Source: OECD (2021), Creditor Reporting System (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

StatLink  <https://stat.link/srxlmq>

There is no ideal share that would include environmental and climate change objectives for bilateral ODA activities, as this depends on a variety of factors that include individual Members' sectoral, as well as geographical priorities and comparative advantages, their operational models and instruments, their comparative use of multilateral channels for specific purposes, as well as some variation in individual reporting conventions. At the same time, the data do not support a strong or clear overall increase in the focus on environmental and climate objectives between 2015 and 2019, which could be expected from an overall enhanced focus on or mainstreaming of these dimensions across development programmes.

This contrasts with an increased highlighting by developing countries for support in integrating, in particular, climate change aspects across a broad range of sectors and activities, many of which show very low shares of ODA activities that integrate climate objectives (OECD, 2019^[1]). Overall, the picture clearly points to substantial unused scope to enhance the integration of climate and environmental objectives across development co-operation activities.

Strategies and policies to systematically integrate climate and environment objectives into development programmes

Strategies and policies are important to translate commitments into development co-operation approaches, programmes and operations. This is particularly relevant, where commitments take the form of support of broad international agreements or objects in the area of climate change or environment, which do not provide for clear or direct measures or objectives with regard to development co-operation.

Despite the transition being a priority for most Members, a relatively small number of DAC Members has reported having dedicated strategies or action plans to underpin the systematic integration of specific international climate change or environmental objectives into their development co-operation programmes. To substantiate its commitment to be 100% Paris aligned, as mentioned above, for instance, France's AFD adopted a new climate strategy for the period 2017-22 with an explicit focus to ensure the compatibility of all its activities with the Paris Agreement. Additional key pillars of the strategy, which is crosscutting and applied to all sectoral and country/regional strategies, are: increasing the volume of climate finance, contributing to the redirection of financial flows towards climate, and co-building solutions and bringing influence to bear on standards. Similarly, in 2019 the UK government made a commitment to align UK ODA with the Paris Agreement. This was articulated in the United Kingdom's Green Finance Strategy. In practice, this approach involves using an appropriate carbon price in relevant bilateral programme appraisal, ensuring any investment support for fossil fuels aligns with the Paris Agreement temperature goals, implementing a proportionate approach to climate risk assurance and ensuring that aid programmes do not undermine countries' NDCs and National Adaptation Plans (NAPs) (UK Government, 2019^[23]). The Slovak Republic's 2019-2023 Medium-term Strategy for Development Co-operation (SlovakAid, 2018^[24]) also stipulates alignment with the Paris Agreement as an explicit objective, alongside the 2030 Agenda and the New European Consensus on Development, while ruling out any support for activities that have negative environmental impacts. Moreover, several Members, including Australia, Germany, Italy, Japan and Poland, also reported policies to align with the Sendai Framework for Disaster Risk Reduction.

All DAC Members report that environment and climate change are either a key objective or a crosscutting priority for their development co-operation. Sixteen Members identified biodiversity as a priority area as well. While they may not be based specifically on international objectives, this highlights the central priority environment and climate action assumes in DAC Members' programmes. In addition, several DAC Members stress working with multilateral institutions, notably multilateral development banks (MDBs), to ensure that ODA channelled through multilateral channels is also aligned with climate and environmental goals.

A majority of DAC Members developed dedicated strategies for climate and environment to guide their support to developing countries. In November 2019, for instance, Australia released its Climate Change Action Strategy (2020-25) (CCAS) (Department of Foreign Affairs and Trade, 2019^[25]), which drives both

targeted climate-specific investments across the development programme and mainstreaming of climate action in key sectors (e.g. clean energy, infrastructure, agriculture, water, health, governance). Another example is the Policy and Programming Act for International Environmental Co-operation 2020-2022 adopted by Italy's Ministry for the Ecological Transition in 2020 (Ministry for the Ecological Transition, 2020^[26]), which promotes the strengthening of synergies among the objectives of the three Rio Conventions, with the 2030 Agenda and the Sendai Framework for Disaster Risk Reduction. It includes general and specific priorities for environmental development co-operation.

Several DAC Members reported that they are currently working to develop or update their climate strategies and policies, reflecting the renewed importance of the topic and evolution of the agenda.

In addition to specific strategies for climate and environmental objectives, a number of DAC Members have specific policies for mainstreaming climate and environment considerations into all their activities across relevant sectors, including through climate and environment screenings. In Ireland's current policy for international development, A Better World (Government of Ireland, 2019^[27]), one of the key pillars of the climate strategy is to climate-proof development co-operation activities by integrating climate action into all work. In 2021, Luxembourg launched a new [Environment and Climate Change Strategy](#) for development co-operation, to strengthen mainstreaming and ensure alignment with Luxembourg's international commitments in this area.

Below the level of overall climate change strategies and mainstreaming policies, many DAC Members also refer to specific strategies for different sectors, policy areas and priorities for systematic mainstreaming across their programmes at a more granular level. Germany, for instance, has several action plans and strategies in place to ensure the alignment of its work in relevant sectors and areas such as water, forests, marine conservation and sustainable fisheries, and health. Japan uses operational strategies in several environment- and climate-related sectors, including national environment conservation, environment management, climate change, energy and disaster risk reduction.

Twelve DAC Members have developed post-COVID-19 development policies and programmes aimed at building back better and greener. For instance, the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) have developed a common "building back better and greener" approach and are turning it into action by strengthening the Nordic Development Fund (NDF) with additional capital of EUR 350 million, for climate work in developing countries (Ministry for Foreign Affairs, 2020^[28]). Germany's strategy for the COVID-10 recovery focuses on supporting the sustainability and climate focus of the World Bank's extensive reconstruction programmes, as well as targeted resourcing of developing country capacity, notably in developing country finance ministries on climate-friendly recovery packages.

Operational tools used by DAC Members for systematic integration

A majority of DAC Members report using specific operational tools to further assist with the alignment, as well as to systematically integrate climate and environment considerations into monitoring, evaluation and learning (MEL) frameworks. The tools range from guidelines, environmental and social safeguards, environmental risk and impact assessment tools, climate-proof screening, carbon footprint accounting, exclusion lists, tagging and reporting, and learning tools.

Guidelines serve multiple purposes, such as setting standards and action plans, providing assessment checklists, exclusion lists, eligibility requirements and potential risk-screening criteria. They can be broad strategic guidelines, such as Austria's 2009 Interministerial Strategic Guideline on Environment and Development in Austrian Development Co-operation (Federal Ministry for European and International Affairs, 2009^[29]), or they can have a more narrow, specific focus, such as the Netherlands' Quick Reference Guide for Integrating Gender Equality in Climate-smart Development (Dutch Sustainability Unit, 2014^[30]) and the Internal Framework Instruction for Greening Multilateral Development Banks.

