Access to finance for climate and biodiversity

From global commitments to country action

OECD
BETTER POLICIES FOR BETTER LIVES

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INSTITUT DE LA FRANCOPHONIE POUR LE DÉVELOPPEMENT DURABLE

ORGANISATION INTERNATIONALE DE la francophonie

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This report was prepared by Juan Casado-Asensio, Simon Biermann, Dominique Blaquier, Jens Sedemund and Alexandre Joissains (OECD Development Co-operation Directorate) and Emilienne Lionelle Ngo-Samnick, Tounao Kiri and Fidèle Ananivi (OIF/IFDD). It was produced under the guidance from Eva Beuselinck (OECD) and overall leadership of Pilar Garrido (OECD); and Cécile Martin-Phipps (OIF/IFDD).

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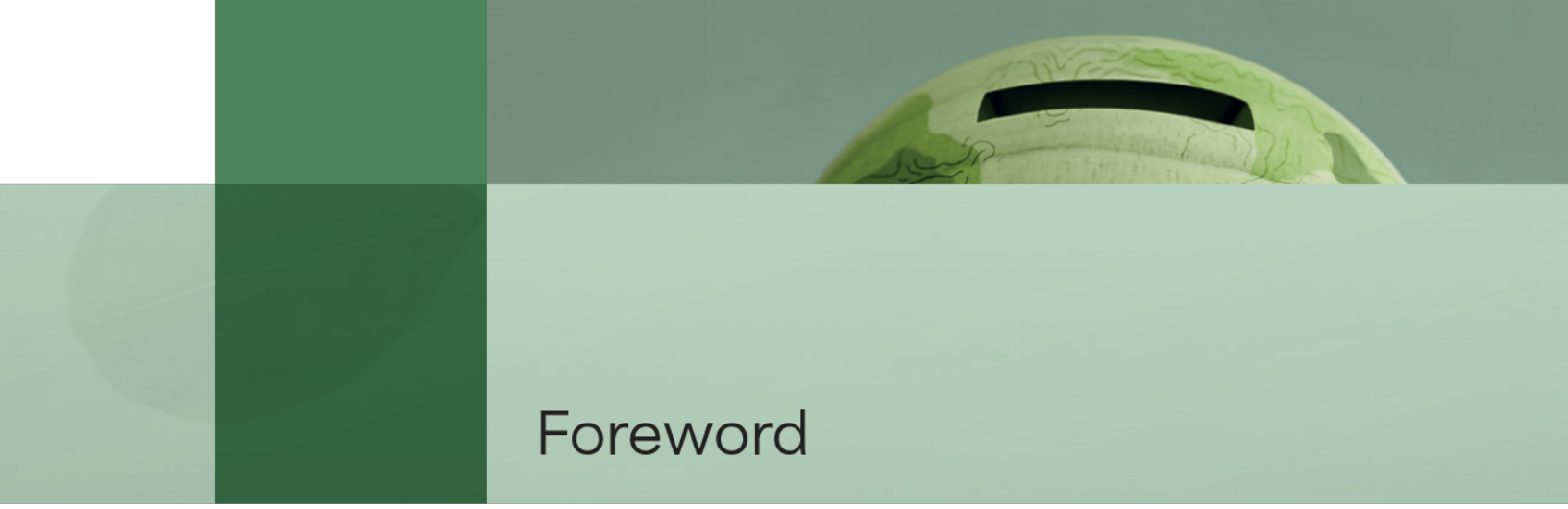

Foreword

Mobilising financial resources at the scale and speed required to meet global climate and biodiversity goals is a defining challenge for governments and donors. While international financial commitments for climate and biodiversity have grown, many developing countries still face barriers in accessing the resources needed to turn sustainable development goals into action. This report *Access to Finance for Climate and Biodiversity: From global commitments to country action*, responds to that challenge.

The report addresses three practical questions. First, where do gaps between global pledges and local realities persist, and how do they differ across contexts, including for least developed and low-income countries, small island developing states, contexts with high or extreme fragility and francophone countries? Second, how can policy, planning and co-ordination help mobilise resources and promote access to international finance for climate and biodiversity? Third, what good practices have helped developing countries access greater climate and biodiversity finance?

To answer these questions, the report brings together evidence on access to international climate and biodiversity finance, combining descriptive statistics with econometric analysis of climate and biodiversity finance allocation. The quantitative results are complemented with qualitative research, which builds around six country case studies (Armenia, Gabon, Madagascar, Senegal, Saint Lucia, and Togo) to understand current practices and roadblocks, and to identify good practices that could be scaled up and replicated across developing countries.

Partnerships are central to this agenda. This is why this report is a co-publication between the Organisation for Economic Co-operation and Development (OECD) and the *Organisation internationale de la Francophonie* (OIF) through the *Institut de la Francophonie pour le développement durable* (IFDD). The OIF/IFDD and OECD collaboration reflects a shared commitment to support governments and development co-operation – including many francophone countries – in improving access to international finance for climate and biodiversity objectives. It draws on OECD expertise in tracking and analysing public international development finance and OIF/IFDD's strengths in supporting developing countries

in promoting effective, inclusive and transparent sustainable development. In doing so, the report complements ongoing OECD work on measuring climate and biodiversity finance, mobilising private capital through development finance, and supporting effective development co-operation with global environmental goals.

The publication aims to be a practical resource for policymakers, donors, public financial institutions, private investors and other stakeholders seeking to turn commitments regarding climate and biodiversity finance into action and access.

Acknowledgments

This report was prepared by Juan Casado-Asensio, Simon Biermann, Dominique Blaquier and Alexandre Joissains (OECD); and Emilienne Lionelle Ngo-Samnick, Tounao Kiri and Fidèle Ananivi (OIF/IFDD). It was produced under the supervision of Jens Sedemund (OECD), with guidance from Eva Beuselinck (OECD) and overall leadership of Pilar Garrido (OECD); and Cécile Martin-Phipps (OIF/IFDD).

It benefited from the inputs of several OECD colleagues: Wiebke Bartz-Zuccala, Aussama Bejraoui, Emile Boral Rolland, Harsh Desai, Giorgio Gualberti, Tomas Hos, Cecilia Piemonte, Emma Raiteri (Development Co-operation Directorate); and Geraldine Ang, Edward Perry and Klas Wetterberg (Environment Directorate). In addition, the authors would like to thank Yves Testet and Kekeli Bernice Egblomasse (OIF/IFDD) for communication and administration, and Fiona Hinchcliffe for editing.

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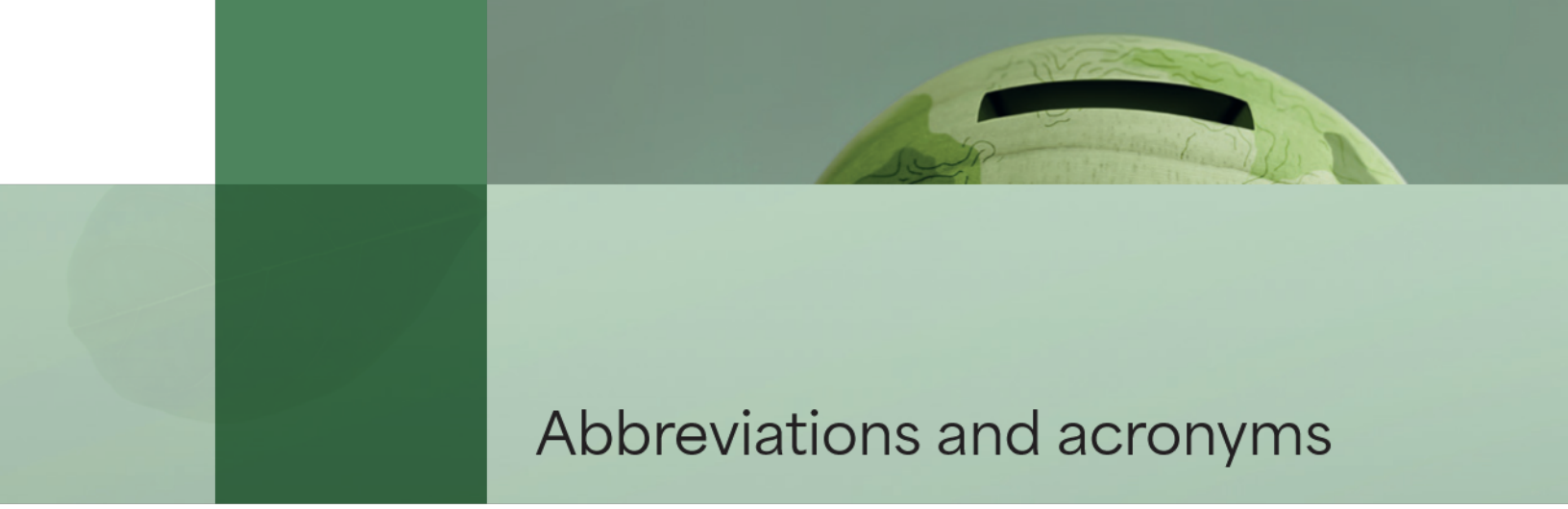


Abbreviations and acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
AF	Adaptation Fund
AFD	French Development Agency (*Agence française de développement*)
BIOFIN	Biodiversity Finance Initiative
BOAD	West African Development Bank (*Banque ouest-africaine de développement*)
CBD	Convention on Biological Diversity
CIF	Climate Investment Fund
CO_2	Carbon dioxide
COP	Conference of the Parties
CP	Country platform
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DV	Dependent Variable
ECOWAS	Economic Community of West African States
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
FAO	Food and Agriculture Organization
GBFF	Global Biodiversity Framework Fund
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse gas
GSSS	Green, social, sustainability, and sustainability-linked bonds
IADB	Inter-American Development Bank
IDA	International Development Association

IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFDD	Institute of La Francophonie for Sustainable Development (*Institut de la Francophonie pour le développement durable*)
JETP	Just Energy Transition Partnership
KfW	Credit Institute for Reconstruction (*Kreditanstalt für Wiederaufbau*)
KMGBF	Kunming-Montreal Global Biodiversity Framework
LDC	Least developed country
LDCF	Least Developed Countries Fund
LIC	Low-income country
MDB	Multilateral development bank
MIC	Middle-income country
NAP	National Adaptation Plan
NBFP	National Biodiversity Finance Plan
NBSAP	National Biodiversity Strategy and Action Plan
NCQG	New Collective Quantified Goal on Climate Finance
NDC	Nationally Determined Contribution
NGO	Non-government organisation
ODA	Official development assistance
ODF	Official development finance
OECD	Organisation for Economic Co-operation and Development
OIF	International Organisation of La Francophonie (*Organisation internationale de la Francophonie*)
OOF	Other official flows
PBA	performance-based allocation
PFM	public Financial Management
PSI	private sector instrument
REDD	Reducing Emissions from Deforestation and Forest Degradation
SDG	Sustainable Development Goal
SIDS	Small Island Developing State
STAR	System for Transparent Allocation of Resources
TOSSD	Total Official Support for Sustainable Development
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
VCEF	Vertical Climate and Environmental Fund
WWF	World Wildlife Fund

Executive Summary

Access to finance for climate and biodiversity is defined by structural constraints and fragmentation

Access to finance for climate and biodiversity action is essential for developing countries, especially the most vulnerable ones. It helps them meet agreed climate and biodiversity goals, protects them from climate impacts and ecosystem collapse and supports their sustainable development. Developing and developed countries agree on the importance of access to this finance. Yet, they often perceive the challenge they are facing differently. This reflects, in part, the absence of a single, universally agreed definition of international climate and biodiversity finance. In practice, such finance is largely embedded within broader development finance flows, which may dilute the visibility of the need for commensurate, dedicated finance for climate and biodiversity. Therefore, understanding the broader reality of international finance for developing countries requires taking a perspective of financial support for climate and biodiversity action within the overall international finance flows to developing countries.

Overall official development finance saw strong growth for more than a decade until 2023, before a significant drop in 2024 reversed this trend. Finance targeting climate and biodiversity in developing countries recorded even higher increases until 2023. Yet, discussions on access have primarily focused on the role of vertical climate and environmental funds (VCEFs), as financial vehicles dedicated to climate or biodiversity action, which represent only a portion of these overall climate and biodiversity flows. Their number more than doubled over the period 2015-2023, but they still account for a small share of total finance provided in support of climate and biodiversity. Most of this support for climate and biodiversity is still delivered by bilateral donors and multilateral development banks. While VCEFs can play a catalytic role, their design (i.e. pooling funding without duplicating delivery capacity or country presence) makes access more challenging for countries with limited capacity, such as least developed countries (LDCs) or small island developing states (SIDS).

A more strategic use of VCEFs together with a broader view of the overall support architecture is still lacking in many developing countries. Indeed, improving access to climate and biodiversity finance requires a holistic understanding of international support for

these goals at country level. But countries' access is increasingly affected by fragmentation. This fragmentation acts as a key barrier to accessing finance and raises transaction costs, strains capacities and slows disbursements, leading to a pattern where external project cycles undermine national systems and perpetuate limited absorption capacity. As such, these dynamics also work against effective integration and mainstreaming. Whereas vertical funds offer an important potential for the future, finance for climate and biodiversity needs to remain at the centre of key policy processes and strategies, with countries and donors sharing responsibility for ensuring that delivery is effective and aligned with national systems. At the same time, alternative sources of finance, such as those obtained through scaling private finance mobilisation and innovative instruments at country level, have not provided significant additional financing solutions for developing countries, where resources are most scarce – and call for continuous donor support for climate and biodiversity.

Econometric analysis undertaken for this report shows that climate and biodiversity objectives do influence the allocation patterns of official finance for climate and biodiversity, but the overall allocation outcomes suggest structural access and allocation gaps. For multilateral donors, including VCEFs, developing countries' absorption capacity (especially for non-grant finance) tends to weigh more heavily than structural vulnerability in shaping access. In turn, access to the climate and biodiversity finance of bilateral donors is shaped by the same underlying political, socio-economic, institutional, environmental and vulnerability factors that drive traditional development finance allocations, while structural vulnerability itself plays a more limited and indirect role in explaining who gains access to finance.

A joint agenda for developing countries and donors on climate and biodiversity finance

At its core, the gap highlighted by the allocation patterns of finance for climate and biodiversity reflects a basic challenge in how finance is allocated. Access to finance requires mutual agreement between developing countries and donors – but greatest financial needs often coincide with areas where there is lowest capacity. Resolving this challenge requires not just individual actions by developing countries or donors, but a joined-up agenda for impact.

Strengthen credible, policy-aligned institutions and strategies to unlock greater access to finance for climate and biodiversity

Domestic climate and biodiversity narratives, anchored in developing country contexts, play a central role in shaping access, as they signal ownership and intent. Yet donors distinguish rhetorical narratives from those backed by institutional co-ordination, established policies and demonstrated capacity. Access is enabled when narratives are paired with domestic

credibility, institutional clarity, strategic coherence and operational readiness. Domestic institutional arrangements further influence whether strategies gain domestic ownership, with strong governance structures enabling faster access, while fragmented decision-making creates bottlenecks.

Enhance public financial management, tracking and capacity to improve absorption and results

Strong public financial management and transparent tools for tracking financial flows can demonstrate absorption capacity and build donor confidence, whereas weak systems prompt parallel structures bypassing national budgets. This is a fundamental development challenge, but also particularly relevant for enhanced climate and biodiversity action. Capacity underpins the entire access pipeline, from project design to execution. Underdeveloped domestic instruments and mechanisms to mobilise resources for climate and biodiversity also magnify constraints (e.g. green and climate-budget tagging, earmarked environmental taxes and fees, green or sustainability bonds, dedicated national climate and biodiversity funds).

Balance performance incentives with vulnerability recognition in donor allocations to ease access to finance

Donors' strategic choices fundamentally shape access, with bilateral donors primarily concentrating on strategic partners tied by historic, economic and political links, while MDBs using performance-based allocation systems that primarily reward performance and debt-carrying capacity. In both cases, vulnerability is not sufficiently recognised, creating a double bind for climate-vulnerable and nature-dependent contexts where shocks can erode fiscal capacity, when resilience investments are needed.

Calibrate operational modalities to ease access and strengthen country systems

Counterpart contributions, co-financing – which appear particularly prevalent in the context of climate financing instruments – as well as procurement rules can become barriers in capacity-constrained contexts, prompting parallel systems and the recourse to intermediary implementing agencies that ensure short-term disbursement but erode national systems. Off-budget, headquarter-led projects can also undermine ownership, while multi-year programmatic approaches better align with institutional development timelines, support gradual capacity development and make access conditions more achievable for national institutions.

Enhance donor co-ordination and harmonisation to address fragmentation and scale private instruments

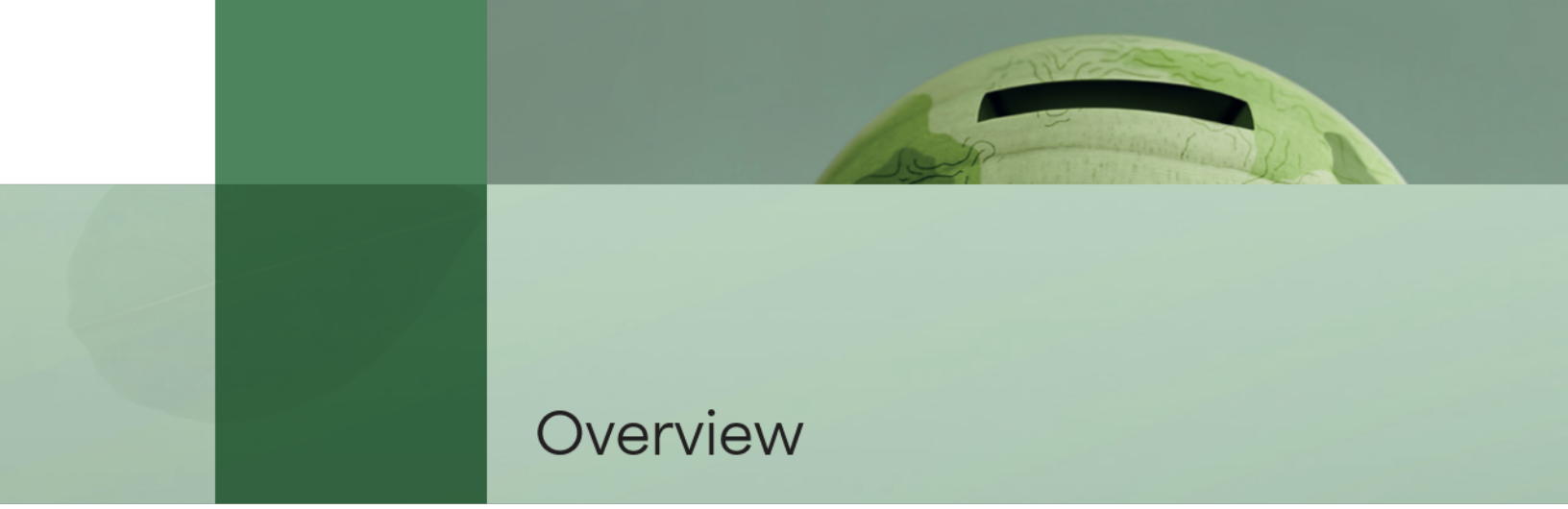
Co-ordinated support and donor harmonisation, including across VCEF, is key to cutting transaction costs and enabling enhanced access to climate and biodiversity finance. In practice, co-ordination needs to be country-led, e.g. through country platforms, to be effective. Such country-led co-ordination also has a key role for attracting greater private investment, by providing a more predictable pipeline and clearer risk-sharing frameworks– but so far, with some exceptions in developing countries with comparatively better credit-ratings, innovative instruments and private finance mobilisation remain dependent on concessional donor resources.

Practical implications for developing countries

- Compelling domestic narratives on climate and biodiversity that are aligned with development contexts can open initial donor conversations, but converting eligibility into sustained climate and biodiversity flows requires grounding commitments in coherent, costed strategies embedded in domestic frameworks.
- High-level ownership and co-ordination by centres of government are important to align climate and biodiversity with development pathways and foster access.
- Strong domestic systems and public financial management are important to back up ownership with absorptive capacity, while legislative and enforcement gaps delay access to climate and biodiversity finance.

Practical implications for bilateral and multilateral donors

- Performance-based allocation systems can favour countries with stronger debt-carrying capacity over those with higher vulnerability, while historical, economic and political motives to allocate climate and biodiversity finance may not consider vulnerability either, calling for greater recognition of the realities of vulnerable countries.
- Counterpart contributions, co-financing and procurement can create donor barriers when uncalibrated to domestic realities and may perpetuate dependence on implementing intermediaries and parallel systems rather than developing domestic capacities in the area of climate and biodiversity.
- Donor fragmentation burdens limited capacities, whereas government-led country platforms and greater VCEF harmonisation could facilitate climate and biodiversity finance access.
- Private finance instruments still require donor de-risking and cannot be considered alternative routes to access the necessary additional sources of climate and biodiversity finance, despite expectations.



Overview

Finance for climate and biodiversity is growing, but the countries that need it most find it hard to access

Understanding the access gap means clarifying how financing works

Climate change and biodiversity loss are affecting development trajectories, especially in countries where economies and livelihoods depend heavily on climate-sensitive and nature-dependent sectors, and where many already suffer the effects of climate change and biodiversity loss. These pressures interact with other vulnerabilities, such as limited fiscal space, high debt burdens and gaps in infrastructure and insurance, creating vicious circles of poverty, environmental degradation and financial instability. For many developing countries, such as small island developing states (SIDS), least developed countries (LDCs)/low-income countries (LICs), highly or extremely fragile contexts, as well as francophone countries, the twin crises of climate change and biodiversity loss exacerbate existing development challenges – even though they have contributed little to these crises.

Addressing the twin crises will require the investment of trillions of dollars promote low-emission, climate-resilient infrastructure, biodiversity conservation, sustainable resource management and locally led adaptation to the impacts of climate change. Developing countries cannot cover these financing needs alone, making international support, including development finance from developed countries, essential.

Both the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD) have agreed on concrete financial goals to materialise this support:

- Climate change: Parties to the UNFCCC agreed in November 2024 at the 29th Conference of the Parties (COP29) a New Collective Quantified Goal of delivering USD 300 billion to developing countries annually by 2035 (covering both mitigation and adaptation); and to work together to scale up finance to developing countries from public and private sources to USD 1.3 trillion annually by 2035.

- Biodiversity: the Parties to the CBD aim to increasing biodiversity-related financial resources from developed countries to developing countries to at least USD 30 billion per year by 2030, under Target 19a of the Kunming-Montreal Global Biodiversity Framework.

Yet, despite being "eligible", developing countries often struggle to access these resources. Developing and developed countries agree on the importance of access to finance. Still, they often perceive the access challenge differently. Developed countries point to record global finance commitments to climate and biodiversity, while developing countries often have no sense of what this means for them in practice, or how much of this finance they receive. They often do not know whether increases in climate or biodiversity finance (particularly at the country level) reflect overall growth in resources available for these objectives, independently or in conjunction with other resources, or whether they occur alongside reductions in other types of financing to the country – primarily due to the lack of clarity and transparency over flows, and the complexities of measuring them.

While there is no single, universally agreed definition of international climate and biodiversity finance, in practice most of what is identified under this heading consists of public international finance from bilateral and multilateral donors, together with private finance that these donors mobilise through their various instruments and interventions. International climate and biodiversity finance is largely embedded within broader development finance flows, even when labelled separately for reporting or target-tracking purposes.

By analysing climate and biodiversity finance at the country level, this report aims to promote a shared understanding around three key points:

The full range of financing sources – looking beyond vertical climate and environmental funds (VCEFs), which account for only a small share of climate and biodiversity finance.

- The gap between access to and provision of finance on the ground at country level, versus high-level negotiations focused on global headline figures.
- The need for a shared agenda to tackle both developing country and donor concerns simultaneously, so that strengthened country systems and more accessible donor practices can reinforce one another.

