

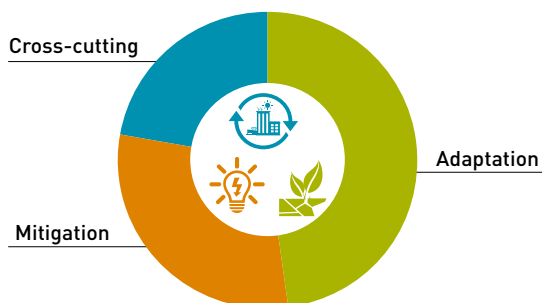


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## Effective climate aid: acting early, acting strategically and acting together for improved livelihoods

A snapshot on Sida’s work on climate adaptation and implementation of the Paris Agreement.

Sida supports to the three overarching objectives of the Paris Agreement through strategic financial support in climate change adaptation, emissions reduction (mitigation), and cross-cutting measures that enable climate-aligned financial flows and systems. The climate support is guided by partner countries’ nationally defined climate priorities and climate and development plans.



Aligning finance with climate goals ensures that investments contribute to sustainable, low-carbon, and climate-resilient development pathways as well as to inclusive, equitable, and long-term development outcomes.

### CLIMATE FINANCE MATTERS

Climate change is one of the defining challenges of our time. According to UNEP’s *Emissions Gap Report 2025*, even a full implementation of current national climate pledges would still leave the world on track for around 2.3–2.5 °C warming this century, which is far above the Paris goals.<sup>1</sup> Without urgent action, backed by substantial investments in both mitigation and adaptation, the window to limit climate change and secure sustainable development is rapidly closing.

The scale of financing required for a just green transition far exceeds available public resources. An average of at least USD 6.3 trillion in annual climate finance will be needed from 2024 through to 2030 to avoid the worst impacts of climate change.<sup>2</sup>

In a shifting geopolitical and economic context, where fiscal constraints and competing budget priorities limit public resources, mobilising both domestic and international private capital has become essential to complement public finance and close the financing gap.<sup>3</sup>

<sup>1</sup> UNEP (2025) Emission Gap Report: Nairobi

<sup>2</sup> Climate Policy Initiative (2025). Global Landscape of Climate Finance 2025.

<sup>3</sup> Climate Policy Initiative (2025). Global Landscape of Climate Finance 2025.

Strengthening macroeconomic stability and promoting responsible borrowing practices are key to enhancing countries' ability to mobilise domestic resources and attract sustainable climate finance.

However, many developing countries face severe fiscal and financial constraints. According to Climate Policy Institute concessional finance accounted for only 11% of total climate finance, with the remainder provided through market-rate debt and equity instruments.<sup>4</sup> In a context of rising debt distress and high borrowing costs, this limits the ability of countries to invest in development, climate action and nature. Addressing debt vulnerabilities is therefore a prerequisite for enabling a just and long-term green transition.

**Strong governance and institutional capacity are essential to translate climate commitments into tangible results.** Weak institutions, limited transparency, and widespread corruption particularly in resource-intensive sectors undermine trust, distort incentives, and hinder the creation of sustainable value chains.<sup>5</sup> Strengthening accountability and anti-corruption mechanisms, together with transparent monitoring and reporting systems, are critical to ensure that green and climate-related investments deliver real impact.

Equally important, effective whole-of-government coordination and inclusive engagement with the private sector, civil society and local communities can support more coherent economic analysis and policy implementation, including through country platforms.

Aligning financial flows with national climate and development priorities strengthens implementation and policy coherence across institutions.<sup>6</sup> It creates better conditions for structural reforms, effective use of resources and long-term results including the gradual phase-out of harmful subsidies and the adoption of green public procurement practices.

Innovative mechanisms such as green bonds, guarantees and debt-for-nature swap are unlocking new capital for climate and biodiversity action, especially in countries where access to finance remains limited.

### Sida's Development Guarantees

Sida's guarantees help reduce poverty by unlocking private capital for sustainable development and climate action. The guarantees support sectors such as renewable energy, sustainable infrastructure and small-scale entrepreneurship, with a specific focus on women- and youth-led enterprises. By sharing financial risk with banks, funds, and private investors, Sida enables lending and investments that would otherwise be considered too risky. Every Swedish krona guaranteed by Sida mobilises several times that amount in additional capital, contributing to inclusive and climate-resilient growth.