Safeguard and screening policies are applied by many DAC Members to check whether activities may increase environmental, climatic and associated social vulnerability and, where necessary, ensure risk management measures are put in place. Impact assessment tools are used to assess whether strategies, programmes and projects are at risk from climate change, environmental degradation and natural hazards and to ensure that resources and development assistance are used efficiently. Switzerland's Climate, Environment and Disaster Risk Reduction Integration Guidance (CEDRIG) tool (CEDRIG, 2021^[31]), for example, serves to assess both whether strategies, programmes and projects are at risk from, or could further contribute to, greenhouse gas emissions, environmental degradation or disaster risks.

A number of DAC Members use mainstreaming tools to strengthen organisational capacity to support climate change integration across development programmes. This includes Australia's Climate Change, Energy and Environment Toolkit, the Netherlands' Climate Mainstreaming Toolbox, Japan's Climate Finance Impact Tool, and Finland's [Guideline for Crosscutting Objectives in Finland's Development Policy](#). Irish Aid has established a centralised online Climate and Development Learning Platform as a resource for Ireland's Missions, Units and development partners.

DAC Members often make use of approaches or tools from international organisations or developed through international processes that have assumed a function as a reference standard. Examples reported by DAC Members include the International Finance Corporation (IFC) safeguards, the Environmental and Social Safeguards Standards of the Green Climate Fund, and standards and principles from the Association of European Development Finance Institutions. Further examples include, e.g. Austria and the United Kingdom adopting the recommendation frameworks by the Task Force on Climate-Related Financial Disclosures for their development banks' sustainability reporting. At a basic level, DAC Members such as Spain and the European Union also stress the key function of the environmental OECD markers to track their climate-related expenditures, evaluate their performance and set targets.

Finally, when DAC Members channel development co-operation mostly through multilateral organisations, they strongly depend on the operational tools applied by the latter, implying strong reliance on international organisations, either as implementing agencies or as providers of guidelines and standards. As a consequence, three DAC Members also report a focus on their governing role in international organisations, and in particular as shareholders of MDBs and development finance institutions, as part of their commitments and efforts to mainstream environmental and climate objectives systematically across development co-operation. In view of this, Members such as France and the United Kingdom report having specific approaches or strategies for their role as donor-shareholders in these institutions. They serve to define, in particular, positions to influence MDBs and international partners to move away from funding fossil fuel projects in third countries and to actively use their leverage to harness the transformative potential of these institutions and accelerate climate action in developing countries.

Commitment #3 on support for the sustainability transition

Key highlights

- All DAC Members report that their development co-operation includes activities with a specific objective to support the transition of developing countries to environmentally sustainable, climate-resilient, low-emissions pathways. Members also stress the need for more transformative change. Beyond this, most DAC Members frame their support to developing countries' transitions mostly in terms of supporting the outcome of key international agendas and agreements, whose achievement de facto requires or implies a transition. Only a few DAC Members have defined approaches and developed guidance for how to approach and support transition through their development programmes.
- A major aspect of transition support takes the form of engaging in and supporting international coalitions and initiatives, reflecting the importance of common approaches and mechanisms that can pool resources and channel action and an intention to catalyse broader change through influencing resources flows, markets and systems. Strengthening conceptual and strategic underpinnings for how development programmes approach and support transitions can ensure that engagement in initiatives is embedded in broader approaches of DAC Members, leverage synergies and avoid the risk of “outsourcing” transition support to special initiatives leading to increased fragmentation.
- While DAC Members focus on different aspects of the transition, based notably on their comparative advantage as well as thematic or sector priorities, their reporting reflects the centrality of energy systems for the transition. In this regard, reporting from several Members reveals that using ODA to support energy system transitions typically goes together with taking systematic steps towards commitments to not deploy ODA for further increases of fossil fuel-based energy generation.
- For many DAC Members, multilateral channels play a key role for the delivery of their climate- and environment-related ODA. This is particularly relevant for direct financing of infrastructure investments. In light of this, DAC Members see their role as shareholders in multilateral development banks as an important aspect for their support to environmentally sustainable, climate-resilient, low-emissions development.
- In supporting developing countries to embark on transition pathways, DAC Members share an emphasis on partnerships that build on local ownership. Supporting developing country strategies and processes for transition is a central theme of DAC Member support. This includes focusing on integrating these plans into broader development strategies and making them operational for subsequent execution. An inherent challenge for development co-operation relates to inconsistencies that can exist when national plans for the transition do not reflect a realistic basis for achieving the international objectives they are meant to achieve.

Achieving low-emissions, climate-resilient development pathways now represents the only viable option for achieving the ambitions of development co-operation under the 2030 Agenda (OECD, 2019^[1]; IPCC, 2021^[2]). This section provides an overview of:

- How DAC Members have engaged with partner countries' own strategies for the transition and how they are supporting them through different instruments and approaches, including with a view to ensuring the consistency of national processes and strategies with the international objectives they were designed to support and collectively achieve. National strategies include, among others:

NDCs; NAPs and processes; Long Term Strategies (LTS); National Biodiversity and Strategy Action Plans (NBSAPs); and Land Degradation Neutrality targets (LDN targets).

- How their projects and programmes in partner countries provide for transitions that are environmentally sustainable, climate-resilient and consistent with low-emissions development pathways towards net-zero.

Implementing the transition to environmentally sustainable, climate-resilient and low emissions development pathways

2030 Agenda and the Paris Agreement imply the need for transition, but approaches remain to be defined

DAC Members' understanding of the transition and of the types of support required to implement it differ substantially. Most DAC Members' view of the transition is framed by the global climate, environment and sustainability agenda and its key components – in particular, the 2030 Agenda and the Sustainable Development Goals, the Paris Agreement, but also, for example, the Sendai Framework for Disaster Risk Reduction and the Convention on Biological Diversity. Many Members also reference the central role of NDCs for the transition. This, and other central frameworks (like for EU members, the Green Deal) together with national policies, strategies and principles form important parts of the basis for co-operation for transition support.