Various sources of finance shape the reality of development countries' access to climate and biodiversity finance

To move from the global picture to understanding how climate and biodiversity flows materialise in developing countries, the report analyses information captured through the OECD Development Assistance Committee's Creditor Reporting System (DAC CRS), which provides the only source of reliable, comparable and complete data on international finance – including with climate and biodiversity objectives. Without prejudice to any eventual agreement on definitions on what constitutes climate or biodiversity finance, using this shared database is key to bridging the gap between donor commitments and country

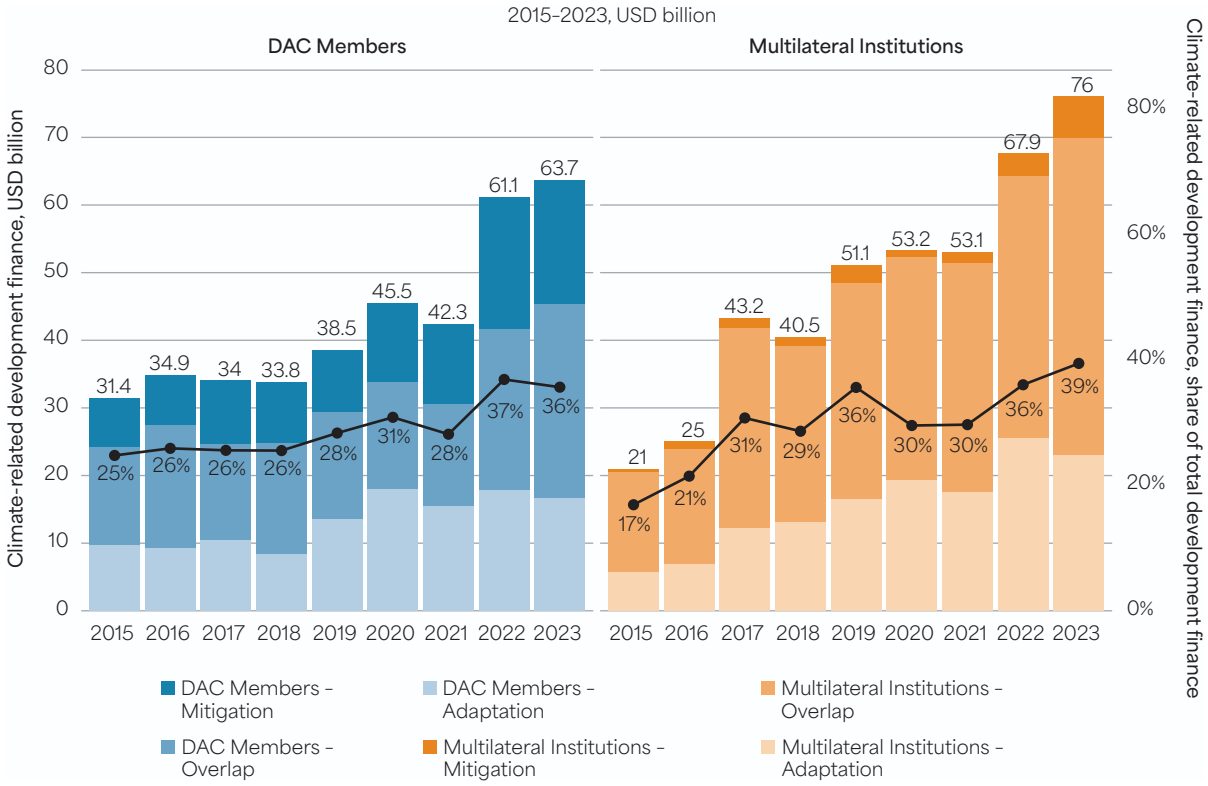
action, which can support a more transparent and balanced dialogue on access to climate and biodiversity finance in developing countries.

In 2023, total official development finance (ODF) from DAC members and multilateral institutions (multilateral development banks and VCEFs) reached USD 371.2 billion, after strong growth for more than a decade. This trend in ODF provides the context for understanding the growing resource base available for climate and biodiversity action. However, this trend reversed in 2024 and the outlook points to continued reductions in 2025 and beyond, although it is still unclear how this shifting outlook will impact climate and biodiversity goals.

International finance targeting climate and biodiversity in developing countries followed a similar trend. In 2023, contributions from DAC members and multilateral institutions reached USD 139.7 billion for climate change (Figure 0.1); and USD 27.7 billion for biodiversity (Figure 0.2). While these figures are not directly comparable to the UNFCCC or CBD goals, they have shown sustained growth up to 2023.

FIGURE 0.1.

Climate-related development finance from DAC members and multilateral institutions has increased steadily since 2015

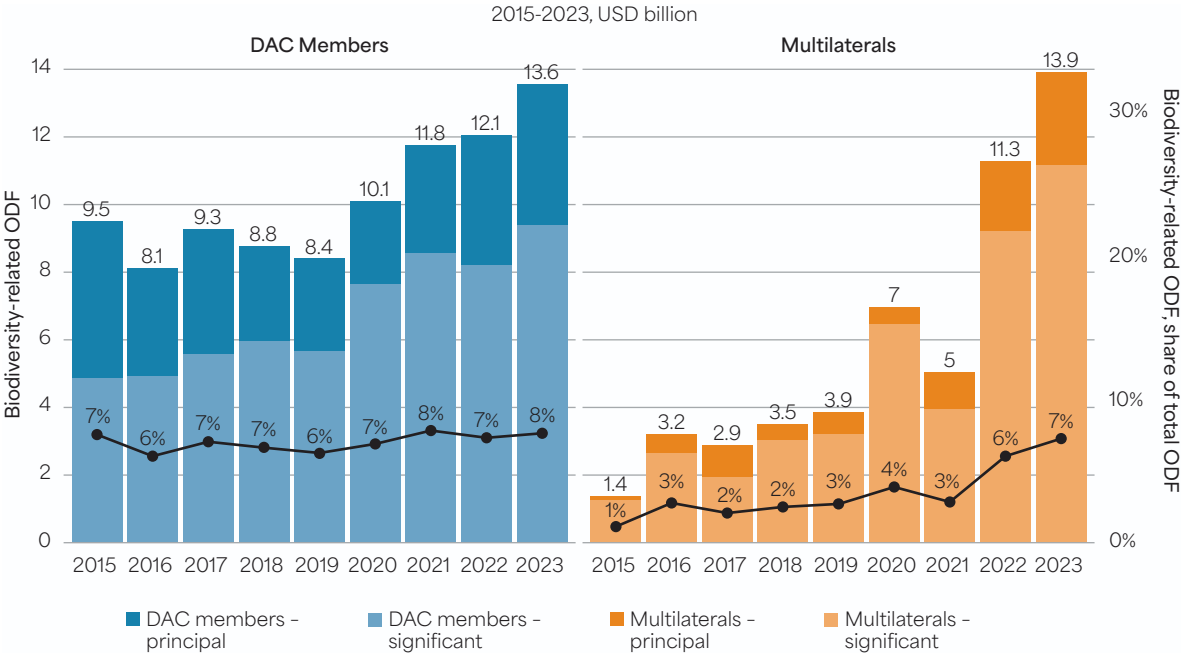


Note: ODF: official development finance. The black line represents the proportion of climate-related ODF relative to total ODF for the donor category (right-hand axis). The figure shows the full value of flows from DAC members and multilateral institutions reported to the OECD. Amounts represent adaptation and mitigation finance.

Source: (OECD, 2025).

FIGURE 0.2.

Biodiversity-related development finance has also increased since 2015, especially multilateral flows



Note: ODF: official development finance. The black line represents the proportion of biodiversity-related ODF relative to total ODF for the donor category (right-hand axis). The figure shows the full value of flows from DAC members and multilateral institutions reported to the OECD. For more information, see Annex A of (OECD, 2024).

Source: (OECD, 2025).

Developing countries, especially LDCs/LICs, SIDS, contexts of high or extreme fragility, as well as francophone countries, face profound structural constraints in accessing and mobilising finance, rooted in their small domestic resource bases which cause chronic shortfalls, even for basic public services and investment. Official development finance emerged precisely to address these limits; and the same rationale underpinned the Rio Conventions' provisions for "new and additional" support to enable climate and biodiversity action without diverting scarce development resources.[1]

1. The Rio Conventions are the three major global environmental agreements adopted at the 1992 Earth Summit in Rio de Janeiro: the conventions on climate change, biodiversity, and desertification.

Vertical climate and environmental funds account for only a small share of climate and biodiversity finance within a complex landscape

VCEFs are often considered a way for developing countries to access additional climate and biodiversity finance. These VCEFs are multilateral financial mechanisms designed to provide and pool resources specifically for climate and biodiversity purposes to support developing countries in meeting global climate and biodiversity goals. They include the Green Climate Fund (GCF), the Adaptation Fund (AF) and the Global Environment Facility (GEF), among others. Yet, a focus on VCEFs can obscure both the broader finance landscape, as well as the developing country and donor factors that shape access outcomes, as reflected in on-going UNFCCC and CBD discussions. Further, access to these funds by the most vulnerable countries is challenging.

The functioning of the VCEFs has been at the origin of the sustained criticism from developing countries. To avoid duplication, reduce transaction costs and the proliferation of delivery channels, VCEFs do not carry out implementation themselves and have no in-country presence. Instead, they either channel resources through other entities (intermediaries or implementing entities) or in response to funding proposals submitted by nationally accredited entities. Only accredited intermediaries and entities are eligible to receive significant volumes of finance. At the same time, accreditation and project approval do not guarantee access by developing countries, as these still need the capacity to implement activities.

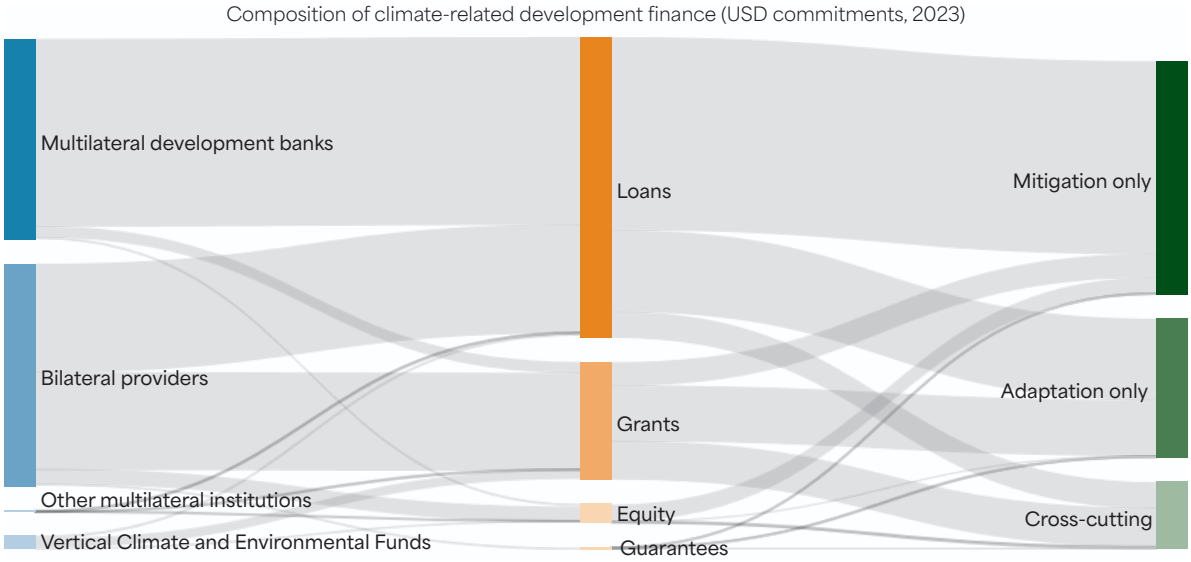
The challenge of accessing finance from VCEFs is compounded by the growing proliferation of these funds, each with distinct accreditation, approval and reporting frameworks, which increases the complexity of accessing them for developing countries. The landscape for climate and biodiversity finance has expanded significantly, primarily driven by the increase in VCEFs. The number of institutions providing international public climate and biodiversity finance has increased from 51 in 2015 to 78 in 2023. VCEFs have sought to improve access and efficiency of accreditation, project approval, disbursement and capacity development to respond to developing country concerns, notably for those that need it most. Although efforts have been undertaken to make VCEF funding more accessible, the reforms have not yet led to significantly improved access for developing countries in most cases.

While VCEFs focus specifically on climate and biodiversity action, they are not the only institutions delivering international finance. The climate and biodiversity finance landscape also comprises bilateral donors, multilateral development banks (MDBs) and international organisations. Other actors include South-South co-operation providers, private philanthropy and private finance actors. Yet, developing countries have supported the establishment of these VCEFs as dedicated sources of finance for specific climate and biodiversity objectives, considering these were insufficiently resourced and/or were funded through development finance that diverted finance from other domestic pressing priorities, such as health or education.

Within the broader international delivery architecture, VCEFs account only for a small share (i.e. 3.4% for climate and 7% for biodiversity in 2023, Figures 0.3 and 0.4). Bilateral donors represented in the DAC and the major MDBs account for most of the finance provided. Even if access to finance to VCEFs were to improve, they would still represent a small share of the broader financing landscape and of developing countries' financing needs.

FIGURE 0.3.

VCEFs represented a small share of climate finance commitments in 2023



Note: This graph covers public climate-related development finance only. Band widths reflect the relative volume of 2023 climate finance commitments across providers (left), instruments (centre), and targets (right).

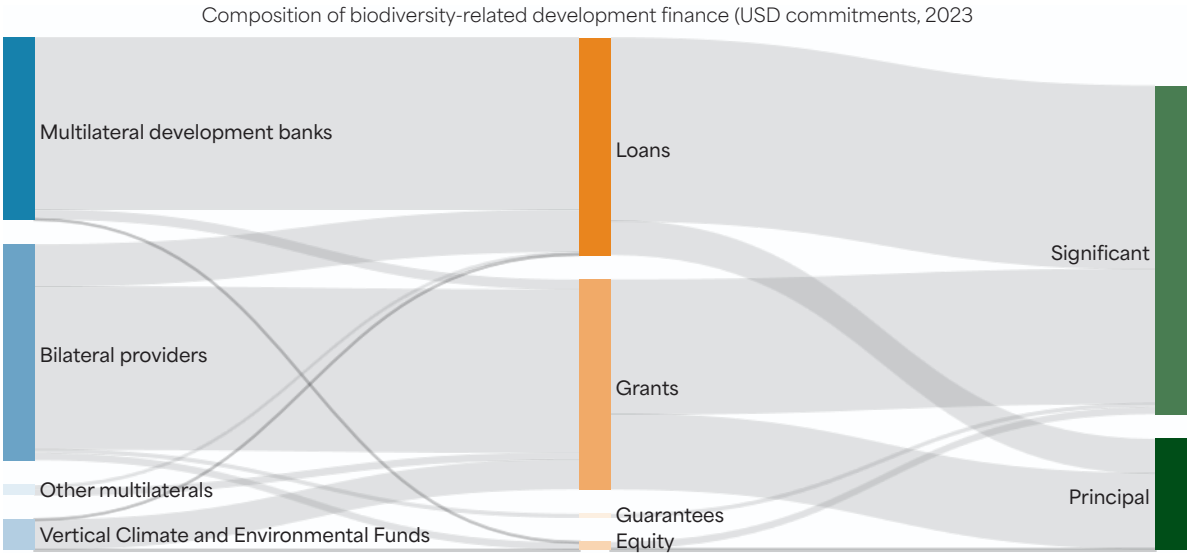
Source: (OECD, 2025).

VCEFs can still play a catalytic role by collaborating with other donors and stakeholders, helping to build markets and mobilising additional finance, particularly through innovative, scalable and transformational interventions. In fact, their finance is often used to leverage and co-finance activities with other donors, notably MDBs (e.g. to enhance the bankability and de-risk activities). At the same time, these approaches can raise questions about whether finance is truly reaching developing countries or is instead being retained within the financing system.

All in all, developing countries may be concentrating scarce administrative capacity on complex accreditation and one-off proposals with VCEFs, while bilateral donors and MDBs can offer more direct and faster routes. Bilateral donors and MDBs also support developing countries as part of longer-term and broader engagements with the country. A more strategic use of these partners' and VCEFs' financial resources is however still lacking in many developing countries.

FIGURE 0.4.

VCEFs represented a small share of biodiversity finance commitments in 2023



Note: This graph covers public biodiversity finance only. Band widths reflect the relative volume of 2023 biodiversity-related development finance commitments across providers (left), instruments (centre), and targets (right). It draws on (OECD, Forthcoming). The categories *principal* and *significant* refer to the biodiversity Rio marker, which is used by bilateral donors, many multilateral organisations and VCEFs to indicate when reporting to the OECD DAC CRS, whether biodiversity was a primary or secondary objective of the funded activity. While not all activities are reported by donors as biodiversity-related, the OECD methodology enables principal-like and significant-like outflows to be estimated for MDBs and VCEFs.

Source: (OECD, 2025).

Growing donor fragmentation and disbursement delays are key access challenges

Access to climate and biodiversity finance is hindered by increasing donor fragmentation. In 2023, close to 40% of developing countries were working with at least 16 different donors, up from 20% in 2015. Alongside this proliferation of donors in individual countries, there has also been a lessening of donor concentration, measured as the declining share of the volume of climate and biodiversity finance attributable to the five biggest donors in a country. This dilution of donor support can increase challenges for developing countries with significant capacity and resources constraints. This is especially the case for LDCs/LICs: they consistently have the lowest levels of donor concentration of all country groups, with levels falling steadily since 2015. Moreover, the number of within-donor institutions providing development co-operation is also rising: across the 33 DAC members, the number of institutions extending climate or biodiversity finance increased from 115 in 2015 to 144 in 2023.

Fragmentation is a key barrier to accessing finance as it raises transaction costs, strains limited capacities and slows disbursements. It affects in particular the most vulnerable countries – such as LDCs/LICs, SIDS, and contexts with high or extreme fragility. Fragmentation

also weakens the ability to scale action, making developing countries struggle to stitch projects into a coherent national programme. In essence, this can entrench dependence on external project cycles, as national systems may not be strengthened to manage finance at scale; and therefore limited absorption capacity is perpetuated. All in all, the growing proliferation of institutions delivering climate and biodiversity finance and the growing fragmentation of the landscape are key challenges for accessing and co-ordinating support and they affect the delivery of development co-operation.

An additional access challenge is the increasing delays in disbursing climate and biodiversity finance. Commitments are firm financial agreements that are legally binding, while disbursements are the actual transfers of funds and typically lag behind commitments. Large infrastructure projects executed over several years, for example, typically receive financing in multiple tranches, each corresponding to different stages of construction and tied to achievement of key performance milestones. While it is common for disbursements to lag behind commitments, especially in a context of growing overall volumes, in recent years, the lag between commitments and disbursements in climate and biodiversity finance has been widening significantly. In 2023, OECD data shows that DAC members had disbursed 66.8% of committed climate-related amounts and multilateral institutions reporting on these elements (primarily UN organisations) had disbursed 55.6%, whereas VCEFs had only disbursed 36.5%. Significant lags invariably imply reduced action and additional transaction costs for both donors and developing countries, with certain particularly vulnerable country groups, such as SIDS, facing some of the longest disbursement timelines.

Mainstreaming and integrating climate and biodiversity action is key for effective delivery, but raises accounting challenges and questions on additionality

Better integration of biodiversity and climate action in policy, planning and implementation can lay the groundwork for countries to create effective and efficient linkages to achieve both UNFCCC and CBD commitments. It can also play a key role in co-ordinating policy and delivery within countries, and thereby transforming a fragmented support landscape into aligned and co-ordinated support.

Climate and biodiversity concerns are increasingly pursued together, although their integration remains uneven. In 2023, 89% of DAC members' biodiversity finance also counted as climate-related, while 22% of climate finance overlapped with biodiversity objectives. Such synergistic funding is also increasingly promoted by developing countries, with 96 out of 101 countries including nature-based solutions to tackle climate change to varying degrees in their most recent Nationally Determined Contributions (NDCs).

With a large share of climate and biodiversity finance targeting multiple objectives, this suggests that the access question is often also a design and measurement challenge, not just one of resourcing. Layering of objectives associated with mainstreaming and cross-integration create complexity, lead to higher preparation costs and make it harder to

attribute specific results and finance to individual climate or biodiversity objectives, all of which create barriers for capacity-constrained countries. It also complicates the separate accounting of incoming flows with climate and biodiversity objectives. Simplified project design and greater transparency in tracking and reporting of integrated objectives could remove some of the access barriers for developing countries.

Private capital and innovative instruments are not always well-suited sources of finance for countries with the greatest access constraints

"Innovative" instruments for mobilising private capital – from blended finance and guarantees to bonds, debt swaps and carbon markets – are often presented as solutions for closing the climate and biodiversity finance gap. Yet, despite high expectations for its role, private finance mobilisation has remained far below potential in delivering additional climate or biodiversity finance. Moreover, the bulk of mobilisation has been concentrated in upper middle-income countries, while developing country groups with the weakest capacity to mobilise resources and the greatest vulnerability have received only limited amounts. In these countries, the dependency on donor mechanisms reveals that private sector mobilisation has not matured into an independent source of finance that countries can reliably access and use sustainably on commercial terms, largely due to high-risk premia, shallow capital markets and debt vulnerabilities.

Whether private finance can provide additional resources, depends on such a source of finance being sustainable over time without reliance on concessionality. Innovative debt instruments – such as green, social, sustainability and sustainability-linked bonds – have helped support policy alignment with climate and biodiversity goals while mobilising private capital, but by themselves have rarely helped address the fundamental constraint faced by vulnerable and capacity-constrained countries in accessing private finance. While they offer mobilisation potential when used in the right contexts and with appropriate support, innovative instruments and mobilisation do not by themselves change the underlying cost of capital. As a result, they have not yet expanded the set of countries and sectors able to tap capital markets without exacerbating debt and risk vulnerabilities. Concessional windows that underpin these instruments "consume" limited concessional resources in much the same way as other blended instruments; and the case for financial additionality hinges on whether they truly crowd in new private investment, improve terms or create durable market access that would not otherwise have materialised.

Overall, private sector mobilisation pursued in isolation has fundamental limitations. To contribute to successful market creation, it is key that private sector mobilisation is part of a more systemic approach that strengthens the enabling environment. Case studies part of this report illustrate that credible national strategies, aligned with stable policies and public-private partnerships, can effectively mobilise concessional and private finance for climate priorities. This offers a model with potential for replication across adaptation and biodiversity sectors, provided further work is done to develop domestic enabling environments and to engage with private sector actors.

New analysis confirms that climate and biodiversity finance allocations are not always shaped by need or vulnerability

Analysis confirms that overall development finance allocation patterns are mirrored by those for the environment

Access to climate and biodiversity finance is shaped by the same drivers that determine traditional development finance allocations: donor strategic interests, recipient governance performance and recipient country income levels. The report uses new cross-country econometric modelling covering DAC members and multilateral institutions to show that these factors correlate closely with both the probability that a country is selected for funding and the volume received, revealing systematic access gaps that eligibility criteria alone cannot resolve. While environmental criteria (emissions, exposure, biodiversity richness) still influence allocations, they do so unevenly and often in ways that underserve the most vulnerable. For example:

- Biodiversity finance targets ecosystem richness but discounts the poorest countries most dependent on nature.
- LDCs/LICs receive higher volumes per capita but from smaller envelopes; SIDS are prioritised per capita but remain ODA-dependent; and contexts with high or extreme fragility are consistently underfunded despite acute need.
- Francophone countries face access barriers related their overall capacity and level of development.
- Multilaterals follow a performance-based logic, privileging higher-income countries.
- GCF accreditation boosts multilateral climate access by signaling fiduciary capacity, but yields no overall finance gains for developing countries.

While past studies have provided a partial picture by examining environmental areas separately, this new analysis confirms the centrality in donors' allocation decisions of strategic interest, partner country absorption and debt capacity, and, to a lesser extent, inequality, as well as sound governance and market-friendly regulation.

Climate and biodiversity factors are incorporated into allocation decisions, but do not overcome underlying access constraints

Beyond the factors that explain allocation patterns in general, climate and biodiversity finance also follows specific environmental criteria: emissions levels and abatement potential are significant for mitigation allocations. Adaptation finance correlates with biophysical climate risk exposure, although not full vulnerability, as low adaptive capacity negatively affects allocations – consistent with the overall relevance of the performance potential. Biodiversity finance targets the richest ecosystems and nature-dependent countries.

The analysis confirms that donor interest, recipient merit and recipient need correlate with climate and biodiversity finance allocations across LDCs/LICs, SIDS, contexts with high or extreme fragility, and francophone countries. This suggests that absorption capacity may outweigh structural vulnerability, as middle-income countries capture most flows despite greater climate risks in more vulnerable contexts. While these patterns reflect an intention to maximise results, they reinforce access challenges for vulnerable countries, underscoring that eligibility alone does not guarantee effective access if institutional, fiduciary and project-level bottlenecks are not addressed.