#### How does it work?

A Sida guarantee is a sovereign guarantee backed by the Swedish government. It can cover different types of risk, such as credit or political risks. By issuing a guarantee, Sida assumes part of the underlying financial risk to unlock financing and investment for development purposes. An external risk assessment of the risks involved is made by the National Debt Office.

#### Read more:

[Sida's Guarantee Instrument](#)

### HOW SIDA WORKS WITH CLIMATE FINANCE

Sida's climate aid is designed to be both strategic and catalytic, focusing where it can have the greatest impact for poverty reduction, resilience and a just green transition. The rationale is clear: many partner countries face severe barriers to adaptation and mitigation, from weak institutions and governance to a lack of financing, technology, and meaningful participation.

For Sida, different financial flows within and between countries must complement one another. A country's ability to mobilise domestic revenues, for instance through taxation, is crucial for reducing poverty and promoting sustainable and inclusive development. Effectively allocating these resources also helps partner countries pursue low-emission, climate-resilient development pathways that align with the Paris Agreement.

Sida works together with a broad range of partners; governments, civil society, the private sector, academia, and Swedish actors through Team Sweden in order to turn climate commitments into action. Sida supports countries to move from plans to implementation. Aid is used not only to catalyse and create conditions for domestic resource mobilization in partner countries, but also to mobilize additional private capital flows for investments in sustainable development.

<sup>4</sup> Climate Policy Initiative (2024). Understanding Global Concessional Climate Finance 2024

<sup>5</sup> UNODC (2023). Rooting out corruption - An introduction to addressing the corruption fuelling forest loss.; Nash et al., (2023). Understanding corruption and social norms: A case study in natural resource management. RTI Press.

<sup>6</sup> OECD (2021), Aligning Development Co-operation with the Objectives of the Paris Agreement, OECD Publishing, Paris

In support of Sweden's engagement in the Board of the **Green Climate Fund (GCF)**, Sida provides country-specific knowledge and operational experience in the review of projects, particularly in countries where Sida has bilateral climate programmes. This contributes to strengthened project quality, improved coordination and more effective climate finance.

The Swedish Government's GCF Strategy [in Swedish](#).

Sida's financial support is about more than responding to today's climate shocks. It is about enabling people, communities and societies to thrive in the future. By combining financing, innovation, technical assistance and inclusive partnerships, Sida contributes to a fair and green transition that delivers on the Paris Agreement and helps achieve the Sustainable Development Goals.

## FIVE IMPORTANT CONDITIONS FOR CLIMATE INVESTMENTS

Ahead of COP30, representatives of the Swedish business delegation together with Sida identified five conditions critical for climate investments.<sup>7</sup>

The examples below illustrate how Sida applies these conditions in practice by creating enabling environments, acting strategically to unlock investment, and working together with partners to mobilise both public and private capital for climate action and resilience.

### 1. Clear and predictable goals – Country ownership and alignment

Supporting ambitious, evidence-based national climate plans (the countries' Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) and Long Term Low-Emission Development Strategies, (LT-LEDs) are central tools for understanding partner countries' needs and priorities, pinpointing where funding gaps are most significant. Clear ownership leads to predictability, which is essential to reduce risk, mobilise capital and promote innovation. Sida helps partner countries raise their ambitions, strengthen implementation, and attract investment into their own priorities.

#### Examples:

- **Global - [NDC-Partnership](#)**: Sida supports the NDC Partnership, where Sweden is an active member of the Steering Committee. Nearly 100 countries receive support for implementation of the Paris Agreement by turning their NDCs into actionable, investment-ready climate plans. Through technical assistance,

capacity development and coordination among partners, the Partnership enables countries to raise ambition, strengthen governance and accelerate both mitigation and adaptation.

- **Latin America - [Green Innovative Finance for Latin America and the Caribbean \(GIF4LAC\)](#)**: Sida co-finances GIF4LAC, which has trained over 145 experts from 20 countries, integrated climate goals into national budgets in six countries, and created a portfolio of investment-ready projects worth over USD 1 billion – including sustainable infrastructure and climate-smart transport.
- **Regional Africa - [Efficiency for Sustainable Livelihoods in Africa \(EELA\)](#)**: With support from Sida and the Swedish Energy Agency, this programme works across 36 African countries to strengthen policies on energy efficiency. It creates a more predictable investment environment for renewable energy and off-grid solutions.