The vast majority of DAC Members (27 of 30) report conducting specific activities or contributing to specific programmes focused on supporting partner countries in achieving transitions to environmentally sustainable, climate-resilient and low-emissions development pathways. Transition support is provided through a variety of channels and programmes, via bilateral and multilateral support, specific funds, MDBs and a range of initiatives, targeting both development and implementation of transitions plans, including capacity building, technical support and investments. In addition to contributions through dedicated funds such as the Green Climate Fund (GCF), the Global Environment Facility (GEF), the Adaptation Fund and others, and support delivered through major multilateral organisations such as the United Nations Development Programme (UNDP) and the International Fund for Agricultural Development (IFAD), Members report a range of programmes and initiatives, with different scope and covering different aspects of the transition.

Only a few Members report the existence of specific policies or approaches for development co-operation to support the transition and the transformative change it implies. They stress the need for the integration of different environmental dimensions, notably biodiversity and climate change, to effectively support the transition, and the approaches centre on making use of leveraging finance, policy and capacity building in a way to actively promote or achieve transformational change.

Swedish Sida's Environment Policy proscribes a proactive promotion of transformation to an environmentally sustainable development by integrating environmental aspects in all operations and sectors. Germany refers to transformation, e.g. in the context of the Federal Ministry for Economic Cooperation and Development (BMZ)'s work with the German Sustainability Strategy and the implementation of the 2030 Agenda and its SDGs. The level of detail regarding Germany's understanding of transformative change processes is similar to the 2030 Agenda itself, tackling the economic, ecologic and social dimensions of sustainability.

In Norway, the forthcoming strategy and environmental action plan for Norad aim to strengthen support to developing countries' transitions to a resilient, low-carbon society. Norad will seek to identify types of development assistance that can have transformational effects towards this end, i.e. contributing to broad changes in society beyond the immediate results of the development assistance. The United States, as part of its Global Climate Ambition Initiative, intends to engage strategically with governments, the private

sector, civil society, and communities to support transformational policies and programmes, build human and institutional capacity, and create momentum toward a zero-emissions, climate-resilient future.

DAC Members share elements on how they support transitions

While DAC Members, for the most part, do not have a clear definition or conceptual approach to the transition, the reporting by DAC Members reveals some common elements shared by DAC Members in how they work with developing countries to support their transitions.

1. Country ownership and alignment with partner countries' own needs

Broad collaboration is an important component of how DAC Members understand their support for the transition. Members frequently stress the importance of local ownership and a partnership approach. To ensure local ownership, Belgium, for example, emphasises policy dialogues at different levels with developing country partners, including a broad network of civil society partners. The Netherlands underscores a focus on effective collaboration between all relevant social actors. In their climate interventions, they work through alliances with the private sector, knowledge institutes/networks, non-governmental organisations (NGOs) and multilateral organisations. Australia describes taking a partnership approach and working co-operatively with countries in the Indo-Pacific to help the region reduce emissions and adapt to climate change, as reflected in their NDCs, NAPs and other national development plans.

Sharing their own transition experiences is an important component stressed by some Members. Recognising that the transition has a significant impact on societies, economies and industries, Poland, for example, strives to share its own experience, knowledge and know-how related to overcoming the economic and social challenges of the transformation towards a low-carbon and low emissions economy. Similarly, Spain, in the context of policy dialogues with developing country partners or in other contexts, shares its experiences in this regard with special reference to the coal transition.

2. Focusing support on responding to the core challenges of the transition

Members focus their support on specific priorities for the transition. They describe particular topics or focus areas for their engagement that are seen as central elements of or priorities for the transition, while also reflecting DAC Members' overall priorities and comparative advantages, in view of ongoing engagements, resources and capacities for development co-operation.

Examples of this include financing and mobilising private investments by the Netherlands, for which they established the Dutch Fund for Climate and Development (DFCD) aimed at, in particular, climate adaptation projects. Austria works particularly at supporting transition and adaptation at local levels. Canada and Luxembourg put a special emphasis on girls and women, aimed at advancing women's leadership, creating economic opportunities for women in clean energy, supporting entrepreneurship and local production, especially among women. Italy has a particular focus on agriculture, which it considers to be at the centre of the transition to a low-emissions and climate-resilient development, in addition to a geographic focus on African partner countries. Several other Members also report focusing on specific regions or geographical areas for co-operation on transitions.

A substantial share of Members sees addressing the biodiversity crisis and its links with climate change as a key dimension of the transition. Germany, for example, sees COVID-19 as a symptom of a multi-dimensional crisis that has biodiversity loss and climate change at its roots, which has been reflected in the 2020 selection criteria for projects within the International Climate Initiative (IKI). Norway, as the main donor of the UN-REDD (Reducing Emissions from Deforestation and Forest Degradation) programme, supports transition strategies with a focus on forest conservation and management in a high number of countries.

Canada recognises that urgent action is needed to address the interconnected crises of climate change and biodiversity loss, which disproportionately affect the poorest and most vulnerable, and intends to increase supporting nature-based solutions to climate change and to support sustainable development objectives more broadly. Overall, a substantial subset of DAC Members (10 of 30 reports an increasing focus on nature-based solutions, pointing clearly to an area of increasing interest. At the same time, the interest has yet to be matched with more concrete action, practical tools and learning, including in the potential to mobilise resources at scale through nature-based solutions.

3. Energy as a key priority for the transition

Overall, support to energy transitions clearly emerges as a central feature of the transition to low-emission development pathways. Many DAC Members see supporting energy transitions, renewable energy and increased energy access as central priorities for supporting environmentally sustainable and low-emissions transitions and have committed to assisting developing and emerging economies in the decarbonisation path.

In light of the growing body of scientific evidence, DAC Members agree on the importance for the world economy to achieve a net-zero transition as quickly as possible. A broad range of initiatives and support schemes exist, focusing on this key dimension of the transition. For example, the United States has committed to transforming the Southern Africa region's reliance on fossil fuels and assisting its path to decarbonisation and supporting renewable energy deployment, particularly in the Southern African region, through its Power Africa Initiative (USAID, 2021^[32]). Korea recently announced its commitment to end all public financing for new overseas coal-fired plants and to support the energy transition of countries highly dependent on coal-power generation (Government of Korea, 2021^[33]).

The Energising Development (EnDev) Programme, initiated by Germany and the Netherlands and supported by Norway and Switzerland, is a global energy access partnership. It is active in more than 20 countries, supporting partner countries in developing sustainable energy systems, including the necessary political and legislative foundation, with the aim of helping 50 million people in developing countries to gain access to renewable energy by 2030.

The Africa Renewable Energy Initiative (AREI), an Africa-led initiative to fight climate change and improve Africans' access to energy, was launched by African heads of state at COP21. It is supported by France, the European Union and other Members, including through financial support to the Independent Delivery Unit of AREI and its activities. Sweden supports the World Bank's Energy Sector Management Assistance Program (ESMAP), which helps create sustainable energy systems including by supporting national reform processes to create incentives for investment in renewable energy, reforms to integrate solar and wind power into national electricity grids, and the development of electrification plans and processes for introducing clean energy.