International finance volumes for adaptation are lower than those for mitigation, with direct implications for country groups highly exposed to climate risks (LDCs/LICs and SIDS). Despite continuous increases, climate finance is still skewed toward mitigation.

LDCs/LICs receive higher per capita climate and biodiversity finance relative to total ODF, yet it is still far below what they need. SIDS benefit from elevated per capita allocations (especially for adaptation and biodiversity), but concessional flows are insufficient to face escalating climate risks and avoid debt burdens. Contexts with high or extreme fragility face a "fragility penalty" with consistently lower flows despite acute vulnerabilities. Francophone countries have been narrowing their access gaps since 2015, yet remain disadvantaged in DAC climate finance due to their relatively low income and capacity levels. They face language barriers with many VCEFs, whose processes are predominantly English-centric. At the same time, in the area of biodiversity finance, they receive higher per-capita allocations than their English-speaking peers from all types of donors, indicating that language is only one of several factors shaping access.

While these results illuminate broad allocation patterns, they reveal a critical gap: eligibility – including need and vulnerability – does not ensure effective access to climate or biodiversity finance. Donor interests and merit criteria amplify gaps that are exacerbated by recipient country capacity constraints. This underscores that improving access is a shared agenda requiring joint reforms on both sides.

Closing structural gaps in climate and biodiversity finance for developing countries

The structural gaps revealed by the analysis of allocation patterns for climate and biodiversity finance reflect a basic challenge: the absorption capacity of developing countries is more relevant for the allocation of climate and biodiversity finance than their vulnerability. This is largely because donors must work through implementable projects and institutions, so countries with stronger public financial management, administrative systems and project pipelines are often better able to receive and deploy funds quickly and transparently, even when their vulnerability is lower.

Deep structural constraints that shape a country's ability to effectively absorb finance and translate it into outcomes hold back potential for accessing finance and hinder developing countries from clearly defining a public mission on climate and biodiversity. Combined

with the findings that developing countries' income levels, governance and regulatory quality correlate with finance allocations, these results underscore the importance of the domestic enabling environment for accessing climate and biodiversity finance.

An effective response to current access gaps requires recognising that domestic reforms and donor practices are interdependent, especially in countries with constrained capacity. Developing countries' efforts to strengthen narratives, strategies, institutions, PFM systems, financial instruments and technical capabilities (discussed below) can only translate into sustained access if donors also adapt how they allocate, design and deliver climate and biodiversity finance. Conversely, donor safeguards, accreditation rules and project modalities that are intended to ensure impact and accountability, can – when applied through parallel or fragmented procedures – weaken the country systems they are meant to support, particularly in LDCs/LICs, SIDS and contexts with high or extreme fragility.

This calls for a shared donor-developing country agenda, so that country-level priorities and system-strengthening efforts are reinforced rather than weakened, thereby enabling domestic reforms to unlock real, scaled access to finance.

Implications for developing countries: removing the barriers to climate and biodiversity finance access

- **Convey a strong commitment to enhanced action and develop a clear plan for following through.** This is a key starting point and essential for a country to be perceived as a credible counterpart who can translate resources and partnerships into outcomes on the ground. Donors assess country ownership and political will before committing climate and biodiversity finance. Domestic narratives communicate political commitment by signaling ownership and willingness to act, shaping dialogue with donors on partnering, funding volume and type (grants, loans, blended instruments). Countries with clear, politically endorsed climate and biodiversity narratives can attract donor interest; however, the absence of credible strategies, strong institutions and demonstrated capacity for policy making and macroeconomic management – particularly critical for climate and biodiversity – undermine these narratives.
- **Ensure coherent, mainstreamed strategies backed by effective legislation.** Coherent, strategically integrated national climate and biodiversity strategies are prerequisites for converting formal eligibility into actual finance access. UNFCCC- and CBD-mandated instruments, such as Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs) or National Biodiversity Strategies and Action Plans (NBSAPs) are formally required for eligibility, but their quality and integration vary markedly. Strategies that are integrated into core domestic planning and budgeting are perceived as operational roadmaps that donors can use to scale finance, while those sitting apart from government systems (even if paired with strong narratives) struggle to translate into access, leaving finance fragmented and project-based. Legislative delays, enforcement gaps and missing financing strategies delay disbursements and

perpetuate project-based donor support. Conversely, green budget tagging, impact assessments, enforced regulations and integrated financial planning within finance and planning ministries strengthen operationalisation and can enable sustained access.

- **Strengthen institutional co-ordination.** While ministries of environment lead climate and biodiversity agendas in most countries, they tend to lack the fiscal and political weight to influence other sectors which need to absorb most climate and biodiversity spending. This limit is compounded by scattered responsibilities, communication failures and silos between VCEF and Rio Convention focal points, which hinder priority identification, proposal preparation and a unified donor vision. Where mandates overlap or co-ordination is weak, donors will bypass national systems and/or reduce commitments. Countries with strong inter-ministerial bodies, clear mandates and regular finance and planning dialogue (e.g. systems for co-ordinating environment, finance and planning ministries) ensure stronger pipelines, allow for negotiations with multiple donors and absorb finance faster. High-level co-ordination at the centre of government (Presidencies or Prime Minister's Offices) can embed climate and nature priorities into budgeting and medium-term expenditure planning, help convene authorities facilitating stakeholder engagement, enforce roles and correct misalignments when mandates are clear, as well as resolve trade-offs. Ministries of Finance can play pivotal roles as fiscal stewards aligning climate and biodiversity with broader development strategies, unlocking private capital, designing instruments, steering public finance and influencing MDB and VCEF governance.
- **Build strong public financial management (PFM) systems and transparent tracking tools.** These are critical for demonstrating absorption capacity, which builds donor confidence. Donors prioritise countries able to track and report results and match international contributions with domestic resources. Weak budgetary systems with unclear spending lines and low execution rates prompt donors to set up parallel project structures that bypass national systems, limiting government steering and capacity development. Integrating climate and biodiversity into national PFM systems anchors priorities in medium-term expenditure frameworks and annual budgets for credible signaling. However, underdeveloped domestic instruments constrain access despite donor support, with LDCs/LICs facing limited domestic resource mobilisation capacity where carbon pricing, ecosystem service payments, ecotourism fees, certification and subsidy reforms remain underused. Emerging instruments such as national climate and resilience funds, environmental trust funds, capital accounts valuing natural assets, fiscal reforms reallocating subsidies and certification standards can be important tools. But they demand specialised capabilities to be built over the medium-term, and their scope will continue to be defined by individual countries' overarching financing context and constraints, making them not viable replacements for indispensable concessional resources in vulnerable contexts.
- **Support the capacity needs that underpin the entire finance access pipeline.** Sustained human and technical capacity underpins the entire access pipeline, from proposal design (framing needs and solutions to donor logics like baselines, additionality, co-benefits) and data production (quantified risk assessments, avoided

emissions, hectares restored) to project execution and monitoring (supervising contractors, reporting indicators). VCEFs magnify these capacity constraints through their demanding standards (e.g. fiduciary management, safeguards, results frameworks) that LDCs/LICs, SIDS, countries with high or extreme fragility, and countries facing language barriers such as francophone countries often struggle to meet. Direct access to VCEFs remains modest due to fiduciary caution despite steps to promote greater ownership. The case study countries that have managed to retain qualified staff in government and invest in their sustained professional development, have experienced improvements in accessing overall climate and biodiversity finance, while those dependent on donor-funded temporary positions struggle to maintain institutional momentum and access.

Key donor actions for enhanced access: tailoring support to the development reality at country-level

While domestic enabling environments shape countries' readiness to access finance, donors' strategies and actions (i.e. how donors allocate resources, perceive and manage risks, structure modalities and co-ordinate with each other) directly determine which countries gain access and on what terms. Donor practices can amplify or mitigate domestic barriers and, in many cases, create access barriers as severe as domestic capacity gaps. This has the following implications:

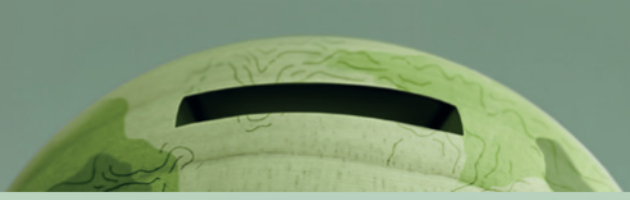
- **Embed climate and biodiversity vulnerability in allocation frameworks.** Donors' strategic choices and risk preferences fundamentally steer which countries can realistically access climate and biodiversity finance, yet existing allocation frameworks have only partially incorporated vulnerability as a guiding principle. Bilateral donors typically concentrate in-country operations on a limited set of strategic partners, reflecting historic and political ties, while vulnerability is not a key allocation criterion. In turn, MDBs distribute concessional resources through performance-based allocation (PBA) systems that reward policy performance, institutional quality and debt-carrying capacity more than climate or nature vulnerability. PBA systems are increasingly complemented by dedicated (but smaller) concessional windows that link allocations to these policy domains. These allocation rationales can create a double bind for most vulnerable countries, where environmental shocks erode fiscal capacity just as resilience and low-emission investments demand upfront investments (and debt) that may threaten solvency. Indeed, current systems still weigh performance more heavily than vulnerability, labelling urgent-needs countries "too risky" despite grants' lack of repayment risk, prompting the need for a fundamental debate over whether vulnerability-based metrics merit greater weight without undermining other allocation criteria.
- **Recalibrate counterpart contributions and procurement rules to support local capacity.** Donors' operational requirements like counterpart and co-financing contributions and procurement rules shape countries' effective access to finance in different ways.

Counterpart contributions are designed to promote ownership and signal commitment, but in contexts with very limited fiscal space they can in practice exclude institutions and sectors that are most in need of support, or push governments to prioritise projects with lower long-term impact simply because they are easier to co-finance. In turn, procurement rules are there to ensure fiduciary standards and value for money, yet in practice they can make it difficult for national and subnational institutions with limited experience of international procedures to participate meaningfully in project implementation. For example, requirements for competitive international tendering, strict supplier eligibility criteria and extensive documentation can discourage local providers, slow down implementation and incentivise reliance on international intermediaries (UN agencies, MDBs, NGOs) whose robust systems allow faster delivery, but do little to strengthen domestic systems. To avoid these unintended effects, donors are increasingly experimenting with ways to balance integrity and access – for example, by adapting counterpart contribution practices to country circumstances, and by pairing the application of procurement standards with targeted training and "readiness" support so that, over time, national institutions can comply with requirements.

- **Strengthen and work through country systems and favour multi-year programmatic approaches.** Donor misalignment with country systems and priorities creates a fundamental tension in the delivery of climate and biodiversity finance. Donors' safeguards requirements and rapid disbursement rationales may prompt off-budget, headquarters-led projects; however, these undermine the national ownership and institutional capacity essential for sustained access and impact. Systemic bypassing of domestic institutions via parallel structures fails to develop handover-ready systems, leaving capacity, data, maintenance and other recurrent needs underfunded. Small-scale, stand-alone projects detached from sectoral priorities limit scalability and programmatic envelopes, weakening development effectiveness. Short-term project cycles fail to support domestic institutions, whereas multi-year programmatic approaches align donor commitments with sustained development timelines, resolving the weak systems challenge through mutual accountability, where developing countries deliver outcomes responsibly and donors channel finance via national systems rather than parallel structures.
- **Promote harmonisation and reduce fragmentation through enhanced donor co-ordination**. Harmonisation across donors operating in a specific developing country is essential to improving access to finance: it reduces the challenges and transaction costs raised by donor fragmentation, enhances efficiency and enables scale where national capacities and capabilities are constrained. It also allows for co-ordination and collaboration, pooling of resources, joint programming and avoids duplication. Greater harmonisation among the largest VCEFs could also help reduce access fragmentation, with ongoing efforts being essential to cut transaction costs for capacity-constrained countries navigating multiple funds. Providing support in a more harmonised way to developing countries requires donor co-ordination. This co-ordination needs to have a practical focus on delivery, avoid generating its own undue process and transaction costs, and ensure alignment with country strategies and priorities to ensure sustainability and effectiveness. For practical purposes, such

co-ordination is most effective – and most viable – when led by developing countries and aligned with the strategies and plans they own.

- **Use country platforms that are government-led and donor-aligned**. Country platforms have the potential to play a key role in enabling practical, delivery focused co-ordination and coherent collective action and support. They are gaining momentum as mechanisms to convene, co-ordinate and align support with national strategies by supporting programmatic approaches beyond project-based finance, lowering transaction costs, clarifying expectations and creating predictable access pathways. Their success in galvanising collective momentum that leads to greater mobilisation of, and access to, finance will depend critically on the political commitment and prioritisation of developing countries. Only then can they reduce complexity and serve as an effective mechanism to align support and generate enhanced action – and function as a practical and systemic solution to overcome the fundamental access to finance challenge that is inherent in the provision of international finance.



1 The challenge of accessing climate and biodiversity development finance

The twin crises of climate change and biodiversity loss undermine development progress and exacerbate poverty and inequality, particularly in developing countries. These crises place disproportionate burdens on economies that depend on climate-sensitive and nature-dependent sectors, compounding existing vulnerabilities such as low fiscal space, high debt and infrastructure gaps and driving vicious circles of poverty and environmental degradation despite these countries' minimal contribution to global emissions and biodiversity loss. Responding effectively requires investments in the order of trillions of dollars in low-emission, climate-resilient infrastructure, biodiversity conservation, sustainable resource use and locally led adaptation. This is far beyond what most developing countries can mobilise domestically, making international public finance from developed countries a critical pillar of the global response. This chapter unpacks perception gaps around "access to finance" (i.e. the ability of developing to obtain the funds needed to plan, implement and scale climate and biodiversity action through public, private, domestic and international finance channels), including the over-emphasis on vertical climate and environmental funds within the broader finance landscape and limited developing country-level transparency on actual flows. It concludes that a shared, integrated understanding of the overall finance landscape and its environmental components, as well as of broader donor and developing country barriers, are essential to ease access constraints and ensure that climate and biodiversity finance can play its intended role.

KEY FINDINGS

- **Climate and biodiversity crises are deepening development vulnerabilities in many developing countries**, especially where economies depend on climate-sensitive and nature-dependent sectors, and they interact with limited fiscal space, high debt and weak infrastructure – trapping countries in cycles of poverty.

- **International public finance is indispensable to meet rapidly growing financing needs**, as trillions of dollars will be required for low-emission, climate-resilient infrastructure, biodiversity conservation and sustainable resource management, far beyond what most developing countries can mobilise domestically.
- **Global commitments have become more ambitious, but access remains a core bottleneck**, with new global goals under the UNFCCC and CBD contrasted by fragmented, complex access that favours higher-capacity, less vulnerable countries.
- **Debates on access are often narrow and driven by perception gaps**, focusing heavily on vertical climate and biodiversity funds and headline figures, while most climate and biodiversity finance is embedded in broader development finance and access outcomes are shaped by both domestic constraints and donor practices, calling for an integrated, evidence-based view.

1.1. The growing financing needs for climate and biodiversity require moving from commitments to access

Climate change and biodiversity loss are holding back development, especially in countries where economies and livelihoods depend heavily on climate-sensitive and nature-dependent sectors. These pressures interact with other vulnerabilities, such as limited fiscal space, high debt burdens and inadequate infrastructure and insurance. Together, they create vicious circles of poverty, environmental degradation and financial instability and push more people into poverty. This is despite developing countries' relatively small contribution to global emissions and biodiversity loss.

Responding to these crises requires resource mobilisation that goes beyond what many developing countries can generate by themselves. International public finance from developed countries is therefore a critical pillar of the global response under the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement, the Convention on Biological Diversity (CBD) and the Kunming-Montreal Global Biodiversity Framework (KMGBF). While ensuring that finance is committed for these objectives is important, making it accessible in a timely, affordable and appropriate way is equally important.

1.2. International finance is critical for developing countries in the access debate, including for climate and biodiversity

Climate change and biodiversity loss are twin crises that are mutually reinforcing: rising temperatures, shifting rainfall patterns and more frequent extreme events damage ecosystems and affect biodiversity, while degradation of forests, wetlands, soils and oceans

weakens their role as natural carbon sinks and their resilience (IPBES and IPCC, 2021). Developing countries are disproportionately affected (Bawa, et al., 2020; Arlaud, et al., 2018); and these crises are eroding development progress, deepening inequality and trapping communities in cycles of vulnerability, despite their minimal contribution to the problem (The Global SDG Synthesis Coalition, 2025; WRI, 2021). For the most vulnerable developing countries, such as small island developing states (SIDS), least developed countries (LDCs), low-income countries (LICs)[2] or contexts with high or extreme fragile, the twin crises exacerbate existing development challenges even more (LDC Climate Change, 2024; PIFS, 2024; UNOPS, Resident Coordinator's Office for Barbados, OECS, 2024; CVF V20, 2024; Oh-Seng, Klöck, & Deenapanray, 2025; OECD, 2023).

Addressing the twin crises will require investment of trillions of dollars to promote low-emission, climate-resilient infrastructure; biodiversity conservation; sustainable resource management and locally led adaptation (IMF, 2021; UNEP, 2024; UNEP, 2023; Paulson Institute, 2025). What is more, as climate and biodiversity impacts become further entrenched over time and undermine sustainable development even more, financing needs will increase. Developing countries cannot cover these financing needs alone, given their limited ability to mobilise and access the finance required to address climate and biodiversity challenges in ways that support sustainable development (Belianska, et al., 2022; Masamba, 2024; Eurodad, n.d.). These constraints make international support, including concessional development finance from developed countries, essential.

International climate and biodiversity agreements and discussions reflect the need for greater financial support and access to finance

The requirement for developed countries to provide adequate and predictable finance to support developing countries in achieving climate- and biodiversity-related goals is enshrined in the UNFCCC (Article 4) and the Paris Agreement (Article 7 and 9) (UNFCCC, 2015), as well as the CBD (Article 20), the KMGBF (Goal D) and the Biodiversity Beyond National Jurisdictions Agreement (Article 52) (CBD, 2022). Both the UNFCCC and the CBD include agreed concrete financial goals to materialise this support.

At the UNFCCC's 29th Conference of the Parties (COP29) in Baku in 2024, Parties agreed to triple their finance to developing countries, from the previous goal of USD 100 billion annually, to the New Collective Quantified Goal (NCQG) of USD 300 billion annually by 2035. They also agreed to work together to scale up finance from public and private sources to developing countries to USD 1.3 trillion per year by 2035 (UNFCCC, 2024). Parties also agreed that the NCQG would support the implementation of developing countries' nationally determined contributions (NDCs) and national adaptation plans (NAPs). Donors were urged to increase support for locally led approaches and institutions, especially for

2. LDCs and LICs are considered together in this report. Any analysis referring to other income groups (i.e. lower- and middle-income countries) has removed LDCs to avoid overlaps.

climate change adaptation, including demand-led capacity development, technical assistance and readiness programmes, and to expand multi-year, country-led programmatic approaches (UNFCCC, 2024).

In the area of biodiversity, the KMGBF's Target 19a aims to increase biodiversity-related financial resources from developed countries to developing countries to at least USD 20 billion per year by 2025 and to at least USD 30 billion per year by 2030 (CBD, 2022). The KMGBF also calls for "leveraging private finance, promoting blended finance, [...] and encouraging the private sector to invest in biodiversity" (CBD, 2022).

It is against this backdrop that the Parties to the UNFCCC and CBD are also discussing the issue of access to finance. While an enabler of action (IPCC, 2023), access remains fragmented, complex and disproportionately favours higher-capacity, less-vulnerable countries. This is reflected, for example, in the UNFCCC negotiations on the NCQG, where Parties underscored the "importance of reducing existing constraints, challenges, systemic inequalities and barriers to access to climate finance [...]," urging all "climate finance actors to strengthen their efforts to enhance efficient and effective access" to climate finance for developing countries (UNFCCC, 2024). Similar discussions also arise in the context of the CBD (IISD, 2025; IISD, 2024). Ensuring access to available finance is especially urgent given the current downward trend in official development finance (ODF) (OECD, 2025), which may reduce the concessional funds available for climate change and biodiversity.

1.3. Debates on access to finance reflect fundamental misconceptions about the reality of financing

Developing and developed countries agree on the importance of access to finance. Yet, they often perceive the access challenge differently. While developed countries point to record global finance flows to developing countries, developing countries often have no sense of what this means for them or how much of this finance they receive. They often do not know whether increases in climate- or biodiversity-targeted support (particularly at country level) reflect overall growth in resources available for these objectives (independently or in conjunction with each other) or whether they occur alongside reductions in other types of financing to the country.

Moreover, they frequently express frustration that, despite being "eligible" for international finance, they still struggle to access it. Current debates tend to concentrate on accessing vertical climate and environmental funds (VCEFs), i.e. dedicated climate and biodiversity finance mechanisms like the Green Climate Fund, the Adaptation Fund and the Global Environment Facility. These often involve onerous application processes and lengthy approval timelines, reducing the effectiveness and value for money of concessional resources (OECD, 2025; OECD, 2025; OECD, 2025). In addition, a narrow focus on VCEFs can obscure both the broader finance landscape and the country-donor factors that shape access outcomes (e.g. limited domestic technical or institutional capacity, few domestic instruments for climate and biodiversity finance, donor co-ordination failures, misalignment of donor

projects with domestic strategies), as reflected in recent UNFCCC (IISD, 2024; LDC Climate Change, 2024; AOSIS, 2024; AOSIS, 2025; LDC Climate Change, 2025; IISD, 2025; Carbon Brief, 2025) and CBD COPs (IISD, 2024; TWN, 2024; IISD, 2025).

An integrated picture is an essential first step for understanding how climate and biodiversity finance is accessed

Climate and biodiversity have often been approached separately, resulting in fragmented policymaking and financing (Dinerstein, et al., 2020; Pörtner, et al., 2023). This separation extends to international finance, where climate and biodiversity can be treated as distinct categories, risking incomplete understanding and ineffective or harmful interventions (Bosma, Hein, & Miller, 2025; Barbier, Burgess, & Dean, 2018). While there is no single, universally agreed definition of international climate and biodiversity finance (Bhattacharya, Songwe, Soubeyran, & Stern, 2024), in practice most of what is identified under this heading consists of public international development finance from bilateral and multilateral donors, together with private finance that these donors mobilise through their instruments and interventions (OECD, 2024). This means that international climate and biodiversity finance is largely embedded within broader development finance flows, even when labelled separately for reporting or target-tracking purposes (OECD, 2024). Terminology spans "international public climate and biodiversity finance", "climate- and biodiversity-related development finance" and broader "aligned flows" under Paris Art. 2.1(c), but the flows measured under these categories sit within, or are mobilised by, a range of bilateral and multilateral donors. These flows can be understood as enabling development outcomes, while delivering Paris mitigation and adaptation goals, and supporting the KMGBF.[3]

Official development finance (ODF)[4] is a cornerstone of the climate and biodiversity finance system. Development finance targeting climate or biodiversity action, together with private finance mobilised through ODF with such goals, represent the bulk of international climate and biodiversity finance. For climate finance, UNFCCC reporting treats flows differently from development finance reporting, with little clarity on the fact that the same flows underly both measures. Biodiversity finance shows greater overlap with development finance; and CBD commitments on international biodiversity finance largely align with biodiversity-related development finance flows.

Understanding the broader reality of international finance for developing countries therefore requires three complementary perspectives: (i) the evolution of overall international finance flows to developing countries; (ii) financial support for climate and biodiversity action within those flows; and (iii) how these elements relate to each other. Beyond this global picture, it is also essential for developing countries to understand how these flows

3. However, the lack of commonly agreed definitions of climate and biodiversity finance means that persistent disagreements on scope, concessionality, attribution and measurement methodologies drive divergent views on whether UNFCCC and CBD financial commitments are being met.
4. Official Development Finance is official financing from governments and public institutions for developing countries, including concessional aid and other development-oriented flows.