### 2. Policies that enable climate-resilient investment

Sida helps partner countries design policies that phase out fossil fuel subsidies, promote renewable energy, strengthen carbon pricing, and encourage circular economy solutions.

#### Examples:

- **Latin America - [IDB Amazonas Forever](#)**. Through a guarantee to the Inter-American Development Bank (IDB), Sida supports the operationalisation of sustainable development and conservation priorities in the Amazon biome. The guarantee expands IDB's lending capacity by approximately USD 460 million for investments in sustainable and resilient landscapes, sustainable forestry, conservation and bio-economy, aligned with national, regional and global climate and biodiversity commitments.
- **Regional Asia - [Asian Development Bank's Innovative Finance Facility for Climate \(IF-CAP\)](#)**: Through a balance sheet guarantee under the Asian Development Bank's Innovative Finance Facility for Climate in Asia and the Pacific (IFCAP), Sida shares risk with ADB to unlock significantly greater lending capacity for climate finance in Asia and Oceania. Sida's guarantee enables ADB to extend loans well beyond its ordinary lending capacity, mobilising resources for climate adaptation and mitigation projects that also support poverty reduction. By reducing investment risks and expanding access to finance in high-need contexts, this instrument strengthens the enabling environment for climate-resilient investments in underserved regions.

<sup>7</sup> These 5 priorities were communicated in a joint article in Dagens Industri, Nov. 2025, prior to COP30 and signed by Sida's Director General.

- **Regional Africa & Asia - [Sunfunder Gigaton Fund](#)**: is an impact fund acting within the decentralised sector for renewable energy in Sub-Saharan Africa and Asia. This guarantee mobilises up to USD 400 million in capital towards renewable energy, reduced carbon emissions, climate adaptation, increased employment and sustainable economic development.

### 3. Standards and procurement as drivers of change

Sida works at global, multilateral, and bilateral levels to strengthen sustainability, transparency, and accountability in public procurement. Sida supports the development of clear sustainability standards and green procurement systems that create demand for sustainable and circular solutions.

*Examples:*

- **Global - [The Public-Private Infrastructure Advisory Facility \(PPIAF\)](#)**: is a multi-donor trust fund managed by the World Bank and supported by Sida. It is a global facility that strengthens the policy, regulatory, and institutional foundations for private sector investment in infrastructure in emerging markets and developing countries. PPIAF also supports governments to build capacity for the procurement and development of sustainable, green infrastructure.

### 4. Capacity-building and knowledge transfer

Sida invests in stronger institutions, transparent governance, and partnerships that connect national, regional and local levels. The support helps to remove obstacles to investments, including weak institutional capacity and corruption, and promotes innovation, research and scaling of new solutions.

*Examples:*

- **Global & MENA - [Water & Energy for Food \(WE4F\)](#)**: Since its launch in 2020, Sida has supported the WE4F Challenge Fund that supports 172 innovators. As a result, more than five million small-scale farmers have gained access to innovations that produce more food with less water and energy use. The fund has mobilised over SEK 2 billion in capital.
- **Regional Africa - [Vi-Agroforestry Carbon Expert Desk in Africa](#)**: Sida funds an expert desk to provide Sida and partners with technical knowledge on agricultural, forestry and other land use (AFOLU) carbon market projects contributing to development of responsible and inclusive carbon markets in partner countries that also can also benefit people living in poverty and their livelihoods.

- **Rwanda - [Capacity Development in Land Management](#)**: This contribution aims to contribute to transparent and reliable land management and strengthened accountability, driving a socio-economic transformation towards sustainable development for all in Rwanda.

### 5. An inclusive and just transition

Sida provides support that ensures that women, youth, Indigenous Peoples and local communities are meaningfully included in climate-related decision-making and implementation, strengthening locally led climate action, resilience and a just green transition.