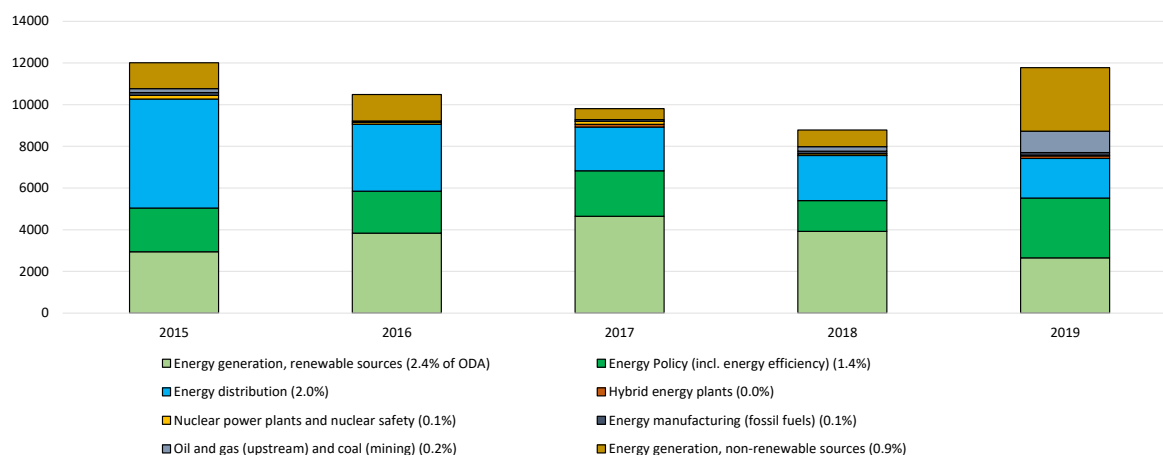
In addition to engaging in broad initiatives, DAC Members also focus on energy through bilateral partnerships and programmes. Luxembourg, e.g. supports Cabo Verde for the development of its Renewable Energy Strategy aiming to improve access to clean energy and increase energy independence. Subsequent bilateral co-operation programmes were adapted to support Cabo Verde in the implementation of the strategy. The objective of Portugal's support for carbon sustainability and ecosystem services for Príncipe Island in São Tomé e Príncipe is to promote economic growth through the development of a roadmap for carbon sustainability. Some DAC Members that do not currently have dedicated support programmes in support of energy transition report taking active steps to explore options for enhanced engagement in this area.

4. Aligning ODA spending for energy with the energy transition

The high importance DAC members attach to energy transitions is not yet reflected in ODA data to the energy sector from 2015-2019. Figure 2 provides an overview of DAC Members' ODA in support of energy over the 2015-19 period.

Figure 2. DAC Members' support to the energy sector – aggregate trend

USD million, ODA commitments



Note: Energy sector ODA includes the DAC CRS codes under the Energy sector and the additional purpose codes 32167 Energy manufacturing (fossil fuels), 32261 Coal, 32262 Oil and gas (upstream). ODA in support of fossil fuel-related activities also includes projects aimed at enhancing governance, improving development focus or outcomes from fossil fuel-based activities, and promoting energy efficiency measures.

Source: OECD (2021), Creditor Reporting System (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

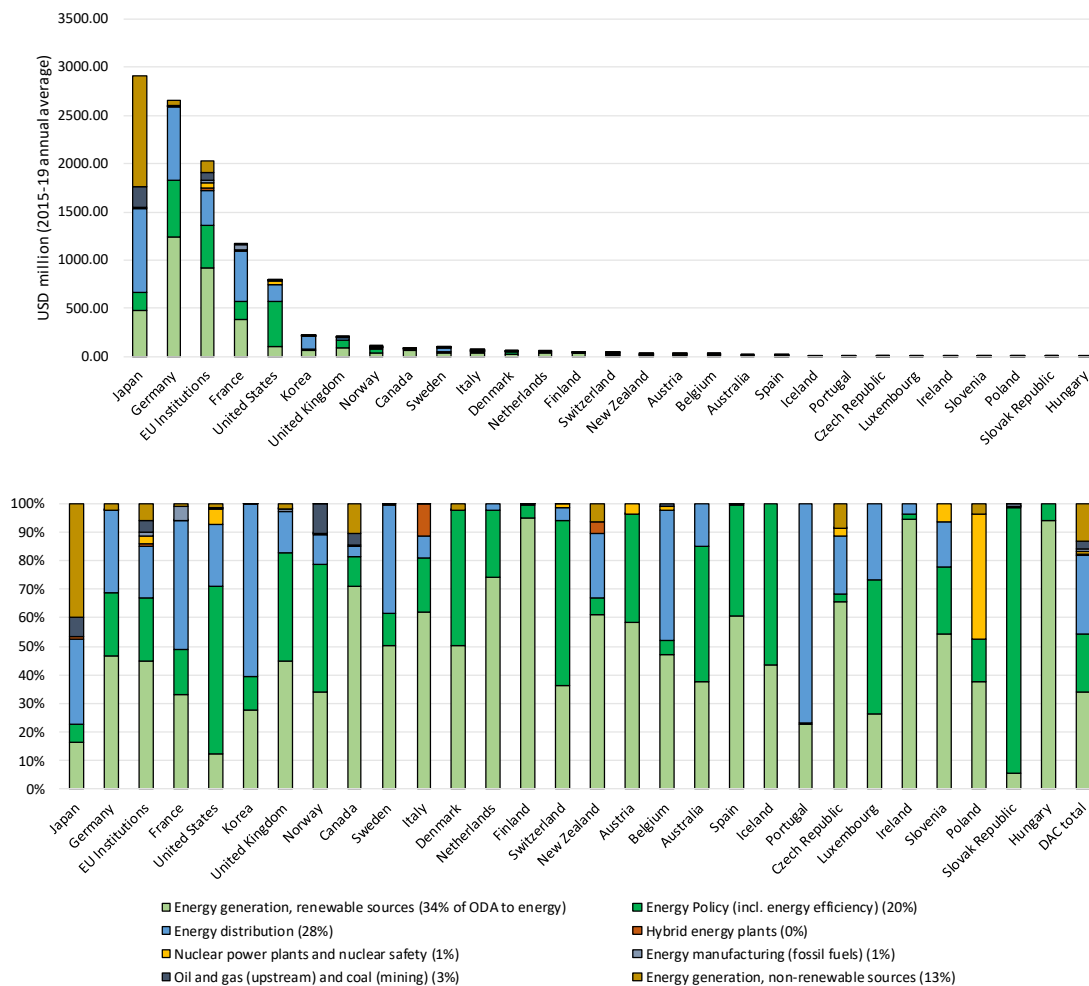
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Overall ODA spending in support of energy over 2015-2019 did not exhibit an increasing trend. Within ODA support to energy, renewables account for the highest share (34%) of aggregate support over the 2015-2019 period, but year-on-year ODA to this sub-sector has recorded decreasing spending in 2018 and 2019. Substantive shares of energy ODA are allocated to energy policy (including energy efficiency) (20%) and energy distribution (28%) which, given the key role of policy and regulatory measures as well as the need for smart energy distribution systems for mobilising private investments, are considered key areas for the transition. Similarly to renewable energy generation, these sectors do not exhibit increasing ODA commitments over 2015-19. Conversely, while fossil fuel-based activities, including energy generation, as well as energy manufacturing and upstream activities account for a smaller share of ODA to energy over the period (16%), ODA spending in this sectors shows a strong increase in the latest available year (2019), when these activities account for the highest share among energy sub-sectors.