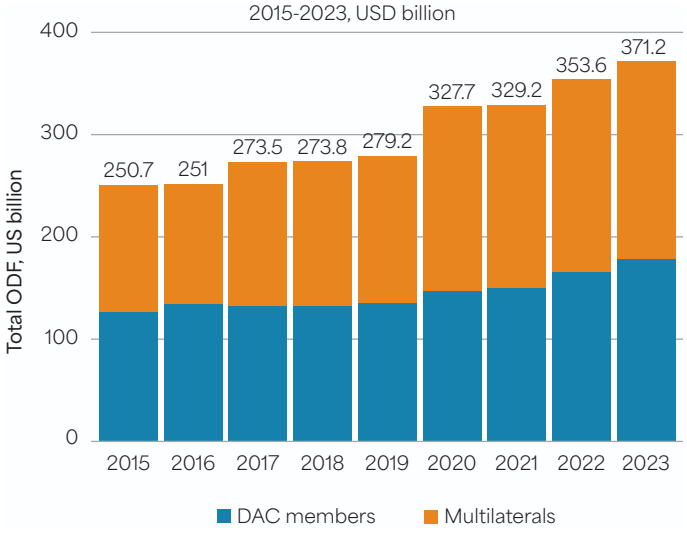
materialise in their countries. Without prejudice to any eventual agreement on definitions, such information is currently available under the OECD Development Assistance Committee's Creditor Reporting System (DAC CRS), which provides the only source of reliable, comparable and complete data on international public finance – including finance with climate and biodiversity objectives. This shared evidence is key to bridging the gap between perceptions and realities; and it is essential to support a transparent, balanced dialogue on access to climate and biodiversity finance in developing countries.

Climate and biodiversity finance flows grew faster than overall international public finance

In 2023, ODF from DAC members and multilateral institutions (multilateral development banks and VCEFs) reached USD 371.2 billion (Figure 1.1), after strong growth for more than a decade (an increase of 48% over 2015-2023). This trend in ODF provides the context for understanding the growing resource base available for climate and biodiversity action.[5] However, this trend reversed in 2024 and the outlook points to continued reductions in 2025 and beyond (OECD, 2025).

FIGURE 1.1.

Official development finance from DAC members and multilateral institutions has been growing since 2015



Note: ODF: official development finance. The figure shows the full value of flows from DAC members and multilateral institutions reported to the OECD (see Annex C for details).

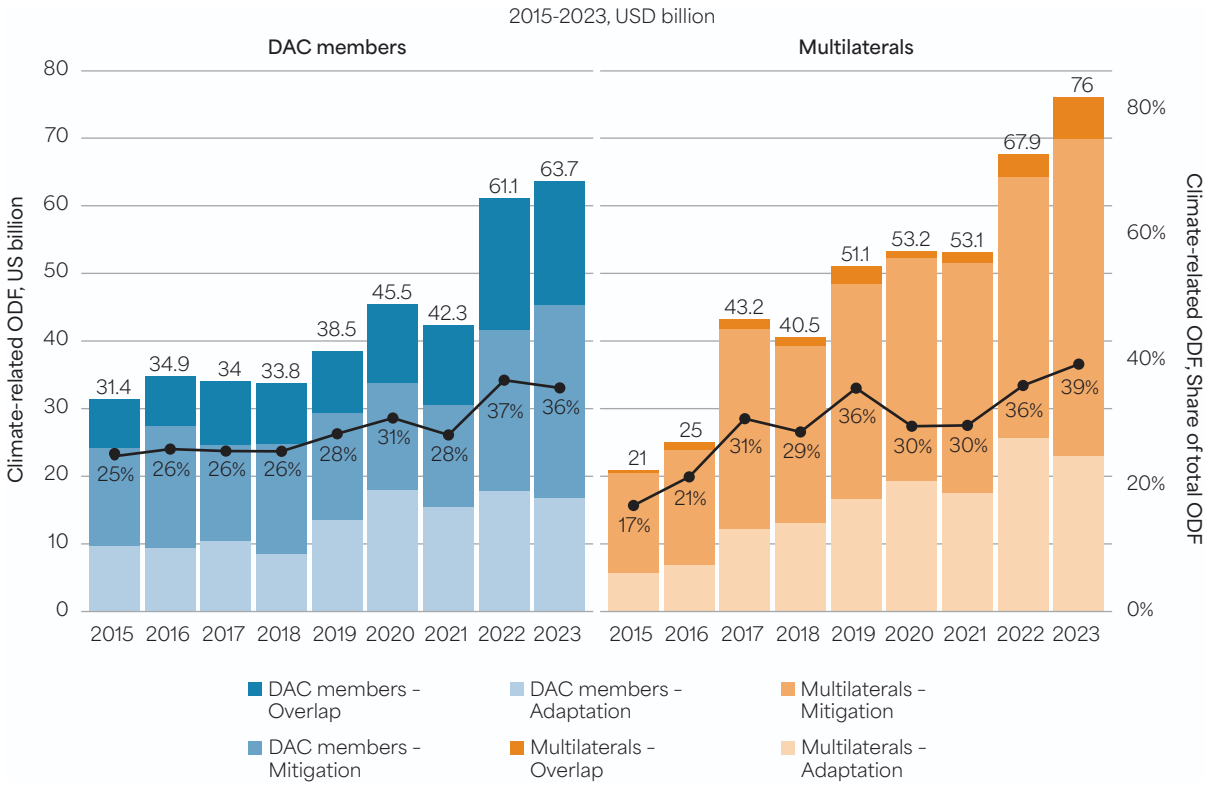
Source: (OECD, 2025).

5. These trends in ODF are complemented by private finance mobilised through ODF interventions, which are not reflected in these graphs.

Official development finance targeting climate and biodiversity in developing countries has also been increasing. In 2023, contributions from DAC members and multilateral institutions reached USD 139.7 billion for climate change (Figure 1.2); and USD 27.7 billion for biodiversity (Figure 1.3).[6,7] While these figures are not directly comparable to the

FIGURE 1.2.

Climate finance from DAC members and multilateral institutions has increased steadily since 2015



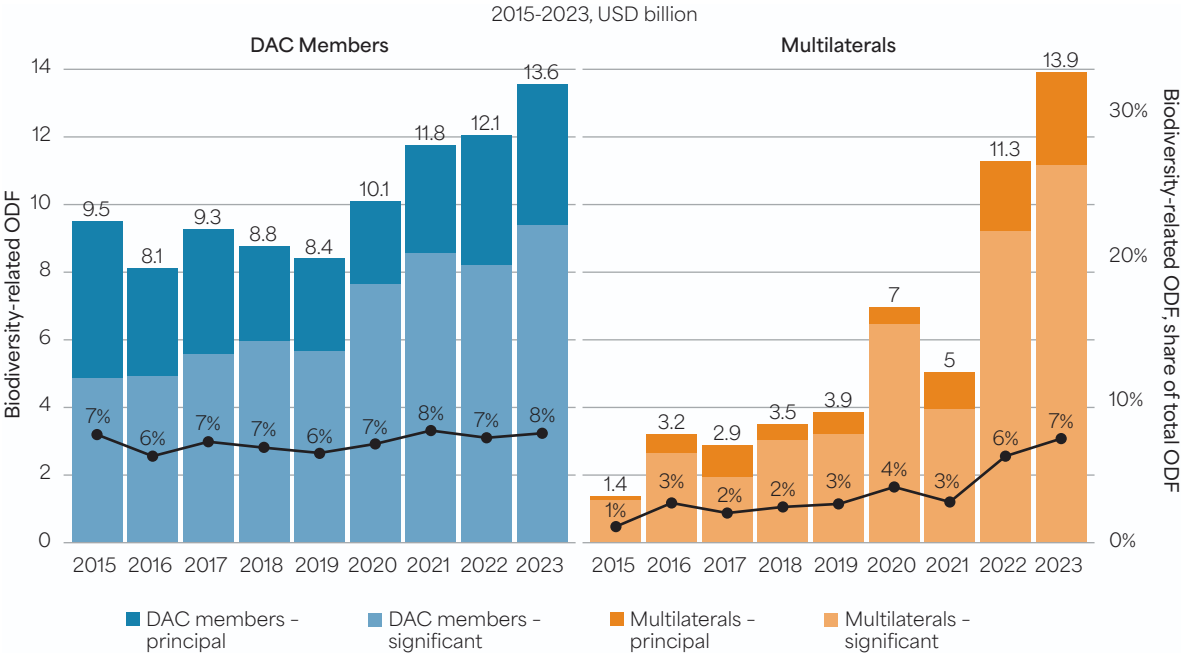
Note: ODF: official development finance. The black line represents the proportion of climate ODF relative to total ODF. The bars show the full value of flows from DAC members and multilateral institutions reported to the OECD. These flows represent adaptation- and mitigation-specific finance, removing overlaps between the two categories to avoid double counting (see footnote 8).

Source: (OECD, 2025).

6. Information on public international finance flows, including climate and biodiversity objectives, is available through the OECD DAC CRS. This database is the only source of internationally comparable data on climate and biodiversity finance flows providing granular, project-level information from donors. Not all developing countries recognise OECD DAC figures on climate and biodiversity in the context of the CBD or UNFCCC discussions.
7. The amounts presented here reflect climate and biodiversity finance, which can overlap in the CRS. To avoid double counting, climate and biodiversity figures cannot be added up to obtain total environmental development finance. Notwithstanding, both the Paris Agreement and KMGBF call for optimising co-benefits and synergies (UNFCCC, 2015; CBD, 2022). The 2030 Agenda for Sustainable Development and SDGs also highlight these connections (Nerland, Rapp Nilsen, & Andersen, 2023; Scharlemann, et al., 2020). Against this backdrop, this report takes a joined-up perspective on the twin crises and their financing – but considers and removes the overlap when presenting total climate and biodiversity figures.

FIGURE 1.3.

Biodiversity finance from DAC members and multilateral institutions increased since 2015, especially the multilateral flows



Note: ODF: official development finance. The black line represents the proportion of biodiversity ODF relative to total ODF. The figure shows the full value of flows from DAC members and multilateral institutions reported to the OECD. For more information, see Annex A of (OECD, 2024).

Source: (OECD, 2025).

UNFCCC/NCQG or the CBD/KMGBF goals, they have shown sustained growth up to 2023. For instance, climate finance from DAC members more than doubled and multilateral outflows more than tripled over 2015-2023; and biodiversity finance from DAC members increased by 43% and over 900% from multilateral institutions over this period. Further, climate- and biodiversity-related represent a growing share of total development finance (for DAC members, climate finance grew from 25% to 36% over 2015-2023 and from 17% to 39% for multilateral institutions; while DAC members' biodiversity finance increased from 7% to 8% and from 1% to 7% for multilateral institutions as share of total development finance.

Real progress on access to finance means addressing three key debates

Connecting developing country and donor narratives on access to finance is essential to bridge perception gaps and foster a shared agenda that tackles both domestic capacity constraints and donor-side barriers simultaneously. By viewing climate and biodiversity finance at the country level, this report aims to help dispel various misconceptions and

promote a shared understanding of the amounts committed, the channels through which it is allocated and the impacts it aims for in developing countries. The report aims to resolve three key donor and developing country divergences:

- Understanding of how VCEFs fit within the broader finance landscape. Financing for climate and biodiversity for developing countries comes from a broad range of sources – bilateral donors, multilateral development banks, VCEFs, private investors and philanthropies – which together constitute overall support for climate and biodiversity. VCEFs account for only a small share of these flows and there is insufficient transparency and clarity over how the VCEFs fit within this broader finance landscape (OECD, 2024).
- The disconnect between high-level negotiations, which focus on headline finance figures and the role of VCEFs, and the complex reality on the ground. For developing countries, such figures are difficult to translate at home, while VCEFs need to offer clearly "ringfenced" climate or biodiversity finance rather than flows embedded within broader climate, biodiversity and/or development finance.[8]
- Unawareness of access challenges on each side, with donors often citing recipient-side bottlenecks (e.g. limited capacity levels, fiduciary risks, institutional incoherences, no project pipelines), while developing countries highlight donor barriers (e.g. administrative complexity, language obstacles, misalignment with national priorities, lack of donor co-ordination, inadequate modalities). These access challenges for donors and recipients point to the need for a shared agenda to tackle both sets of constraints simultaneously, so that strengthened country systems and more accessible donor practices can reinforce each other – indirectly contributing to a renewed, more balanced debate on access to finance.

Addressing these misconceptions requires greater transparency and dialogue between donors and recipients. The chapters which follow illustrate how allocation patterns (Chapters 2 and 3), domestic enabling environments (Chapter 4) and donor practices (Chapter 5) interact to shape how access is realised. Together, these chapters help to identify practical steps to turn global commitments into effective country-level action.

8. Negotiators from LDCs/LICs and SIDS often express frustration that bilateral and multilateral climate and biodiversity finance gets counted towards both UNFCCC and CBD targets and development finance, obscuring its additionality.

2 Understanding the complex international architecture of climate and biodiversity finance

Chapter 2 maps the expanding landscape of finance for climate and biodiversity, showing how a growing number of actors and instruments shape developing countries' access to resources. It highlights the roles of DAC donors, multilateral development banks and vertical climate and environment funds, noting that although these funds dominate political debates, they account for only a small share of the total landscape and are harder to access. The proliferation of donors and mechanisms has increased financing opportunities for developing countries – but also added transaction costs, co-ordination burdens and institutional strain, particularly for LDCs/LICs, SIDS and contexts with high or extreme fragility. Other structural challenges affecting access to finance compound these, including greater integration of climate and biodiversity objectives across sectors, raising questions around additionality; weak mobilisation of private sources of finance, with tapping into new financial streams for the environment much more challenging for LDCs/LICs and SIDS; and growing disbursement delays which are limiting access and effectiveness.

KEY FINDINGS

The climate and biodiversity finance architecture has seen many new donors. This expansion implies increased fragmentation and complexity, raising transaction costs and exacerbating challenges for vulnerable developing countries seeking to access finance.

- **Proliferation without harmonisation**: The number of donors increased from 51 in 2015 to 78 in 2023, with no co-ordinating framework, leaving recipients to navigate distinct eligibility rules, timelines and processes simultaneously.
- **Vertical climate and environmental funds remain niche players**: Despite policy attention, these funds account for less than 10% of climate and biodiversity finance; traditional bilateral and multilateral development banks dominate.

- **VCEF barriers compound complexity**: Accreditation requirements, procurement rules and safeguard standards, although intended to ensure impact and strong fiduciary standards, often make it difficult for low-capacity countries to access finance precisely where finance is most needed.
- **Additional structural hurdles can hinder access to finance**: Insufficient climate and biodiversity integration, limited private sector mobilisation and chronic disbursement delays create inequities that restrict access to finance, undermine additionality and limit impact.

2.1. Alleviating developing countries' financial constraints is a key rationale of international finance

Developing countries, especially LDCs/LICs, SIDS and contexts of high or extreme fragility, face profound structural constraints in mobilising and accessing finance for development, rooted in minuscule domestic resource bases that render a chronic shortfall in even basic public services and investment. For example, annual tax revenue per capita in LICs averaged USD 73 in 2022-2023, over 100 times less than in high-income countries (HICs), while gross domestic savings stood at USD 90 per capita in 2022-2023 (127 times less than in HICs) and domestic credit to the private sector USD 111 in 2022-2023 (684 times less than in HICs). These figures reflect underdeveloped financial sectors incapable of scaling investment or sovereign borrowing without distress (World Bank, n.d.). Export earnings per capita hover at USD 178 in 2022-2023 for LICs (86 times less than in HICs), which is insufficient to service external debt or attract foreign direct investment at scale, forcing reliance on international public finance, notably ODF, as well as remittances and net inflows to bridge gaps that economic growth alone cannot rapidly close, given low starting points.

Official development finance specifically aims to address these mobilisation limits, providing concessional grants and loans where market access fails due to perceived risk, tiny tax bases and savings scarcity. These are, in fact, principles codified in the Rio Conventions' provisions for "new and additional" support to enable environmental action without diverting scarce development resources. For LDCs/LICs, SIDS and contexts of high and extreme fragility, climate and biodiversity finance is not a siloed challenge, but an acute manifestation of this core bind: competing development priorities (e.g. health, education, debt servicing) can leave negligible fiscal space to face the impacts of climate change and biodiversity loss - which these countries did not cause and which grow increasingly expensive over time. Without targeted concessionality and capacity support, environmental and climate degradation exacerbate development imperatives, underscoring why access to climate and biodiversity finance is existential for these countries.

2.2. In the environmental context, access to finance focuses on vertical funds, but they remain small players

In discussions on finance for climate and biodiversity objectives, access to finance has primarily focused on vertical climate and environmental funds (VCEFs) as the financial vehicles dedicated to climate or biodiversity action. VCEFs are multilateral financial mechanisms set up to support developing countries in meeting global climate and biodiversity goals. Each VCEF has its own distinct mandate, policies and operational modalities. The first generation of VCEFs includes:

- **The Global Environment Facility (GEF):** established in 1991, the GEF serves as a financial mechanism for several multilateral environmental agreements, including the CBD and the UNFCCC. The GEF hosts other funds, including the Least Developed Countries Fund, established at UNFCCC's COP7 in 2001 to address the needs of countries particularly vulnerable to the adverse impacts of climate change (GEF, n.d.); and the Special Climate Change Fund, also established at COP7 to help vulnerable countries address negative impacts of climate change (GEF, n.d.). According to OECD data, in 2023, the GEF committed USD 1.1 billion in climate and biodiversity finance (36% of all VCEF finance).
- **The Adaptation Fund (AF):** established in 2001 under the Kyoto Protocol, the AF is designed to finance adaptation projects in developing countries. It has pioneered an independent source of funds in the form of a 2% levy on proceeds of clean development mechanism projects.[9] However, its overall envelope remains small, committing USD 102 million of climate and biodiversity finance in 2023 (3% of VCEF finance), according to OECD data.
- **The Climate Investment Fund (CIF):** created in 2008, as a partnership of six multilateral development banks (MDBs) (the World Bank, International Financial Corporation, Asian Development Bank, African Development Bank, Inter-American Development Bank and the European Bank for Reconstruction and Development). It comprises two funds (i) the Clean Technology Fund, aiming to pilot, scale and replicate investments and stimulate markets for low-carbon technologies with strong potential for long-term greenhouse gas (GHG) reductions; and (ii) the Strategic Climate Fund, which aims to innovate in specific areas and sectors (CIFs, n.d.). In 2023, OECD data shows that the CIF committed USD 131 million of climate and biodiversity finance (representing 4% of VCEF finance).

Despite the existence of these funds, developing countries advocated in UNFCCC discussions for a larger fund that would better reflect their priorities (Treichel, 2024). As a result:

- **The Green Climate Fund (GCF)** was established in 2010 at the UNFCCC's COP16 as the main financial mechanism for climate. It was designed to channel resources for both mitigation and adaptation. The GCF works with public and non-profit sectors and

9. The Clean Development Mechanism (CDM) is a Kyoto Protocol mechanism that lets developed countries support emissions-reduction projects in developing countries and count the resulting certified reductions toward their climate targets.

can also partner with private sector actors (international and domestic) to accelerate capital deployment, although no private resources have yet been provided to it. In 2023, OECD data shows that the GCF committed USD 1.8 billion of climate and biodiversity finance (57% of VCEF finance).

Recently, additional funds have been created for specific climate and biodiversity issues:

- **The Fund for Responding to Loss and Damage (FRLD):** agreed at UNFCCC's COP27 in 2022 it aims to finance recovery from climate-related damage and losses for vulnerable communities. As of December 2025, total pledges to capitalise this fund reached USD 817 million (FRLD, 2025).
- **The Global Biodiversity Framework Fund (GBFF):** launched in 2023 under the GEF in response to the CBD's COP15 agreement to scale up financing for implementing the KMGBF (GEF, n.d.). As of June 2025, total pledges for the GBFF were USD 388.6 million (GEF, 2024).
- **The Cali Fund**: the fund was adopted at CBD's COP16 in 2024 to support the fair and equitable sharing of benefits from the use of genetic data derived from nature (CBD, n.d.). The fund was launched and its capitalisation model agreed, but no consolidated public figure for total pledged capitalisation has been reported yet (UNDP, 2025).

Figure 2.1 provides a graphical snapshot of how all these actors function as part of the broader multilateral development co-operation system.

2.3. Vertical climate and environment funds are difficult to access, especially for countries with limited capacity

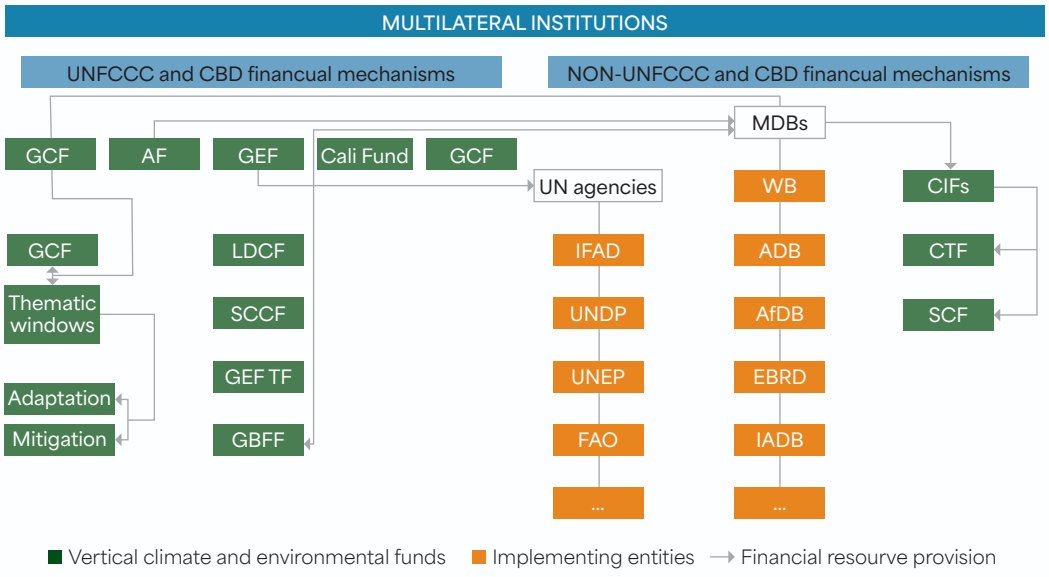
There are several barriers to developing countries accessing funding from VCEFs

The VCEFs are designed to provide and pool resources specifically for climate and biodiversity purposes. To avoid duplication of efforts and the proliferation of delivery channels, and to reduce transaction costs, they do not carry out implementation themselves and have no in-country presence – presence and delivery capacity already exists through other actors. In the absence of their own implementation capacity, VCEFs either channel resources via other entities (intermediaries or implementing entities, such as MDBs, UN agencies or international NGOs) or in response to funding proposals submitted by nationally accredited entities (Box 2.1).[10] While channelling finance via intermediaries can be useful when national accreditation is lacking or capacity to manage funding is insufficient (Belianska, et al., 2022), most developing countries prefer accessing finance directly through nationally accredited entities.

10. Examples of such entities include, e.g. for the GCF, the South African National Biodiversity Institute, the Fundación Fondo de Biodiversidad in Brazil, the National Environment Fund in Peru, or IUCN; while for the AF, nationally accredited entities include national ministries, development banks, or environment agencies.

FIGURE 2.1.

The landscape of climate and biodiversity multilateral donorship is complex



Note: UNFCCC = United Nations Framework Convention on Climate Change; CBD = Convention on Biological Diversity; GCF = Green Climate Fund; AF = Adaptation Fund; GEF = Global Environment Facility; FRLD = Fund for Responding to Loss and Damage; PSF = Private Sector Facility; LDCF = LDC Fund; SCCF = Special Climate Change Fund; GEF TF = GEF Trust Fund; GBFF = Global Biodiversity Framework Fund; IFAD = International Fund for Agricultural Development; UN = United Nations; UNDP = UN Development Programme; UNEP = UN Environment Programme; FAO = Food and Agriculture Organization; MDBs = Multilateral Development Banks; WBG = World Bank Group; ADB = Asian Development Bank; AfDB = African Development Bank; EBRD = European Bank for Reconstruction and Development; IADB = Inter-American Development Bank; CIFs = Climate Investment Funds; CTF = Clean Technology Fund; SCF = Strategic Climate Fund.

Source: Adapted from (OECD, 2024).

The functioning of VCEFs is at the source of the sustained criticism that these institutions face over access to finance, as only accredited intermediaries and entities are eligible to receive significant volumes of finance. Yet accreditation and project approval are challenging for developing countries to acquire (Box 2.1). For example, only around 4% of all AF or GCF finance flows through national entities in LDCs (IIED, 2025), with the remainder flowing through an international implementing entity (Chaudhury, 2020). These entities' operational models also influence recipient or project choices, which may lead them to deprioritise certain proposals, even after a country has completed all the formal approval steps. For example, small-scale projects, projects in local currency, or projects from countries facing a lot of approved projects already in the pipeline and awaiting VCEF financing can be sidelined, irrespective of their development or environmental merits.