- **Liberia - [Blue Oceans Programme](#)**: Sida supports the conservation and restoration of mangrove forests and marine ecosystems, which combines emission reduction and strengthened resilience to climate change while providing local communities with training and microloans for sustainable livelihoods.
- **Eastern Europe - [Bankwatch](#)**: Sida supports this association of non-profit environmental CSOs, whose main focus is to act as watchdogs for investments financed by IFIs (EBRD, EIB, ADB). Bankwatch's mission is to prevent investments made within the framework of international development cooperation from having negative consequences on the environment and social structures. In addition, Bankwatch works to promote the use of renewable energy and increase public engagement on these issues.

### CARBON MARKETS AND CARBON PRICING

Market-based mechanisms such as carbon pricing and carbon markets under Article 6 of the Paris Agreement can complement traditional climate finance by mobilising additional resources for climate and biodiversity action, as well as broader sustainable development objectives.

At the same time, uncertainties remain regarding the scale, integrity and long-term impact of these mechanisms. Ensuring high environmental integrity and alignment with ambitious domestic climate action is therefore essential in the implementation of Article 6.

Sida's support refers to different systems, including the compliance market (cap-and-trade and baseline-and-crediting) and voluntary markets. Key areas of Sida's support are seen in Box 1.

### Box 1. Sida's key areas of support in carbon markets

#### Sida supports:

- partner countries with developing regulations, institutions, and systems for NDC implementation, reporting, and carbon trading aligned with national goals;
- projects and suppliers to increase high-integrity and inclusive carbon credits;
- capacity building for relevant actors at national and local levels;
- synergies and connections between carbon market actors in line with Sida's priorities.

Sida and its partners need to consider several factors to contribute responsibly to development, guided by principles of high integrity. Sida's support is grounded in a human rights-based approach, ensuring safeguards and added value for those living in poverty.

Apart from addressing technical areas such as risks for double counting (ensuring that emissions reductions are only counted once globally) and risks for non-permanence and reversal, significant attention should be paid to fair participation and benefits, safeguarding human rights and ensuring co-environmental benefits.

### SIDA'S ROLE IN TEAM SWEDEN – AN ENABLER AT MULTIPLE LEVELS

Sida is a central part of Team Sweden, working across global, regional and national levels to translate climate commitments into action. With a country presence, knowledge of local contexts, and tools such as guarantees, long-term capacity development support and support to project preparation, Sida enables governments, civil society, academia, the private sector, and Swedish actors to come together. This strengthens country ownership, supports the implementation of climate plans (NDCs, NAPs, LT-LEDs) and enhances the ability to mobilise capital. Together with partners, Sida's support helps build an enabling environment for a green and just transition, creating the conditions for bankable projects, strengthened public financial management and increased private sector engagement. By sharing and reducing investment risks, and through presence and partnerships with civil society and public institutions, Sida also contributes to lowering barriers for private actors entering new and emerging markets.

**At the national level**, Sida supports partner countries to develop high-ambition climate plans by strengthening institutions, policies and governance systems required for delivery. This includes support for coherent

policies that integrate sustainability considerations, effective policy instruments, and good governance such as transparency, participation, accountability and responsiveness, as well as institutions with the capacity to monitor implementation and ensure compliance. In practice, Sida's support focuses on strengthening the systems needed to implement countries' own climate commitments, including institutional structures for planning, budgeting, implementation, monitoring and communication. This strengthens policy predictability and public financial management, while creating conditions for bankable climate investments.

**At the regional level**, Sida facilitates coordination and knowledge exchange on shared priorities such as energy transition, early warning systems and climate-smart agriculture, while supporting alignment with international sustainability standards and green procurement frameworks.

**At the global level**, Sida engages in strategic partnerships to support countries in raising ambition, strengthening implementation capacity and improving access to climate finance. By contributing to stronger and more coherent international climate frameworks, Sida helps ensure that global agreements translate into tangible results for developing countries.



#### In short: Sida and Sida's approach

Sida is Sweden's government agency for international development cooperation, working to reduce poverty and oppression. Sida contributes to accelerating the implementation of the Paris Agreement and to strengthening the effectiveness of climate finance at country level, improving livelihoods and resilience. Through close partnerships with governments, civil society, academia and the private sector, and as part of Team Sweden, Sida supports climate action based on country priorities, contributing to both adaptation and mitigation efforts and advancing a just and sustainable green transition.