ODA support to the energy sector is highly concentrated among DAC providers (see Figure 3). The three largest DAC donors to energy account for more than 70% of total ODA in this area, and the largest five donors account for over 90%.

Figure 3. DAC Members' support to the energy sector – individual trends

ODA commitments



Note: Energy sector ODA includes the DAC CRS codes under the Energy sector and the additional purpose codes 32167 Energy manufacturing (fossil fuels), 32261 Coal, 32262 Oil and gas (upstream). ODA in support of fossil fuel-related activities also includes projects aimed at enhancing governance, improving development focus or outcomes from fossil fuel-based activities, and promoting energy efficiency measures.

Source: OECD (2021), Creditor Reporting System (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

StatLink  <https://stat.link/0v1df5>

One relevant factor that explains this trend is that, for many DAC members, large infrastructure projects are not part of their operating model, which is mainly grant-based. At the same time, they consider in particular Multilateral Development Banks as key channels to promote these activities. The concentration is even more pronounced in the area of fossil fuel-based activities, as only a small number of Members provide ODA financing for new fossil fuel-based power generation, related infrastructure, upstream exploration and manufacturing activities. At the same time, ODA to fossil fuel-related sectors (Figure 2) often includes activities aimed at enhancing governance, improving development focus or outcomes from fossil-fuel based sectors and activities in developing countries, and promoting energy efficiency measures. Members who do provide financial support to the energy sector report that they do so (Figure 3) in response

to needs for stable energy supply, getting out of poverty, and greater financial support to achieve a just transition in developing countries.

According to the net-zero pathway by 2050 developed by the International Energy Agency (IEA), there is no need for investment in additional fossil fuel supply, with no new oil and gas fields approved for development in the IEA pathway, and no new coal mines or mine extensions required (IEA, 2021^[34]).

Overall, DAC member prioritisation of supporting the transition toward net-zero energy systems would point to an expected evolution with regard to overall spending and composition of ODA to the energy in the future, in a way that addresses the demands of developing countries to support their development priorities in the most sustainable way possible.

There are international discussions related to ending the promotion of new fossil fuel-based power generation capacity and additional exploration. Several Members, whose development financing activities traditionally included financing of power generation or other additional fossil fuel investments and financing, had announced individual commitments related to the phasing out and exclusion of fossil fuels investments and finance from their development finance. Among these countries, the United Kingdom, through the introduction of the Fossil Fuels Policy of 31 March 2021 (Department for Business, Energy and Industrial Strategy, 2021^[35]), announced that it will end support to the fossil fuels energy sector overseas. France established in 2019 a new Energy Transition Strategy (AFD, 2019^[36]) excluding from its financing any coal-fired power plants, as well as any fossil fuel exploration, or production projects, or projects exclusively dedicated to coal, gas and oil transport, conventional and unconventional. In a similar manner, Slovenia has implemented a legal ban to finance programmes or projects that contribute to an increased use of fossil fuels (EUR-Lex, 2021^[37]). These commitments come on top of the commitments by G7 countries to end new direct government support for unabated international thermal coal power generation by the end of 2021, including through ODA, export finance, investment, and financial and trade promotion support agreed at the 2021 G7 Summit (G7 Summit, 2021^[38]).

As part of the OECD DAC *Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change*, DAC Members agreed collectively to end new ODA for unabated international thermal coal power generation by the end of 2021, on the same terms as agreed by the G7 (OECD DAC, 2021^[17]). They further stressed the commitment to making financial flows consistent with pathways towards net-zero development, prioritising support to technologies for the net-zero transition, and focusing on accelerating progress in this regard.

5. Supporting sustainable, quality infrastructure to enable the transition

Infrastructure choices and investments will be decisive for achieving climate objectives. They also play an important role for other environmental objectives, including biodiversity. In particular, infrastructure will be critical for supporting the climate and sustainability transition, recovering from the coronavirus (COVID-19) crisis and achieving the long-term development objectives of developing countries. Quality infrastructure investment, including implementation through appropriate delivery mechanisms and efficient management over their lifecycle, is therefore vital to ensuring that infrastructure fulfils its potential as a catalyst for growth and sustainable development (OECD, 2020^[39]).

A majority of the Members (17 of 30) describe a clear approach to supporting quality infrastructure in support of and consistent with the transition to environmentally sustainable, low-emissions and climate-resilient development pathways in partner countries. Among these, a number of typically larger donors with substantive infrastructure investment support programmes describe elaborated methods to support quality infrastructure throughout the project cycle, assuring compliance with (Group of Twenty) G20 principles or that investments contribute to the SDGs.

Japan has been actively promoting quality infrastructure, and the G20 Principles for Quality Infrastructure Investment were endorsed at the G20 Osaka Summit in 2019. Japan describes strengths in helping to

develop infrastructure that is truly contributory to “quality growth” in developing countries, which also includes technology transfer and job creation. Several other DAC Members refer to the G20 Principles as key reference or guidance for their infrastructure engagement, while applying them with complementary policies with regard to fossil fuel-based investments, which is not within the scope of the principles. France has adopted commitments to further implement the G20 Principles for Quality Infrastructure Investments at the Summit on the Financing of African Economies held in 2021. Building on agreed standards, such as the G20 Principles for Quality Infrastructure Investment, and supporting initiatives, such as the Coalition for Climate Resilient Investment (CCRI), one dimension of the United Kingdom’s promotion of quality infrastructure investment is the support for co-ordinated action among G7 members to ensure higher standards and improved disclosures. Germany is, among other things, engaged in technical co-operation and support to the Programme on Infrastructure Development in Africa (PIDA).

