

## **Evidence submission**

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### **Based on forthcoming OECD report on ‘Capacity development for climate change in Small Island Developing States’**

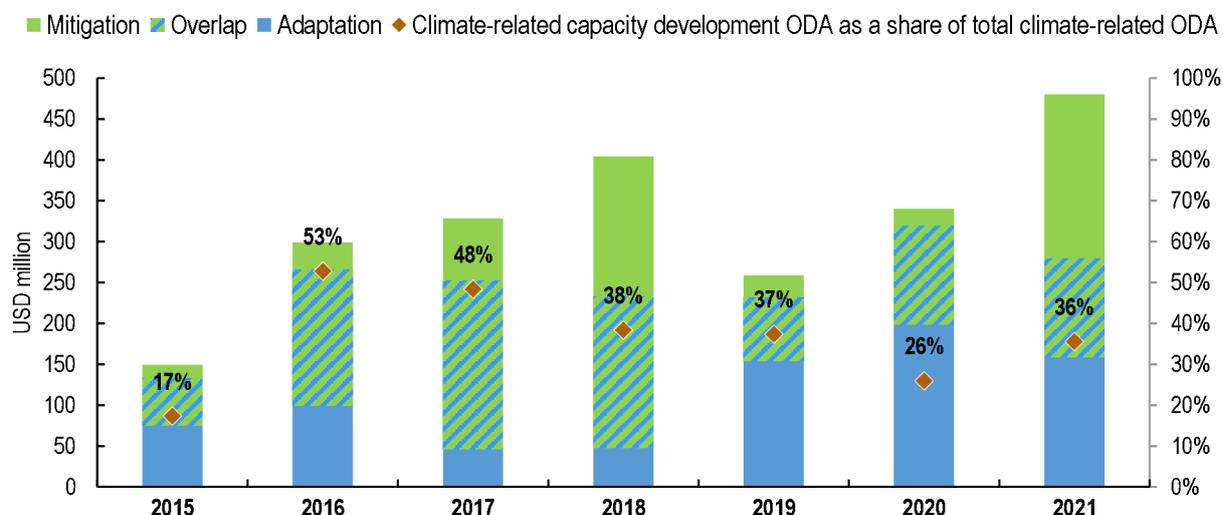
Small Island Developing States (SIDS) are a group of countries and territories distributed across the Caribbean; Pacific; and Africa, Indian Ocean, and South China Sea (AIS). They compose a diverse group of countries with large geographical, cultural, and socio-economic differences. Although SIDS are among the jurisdictions least responsible for climate change, they are on the frontlines of its impacts. These challenges and circumstances have led to their recognition as a special case for support by the international community. The Intergovernmental Panel on Climate Change (IPCC) indicated that they present the most urgent needs for capacity development support, notably for climate change adaptation.

The climate-related activities that SIDS implement in the coming years will determine whether they meet their Nationally Determined Contributions (NDCs) and Sustainable Development Goals by 2030, and will set the trajectory for meeting long-term goals, including the commitment to carbon neutrality that many SIDS endeavour to achieve by 2050. It is therefore crucial that SIDS and the international community supporting them deliver effective development co-operation while they accelerate the pace, scale, and breadth of the transformation needed to face the climate crisis. However, the international community’s ability to deliver effective climate outcomes will depend on the individual, organisational, and systemic capacity of SIDS to enable such change.

The members of the OECD Development Assistance Committee (DAC), of which the United Kingdom is a member, are key among the international community providing support to SIDS. They provided an average USD 323 million annually over 2015-21 for SIDS’ climate-related capacity development Official Development Assistance (ODA), which represents 35% of total climate-related ODA to SIDS (see Figure 1). While this illustrates DAC members’ level of commitment in this area, a closer look at these figures shows that DAC members struggle to meet the growing climate-related needs of all SIDS partners: ODA funds are unequally distributed within and across regions, with the bulk of investments made by a small number of bilateral donors concentrated among a small number of SIDS. Further, the data show that vulnerability considerations do not always drive the allocation of climate-related ODA flows – including those for climate-related capacity development and research and evaluations show that most capacity development activities in SIDS do not achieve sustainable results. Further research would help understand how donors can meet the growing needs of the most vulnerable SIDS while ensuring that capacity development efforts last after an intervention ends.

Figure 1. Total climate-related capacity development trends in SIDS, 2015-21

Commitments, USD million, 2021 constant prices



Source: (OECD, n.d.<sup>[118]</sup>)

Although many DAC members are indirectly active in SIDS through the multilateral system, many SIDS would welcome their further bilateral engagement on climate-related issues. It is in this spirit that the international community needs to rethink how capacity development is delivered, taking individual SIDS' circumstances, concerns, and needs into account. Recent OECD work explores what works in delivering long-term capacity development for climate change in SIDS and presents possible entry points and good practices for donors working in these areas. It looks at five themes, selected after reviewing the literature and interviewing experts in the area, namely: (1) access to climate finance; (2) climate data and services; (3) working with non-governmental partners; (4) regional and triangular approaches; and (5) broader effectiveness issues. OECD research points to the following conclusions:

- **SIDS need flexible approaches to accommodate their unique circumstances and overstretched capacities.** Their public sectors face major human and technical capacity constraints that affect all stages of the policy process and, in turn, hinder development co-operation efforts. SIDS question the current model of developing capacity through workshops and 'fly-in-fly-out' consultants. Stakeholders consider current capacity development approaches valuable given multi-faceted needs, but donors must ensure that these do no harm (e.g. introduce perverse incentives or distort local labour markets) while making efforts more accessible, effective, and sustainable. To do so, donors need to become facilitators of capacity development, focusing on approaches such as end-to-end project accompaniment, or peer-to-peer exchange or mentoring – in essence going beyond existing paradigms.
- **Levels of and access to international climate finance must increase for SIDS to address climate-related challenges and deliver on both SIDS and donor commitments.** Provision of international climate finance is a condition for many SIDS to act on climate change. More finance is needed, and DAC members and other donors have committed to support SIDS further, including through capacity development. Several initiatives, partnerships, and institutions are working to address access challenges, with lessons to be extracted from these. However, the current climate-finance landscape is complex and fragmented – including for capacity development support – which exacerbates capacity constraints in SIDS and places them at a disadvantage compared to other developing countries. Making climate-specific funding windows more easily accessible while increasing capacity development-type support to access these funds could address the circumstances of SIDS. For example, donors could develop programmatic approaches, embedding climate finance experts in domestic institutions to increase capacity, support SIDS from headquarters or regional institutions

through helpdesk functions, or promote basket funds to coordinate capacity development-type support. Ensuring that development finance can integrate capacity and climate constraints, beyond specific climate finance, would also be welcome.

- **SIDS need more capacity to explore alternative and innovative financing structures and instruments, including blended finance.** Such action could raise awareness of the need to go beyond international finance (notably, grant instruments) despite the moral imperative for the international community to support SIDS. DAC members could target SIDS' and donors' private sectors – including the financial system – to develop business cases and identify new partners for investment, and work with governments to raise finance through fiscal reforms and compliance or by harnessing remittances (e.g. aligning and co-ordinating remittance with climate-related needs).
- **More robust climate data and services would help SIDS adapt to climate-related hazards, attract investment, and access international climate finance.** SIDS need donors to offer more openness for the use of data for project design or monitoring, while they continue to support domestic data capacities. Supporting SIDS to develop domestic data ecosystems – beyond climate change – can help the development of climate services, such as early-warning systems, which are crucial for resilience and to attract private investment (e.g. in tourism).
- **To absorb finance, SIDS need systemic approaches that embed climate-related interventions within socio-economic and political economy contexts.** The climate finance architecture often creates a false dichotomy between climate-related and development-related investments. Integrated approaches make the most sense in SIDS and can have multiplier effects. Capacity development, therefore, needs a systemic lens to ensure that climate change objectives are tackled at the same time as wider socio-economic and governance issues, and vice-versa.
- **Capacity development could focus on making ocean-based sectors and marine ecosystems more sustainable and resilient, as these are inextricably linked to climate action and the backbone of most SIDS' economies.** Ensuring that SIDS can seize new ocean economy opportunities that sustainably foster economic diversification and resilience requires capacity and development co-operation schemes that target this area.
- **Donors exit strategies should consider that capacity development and resilience efforts in SIDS require longer timeframes, and results can be more precarious than in other settings.** Donors must ensure they provide multi-year capacity development support to SIDS to enable sustainable solutions, rather than helping SIDS to cope with or fill short-term needs. Longer timeframes build domestic buy-in, including at local level, and centre action on systemic causes of vulnerability and marginalisation – notably, of women and girls. Certain capacity development approaches (e.g. those focused on landscape or integrated sector management) can provide longer-term timeframes and lead to more effective results.
- **SIDS need new types of partnerships that ground capacity development locally.** Investing in the capacity of locally managed organisations, micro-, small- and medium-sized enterprises, academia, or communities (understood broadly) can develop local knowledge, harness and develop existing or new technical knowledge, and reach sustainable capacity development. These actors operate in highly constrained environments – often due to governance failures – but have inherently different motivations from governmental actors. Investing in their capacity requires more inclusive and tailored donor approaches, but also recognition of alternative (informal) governance structures, knowledge, and capacities.
- **Triangular co-operation and regional approaches can boost capacity development in SIDS.** Peer-learning within and between stakeholders, both in-country, and within and across regions, would facilitate action and ambition in SIDS, and provide sustainable exit strategies for donors. Regional and triangular co-operation can facilitate such approaches. Triangular co-operation can develop the capacity of several actors in simple, country-owned, and flexible ways. Regional and triangular approaches also diversify the pool of donors available to provide capacity development support to SIDS – though neither replaces the physical presence of donors to engage in bilateral (or multilateral) support on the ground.

These recommendations are not necessarily unique to SIDS or the area of climate change. Many apply to other groupings, such as least-developed countries or fragile contexts. Further, while some of these were raised over two decades ago, the international development community needs renewed efforts to resolve these issues, given the urgency of climate change (and biodiversity loss) and the limited capacity of SIDS to act upon it. SIDS present an optimal setup in which wider social, economic, environmental, and political practices play out for donors to test, extract lessons and good practices, quickly scale up action, and export it to other SIDS through bilateral, regional and triangular work. SIDS also offer the potential to test disruptive approaches and the opportunity to rethink capacity development for climate change. Notwithstanding this potential, the role of donors remains essential and SIDS' situation would likely be dire without it.

The UK's strategy and work on SIDS could be inspired by these recommendations and upcoming OECD work on capacity development for climate action in SIDS. In fact, this OECD work builds upon several good practices from the UK (notably in the area of access to finance). Further details can be made available, upon demand, as a report is currently in the last stages of finalisation.