BOX 2.1.

There are several barriers to access the largest VCEFs

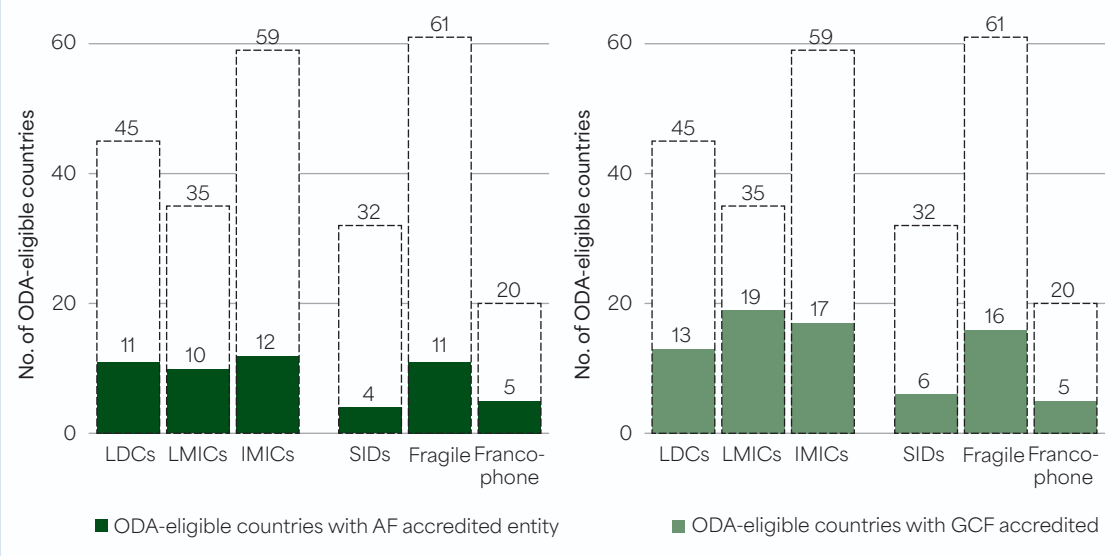
Access barriers to the four largest VCEFs (GEF, GCF, AF, CIF) arise at three stages:

1. **Disbursement of funds through accredited entities, which is difficult to achieve for many developing countries**: funds must be disbursed through accredited entities, including national institutions, international financial institutions such as MDBs, UN agencies or international NGOs. These are the entry points to the finance delivery chain and they work with domestic institutions to develop proposals - only some are directly accessible by national stakeholders (e.g. ministries, development banks, environment agencies). The GCF can accredit unlimited entities, while the AF only allows a limited number of national and regional entities alongside international ones. In addition, accreditation is a complex, lengthy process - heavily taxing the capacities of LDCs/LICs, SIDS and contexts with high or extreme fragility. Becoming a direct access entity requires meeting fiduciary and safeguard standards, demonstrating a track record and maintaining compliance systems. It demands time, staff, audits, internal policy upgrades and sometimes legal reforms. In practice, only a subset of countries has managed to obtain and use direct access effectively, while others remain reliant on external accredited entities:
   - Of the AF's 63 accredited entities, 39 are national, but only 12 are from LDCs/LICs (across 11 countries), 4 from SIDS (4 countries), 12 from contexts with high fragility (11 countries, none with extreme fragility, of which 7 are LDCs/LICs), and 6 from francophone countries (5 countries, of which 4 are LDCs/LICs and 3 are fragile)[11] (Figure 2.2) (AF, n.d.).
   - Of the GCF's 158 accredited entities, 19 are regional and 88 national (direct access entities) from public, private and non-profit sectors in developing countries. Only 18 are from LDCs/LICs (13 countries), 8 from SIDS (6 countries), 22 from contexts with high or extreme fragility (16 countries, of which 10 are LDCs/LICs and none are extremely fragile) and 8 from francophone countries (5 countries, of which 3 LDCs/LICs and 2 fragile) (Figure 2.5) (GCF, n.d.).
   - The GEF relies on 18 implementing agencies, of which only 3 are national implementing agencies from upper middle-income countries (Development Bank of Southern Africa, Foreign Economic Cooperation Office of the Ministry of Environmental Protection of China and the Brazilian Biodiversity Fund). The remainder are UN organisations, MDBs and international NGOs (GEF, n.d.).
   - The CIF only provides funding through MDBs (CIF, n.d.).

11. Each national accredited entity is associated with a single country; however, a country may belong to multiple categories, such as LDCs/LICs, SIDS, contexts of high and extreme fragility, and francophone countries. As a result, the sum of national entities across these categories does not equal the total number of national accredited entities.

FIGURE 2.2.

Few AF and GCF accredited entities are from vulnerable developing countrie



Note: The dotted lines reflect the total number of developing countries (e.g. there are 45 LDCs, 35 LMICs, 59 UMICs, 32 SIDS, 61 contexts of high or extreme fragility and 20 francophone countries).

Source: Authors, from data available on the Adaptation Fund (AF, n.d.) and Green Climate Fund (GCF, Accredited Entities, n.d.) websites.

2. **Competitive application processes and demanding eligibility requirements**. Countries without national accredited entities must compete for funds through over-solicited regional and international entities and navigate VCEF project approval rules. Constraints here include potential misalignment between country priorities and accredited entities' programmes, high transaction costs, procedural bottlenecks, and duplicative administrative requirements. Transaction costs make smaller projects often unviable, meaning funding is often channelled towards large projects, disadvantaging SIDS and LDCs/LICs (G20 IHLEG, 2024; UN-OHRLLS, 2022). For example, the GCF's climate rationale requirement is that the project must go beyond development needs, to reduce climate change or adapt to it. This challenges SIDS, even though climate change impacts all sectors and their fundamental development prospects - because they have limited data to support such a rationale (Treichel, Robertson, Wilkinson, & Corbett, 2024). Its emphasis on offering loans (and less on grants) also penalises debt-burdened countries (Kalaidjian & Robinson, 2022). Transaction costs are also linked to implementing agencies, which in the case of the GEF, for instance, retain 8-9% of project funding. Capacity gaps limit access at subnational levels: local authorities and community entities often lack the skills, fiduciary systems and human resources for compliant proposals, procurement and monitoring and evaluation - forcing them to rely on costly consultants (UN-OHRLLS, 2022).

3. **Disbursement delays, execution capacity and growing competition for funds.** The timeframe for receiving disbursements are lengthy and can be unpredictable. After accreditation, funds demand robust, results-based accountability systems, yet many recipients lack the data, capacity and institutional structures to produce credible baselines, projections and reporting. This weakens reviewer confidence, increases perceived risk, and slows or conditions disbursements. Low execution capacity in countries, complex execution arrangements, and high staff turnover in executing agencies can also cause significant delays in project implementation, thereby delaying disbursements (G20 IHLEG, 2024). For example, the process from accreditation to the first project approval takes three years on average (Belianska, et al., 2022). Finally, the number of accredited entities has grown more rapidly than the available funding from VCEFs, thereby reducing funding available per entity, as resources are spread across a larger pool of actors.

VCEFs have sought to improve access and efficiency of accreditation, project approval, disbursement and capacity development to respond to developing country concerns, notably for those that need it most (see Chapter 5). Despite these efforts, the reforms have not yet led to significantly improved access for developing countries (GCF & GEF, 2025; GEF IEO, 2025).

The proliferation of VCEFs aggravates access challenges

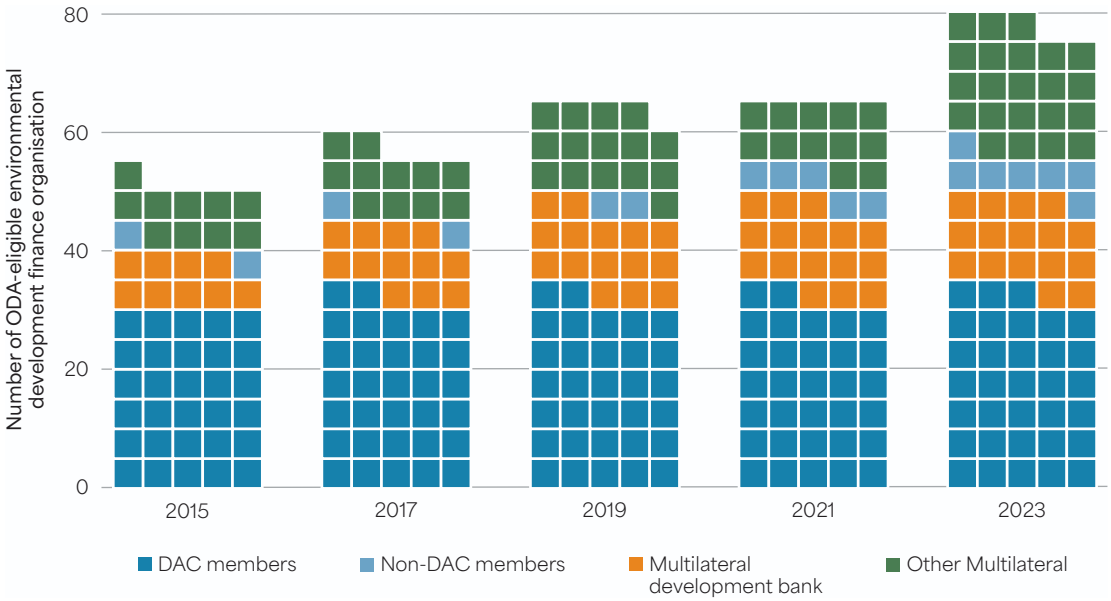
The landscape for climate and biodiversity finance has expanded significantly, mirroring broader international finance trends, but complexity has deepened with the inclusion of philanthropic institutions and other non-traditional actors (OECD, 2025). In theory, developing countries have more options to finance their climate and biodiversity goals than ever before: the number of donors providing climate and biodiversity finance has increased from 51 in 2015 to 78 in 2023 (Figure 2.3), with the notable addition of a growing number of VCEFs that could be seen as a parallel, specialised delivery system (green squares in Figure 2.3).[12]

Overall, developing countries have supported the establishment of the current VCEFs, i.e. financial institutions with dedicated sources of finance for climate and biodiversity objectives, considering existing sources of finance were insufficiently resourced and/or were funded through development finance. Yet, the challenge of accessing finance from VCEFs is compounded by the growing proliferation of these funds, each with distinct accreditation, approval and reporting frameworks, which increases the complexity of access for developing countries (Robertson, 2024). Moreover, heterogeneity in access requirements and project selection criteria across VCEFs can prevent a country from engaging with more than one fund at a time (Belianska, et al., 2022).

12. Creating additional VCEFs is under discussion, notably on sustainable oceans (UN Sustainable Development Group, 2025).

FIGURE 2.3.

The number of institutions providing climate and biodiversity finance is on the rise



Note: Each square reflects one bilateral or multilateral donor. The figure reflects the number of donors of climate and biodiversity finance, identified through the climate change mitigation, climate change adaptation, and biodiversity Rio markers, as well as through the climate component methodology (see Annex C). The figure excludes South-South Co-operation, private philanthropies and private finance.

Source: Based on the Creditor Reporting System (OECD, 2025) and the climate-related development finance dataset (OECD, 2025).

2.4. Bilateral donors and multilateral development banks provide the bulk of climate and biodiversity finance

While VCEFs focus specifically on climate and biodiversity action, they are not the only institutions delivering international finance. The climate and biodiversity finance landscape also comprises bilateral donors, multilateral development banks (MDBs) and international organisations (Figure 2.3). Other actors include South-South co-operation providers, private philanthropy and private finance actors.[13] While these actors make important contributions to climate and biodiversity, offering alternative and sometimes more direct, pathways to access finance, they are small relative to what OECD DAC and multilateral institutions

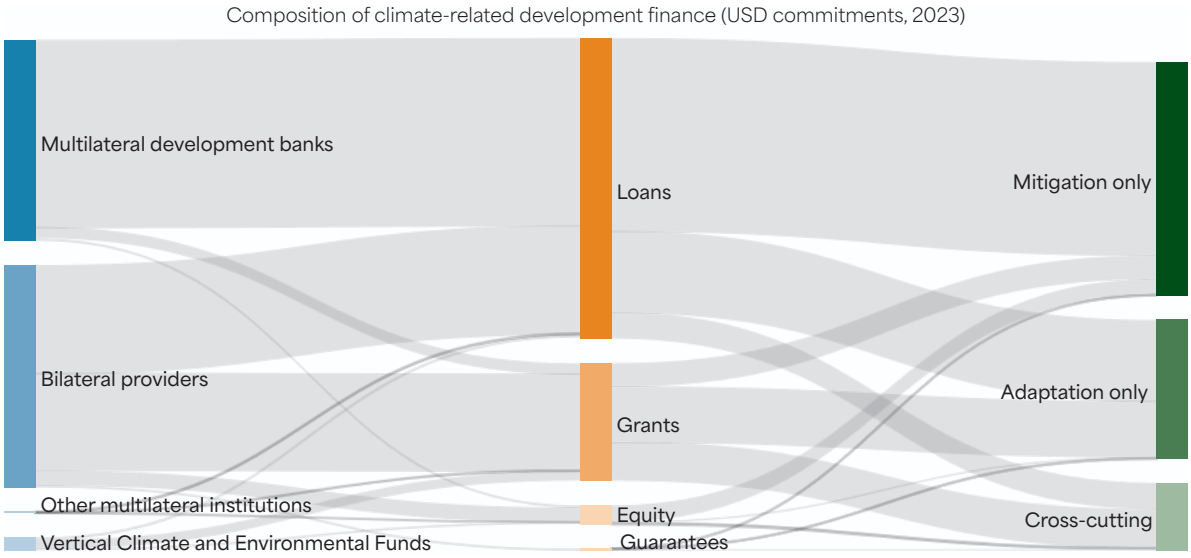
13. South-South co-operation can include concessional finance, grants or guarantees (including for ODA-graduated countries). Examples include Arab Gulf donors (e.g. United Arab Emirates, Qatar, Kuwait and Saudi Arabia), the Popular Republic of China, Türkiye, India, or Latin American countries (e.g. Brazil, Mexico, Colombia). See Box 4.3 for more details.

provide and so they are left out of the focus of this report [see, for example, (OECD, 2023) for details on South-South co-operation].

Within the broader international delivery architecture, VCEFs account for only a small share of climate and biodiversity finance: 3.4% of climate finance (Figure 2.4) and 7% of biodiversity finance in 2023 (Figure 2.5). Bilateral DAC donors are among the most prominent channels of international finance, including for climate and biodiversity. DAC members provided USD 69.3 billion of ODF for climate and biodiversity objectives in 2023, representing 46.7% of total climate and biodiversity finance. They provide concessional financial flows delivered by, or through, official development co-operation agencies to developing countries, international NGOs or multilateral institutions, either as core contributions or capital, or as resources earmarked for a specified country, sector theme or project (OECD, 2024).[14] Within the multilateral system, the major global and regional MDBs[15] also play a central role.

FIGURE 2.4.

VCEFs represent a small share of climate finance in 2023



Note: This graph covers public climate finance only. Band widths reflect the relative volume of 2023 climate finance commitments across providers (left), instruments (centre) and targets (right).

Source: (OECD, 2025).

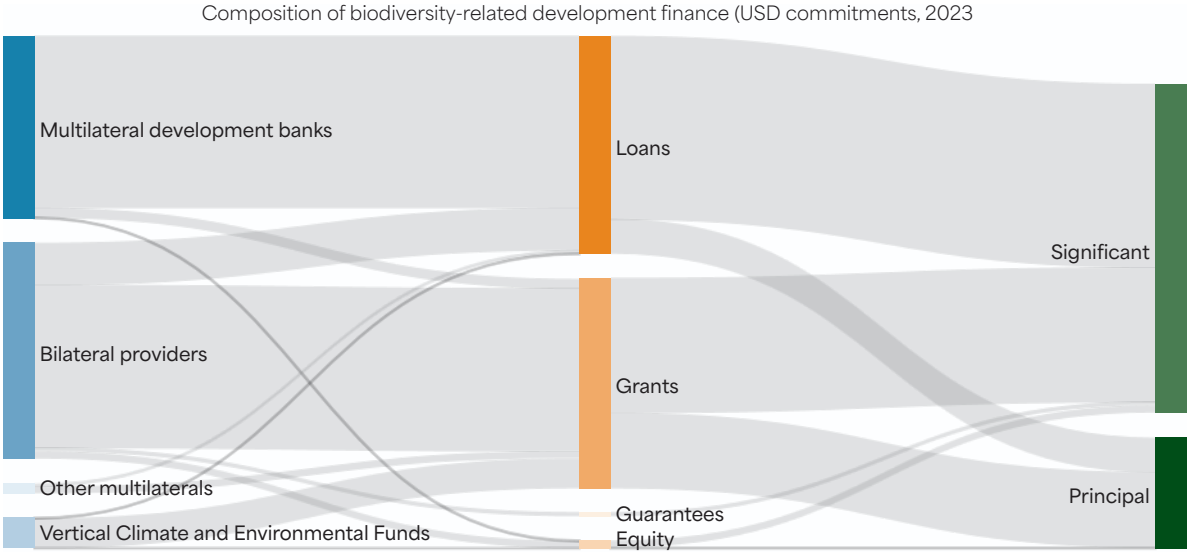
14. ODA can take the form of grants, concessional loans, and private sector instruments (PSI, which include instruments ranging from loans, guarantees, equity investments, mezzanine finance instruments and reimbursable grants) directed to countries on the OECD DAC List of ODA Recipients (OECD, 2024). Bilateral ODA refers to resources provided directly by a donor government through national development agencies, as well as earmarked aid (also known as "multi-bi" finance) channelled through multilateral organisations. DAC members also provide other official flows (OOF), which do not meet the conditions for ODA eligibility (OECD, 2024).
15. African Development Bank (AfDB), Asian Development Bank (ADB), Asian Infrastructure Investment Bank, Council of Europe Development Bank, European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), Islamic Development Bank, New Development Bank, and the World Bank Group (WBG).

They have increased their engagement and outflows for climate and biodiversity (Kaya & Leblebicioglu, 2025), and provided USD 74.7 billion in 2023, representing 50% of the total.

Despite being a small part of the landscape, VCEFs can still play a catalytic role. They can do so by collaborating with other donors and stakeholders, helping to build markets and mobilising additional finance, particularly through innovative, scalable and transformational interventions. In fact, their finance is often used to leverage and co-finance activities with other donors, notably MDBs (e.g. to enhance bankability and de-risk activities). In this way, VCEFs have leveraged over USD 240 billion in co-financing since 2010 (Adaptation Fund, 2024) and together approved USD 176.2 billion in co-financing in 2024 (MCFs, 2025). However, such co-financing can redistribute financing within the international donor landscape. For example, the World Bank provided approximately 16% of the GEF's total co-financing over 1994-2022 and 8% of the GCF's over 2015-2022. Over the same period, the ADB provided 5% and 17%, respectively; the European Bank for Reconstruction and Development (EBRD) contributed 1% and 8%; and the AfDB supplied 2% of co-financing for each fund. In a few instances, the GEF and GCF have provided co-financing to one another (Kotchen & Vogt, 2025). Such co-financing and mobilisation approaches raise important questions for the access-to-finance debate as scarce finance may be being recycled within the system, rather than being made available as additional resources for countries.

FIGURE 2.5.

VCEFs represent a small share of biodiversity finance in 2023



Note: This graph covers public international biodiversity finance only. Band widths reflect the relative volume of 2023 biodiversity-related development finance commitments across providers (left), instruments (centre) and targets (right). It draws on (OECD, Forthcoming). The categories *principal* and *significant* refer to the biodiversity Rio marker, which is used by bilateral donors, many multilateral organisations and VCEFs to indicate when reporting to the OECD Creditor Reporter System whether biodiversity was a primary or secondary objective of the funded activity. While not all activities were reported by donors as biodiversity-related, the OECD methodology enabled principal-like and significant-like outflows to be estimated for MDBs.

Source: (OECD, 2025).

With "access" debates at recent UNFCCC and CBD COPs centring on accessing VCEFs, developing countries may be encouraged to concentrate scarce administrative capacity on complex accreditation and one-off proposals with VCEFs when bilateral donors and MDBs can offer more direct and faster routes. They also often have in-country presence and are more familiar with their partners' capacity levels, needs and country-specific characteristics, and challenges. They also support developing countries as part of longer-term and broader engagements with the country (Belianska, et al., 2022). A more strategic use of these partners' and VCEFs' financial resources is possible, but is still lacking in many developing countries (see Chapter 4).

Finally, even if access to finance to VCEFs were to improve, these institutions would still represent a small share of the broader landscape. The final UNFCCC decision text of the NCQG addresses this challenge by calling for a "significant increase of public resources" to be provided through the operating entities of the Financial Mechanism, with efforts to "at least triple annual outflows from those Funds from 2022 levels by 2030" (UNFCCC, 2024). According to OECD DAC CRS data, the four largest VCEFs (i.e. GCF, GEF, AF and CIF) committed USD 2.3 billion in 2022, so tripling this would amount to USD 6.8 billion (OECD, 2025). In parallel, the "50 by 30 vision" of the GCF aims to create a fund that can efficiently manage a capitalisation of USD 50 billion by 2030, making it a key vehicle in delivering climate commitments (GCF, 2023) and likely to become a transformational actor.

2.5. Donor fragmentation constrains effective access, compounded by increasing disbursement delays

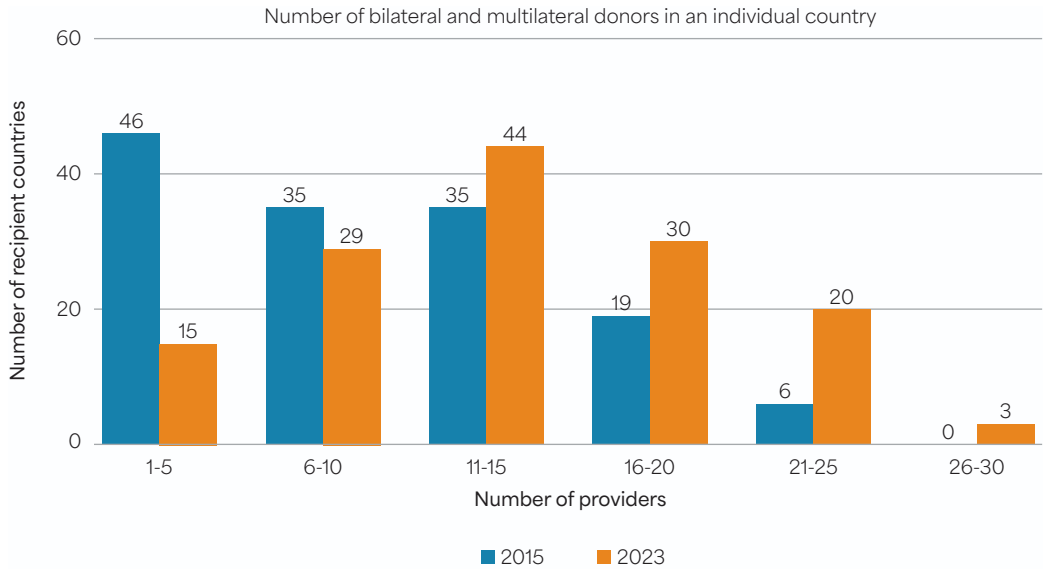
In principle, a multitude of funding channels should provide greater choice for developing countries: more funders can provide greater overall volumes, a wider mix of instruments and a greater fit between donor comparative advantages and developing country needs (Carlitz & Ziaja, 2024; Ziaja, 2020). More diversity of funding sources can also help developing countries hedge against single-donor shocks and introduce niches, as seen in the case studies for this report (Annex C) and in other OECD work (OECD, 2023). Yet fragmentation has long been understood as a key barrier to accessing finance: each donor's distinct procedures, definitions of eligible sectors, co-financing rules and reporting templates multiply transaction costs and favour recipients with centralised finance units capable of managing multiple simultaneous applications (World Bank, 2022). These implications are especially difficult for countries with special circumstances, such as LDCs/LICs, SIDS, or contexts with high or extreme fragility.