Another set of donors refer to the provision of quality infrastructure through MDBs and dedicated climate funds. One example is Denmark, which primarily supports infrastructure through multilateral organisations and banks that meet the G20 principles, after assessing all supported partners on environmental and social safeguards according to the Danish Aid Management Guidelines. Several Members, whose ODA activities do not encompass direct project finance of infrastructure investments, report limited or no specific information on support to quality infrastructure.

6. The multilateral system as a key channel for DAC Members’ support to the transition

Multilateral institutions, and their alignment with climate and environment objectives, are also seen as central for supporting transitions. As earlier described, while many Members use different channels for their transition support and climate finance, support through multilateral institutions, including MDBs, dedicated climate funds, and other international organisations, is often a central – sometimes the only – channel. Multilateral channels are particularly important for the financing and funding of key infrastructure in developing countries, which is part of the core business model of these institutions. Consequently, the alignment of the operations of major multilateral financers of infrastructure in support of climate and environment objectives is an important priority that directly defines the scope and nature of the delivery of climate action by DAC Members.

Finland, for example, does not have bilateral programmes explicitly designed to support transitions and channels most of its development co-operation finance through multilateral organisations. Finland encourages implementing partners to align development co-operation activities with national transition strategies, a recommendation that is explicitly integrated in their development policy guideline for crosscutting objectives. Canada has established funds at several international financial institutions, including, for example the World Bank and the Green Climate Fund, to support partner countries to implement their own national transitions. DAC Members also report being members of informal groups of senior representatives from like-minded governments, who are shareholders in multilateral development banks to advocate for MDB alignment with the Paris Agreement.

Supporting national transition plans that are commensurate with international objectives

Aligning with and supporting national plans – when they exist – is central to DAC Members’ approaches to supporting the transition. As DAC Members see ownership and partnership as a central dimension of supporting developing countries on their transitions, they share a strong focus on working with developing country partners on their own plans and strategies for achieving climate and environment objectives. This alignment with partner countries’ national transition plans is a recurring theme among DAC Members. For the Czech Republic, for instance, partner countries’ national strategies are reflected in relevant country strategies, and in the identification of bilateral projects. Similarly, for Portugal, a specific Memorandum of Understanding (MoU) on environmental activities details the areas where projects are to be developed in line with the partner country’s own needs and national plans. Luxembourg seeks to provide support to

those interventions that are anchored in and aligned with NDCs and national choices of the target countries, guided by the principles and approaches defined in the Paris Agreement.

Many DAC Members support developing countries to develop and enhance the ambition of NDCs. Nationally Determined Contributions are at the heart of the mitigation efforts of the Paris Agreement. Each party to the agreement is required to prepare, communicate and maintain successive NDCs that they intend to achieve, describing their priorities and efforts to reduce national emissions and adapt to the impacts of climate change. Taken together, the ambition of the NDCs determines how the world will achieve the temperature goals of the Paris Agreement. Recognising that the long-term climate goals will be achieved over time, the Paris Agreement builds on a successive ratcheting up of aggregate and individual ambition, with parties submitting new NDCs every five years. Consequently, NDCs, together with LTS, NAPs and other national strategies and policies, are of utmost importance, and DAC Members see a key part of their transition support to work with developing countries on their NDCs. DAC Members' support for these processes is made even more relevant by the fact that many developing countries, and especially Least Developed Countries (LDCs) and SIDS, have indicated that the achievement of their goals and targets is contingent on the level of support they receive from developed countries for implementation (Fransen, Northrop and Mogelgaard, 2017^[40]).

DAC Members see the NDC Partnership as an important channel for transition support. Eighteen DAC Members are part of the NDC Partnership, and this initiative is described by several of them as having a central role in channelling and co-ordinating Members' transition support to partner countries, and was reported as being an important channel of support by six DAC Members. The NDC Partnership is a network through which member countries can gain access to targeted technical assistance and capacity building, opportunities for knowledge to fill information gaps and enhanced financial support. The United Kingdom reports that the partnership co-ordinates major donors' technical assistance support for NDC implementation. For example, by co-ordinating NDC facilitators who support with planning, reporting and implementation, and embedding economic advisors into finance/planning ministries to support with green recovery packages in response to COVID-19. France likewise describes that finding synergies between its own and other sources of support for partner countries' national transitions is made possible by the support and close co-ordination with the NDC Partnership. Germany supports partner countries by financing various programmes and projects that are contributing towards a green and climate-sensitive transition under the umbrella of the NDC Partnership.

A similar initiative in support of NDCs is the Regional Pacific Nationally Determined Contributions Hub (Pacific NDC Hub), which, as reported by Australia, assists Pacific island countries and territories by providing in-country advice and technical support, and promoting regional collaboration to address common issues across the Pacific with NDC implementation.

DAC Members also support other national transition plans, like NAPs, National DRR and Resilience Plans, LTS and NBSAPs. Germany, for instance, provides support to partner countries in bilateral and various multilateral projects and programmes in developing and raising the ambition levels of their NDCs and LTS, including transposition of LTS and NDCs into sectoral policies and implementation. Members may also support developing countries in the implementation of Sendai Framework for DRR and Resilience through bilateral and multilateral expert assistance, such as the Czech Republic which focusses its support on LDCs.

Another example is the NAP Global Network (NAP GN), a channel through which the United States, Canada and Germany support NAP processes and South-South knowledge exchange. Ireland, in keeping with its particular focus on adaptation, supports the NAP process in LDCs and SIDS and funds the Least Developed Countries Expert Group (LEG), the only body mandated by Parties to the UNFCCC to provide dedicated support to LDCs. The LEG assists these countries in their efforts to design, plan and implement NAPs and facilitates access to financial and technical support. Norway supports other initiatives, such as the Biodiversity Finance (BIOFIN) Initiative of the UNDP, which assists developing countries in

incorporating biodiversity comprehensively into their national development planning and financial strategies, including their NBSAPs.

