



DEVELOPMENT CO-OPERATION TIPS TOOLS INSIGHTS PRACTICES

In practice

ENABLING CO-ORDINATED CLIMATE ACTION THROUGH THE CLIMATE ENVELOPE

Key messages

Since 2008, Denmark's Climate Envelope has contributed to protecting climate funding over time and to balancing support for mitigation and adaptation activities in developing countries. The Ministry of Foreign Affairs and the Ministry of Climate, Energy and Utilities have joint access to the fund, although a strict division of labour between the two ministries may limit opportunities.

Keywords

[Environment and climate](#) | [Management systems](#) | [Official development assistance allocations](#)

Key partner

[Denmark](#)

Challenge

In 2008, the Danish government established the Climate Envelope to assist developing countries in meeting the challenge of climate change. The Climate Envelope responds to the challenge of channelling dedicated climate funding in support of both mitigation and adaptation activities as an integrated part of Danish development assistance while ensuring co-ordination across the government.

Approach

The Climate Envelope is a **budget line** in the Danish official development assistance (ODA) budget, reflected in the Finance Act. The Climate Envelope plays a central role in Danish climate funding.

Only basic priorities for the Climate Envelope were adopted in 2008-9. However, an evaluation of Denmark's climate funding to developing countries undertaken in 2015 led to more detailed [Guiding Principles](#) – including a theory of change and a monitoring framework – being adopted in 2016.

In 2012, the Climate Envelope was split into **two frames**. The Poverty Frame encompasses climate change finance for low-income countries and is initiated by the Ministry of Foreign Affairs (MFA). The Global Frame for emerging economies is initiated by the Ministry of Climate, Energy and Utilities (MCEU). The MCEU focuses on mitigation activities, whereas the MFA mainly covers adaptation activities. Each ministry proposes and prepares activities for their frame of the Climate Envelope.

The MFA and MCEU **co-ordinate** activities and meet regularly to discuss progress in implementing current interventions and the programming of future activities. Informal interactions between the two ministries are almost daily in relation to specific activities. Even though the MFA is financially responsible for all ODA, both the MFA and MCEU need to agree on the composition of the whole Climate Envelope for it to be approved.

Results

- The Climate Envelope has **protected climate funding** even when climate action was not an explicit policy priority. For example, following a change of government and priorities in 2015, climate change was no longer included as a strategic focus area in Denmark's "The World 2030" strategy. However, the Climate Envelope continued to be funded, albeit at a reduced level.
- A systematic mobilisation of **Danish domestic expertise** due to the direct involvement of the MCEU in using the Climate Envelope has allowed mitigation activities targeting emerging countries to have a more robust approach compared to other initiatives. For example, funding from the Climate Envelope has enabled the Danish Energy Agency to build trusted relationships with energy authorities in several emerging economies, providing technical advice and building local capacity.
- As a funding mechanism, the Climate Envelope allows the government to take deliberate decisions on its composition. For example, in 2016 and 2017, it was used to **balance out Danish support for mitigation and adaptation** by increasing funding for adaptation.

Lessons learnt

- The joint character of the envelope, split between the MFA and MCEU has helped **increase collaboration and interaction** between the two ministries. Moreover, the fact that the MFA is financially responsible for all ODA has smoothed out internal procedures and improved the flow of information between the MFA and MCEU.
- In the absence of broader **guidance** on climate action that would encompass all Danish development assistance, the Guiding Principles for the Danish Climate Envelope have provided a useful, yet flexible point of reference.
- A strict **division of labour between the MFA and MCEU** in terms of mitigation/adaptation focus and target countries may limit opportunities to bring MCEU's expertise to low-income countries. Nonetheless, the MCEU's independence in its selection of partner countries brings benefits, allowing it to focus on long-term programmes and partnerships, which are essential for support in the energy sector.
- Direct involvement by **other ministries and agencies** (such as the Ministry of Food, Agriculture and Fisheries, and the Ministry of Environment) in the Climate Envelope's initiatives by providing specific technical expertise can help Denmark to further its adaptation agenda. Just as the MCEU brings expertise on clean, renewable energy, other Danish public actors could provide know-how, for example on urban adaptation solutions, to developing countries.

Further information

Guiding Principles for the Danish Climate Envelope: <https://amg.um.dk/en/programmes-and-projects/guiding-principles-climate-envelope>.

Evaluation of Danish Support for Climate Change Adaptation in Developing Countries (2020): https://um.dk/en/danida-en/results/eval/eval_reports/publicationdisplaypage/?publicationID=A9CC034B-9F7B-4F61-B733-6F8370EC442B.

OECD resources

OECD (2021), *Development Co-operation Peer Reviews: Denmark 2021: forthcoming on [Peer reviews of DAC members - OECD](#)*.

To learn more about Denmark's development co-operation see:

OECD (2021), "Denmark", in *Development Co-operation Profiles*, OECD Publishing, Paris, <https://doi.org/10.1787/9b77239a-en>.

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