Fragmentation also makes it harder to scale action, making it a struggle for developing countries to stitch projects into a coherent national programme. In essence, this can entrench dependence on external project cycles, as national systems may not be strengthened to manage finance at scale. This can also lead to limited absorption capacity – a key constraint for receiving larger funding envelopes, as limited capacity is partly the result of multiple demands placed on the country.

Analysis reveals that access to climate and biodiversity finance overall is increasingly shaped by fragmentation (Figure 2.6). This is reflected in the growing number of donors of climate and biodiversity finance operating in individual countries. While half of the recipient countries had 10 or less donor partners in 2015, this was the case for only 30% in 2023. In contrast, less than 20% of developing countries had 16 or more donor relationships in 2015, while this share had more than doubled by 2023 to close to 40%. Similarly, 75% of the recipients were engaged with 8 bilateral and multilateral donors or more in 2015. In 2023, half of the recipients were engaged with at least 13 bilateral and multilateral donors. In contrast, 75% of the donors each supported 65 recipients or less in 2015, but in 2023 this declined to 48 recipients or less.

FIGURE 2.6.

Climate and biodiversity finance is getting more fragmented over time



Note: The figure reflects the number of bilateral and multilateral donors of climate and biodiversity finance in an individual developing country, identified through the climate change mitigation, climate change adaptation and biodiversity Rio markers, as well as through the climate component methodology.

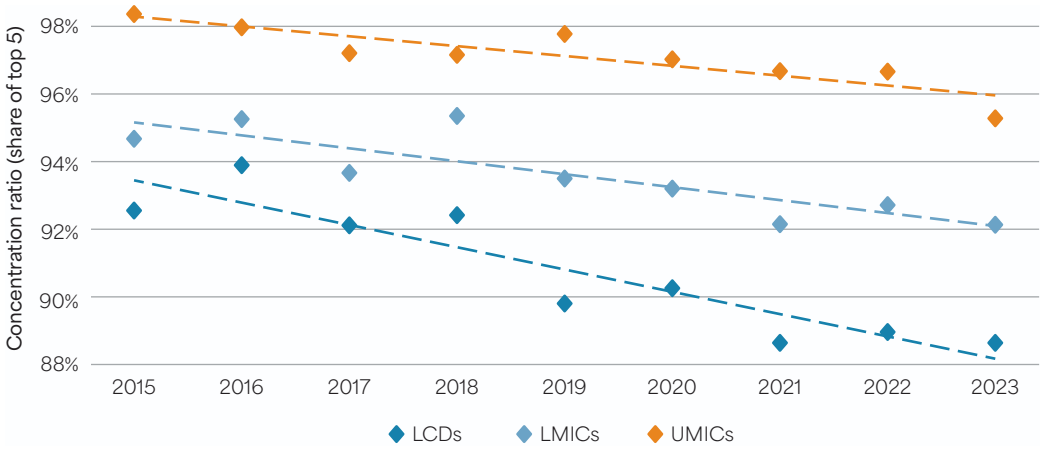
Source: Adapted from (WBG, 2022) using the Creditor Reporting System (OECD, 2025) and the climate-related development finance dataset (OECD, 2025).

The concentration of donor support in developing countries, measured as the share of the volume of climate and biodiversity finance attributable to the five biggest donors in a recipient country (Figure 2.7), is also gradually declining. As the number of donors increased over 2015-2023, a gradual but modest increase in donor dispersal can be observed across all income groups. Overall, concentration remains high – above 90% in most country groups – but even small declines mean that developing countries work with more donors. This is especially the case for LDCs/LICs: in 2015 they already had the lowest levels of concentration

of all country groups, but levels fell further – from 92% to 88% – in 2023. For developing countries with significant capacity and resource constraints, this dispersal may increase the co-ordination and transaction costs required to organise in-country donors and understand where financial opportunities lie.

FIGURE 2.7.

Climate and biodiversity finance has become less concentrated over time



Note: The figure reflects donors of climate and biodiversity finance, identified through the climate change mitigation, climate change adaptation and biodiversity Rio markers, as well as through the climate component methodology. The concentration ratio is computed as the share of climate and biodiversity finance attributable to the five biggest donors in a recipient country. The indicator for each DAC income group is computed as the average of the country-level concentration ratios.

Source: Based on the Creditor Reporting System (OECD, 2025) and the climate-related development finance dataset (OECD, 2025).

A final trend is the proliferation of institutions from individual bilateral donor countries providing development co-operation, with various line ministries, public development banks and funds, and other state entities endowed with international mandates or managing financing envelopes. Across the 33 DAC members alone, the number of institutions extending climate or biodiversity finance increased from 115 in 2015 to 144 in 2023 per donor country on average.[16]

The growing proliferation of institutions delivering climate and biodiversity finance and the growing fragmentation of the landscape are key challenges for accessing finance (OECD, 2025). Fragmentation is a general challenge for the effective financing and delivery of international support to developing countries (not just environmental areas). The Seville

16. However, there is no clear correlation between the number of extending agencies and the volume of finance provided: some major donors have only a few agencies, while others with more agencies manage smaller volumes.

Commitment (*Compromiso de Sevilla*), i.e. the outcome document of the 4th Financing for Development Conference in 2025, commits UN member states to strengthen the effectiveness of development co-operation, including by reducing fragmentation (United Nations, 2025).

Increasing disbursement delays and volatility further undermine access for developing countries

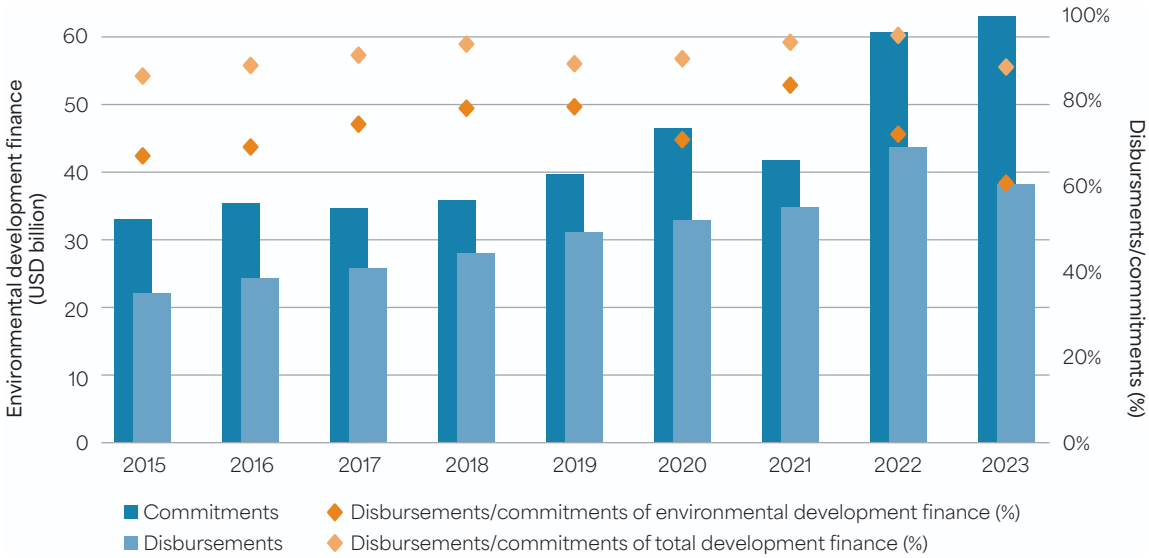
The access challenge is compounded by increasing delays in disbursements once financial commitments have been made. Developing countries have raised concerns about growing delays between commitments and actual disbursements for climate and biodiversity.

A critical distinction in finance data is between commitments and disbursements. Commitments are firm financial agreements that are legally binding, recorded when a donor and recipient formally agree to finance a project or programme. Disbursements, by contrast, represent actual fund transfers and usually lag behind commitments in time. Large infrastructure projects executed over several years, for example, typically receive financing in multiple tranches, each corresponding to different stages of construction and tied to achievement of key performance milestones. This gap reflects multiple factors: there is a planned disbursement schedule, reflecting successive project stages and associated financing tranches; in addition, the disbursement schedule can be delayed by failure to meet agreed conditions, changing macroeconomic circumstances, institutional capacity constraints and/or shifts in donor or recipient priorities. Understanding this disbursement lag is essential for interpreting both the scale of finance available to developing countries and the actual resources flowing into implementation – especially as sometimes countries never receive all the funds committed to them.

In recent years, the lag between commitments and disbursements in climate and biodiversity finance has been widening (Figure 2.8). This is observed in other environmental areas too (OECD, 2025). In 2023, OECD data shows that DAC members had disbursed 66.8% of committed climate-related amounts and multilateral institutions reporting on these elements (primarily UN organisations) had disbursed 55.6%, whereas VCEFs had only disbursed 36.5% compared to 2015, with the GCF showing lower levels than the other VCEFs (OECD, 2024). These data may help explain part of the dissatisfaction of developing countries with accessing VCEF finance. Previous research also shows that the delay between GEF project submission and the first disbursement ranged from at least a year to over three years in 2022, depending on the type of project (GEF, 2024), while it still took an average of around 11 months from project approval to first disbursement (but down from an average of 19 months in 2019) (GCF, 2023). Groups of particularly vulnerable countries, such as SIDS, can face even longer disbursement timelines (OECD, 2022) (Box 2.1).

FIGURE 2.8.

Disbursement is lagging behind growing climate and biodiversity finance commitments



Note: The analysis only covers official development finance (ODF) from DAC members.

Source: Based on the Creditor Reporting System (OECD, 2025).

Significant delays invariably imply reduced action and additional transaction costs for both donors and developing countries. This is a challenge observed across all developing country groups, except for upper MICs where commitments and disbursements still track each other closely (OECD, 2024). These delays also make the available financing unpredictable, disrupting developing countries' efforts to establish long-term strategies (OECD, 2020). For example, the proportion of ODA allocated specifically to climate and biodiversity initiatives related to sustainable marine initiatives can naturally vary considerably from one year to the next (OECD, 2025). Such volatility undermines countries' ability to plan effectively, as outcomes often depend on steady, multi-year support (Stuchtey, 2020).

2.6. Integrated climate and biodiversity approaches can improve impact, but may complicate access and blur additionality

Scientific research and numerous UNFCCC and CBD COP decisions call for increased mainstreaming of, and cross-integration across, climate and biodiversity. In practical terms integrated delivery makes sense, as climate, biodiversity and other development objectives are often mutually dependent and inseparable. Better integration of biodiversity and climate

protection at the policy, planning and implementation levels lays the groundwork for countries to create effective linkages and synergies to achieve commitments under both global frameworks. Mainstreaming and cross-integration can also unlock larger envelopes and ensure greater co-benefits, making it easier to form broader partnerships, crowd in private capital and reduce siloed pipelines. Greater integration of climate and biodiversity objectives in programming can also improve efficiency and outcomes, which is particularly important given that, globally, there are already significant funding gaps (Atteridge, Bhatpuria, Macura, Barquet, & Green, 2022) and declining concessionality (OECD, 2025).

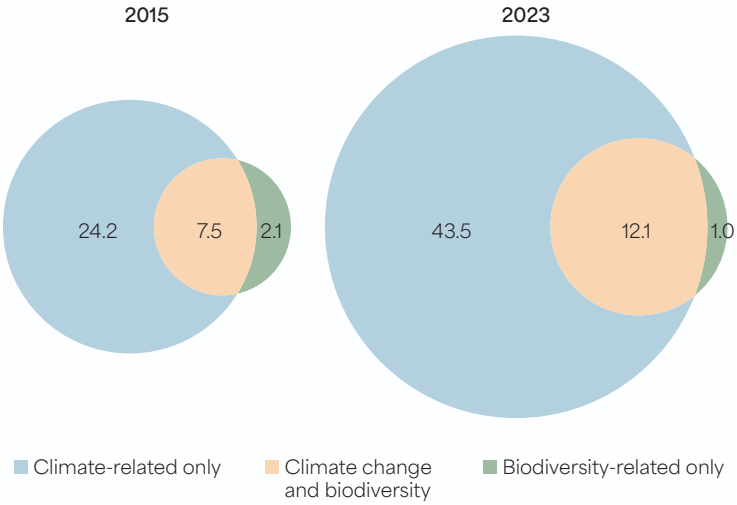
While important for effective delivery, such mainstreaming and integration can raise questions and concerns over the additionality of finance. A large share of climate and biodiversity finance targets multiple objectives, which implies that the access question is often a design and measurement challenge, not just one of resourcing. Analysis of OECD data shows that the share of climate finance with climate as a "significant" objective[17] declined from 58% in 2015 to 43% in 2023 for DAC members (but rose from 24% to 65% for the GEF, the only VCEF for which such data are available). Research shows that the World Bank has also increased climate mainstreaming over time (Kaya & Leblebicioglu, 2025). The share of biodiversity finance with biodiversity as a significant objective in total biodiversity finance rose from 51% in 2015 to 68% in 2023 for DAC members, and from 78% to 81% for multilateral institutions. These trends reflect how donors acknowledge the strong linkages between development, climate and biodiversity (Zulu, et al., 2025; Vincent & Collenbrander, 2018; OECD, 2017; OECD, 2020) but this may be difficult to monitor for developing countries, unless systems are developed to track incoming finance from all sources, all sectors and purposes.

Climate and biodiversity concerns are also increasingly pursued together, although their integration remains uneven. For DAC members, 89% of biodiversity finance also counts as climate-related; while 22% of climate finance overlapped with biodiversity concerns in 2023 (Figure 2.9).[18] Such synergistic funding is also increasingly promoted by developing countries, with 96 out of 101 countries including nature-based solutions to varying degrees in their most recent Nationally Determined Contributions (NDCs), i.e. their climate action plans under the Paris Agreement (NDC Partnership, 2024).[19]

17. Figures were obtained using only the climate adaptation and climate mitigation Rio markers. First, if one or both markers was scored as principal, climate was considered as a principal objective. Then, if one or both markers were scored as significant, climate was considered as a significant objective.
18. Due to different methods for computing climate outflows and estimating biodiversity outflows in the CRS, these shares were not produced for MDBs.
19. Biodiversity and climate can also overlap with other objectives, including desertification or gender equality concerns. For example, see (OECD, 2023) for biodiversity.

FIGURE 2.9.

Biodiversity finance increasingly overlaps with climate finance



Note: The circles reflect official development finance (ODF) integrating climate-related only, biodiversity-related only, and both climate and biodiversity-related considerations for 2015 and 2023.

Source: Based on OECD-DAC statistics from OECD (Creditor Reporting System (flows), 2025), Creditor Reporting System (database), https://data-explorer.oecd.org/, complemented by the Total Official Support for Sustainable Development (TOSSD) database (TOSSD, 2025), https://www.tossd.org.

For countries seeking access to climate and biodiversity finance, mainstreaming and cross-integration can create a double-edged challenge. Consultations with developing countries for this study (Annex C) consistently emphasised that layering of objectives associated with mainstreaming and cross-integration create complexity, and lead to higher preparation costs and tougher attribution, thereby creating additional barriers for capacity-constrained countries. Countries also see that this complicates the tracking of incoming flows with climate and biodiversity objectives.[20] Simplified project design and greater transparency in tracking and reporting of integrated objectives could help developing countries not face undue barriers to accessing finance.

2.7. Private capital mobilisation and innovative instruments so far provide only limited additionality in countries with the greatest access constraints

Private and "innovative" instruments – from blended finance and guarantees, to bonds, debt swaps and carbon markets – are often presented as solutions for closing the climate and

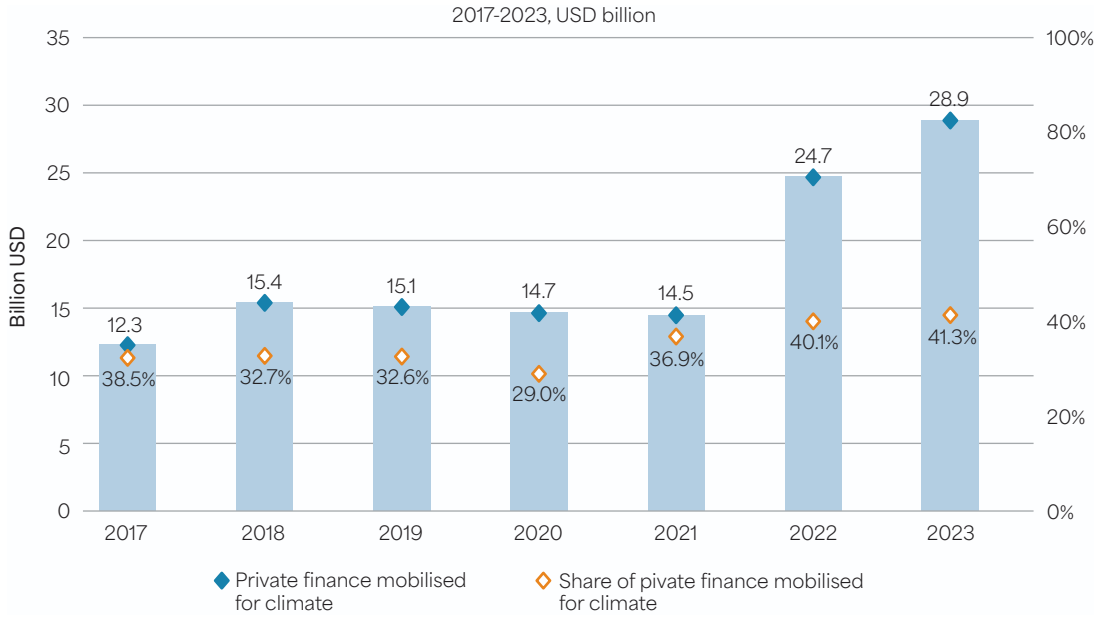
20. And it also complicates tracking against global commitments – which has led to debates in UNFCCC and CBD COPs over double counting.

biodiversity finance gap. The 3rd Financing for Development Conference (2015), which led to the Addis Ababa Action Agenda, called for a step change in the mobilisation of private finance alongside public resources to help close the investment gap for the Sustainable Development Goals (SDGs) and crowd in additional private capital where it is most needed (United Nations, 2015). The 4th Conference (in 2025) emphasised the need to find solutions to mobilise private finance at scale (United Nations, 2025).

Yet, despite high expectations for its greater role, private finance mobilisation has remained far below potential in delivering additional climate (Newell, 2024) or biodiversity finance (OECD, 2025). OECD data shows that private finance mobilisation for climate and biodiversity objectives remains low, reaching USD 29 billion and USD 1.7 billion in 2023, respectively; representing 36.2% and 1.4%, respectively, of overall private finance mobilised on average over 2017-2023 (Figure 2.10 and Figure 2.11). For climate change, importantly, the share has been increasing over time, reaching 41.3% in 2023 of total private finance mobilised - showing that the share is increasing over time but that it still represents a small amount compared to public international finance volumes for climate and partner country needs.

FIGURE 2.10.

Though increasing as a share of total private finance for development, private finance for climate remains small

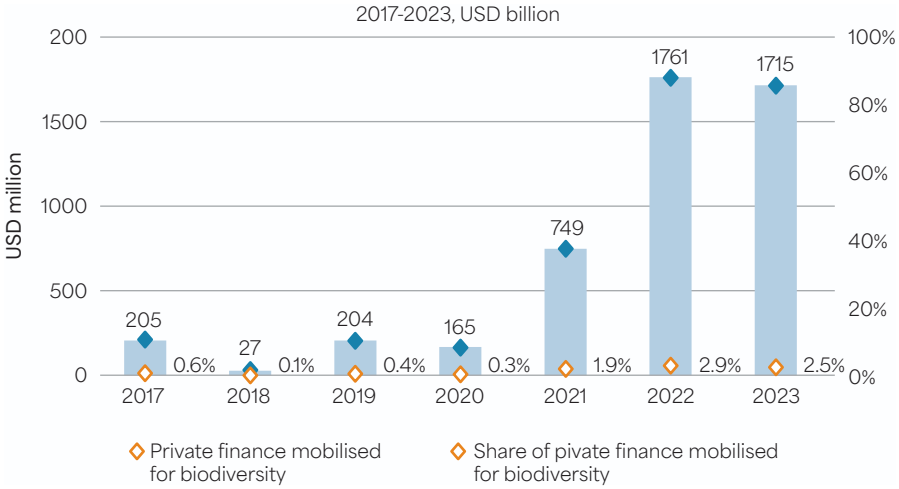


Note: The total private finance mobilised for climate (blue diamonds) are expressed in USD billion.

Source: Based on OECD-DAC statistics from OECD (OECD, 2024), Creditor Reporting System (database), https://data-explorer.oecd.org/

FIGURE 2.11.

Private finance mobilised for biodiversity remains a very small share of an increasing volume of total private finance for development



Note: The analysis only covers 2017-2023 given that data on biodiversity prior to this period are limited, mainly due to evolving methodologies and quality of data reporting. The total private finance mobilised for biodiversity (blue diamonds) are expressed in USD million.

Source: (OECD, Forthcoming).

Moreover, OECD data shows that the bulk of mobilisation has been concentrated in upper middle-income countries (OECD, 2024), while developing country groups with the weakest capacity to mobilise resources and the greatest vulnerability recorded limited amounts (Donou-Adonsou, Basnet, & Mathey, 2025).[21] In LDCs/LICs, the dependency on donor mechanisms reveals that private sector mobilisation has not matured into an independent source of finance that countries can reliably access and use sustainably on commercial terms. In fact, many developing countries still depend heavily on donor de-risking instruments; private finance thus operates as a small complementary source of finance, rather than a primary access channel. While such instruments can send policy signals, their use remains concentrated in a small group of larger economies with higher per capital income levels and better-rated markets. Additional financing from mobilisation remains very limited for countries facing high risk premia, shallow capital markets and debt vulnerabilities. Examples from the country case studies show that, while successful private sector opportunities exist, they consistently require donor support (Box 2.3).

21. In West Africa, private actors such as farmers, agribusinesses and supply chain operators are realigning existing investments to meet binding EU environmental regulations like the Carbon Border Adjustment Mechanism and EU Deforestation Regulation. These compliance-driven shifts demonstrate that private capital can align with environmental objectives at scale when market access is at stake, suggesting that value chain finance and regulatory incentives remain vastly underutilised channels for mobilising adaptation and biodiversity investment in developing countries.

BOX 2.3.

Sustainable mobility in two LDCs: innovative finance in Togo and Senegal

Togo's recent experience with electric motorbikes shows that complex socio-economic barriers and financing gaps in sustainable transport can be overcome with innovative solutions. In Lomé, public-private partnerships have fostered e-mobility technologies to improve semi-formal transport services. A partnership between a local ride-hailing startup and the International Finance Corporation (IFC) is financing electric two-wheelers and building a battery-swapping network for moto-taxi drivers (Connecting Africa, 2022). As a result, the electric motorbike scheme leveraged a partial credit guarantee from GuarantCo, part of the Private Infrastructure Development Group that brings together concessional funding from the UK, Netherlands, Switzerland, Sweden, Australia, Germany, Canada and IFC/World Bank (70%) and commercial financing from Société Générale to mobilise USD 63 million. Aligned with Togo's long-term Governmental Roadmap 2050 (Présidence de la République Togolaise, 2020), these efforts have already surpassed national sustainable mobility targets (UNEP, 2024) and are complemented by efforts to develop an electric bus network.

In **Senegal**, consistent transport policy and long-term planning have enabled the launch of large-scale projects like Dakar's Bus Rapid Transit (BRT) system – the first all-electric BRT in sub-Saharan Africa – and its electric suburban train system. These relied primarily on development finance with additional public-private partnerships, with support from France (Proparco), the Private Infrastructure Development Group and the EU, which together enabled private participation in the construction, operation and service provision of the networks. Policy continuity under the long-term development plan (*Plan Sénégal Émergent*) helped finance these projects (ITDP, 2025).

These cases illustrate that credible national strategies, aligned with stable policies and public-private partnerships, can effectively mobilise concessional and private finance for climate priorities in transport, a model with potential for replication across adaptation and biodiversity sectors.

These examples illustrate how public sector policy action and targeted donor de-risking through concessional instruments are typically prerequisites for private sector mobilisation, while de-risking alone does not translate into a catalytic effect unlocking additional access to finance permanently. Overall, mobilisation of private sector finance pursued in isolation has fundamental limitations. To contribute to successful private market creation and mobilisation, efforts must be part of a more systemic approach to strengthening investment prospects in developing countries, including by improving the enabling environment and increasing private sector engagement. A more holistic approach would include focusing on increasing private actors' awareness of adaptation and biodiversity opportunities (alongside mitigation), promoting strategies to harness regulatory-driven private investments, strengthening domestic financial institutions and supporting robust project pipelines aligned with national priorities. This is particularly important for biodiversity, where the creation of markets and investment opportunities is often contingent on public policy action (OECD, Forthcoming).