France's AFD focuses parts of its efforts on national climate strategies. Having itself committed to being 100% aligned with the Paris Agreement, it ensures that 100% of its projects are in line with the priorities identified in partner countries' own national climate strategies. Tools have been made available to support the development of such strategies or provide technical assistance for preparation and implementation when needed. One example is the Adapt'Action Facility, which assists countries and regional organisations particularly vulnerable to climate change to implement adaptation strategies. It provides technical assistance and capacity-building support to strengthen climate governance, and helps countries incorporate climate-change adaptation within their public policies and projects. In addition, countries, including, for example, Japan, support institutional and capacity development to prepare greenhouse gas (GHG) emissions inventories as a prerequisite for preparing and developing concrete plans and measures, as well as reviewing progress in partner countries.

A general challenge relates to the fact that supporting national plans by developing countries may not be commensurate with the objectives they are meant to achieve. As shown by recent reports, current NDCs are insufficient to achieve the objectives of the Paris Agreement (UNFCCC, 2021^[13]), and stronger action is required. In this context, many DAC Members see their transition support to developing countries in terms of working with them towards strategies and plans enhanced or accelerated action towards the transition. Development co-operation has a key role to play to help enable developing countries to develop and take forward operational strategies and plans that eliminate inconsistencies between the objectives of international climate and environmental agreements, including the Paris Agreement, and their national development and transition plans (OECD, 2019^[11]). At the same time, information provided for this report mostly does not provide clear approaches DAC Members take in the case of significant inconsistencies between developing countries' current national plans and strategies and international climate and environmental objectives they have subscribed to.

Commitment #4 on support for SIDS' sustainable development

Key highlights

- Recognising SIDS as vulnerable countries bearing the brunt of a wide host of climate change impacts, in 2020, the DAC committed to helping SIDS “address the obstacles they encounter and access finance for resilient and sustainable development.”
- DAC Members' support to SIDS is centred around some of the key challenges these countries face, with a specific focus on climate investments, fostering sustainable ocean economies and resilience, promoting disaster risk reduction, and curbing fossil fuels dependence through access to renewable energy. Recognising the unique capacity constraints stemming from SIDS' small populations, some DAC Members also provide SIDS with support for participation in key climate and ocean negotiations.
- Most DAC Members do not have specific development co-operation targets or dedicated development co-operation policies, strategies or tools to base their support to SIDS on. Four DAC Members have a dedicated development strategy for engaging with SIDS, while some refer to them as one of their priority groups of countries in sectoral or geographic development co-operation strategies.
- DAC Members provide support for SIDS' resilient and sustainable development through a number of ongoing development co-operation programmes, which can account for significant shares of their ODA portfolios.
- Several new initiatives hold the potential to significantly benefit SIDS, such as a new Blue Growth Initiative for Small Island Developing States. A range of new bilateral and multilateral initiatives focused on the sustainable ocean economy that could enhance financing and capacities for SIDS are emerging. These include the United Kingdom's Blue Planet Fund; the European Union's Pacific-EU Marine Partnership Programme; Japan's MARINE Initiative; the United States' USAID Ocean; and the World Bank's hosted multi-donor trust fund PROBLUE. If these initiatives can ensure effective participation and inclusion of SIDS, they stand to benefit significantly in light of their vast ocean resources, with the potential to unlock new development opportunities.
- For a few smaller DAC Members, SIDS are outside the scope of the priority countries chosen in order to focus and maximise the impact of their development co-operation. In these cases, DAC Members mostly support SIDS via multilateral channels, and in particular, climate funds.

As a group of countries bearing some of the most severe impacts of climate change, SIDS have been specifically mentioned in the DAC HLM Communiqué. For SIDS to seize new development opportunities, embark on sustainable development pathways, and become more resilient to the challenges posed by climate change, it is important that the international community take their specific circumstances into account to make development co-operation work better for them (OECD, 2018^[41]). This sub-section provides a summary overview of how DAC Members support SIDS in relation to these challenges.

Four DAC Members have a dedicated development co-operation strategy for engaging with SIDS, or for engaging with a geographical subset of them (Ireland, France, Japan and New Zealand). France's SIDS Strategy coincides with its ocean strategy (Three Oceans Policy). Japan has developed a strategy for engaging specifically with SIDS in the Pacific through the Pacific Bond KIZUNA Policy, which focuses on five key priorities, among which COVID recovery, sustainable oceans, climate change and disaster resilience are included. New Zealand has pledged 60% of its total ODA to developing Pacific Island Countries and aligned these under the Pacific Islands Forum's Roadmap for Sustainable Development.

A larger number of Members acknowledges the specific challenges of SIDS in their overarching development co-operation strategies and identify SIDS as one of the priority groups for support, either in specific sectoral or geographic development co-operation strategies. This is the case with respect to Australia's Climate Change Action Strategy; Denmark's Development Strategy; Germany's adaptation and resilience-building focus in its BMZ 2030; Italy's development co-operation on climate action; Korea's ODA Strategy for Fragile States; Luxembourg's Environment and Climate Change Strategy; Norway's Strategy on Climate Change, Hunger and Vulnerability and its Marine Litter Programme; Sweden's Strategy for Regional Development Co-operation in Asia and the Pacific Region in 2016–2021; and the European Union's Global Climate Change Alliance+.

Many DAC Members have in place development co-operation programmes and projects benefitting SIDS and, for a few Members, SIDS account for a significant share of their ODA portfolio. For instance, most of Portugal's development co-operation partner countries are SIDS (e.g. Cabo Verde, Guinea-Bissau, Sao Tome and Principe and Timor-Leste), accounting for 42% of Portugal's ODA portfolio in 2019. The following Members also allocated that year a large share of their ODA portfolio to SIDS: New Zealand (44%), Australia (31%) and Spain (10%).

Acknowledging SIDS' unique capacity constraints, a number of DAC Members report support for the participation of SIDS' representatives in key climate and ocean negotiations and processes. For instance, Germany supports the Alliance of Small Island States (AOSIS) and its members in international climate change, sustainable development negotiations and processes. Italy has supported training and capacity building in international climate and ocean negotiations for young politicians from developing Pacific islands. Norway supports AOSIS on capacity building and facilitation for the group in negotiations. Australia has supported the participation of women in climate-related negotiation processes through the Pacific Women Climate Change Negotiators Training, which has seen an increase in Pacific women delegates attending UNFCCC negotiations.

In describing their nature and climate support to SIDS, 21 Members indicate that climate change is a key priority, 11 Members point to a sustainable ocean economy and resilience, 9 to disaster risk reduction, and 9 to renewable energy. Recent examples of increased support in these areas include the announcement in 2019 by Ireland of a new EUR 12 million climate change and disaster resilience fund at the Asian Development Bank dedicated to SIDS in the Pacific. The trust fund aims to help increase SIDS' resilience to the impacts of climate change and to disasters caused by natural hazards. The fund also seeks to help increase investments in climate change mitigation and adaptation among SIDS. Other Members have a long track record of support in these areas, such as Japan's assistance to Pacific SIDS to mainstream disaster risk reduction, which includes training meteorological agency personnel of each country and developing rapid evacuation systems for residents.

A number of new and ongoing initiatives suggest growing Members' engagement with SIDS on the sustainable ocean economy. The UK GBP 30 million Commonwealth Marine Economies Programme is assisting SIDS to develop climate-resilient, sustainable economies while safeguarding their marine environment. The United Kingdom is also establishing a new GBP 500 million Blue Planet Fund, launched by the Prime Minister at the G7 Summit, to help countries protect and restore the marine environment and reduce poverty, including in SIDS. Through its co-operation with Pacific SIDS, Italy supported the creation and implementation of Marine Protected Areas for a total of about 2 million square kilometres in the Pacific Ocean, favouring the conservation of marine resources that are severely threatened by the effects of climate change. Korea is committed to protecting the ocean ecosystem and strengthening the capacity of SIDS in managing marine resources. Korea launched the Blue Growth Initiative for Small Island Developing States in co-operation with the Food and Agriculture Organization (FAO) in order to help SIDS develop and introduce a new management model for marine resources. The European Union launched the Pacific-European Union Marine Partnership Programme, 2017-2023 (PEUMP), with the overall objective of improving the economic, social and environmental benefits for 15 PACPs (Pacific members of the African, Caribbean and Pacific group [ACP]) through stronger regional integration and the sustainable

management of natural resources and the environment. The purpose of the programme is to support improved sustainable management and development of fisheries for food security and economic growth, while addressing climate change and conservation of marine biodiversity. Canada, Norway and other DAC Members supported the establishment of PROBLUE, a new 150-million multi-donor trust fund that is hosted at the World Bank to foster ocean conservation and sustainable ocean activities. Other Members focus on specific aspects of the sustainable ocean economy in their support to SIDS, such as Japan on sustainable waste management in the Oceania region through its “MARINE Initiative”, and the United States on sustainable fisheries and illegal, unreported, and unregulated fishing through the United States Agency for International Development (USAID)’s Oceans and Fisheries Partnership (USAID Oceans).

Many SIDS have made ambitious commitments on clean energy, which some Members are helping to support. SIDS reliance on high carbon-emitting energy sources often weighs particularly heavily on their import bill given their remote location and high import costs, reducing the fiscal space available for development investments. Among the specific projects reported by Members in this area, Canada provided USD 60 million to establish a Renewable Energy in Small Island Developing States Program at the World Bank. This funding supports the expansion of clean energy systems and infrastructure (including battery solutions), improvement of energy access for women and girls, and the provision of training and employment opportunities for women in non-traditional, sustainable technology sectors in SIDS. France is active on the subject of access to sustainable energy for SIDS (e.g. geothermal, solar, wind, marine energies, etc.), both through direct bilateral co-operation and through its support to the International Renewable Energy Agency (IRENA)’s SIDS Lighthouse Programme, to which France provided a contribution mainly aimed at promoting marine energies, in particular by identifying and mapping the potential of different territories for this type of energy. In addition to France – Denmark, Germany, Italy, Japan, New Zealand, Norway, the United Arab Emirates and the United States contribute to IRENA’s SIDS Lighthouse Programme, which fosters a transformation from fossil fuel dependence to renewable energies. Spain has been supporting renewable energy projects with the International Union for Conservation of Nature in Oceania.

In 2019, climate funding to SIDS fell back to 2017 levels (from USD 2.1 billion to USD 1.5 billion) after a temporary increase in 2018, signalling SIDS’ continued challenges to access climate and nature finance (OECD, 2021^[12]). Recognising that SIDS often face structural challenges in attracting and gaining access to private finance for climate action, Australia reports its support for developing pipelines of investment-ready projects to facilitate increased private finance, including by bridging the gap between project proponents and financiers. The United Kingdom has also been engaged in supporting SIDS’ access to finance through various initiatives, including its role in co-chairing with Fiji the Taskforce on Access to Climate Finance; its work with Belize and Fiji on a SIDS Access to Concessional Finance Roundtable Process; and through the Commonwealth Climate Finance Access Hub (CCFAH). The CCFAH, for instance, embeds Commonwealth National Climate Finance Advisers within governmental institutions to work specifically with ministries and other stakeholders focused on climate change to strengthen institutional capacity by bridging gaps in institutional and financial knowledge, skills and technical capabilities.

In December 2017, at the first One Planet Summit, the French President announced the [Kiwa Initiative](#), sponsored by Australia, Canada, France, New Zealand and the European Union. The Kiwa Initiative aims to fund climate change adaptation or coastal zones restoration and preservation projects, as well as other initiatives that can have a positive impact on communities and climate resilience. During its G7 Presidency, Canada supported the increased mobilisation of resources and knowledge through innovative financing approaches, such as blended finance, climate resilient debt instruments, risk mitigation tools and investor partnerships. USAID (with over USD 200 million) and New Zealand have supported partners to access climate finance from international organisations, such as the Green Climate Fund (GCF), the Adaptation Fund and the Global Environment Facility through targeted technical support for the development and

submission of bankable project proposals that are translated into country-driven actions to respond to the urgent climate change priorities of Pacific Island Countries. For example, the USAID Climate Ready Activity supported capacity-building efforts in the Federated States of Micronesia and Palau, which secured USD 10.4 million in climate change-related grants from the GCF in 2021. Additionally, New Zealand has pledged 20% of its ODA as Aid for Trade to Pacific SIDS and provided technical assistance for financial reforms, debt management and increased foreign investments attraction.

For a few smaller DAC Members, SIDS are outside the scope of the priority countries chosen. In line with the OECD DAC Peer Review recommendations, based on their comparative advantage and in view of capacity constraints, they focus their direct activities on a small number of countries, often in their geographical neighbourhood. Some, mostly smaller, Members therefore mainly target support to SIDS via the multilateral development system, and in particular, climate vertical funds (i.e. Austria, Belgium, Netherlands, Slovak Republic). For instance, Austrian development co-operation supports the Pacific and the Caribbean Centres for Renewable Energy and Energy Efficiency (PCREEE and CCREEE) on specific renewable energy and energy efficiency solutions to SIDS. In late 2020, Finland joined, as a financier, [CREWS](#) (Climate Risk and Early Warning Systems), which is a mechanism that funds LDCs and SIDS for risk-informed early warning services in order to better equip them to forecast and respond to climate risks.

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