For innovative instruments, the key question for access is whether they provide additionality

Amid the urgency of identifying innovative financing instruments, a host of innovative approaches and instruments has been put forward, from green bonds and Green, Social, Sustainability and Sustainability-Linked bonds (GSSS), to debt swaps and many more. Ideas and concepts for innovative finance have been proliferating (Sumair Shah, Nborkan Nakouwo, Murodova Sobirjonovna, & Khan, 2025), with modest gains in access to finance for most developing countries (Sandow, Oteng-Abayie, & Duodu, 2022). In deciding whether they provide additional access to finance for climate and biodiversity, the basic question is whether they can provide a sustainable source of finance over time that is not reliant on concessionality (Masamba, 2024).

While they offer mobilisation potential when used in the right contexts and with appropriate support, recent transactions illustrate how private finance mobilisation is possible, notably through blending structures that enable issuance and signal policy commitment (Box 2.4).[22] These debt instruments are not a one-size-fits-all solution: their viability depends on country-specific factors such as market depth, institutional readiness and debt sustainability, and they should be seen as complements to core concessional flows, especially in the most vulnerable and capacity-constrained contexts. Concessional windows that underpin these instruments "consume" limited concessional resources in much the same way as other blended instruments; and the case for financial additionality hinges on whether they truly crowd in new private investment, improve terms, or create durable market access that would not otherwise have materialised (Whiteacre, 2024).

BOX 2.4.

Rwanda's sustainability-linked bonds signal ambition and may transform access

Rwanda has recently issued sustainability-linked bonds. In 2023, the World Bank allocated a sum of USD 100 million in International Development Association (IDA) concessional funding to assist the Development Bank of Rwanda to issue bonds in local currency, among other activities. The bond had a maturity of seven years and aimed to raise 30 billion Rwandan Francs (USD 24.8 million). The bond received credit enhancement from IDA and its key performance indicators are in line with Rwanda's Vision 2050. Its aims are to: (1) enhance environmental, social and governance systems in partner financial institutions; (2) increase the funding allocated to projects led by women from 15 to 30% of the Bank's portfolio; and (3) finance the construction

22. Blended finance structures are financing arrangements that combine concessional public or philanthropic capital with private finance to reduce risk and make development projects investable. They are often used to mobilise capital for climate, nature and other sustainable development goals in countries where projects would otherwise be too risky or too costly for private investors alone.

of 13 000 affordable housing units by 2028 (OECD, 2024). Coupon payments were designed to decrease by 0 to 40 basis points depending on the number of targets met. This bond can be considered as a market innovator and less risky than otherwise given that it is issued in local currency, thereby mitigating foreign exchange risks.

This example shows that green, social, sustainability and sustainability-linked (GSSS) bonds can be valuable signaling and learning tools, helping countries test new structures, develop market infrastructure and demonstrate commitment. Rwanda's bond has been highly over-subscribed[1] and led to repeated issuances, with a positive effect on the local and African market more broadly (OECD, 2025). In fact, Rwanda expects to issue further bonds without any form of credit enhancement in the future, thanks to its Bank's strong balance sheet and credit rating. The contribution of GSSS to access, then, would no longer depend on the concessional resources embedded in future deals.

Note: 1At a rate of 110.5%, by 100 individual investors, commercial banks, pension funds, corporate companies and savings co-operatives (World Bank, 2023).

Debt swaps can provide case-by-case relief, but as a long-term approach would imply continued access failure

Debt-for-climate, resilience and nature swaps are expanding, providing large-scale financing for non-revenue-generating priorities like conservation that are essential but underfunded due to developing countries' high debt burdens and limited fiscal space (Bridgetown Initiative, 2026). They work best for countries with valuable ecosystems under threat, heavily discounted debt on secondary markets and restricted access to concessional funding, by converting debt payments into domestic currency for environmental spending. However, their debt relief is modest (averaging 3% of stock or 1% of burden after conservation allocations, versus 21% in comparable restructurings in, e.g. Ecuador, Ukraine or Argentina), functioning more as repackaged lending than comprehensive relief (Colodenco, Horas, & Wiedenbrug, 2024).

Swaps are case-by-case instruments rather than systematic solutions (Fresnillo, 2024; Bona, 2024) and they are unsuitable for countries in acute debt distress where debt restructuring is needed first. In Sub-Saharan Africa, swaps generated USD 135 million savings in 2022, which is modest relative to overall fiscal capacity, but enabled key conservation funding and environmental initiatives (AfDB, 2022). Gabon undertook the first debt-for-nature swap on mainland Africa (5), which did not ease fiscal pressures or improve broader access to finance.

BOX 2.5.

Gabon's debt-for-nature swap did not lead to greater access to finance

The Gabon debt-for-nature swap, concluded in 2023, focused on marine and coastal protection and created a dedicated conservation fund to manage the endowment and finance marine conservation projects. This body is governed by a board that includes international partners (usually the deal arrangers) and local agents - government, private sector and in some cases civil society (Bolton, et al., 2023). The transaction was arranged by Bank of America, with The Nature Conservancy as project manager and technical adviser and backed by political risk insurance from the US International Development Finance Corporation.

The arrangement exemplifies both the potential and the limitations of innovative debt instruments for improving access. While the transaction mobilised new conservation financing and ensured long-term funding for protected areas, it did not generate direct fiscal savings for Gabon, a critical financial constraint for access to finance. The proceeds were used to buy back existing bondholder debt from secondary markets; to establish an endowment fund for conservation; and to cover transaction costs, including closing costs and fees (Standing, 2023). The spread between the new loan and the retired debt helped finance intermediary and guarantee fees, as well as advisory, monitoring and reporting costs - overheads that reduced net conservation finance benefits. For Gabon, this underscores both the potential and the limits of innovative instruments such as blue bonds and debt swaps: while they can attract biodiversity finance and enhance international visibility, they do not necessarily ease fiscal pressures or improve broader access to finance for development.

To maximise impact, swaps need to deliver meaningful debt reduction (e.g. sovereign debt restructurings with larger creditor losses through exchanges in which bondholders accept a substantial haircut on the face value or net present value of their claims, or buybacks where debt is repurchased at a deep market discount), and also contribute to strengthening debt management and governance, as in Cabo Verde or the Solomon Islands (IIED, 2023; Hurley, et al., 2024). But debt distress is always a development failure; and the priority remains preventing debt distress through sustainable growth and domestic resource mobilisation without reliance on ad hoc relief (Colodenco, Horas, & Wiedenbrug, 2024). Integrating swaps into broader debt strategies (e.g. by treating swaps as one instrument within a broader debt treatment package, rather than as a stand-alone deal) can ensure real climate and biodiversity gains and fit into coherent sustainability frameworks, thus complementing concessional flows (IMF, 2023). In the meantime, developing countries may need to continue to prioritise securing predictable, concessional, public international finance. In practice, LDCs/LICs, SIDS, contexts with high or extreme fragility and many lower middle-income countries with shallow financial sectors and limited capacity to take on additional debt treat access to concessional flows not as one option among many, but as the primary channel through which they can obtain the scale and terms of finance needed for climate and biodiversity action.

3 Towards an integrated approach to understanding finance for climate and biodiversity

This chapter examines how climate and biodiversity finance is allocated – and the factors linked to some countries gaining access more readily than others. Access to international climate and biodiversity finance is shaped by the same underlying political, socio-economic, institutional, environmental and vulnerability factors that drive traditional development finance allocations. The chapter uses cross-country econometric modelling to examine how these factors correlate closely with both the probability of selection and the volume received across developing country groups, revealing systematic access gaps that eligibility criteria alone cannot resolve. Overall, the chapter identifies dimensions that correlate with greater access to climate and biodiversity finance, mapping where misalignments between country needs, capacity and donor incentives are most likely to arise.

KEY FINDINGS

Access to climate and biodiversity finance is shaped by the same drivers that determine traditional development finance allocations: donor strategic interests, recipient governance performance and recipient income levels. Environmental criteria (emissions, exposure, biodiversity richness) still influence allocations, though unevenly, and often in ways that underserve the most vulnerable.

- **Traditional development allocations drive financing for climate and biodiversity**: DAC donor interests remain strong predictors of both selection probability and funding amounts, signalling that for bilateral donors economic and historical interests override environmental need.
- **Income creates a paradox**: Middle-income countries receive higher volumes of climate and biodiversity finance (both as grants and loans) than LDCs/LICs despite the latter's greater vulnerability because of limited debt capacity and weaker governance. This creates a gap for vulnerable countries. The result is also a bias towards mitigation and loan finance.

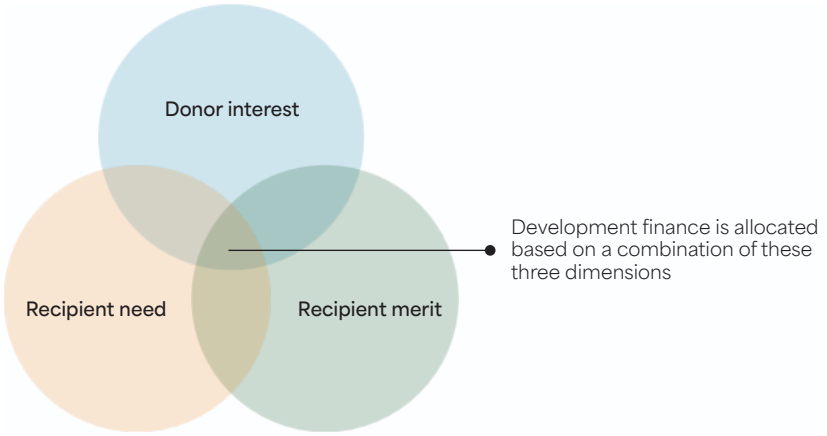
- **Climate and biodiversity finance allocation is asymmetric**: DAC climate mitigation finance targets countries with the greatest abatement potential; adaptation finance correlates with current exposure but overlooks future sensitivity and adaptive capacity (missing countries' full vulnerabilities); biodiversity finance targets ecosystem richness but excludes the poorest countries most dependent on nature.
- **Multilaterals follow a performance-based logic, privileging higher-income countries**: Multilateral institutions allocate based on income and debt-carrying capacity as primary filters, with minimal differentiation by climate vulnerability, structural fragility or biodiversity need.
- **Global Climate Fund (GCF) accreditation benefits middle-income countries**: GCF accreditation raises amounts for MICs but shows no overall uplift for LDCs/LICs or contexts with high or extreme fragility, suggesting it does not fill their access gaps.
- **Country grouping disparities persist**: LDCs/LICs receive higher amounts of climate and biodiversity finance per capita but from smaller envelopes; SIDS are prioritised in finance allocations per capita but remain ODA-dependent; contexts with high or extreme fragility are consistently underfunded despite acute need; francophone countries face language barriers related to overall capacity and level of development.

3.1. Climate and biodiversity finance follows broader development finance patterns, but with important limitations

Research on development finance has consistently found that donor priorities (often labelled in the literature as "donor interest"), developing country performance (labelled as "recipient merit") and developing country needs (or "recipient need") shape finance allocations (McKinlay & Little, 1977; Alesina & Dollar, 2000; Berthélemy, 2006; Hoeffler & Outram, 2011; Dreher, Lang, & Reinsberg, 2024; Gulrajani & Calleja, 2019). Donor interest covers a donor's strategic, political or economic self-interest (McKinley & Little, 1979; Hoeffler & Outram, 2011). Recipient merit covers the recipient's performance (e.g. governance, growth) (Maizels & Nissanke, 1984; Hoeffler & Outram, 2011). Recipient need reflects the socioeconomic conditions of recipient countries (Hoeffler & Outram, 2011; Nunnenkamp & Öhler, 2011) and, in the context of climate and biodiversity finance, may encompass environment-related indicators (Tennant, Davies, & Tennant, 2024). Figure 3.1 summarises these three core allocation logics, which provide the framework for interpreting this chapter's econometric results.

FIGURE 3.1.

Finance allocations depend on donor interest, recipient need and merit



Past research has also found that although finance is allocated to those developing countries with greatest need, it is not done optimally (Collier & Dollar, 2002). Donors reward good governance, while their geopolitical, historical or economic ties exert a persistent and often substantial influence on allocations.

Existing studies confirm that these patterns also apply to climate and biodiversity finance. Most studies on adaptation finance from DAC members conclude that, although developing countries more exposed to the adverse effects of climate change receive more adaptation support (Weiler, Klöck, & Dornan, 2018; Garschagen & Doshi, 2022; Islam, 2022), donors also reward developing countries with higher capacity or strategic importance (OECD, 2023; Venner, García-Lamarca, & Olazabal, 2024). Available work on mitigation finance shows that donors concentrate on countries with higher and/or rising carbon intensity and with larger carbon sinks (Halimanjaya, 2014; Halimanjaya, 2016; Fageda & Fioravanti, 2024; Tennant, Davies, & Tennant, 2024). Finally, research on biodiversity finance shows that countries with a higher number of threatened species and other biodiversity richness variables receive greater biodiversity-related finance (Miller, Agrawal, & Roberts, 2012; Miller, 2014; Bosma, Hein, & Miller, 2025; Qin, et al., 2024).

Most of the existing analyses use official development assistance (ODA) as a proxy for international finance (which misses out other official flows and private sector instruments), while focusing on either bilateral or multilateral donors. Moreover, they look at climate mitigation, adaptation and biodiversity separately (Tennant, Davies, & Tennant, 2024; Gaibulloev & Younas, 2018). Existing analyses and results therefore remain partial, both in terms of financing sources and environmental domains, and fail to provide a definitive, integrated framework to explain allocations that is essential for understanding the reality of financing at country level, as set out in the previous chapter.

3.2. A fuller understanding of country selection and allocation of climate and biodiversity finance requires going beyond traditional models

To address these gaps, this chapter analyses allocation patterns of all public international climate and biodiversity finance flows from DAC donors and multilateral institutions (MDBs and VCEFs) systematically, to explore two core questions:

- To what extent is climate and biodiversity finance driven by donor interest, recipient merit and recipient need in the same way (or not) as overall public international finance?
- To what extent does climate and biodiversity finance correlate with environmental needs?
- And an additional question which can shed light on structural inequities that shape access to climate and biodiversity finance:
- How does allocation logic play out across key country groups (LDCs/LICs, SIDS, contexts of high or extreme fragility, francophone countries)?

The analysis examines how climate and biodiversity finance is allocated – and the factors linked to why some countries gain access more readily than others – by analysing the interplay between donor priorities ("interest"), recipient performance ("merit") and recipient needs. Using a two-part econometric model that separates the probability of being selected from the amount ultimately committed, the analysis compares patterns across climate (mitigation and adaptation) and biodiversity finance, as well as across DAC donors and multilateral institutions. It brings these strands into a single framework to test whether climate and biodiversity finance follows conventional public international finance logics or reflects distinct environmental factors. The analysis also probes distributional questions for specific themes, modalities and country groupings (adaptation vs. mitigation, loans vs. grants, LDCs/LICs, SIDS, contexts with high or extreme fragility and francophone countries).

The econometric model consists of the following two parts: (i) the selection stage assesses the likelihood of a developing country receiving a financial commitment from a donor; while (ii) the level-setting stage analyses what guides the amount allocated to that country. This approach captures both who gets selected at all (the extensive margin of access) and how much those selected receive (the intensive margin). Full methodological details are provided in Box 3.1 and are further developed in Annex A.

BOX 3.1.

Methodology to model public international finance allocations

The allocation of international finance is commonly studied using econometric modelling on dyadic datasets, i.e. where each observation represents a donor-recipient pair in a specific year (Figure 3.2). While this approach can help to identify the drivers of financial flows, it presents several challenges due to the nature of the finance data

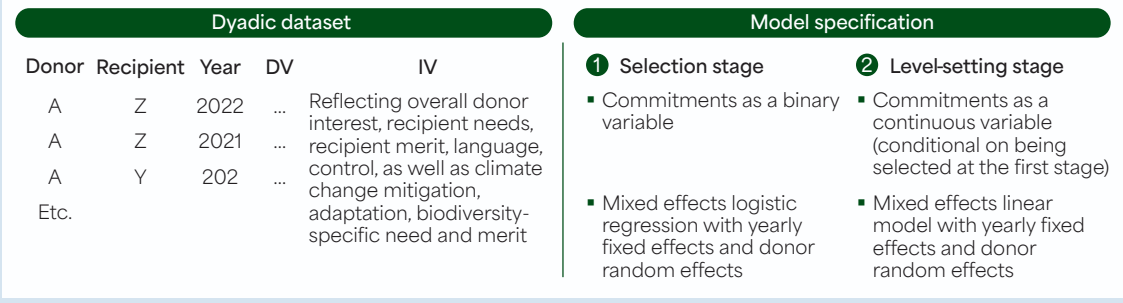
available. Scholars have addressed these challenges using econometric models tailored to the data (Ågren, 2019). First, the allocation of finance is understood to be non-random, shaped by donor strategies, recipient characteristics and broader geopolitical dynamics. While multiple linear regression has been applied in some seminal studies, (Balla & Reinhardt, 2008) highlight that standard Ordinary Least Squared assumptions, such as exogeneity and homoscedasticity, are often violated in this context, which can lead to biased coefficient estimates. Second, the construction of dyadic datasets introduces a left-censoring issue, as observations are bounded at zero (since commitments cannot be negative). Moreover, zero observations are not random but reflect donors' selective engagement, implying a non-random selection process that must be explicitly accounted for in the modelling strategy.

To account for these issues, the allocation of climate and biodiversity finance is modelled using a two-stage Cragg model, following the approach of (Tennant, Davies, & Tennant, 2024; Weiler, Klöck, & Dornan, 2018; Clist, 2011). This method decomposes the allocation process into a selection and a level-setting stage:

- **Stage 1: Selection stage.** A binary outcome variable is constructed for each donor-recipient-year combination (value 1 if finance is recorded and 0 otherwise). This process is modelled using a mixed-effects logistic regression (assesses the probability of observing a positive flow), incorporating fixed effects for years (controls for temporal shocks and systemic trends) and random effects for donors (captures unobserved donor-specific characteristics).
- **Stage 2: Level-setting stage.** The sample is restricted to dyads with positive commitments. A mixed-effects linear regression is applied to estimate the factors associated with allocations. This stage is modelled using a mixed-effects linear regression, with fixed effects on years and random effects for donor countries to control for time-varying and donor-level heterogeneity.

FIGURE 3.2.

Illustration of the dyadic dataset and the model specification



Note: DV – Dependent variable, IV – Independent variables.

In the econometric framework, the dependent variable is official development finance (ODF), then disaggregated by climate mitigation, adaptation, biodiversity, and by DAC and multilateral donors. Independent variables cover donor interest (exports, colonial ties, distance), recipient merit (democracy, economic regulation, GCF accreditation), recipient need (income, inequality, emissions, climate exposure, biodiversity) and language variables. Country size is controlled for using recipient population. The resulting models distinguish between formal eligibility (meeting basic criteria) and actual selection and funding in practice – which are central to understanding access barriers. As allocation motives cannot be directly observed, the analysis examines correlations between finance flows and the variables taken as proxies for such motives, as indicated below (Dreher, Lang, & Reinsberg, 2024).

3.3. The findings confirm that climate and biodiversity finance follows the same allocation drivers as development finance

The analysis finds that, overall, the allocation of climate and biodiversity finance follows traditional development finance patterns driven by donor interest (strategic, economic, historical ties), recipient merit (governance, democracy, liberal economic regulation, GCF accreditation) and recipient need (income levels, emissions, climate exposure, biodiversity richness). Across both selection and level-setting stages, the drivers of total development finance (columns 1 and 5 in Figure 3.3) mirror those for climate mitigation, adaptation and biodiversity (columns 2 to 4, and 6 to 8 in Figure 3.3), showing that climate and biodiversity finance is not allocated separately, but is conditional on broader development co-operation dynamics. More specifically, DAC donors prioritise economic partners and well-performing recipients, while multilaterals favour higher-income countries able to service debt. Climate and biodiversity allocations target abatement potential (high emitters for mitigation), biophysical risks (adaptation exposure, not full vulnerability) and biodiversity hotspots and dependency.

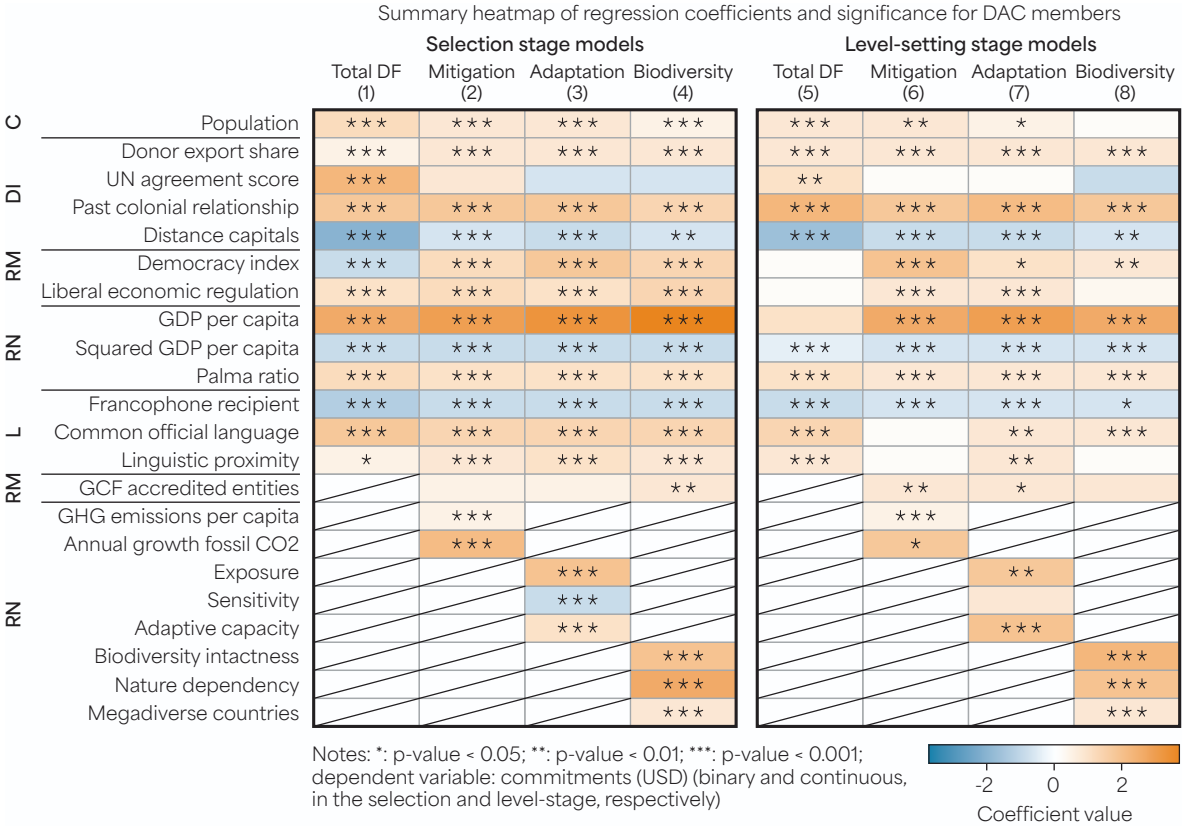
DAC donors prioritise strategic interests across environmental domains

DAC donor interest remains dominant across climate and biodiversity flows. Donor export share, colonial relationships and geographic distance consistently predict both selection probability and funding amounts, showing donors focus on recipient countries with economic and historic links (Figure 3.3). A key variable associated with allocation is *donor export share*, which is strongly and positively associated with both the decision to allocate and the amount disbursed, underscoring donors' specialisation in countries with whom they have economic ties. Additionally, historical and geographic ties such as *past colonial relationships*

and distance between capitals (*distance capitals*) remain significant and highlight enduring influences on bilateral relationships. Together, these stable predictors reinforce the fact that access to DAC finance – climate and biodiversity or otherwise – mirrors a core set of strategic donor interests, signalling their specialisation in some countries. This finding reinforces the point that climate and biodiversity finance to developing countries is essentially delivered in the same was as development finance and follows its key patterns.

FIGURE 3.3.

Climate and biodiversity bilateral finance allocation follows broader development finance dynamics



Note: Red cells indicate positive correlations with selection and level-setting stages of finance allocations, while blue cells indicate negative correlations. The intensity of the colours in the figure should be interpreted with caution. The independent variable distributions can inflate or deflate coefficients. Interpretation should therefore focus on coefficient signs and their statistical significance. C – control variable; DI – donor interest; RM – recipient merit; RN – recipient need; L – language.

Source: Authors based on OECD DAC CRS.

Bilateral allocations favour countries with higher incomes and high inequality, especially middle-income countries

Allocations increase with recipient income up to middle-income levels before declining, consistent across environmental categories and reflecting a concave pattern documented in the literature (Alesina & Dollar, 2000). This has previously been verified for climate finance (Weiler, Klöck, & Dornan, 2018; Tennant, Davies, & Tennant, 2024). LDCs/LICs face selection and volume hurdles due to their limited institutional capacity, whereas MICs benefit from stronger systems but see declining allocations as income grows. Countries at the lower end of the income level distribution receive less finance, despite having the greatest need and vulnerability. However, these lower allocation levels can be explained by smaller volumes of concessional loans (typically larger than grants), reflecting these countries' limited absorption capacity and debt sustainability constraints.

The analysis also shows that the population's income high inequality matters for access to climate and biodiversity finance. The Palma ratio – which measures income inequality using the share of gross national income (GNI) held by the richest 10% divided by the GNI of the poorest 40% (Cobham & Sumner, 2013) – is consistently associated with greater country-level access to finance from bilateral donors, especially for MICs where capacity is greater but inequality levels are also larger, at both the selection and level-setting stage.

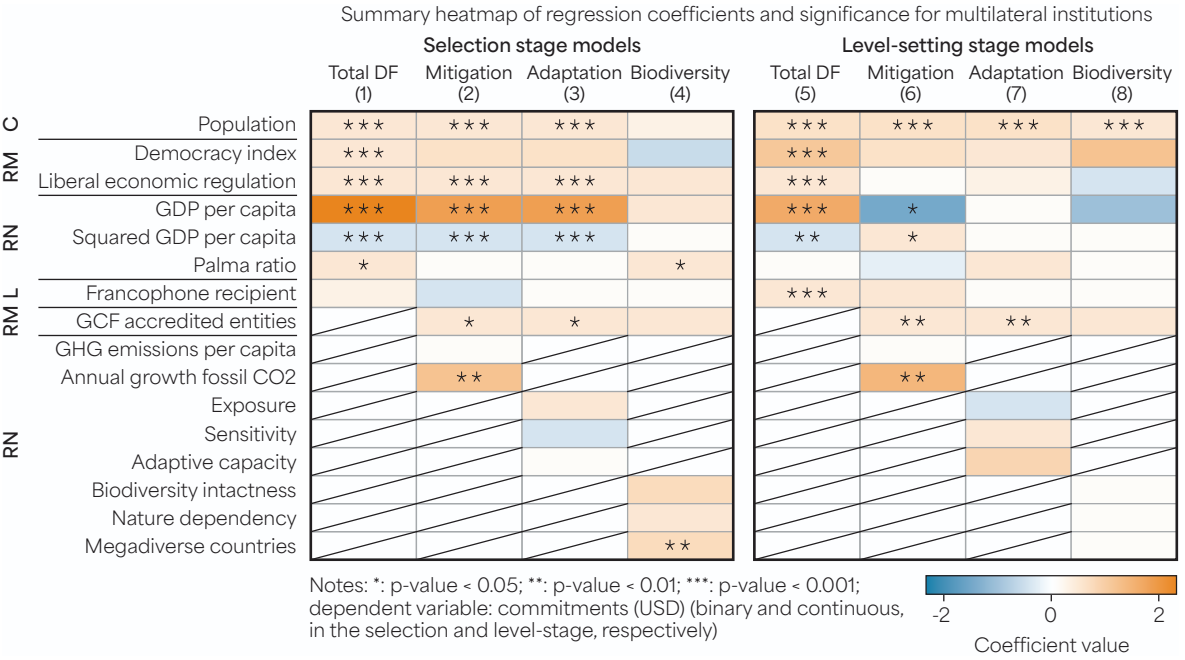
Multilaterals also favour higher-income recipients

Multilateral patterns differ, possibly due to the weight of MDBs and their greater use of debt instruments than VCEFs and other international organisations (Figure 3.4). For multilateral institutions, the established income-finance relationship persists in the selection stage but could not be confirmed in the level-setting stage. The lack of a significant relationship reflects the heterogeneity across the 26 institutions included (MDBs, UN agencies, VCEFs). However, aggregate patterns show increasing volumes to higher-income countries on less concessional terms (Figure 3.9).[23] In aggregate, multilaterals provide larger volumes of finance to higher-income recipients, with an almost linear association between funding levels and GDP per capita (log scale). The exception is biodiversity finance, which follows a convex pattern (reflecting the concentration of biodiversity hotspots in middle-income countries and with most biodiversity finance flowing to LDCs/LICs and again to UMICs).

23. Additional reasons explaining the lower statistical significance of the independent variables in the multilateral institutions' models are the following: (i) multilateral models lack donor-specific variables, compared to bilateral models; (ii) two differing accounting methodologies (Rio markers and climate component) are combined for the two climate sub-samples; and (iii) there is a smaller number of observations, especially in the level-setting stage.

FIGURE 3.4.

Multilateral institutions overall provide larger volumes of finance to higher-income recipients



Note: Red cells indicate positive correlations with selection and level-setting stages of finance allocations, while blue cells indicate negative correlations. The intensity of the colours in the figure should be interpreted with caution. The independent variable distributions can inflate or deflate coefficients. Interpretation should therefore focus on coefficient signs and their statistical significance. C – control; RM – recipient merit; RN – recipient need; L – language. Total DF refers to total public international finance. Only activities from multilateral institutions with a positive contribution to climate change mitigation, adaptation and/or biodiversity have been included in the model, i.e. 26 multilateral institutions. Variables relying on donor-specific information were excluded, as such information is not applicable to multilateral institutions.

Source: Authors based on OECD DAC CRS.

Loans in climate and biodiversity finance have consequences for vulnerable countries

Rising concerns over the high share of loans in climate and biodiversity finance need careful unpacking. This pattern reflects, above all, the sectoral structure of climate portfolios and the dominant role of MDBs, which operate primarily through debt instruments. Once the sector targeted for a climate intervention is considered, the apparent bias towards loans disappears, suggesting that donors concentrate in large, revenue-generating mitigation and natural-resource projects typically financed on non-grant terms. This debt-heavy model can be appropriate and productive when managed wisely (Acheampong, Shahbaz, Dzator, & Jiao, 2022; Bouchrara, Rachdi, & Guesmi, 2020), by laying the groundwork for sustainable growth and by financing key social and economic infrastructure investments (Bohoslavsky,

Laskaridis, & Prato, 2025). The Economic and Social Survey of Asia and the Pacific (2023), for example, suggests that higher debt levels can have long-term benefits (Kushawaha & Jain, 2025). However, for climate and biodiversity finance access, the use of loans instead of grants can create critical barriers, especially for the most vulnerable countries (Box 3.2).

BOX 3.2.

Drivers behind the dominance of loans in climate and biodiversity finance and the consequences for vulnerable countries

In developing countries, a large proportion of climate and biodiversity finance is provided as loans rather than grants. OECD data for 2023 shows that 43% of DAC climate finance was provided as loans, compared with 57% loan portion of climate finance for multilateral institutions. For biodiversity finance, the contrast is even stronger: only 19% of overall DAC ODF were issued as loans, compared with 46% for total biodiversity finance. Again, multilaterals drive this difference (71% as loans) (OECD, 2025).

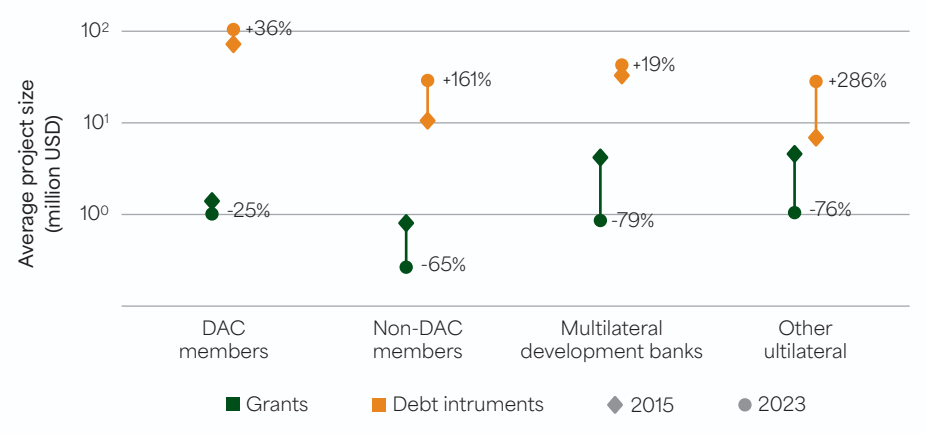
While the use of loans has been higher than grants in climate finance relative to overall public international finance, this trend has declined since 2015, although 2023 saw a renewed increase for adaptation finance. Moreover, while the recent difference remains significant, it is essentially accounted for by the strong focus on climate-related financing in sectors that are characterised by non-grant financing (e.g. economic infrastructure). Once these sectors are controlled for, the bias towards loans in climate financing disappears (OECD, 2024). This tendency is further exacerbated by the fact that the average volume of debt instruments increased over 2015-2023, while the average volume of grants decreased across bilateral and multilateral donors (Figure 3.5).

Taken together, these trends point towards financing approaches that are suited to larger economies with higher income levels than most LDCs/LICs and SIDS, while reliance on smaller grant projects risks leaving some strategic needs unmet in those countries.

Given that most climate and biodiversity multilateral finance is debt-based and many recipient countries face moderate or high debt distress, the role of debt sustainability frameworks (DSFs) – such as the joint IMF-World Bank DSF for low-income countries (World Bank, n.d.) – warrants closer scrutiny. These frameworks assess debt-carrying capacity and risk of distress to guide lending decisions, but critics argue that they often underestimate long-term climate and nature financing needs, leading to overly restrictive grant allocations even for highly vulnerable countries. One policy response has been to prioritise grants (or highly concessional terms) for climate and biodiversity finance in countries classified as high risk of debt distress under DSFs, freeing fiscal space for adaptation and biodiversity without exacerbating sustainability risks.

FIGURE 3.5.

Over 2015-2023, climate and biodiversity finance loans increased in size, while that of grants decreased



Note: The figure reflects donors of climate and biodiversity finance, identified through the climate change mitigation, climate change adaptation and biodiversity Rio markers, as well as through the climate component methodology. Activities identified through the climate component methodology are taken at their face value to ensure consistency. Projects which include both a grant and debt component are considered as two different projects.

Source: Based on the data from the Creditor Reporting System (OECD, 2025) and the climate-related development finance dataset (OECD, 2025).

Grants and highly concessional finance are better suited to supporting global public goods and addressing environmental needs in developing countries (Le Van, Pham, & Pham, 2023; Mukherjee, Rübbelke, Stahlke, & Brumme, 2022). Conversely, loans require repayment, as well as financial viability to be sustainable, and value creation above the cost of capital to be economically effective. Overall, grants and debt instruments serve different purposes and are complementary. While grants address urgent financing needs that cannot be viably met with other instruments, return-based instruments offer potential for sustained, reinvested funding streams, enabling ongoing support beyond the one-time allocation of grant finance. The ability to generate, use and manage debt in support of meeting policy objectives and underpinning investments into sustainable development is a basic aspect in the process of countries' development pathways.

The broader debate on the use of grants and loans highlights fundamental concerns about overall debt sustainability in developing countries, linked to their wider development financing needs and levels of economic and financial development. They also raise questions about accumulating "climate or nature debt" for crises that these countries have not caused or have only marginally contributed to. There are calls for the 'historical liabilities' linked to global climate change and biodiversity loss to be compensated for using grants rather than debt (Masamba, 2024); and for debt relief to free up public resources to deal with climate emergencies (Kenewendo, Njoroge, & Dryden, 2024).

Without such an approach, the implications for access are thus stark, as taking on debt creates a paradox for delivering environmental goals in developing countries: the more climate-vulnerable and fiscally-constrained a country is, the less it can safely access the dominant instruments on offer (Expert Review on Debt, Nature and Climate, 2024). For biodiversity, the macroeconomic structure of a country (rather than biodiversity conditions) significantly influences whether debt financing is viable. This dynamic is especially acute for LDCs/LICs or SIDS, which may not be in a position to take on further debt to protect ecosystems. As a result, MICs with greater domestic resource mobilisation and debt servicing capacities can access financing while poorer, high-debt countries have more difficulty (but often greater needs) to do so (Christiansen, et al., 2025). This is leading many donors, especially MDBs, to rethink their approach to concessional financing (e.g. see the AfDB's recently created Climate Action Window to scale concessional climate finance across 37 LICs in Sub-Saharan Africa; (African Development Bank Group, n.d.).

Bilateral and multilateral donors reward democratic governance and market-friendly regulation

Democratic governance may play a comparatively strong role, correlating with the amount of climate and biodiversity finance received relative to overall flows. Significant positive links are observed in both the selection and allocation stages. This had already been observed for climate mitigation (Halimanjaya, 2014) and adaptation finance (Robinson & Dornan, 2016; Robertsen, Francken, & Molenaers, 2015). The presence of democratic institutions correlates with both selection and volumes of climate and biodiversity finance across all environmental categories, likely reflecting donors' preference for transparent, accountable systems with better environmental data and oversight (Fiorino, 2018; Li & Reuveny, 2006; Averchenkova, Plyska, & Wahlgren, 2022).

Market-friendly regulation (measured by the quality of credit and labour markets, business regulations and competition policy, measured by the liberal economic regulation variable in Figure 3.4) also correlates with a recipient being selected for climate and biodiversity finance. This suggests that open, market-oriented regulatory frameworks create enabling conditions valued by donors when selecting recipients. This is consistent with the principle of conditionality, i.e. the practice of linking allocations to the adoption of specific policy or governance reforms (Heckelman & Knack, 2008). However, liberal economic regulation is only significantly correlated with DAC member climate finance allocations, not with the overall allocation of DAC finance. This reflects the greater reliance of climate projects (especially mitigation projects) on commercially viable, investment-driven interventions whose scale and financing volumes are more sensitive to predictable, market-friendly regulatory environments than the predominantly grant-based social sectors of overall public international finance.

For multilateral institutions, liberal economic regulation is also linked to their climate outflows, suggesting they act as a reward for reforms to improve the business and regulatory environment (Yackee, 2016). This underscores how strengthening domestic institutional and regulatory frameworks can act as a concrete lever for improving countries' access to climate and biodiversity finance.

GCF accreditation boosts multilateral access but not overall funding

The analysis shows that countries with GCF-accredited entities have higher odds of being selected for climate finance and receive larger funding amounts (from the GCF and other multilaterals). Accreditation signals that a country has the technical, financial and fiduciary capacity to manage climate projects, highlighting the value of strong domestic institutions and credibility. For DAC donors, the advantage only appears in funding amounts, not in initial selection. This access hurdle may also explain why the most climate-vulnerable countries, which tend to lack institutional capacity, struggle to secure funds from VCEFs (Garschagen & Doshi, 2022).

This raises a subsequent question: *to what extent does accrediting an entity significantly improve a country's overall access to climate and biodiversity finance?* The analysis does not find any significant increase in selection probability or funding amounts after accreditation for the three climate and biodiversity subsets, either from DAC members or from multilateral donors, (see Annex A, Box A.1). Therefore, while accreditation can help countries that already have strong institutions to diversify their channels of finance, it cannot be viewed as a quick route to raising climate and biodiversity funding for countries lacking institutional capacity. These results reinforce the conclusions of Chapter 2: over-reliance on VCEFs as the "go-to shop" for climate and biodiversity finance is insufficient to secure adequate funding and does not necessarily unlock additional resources from other donors. The emphasis placed on VCEFs in recent UNFCCC and CBD COPs may thus be misplaced.

Language barriers disadvantage francophone countries in accessing DAC funding

Ease of communication between country pairs significantly correlates with DAC allocations. Indeed, the coefficients for common official language and linguistic proximity of country pairs are significant and positive in both stages across most model specifications. The trade literature has already recognised the positive influence of sharing a language on bilateral trade (Egger & Lassmann, 2012; Melitz, 2008). In the development co-operation sphere, having a common official language can help make the recipient country's political and legal system more transparent to the donor, thereby reducing transaction costs associated with delivery (Lundsgaarde, Breunig, & Prakash, 2010). Linguistic proximity between countries also facilitates co-operation even in the absence of a shared official language. Francophone

countries (i.e. those with French as an official language) appear more disadvantaged than other recipients, as the variable's coefficient (*francophone recipient*) is consistently negative across models and stages for DAC members (Figure 3.3), which could be interpreted as a language-related barrier in accessing climate and biodiversity finance. However, francophone countries are also concentrated at the lower end of the income distribution, which is linked to limited use of debt-based instruments and constrained institutional capacity (discussed further in Section 3.5).

3.4. Environmental factors are incorporated into allocation decisions, but do not overcome underlying access constraints

DAC climate mitigation finance targets both high and rising emitters, while multilaterals only focus on countries with rising emissions

Recipients with high and/or growing emissions per capita are positively correlated with both the likelihood of receiving DAC member mitigation finance and its volume (Figure 3.3). DAC donors' allocation of their mitigation finance indicates a possible intention to maximise abatement potential, assessed using a static variable (*GHG emissions per capita*) and a dynamic variable: the annual growth rate of fossil CO_2 emissions (*annual growth fossil CO_2*) (Annex A). The GHG emissions per capita variable has a positive coefficient at both stages. DAC donors direct mitigation finance towards high and rising emitters to maximise emission reductions, but this leaves low-emission, highly vulnerable countries systematically underserved (e.g. countries that still need investments in renewable energy to become more resilient).

While previous research has tested a variety of emissions measures based on CO_2,[24] the results have not always been significant, or they displayed opposing signs at the two stages (Halimanjaya, 2014; Halimanjaya, 2016; Fageda & Fioravanti, 2024; Tennant, Davies, & Tennant, 2024). The present study has included an estimate of all GHGs, as well as emissions and removals from land use, to reflect the fact that donors not only engage in CO_2-emitting sectors, such as energy or transport, but also land-use-related sectors, which represent a large part (e.g. combating deforestation).

Regarding the dynamic assessment, DAC members' financing is also positively associated with recipients whose carbon dioxide emissions are increasing, as suggested by the

24. The measures covered were CO_2 emissions, CO_2 emissions per capita, CO_2 emissions per unit of GDP, change in CO_2 intensity and emissions of the different greenhouse gases analysed separately.

positive coefficients of the *annual growth fossil CO_2* variable. While multilateral institutions do not show a correlation between their mitigation funding and the level of emissions, their allocations at both stages are positively associated with recipients with rising emissions.

DAC adaptation finance targets climate exposure, while multilaterals focus on adaptive capacity – but none consider all dimensions of vulnerability

The allocation of climate adaptation finance is associated with climate risk exposure but does not target overall climate vulnerability. Adaptation finance is assessed here using three variables (Table A.1, Annex A):

- Exposure: Degree to which a system faces biophysical climate-related risks;
- Sensitivity: Extent to which a country depends on climate-vulnerable sectors, or size of population at risk;
- Adaptive capacity: Ability of a country to cope with climate impacts using social, economic, and institutional resources.

Recipient countries facing greater biophysical climate risks, i.e. exposure, are more likely to receive adaptation finance and in greater volumes from DAC members. This finding is supported by the literature (Betzold & Weiler, 2017; Weiler, Klöck, & Dornan, 2018; Tennant, Davies, & Tennant, 2024). Vulnerability however includes all three subdimensions: exposure, sensitivity and adaptive capacity (IPCC, 2022; IPCC, 2014; IPCC, 2007). Some authors point to a concave relationship between the level of DAC financial support and the vulnerability level, with funding peaking at moderate vulnerability (Islam, 2022; Saunders, 2019). This argument is also supported by the models' results: (i) the level of climate sensitivity is negatively correlated with receiving funding and has no influence on the level received; and (ii) adaptive capacity is positively correlated with selection and level-setting (Figure 3.3).

Two factors could explain these results. First, exposure is the most tangible and quantifiable dimension of adaptation and may allow donors to easily identify biophysical risks and allocate funds. Second, adaptive capacity reflects a performance dimension, whereby high adaptation capacity may indicate that recipients possess the social, economic and institutional resources to effectively absorb and implement adaptation measures, possibly explaining the positive influence on the allocation of finance.

Multilateral adaptation finance does not exhibit any statistically significant association with any of the vulnerability dimensions at either stage (Figure 3.4). In other words, multilaterals seem to prioritise countries that already have stronger systems and capacity to manage climate risks, sidelining those with greater exposure, fragility or other urgent needs. This pattern risks deepening inequities. These results echo those in the OECD's *Development Co-operation Report* (OECD, 2024), which signalled that adaptation finance needs to be made more poverty- and inequality-sensitive.

Biodiversity finance from DAC and multilateral donors targets biodiversity hotspots and ecosystem-dependent economies

Biodiversity finance is directed towards countries that both host the richest ecosystems and/or rely the most on ecosystem services. Financing to biodiversity is assessed using three variables (Table A.1, Annex A):

- Biodiversity intactness: Estimated percentage of the original number of species that remain and their abundance;
- Megadiverse countries: Dummy denoting megadiverse countries;
- Nature dependency: Magnitude of currently used ecosystem services (product of supply and demand).

At both the selection and level-setting stage, all three variables are positively and significantly associated with the allocation of DAC biodiversity finance (Figure 3.3). This reflects the fact that donors deploy a large share of biodiversity finance in sectors linked to biodiversity: general environmental protection, agriculture and water and sanitation represented 59% of biodiversity finance from DAC members and 49% of multilaterals' total over 2015-2023 (OECD, 2025). Megadiversity is the variable most strongly linked to multilateral institutions' choice of recipient country (Figure 3.4). These findings are aligned with previous studies on this topic, which found that finance was allocated to biodiversity-rich and well-governed countries (Miller, 2014). Additionally, DAC members could follow an integrated approach to biodiversity finance allocation, directing support not only to countries richly endowed with biodiversity, but also to those with livelihoods depending on ecosystem services. This may indicate their aim to deliver socio-economic benefits alongside biodiversity gains, which is essential for aligning with recipient countries' agendas on the sustainable use of natural resources, rather than framing support through a conservation-only lens.

3.5. The overall allocation outcomes point to structural inequities and persistent access gaps

The preceding analysis has shown that donor interest, recipient merit and recipient need reflect climate and biodiversity finance allocations at the aggregate level. This section analyses allocation patterns for the most vulnerable country groupings – LDCs/LICs, SIDS, contexts with high or extreme fragility and francophone countries – and explores what they imply for equity and access.

Mitigation overshadows adaptation finance despite vulnerability to climate change

Finance for adaptation are lower than those for mitigation. This mirrors the earlier finding that donors favour measurable abatement potential (i.e. high emitters) over less tangible vulnerability and adaptive capacity. This has direct implications for country groups highly exposed to climate risks. For example, LDCs/LICs and SIDS have consistently emphasised the importance of adaptation for effective climate action and keep their development paths on track. The relative under-provision of adaptation finance at a global level (compared to mitigation finance and growing country needs) may therefore imply, all things being equal, a more limited pool of finance for these countries to access.

Access debates at recent UNFCCC COPs have focused on delivering the Glasgow pledge to at least double adaptation finance by 2025 and on the Paris Agreement's aim to balance mitigation and adaptation finance (Box 3.3). Despite continuous increases, climate finance is still skewed toward mitigation. In 2023, mitigation accounted for 72% (USD 103.5 billion) of climate finance, while adaptation accounted for 45% (USD 65 billion) (OECD, 2025).[25] In addition, structural factors may hinder access to adaptation finance: projects are often smaller, highly context-specific and generate public-good benefits without clear revenue streams to attract all donors or private capital (IEU GCF, 2021). This makes them slower to approve and harder to measure, limiting pipeline development. As a result, the countries that are highly exposed but have low adaptive capacity remain systematically underserved by adaptation finance, even when they are frequently selected for mitigation or other flows. This is depriving the countries with the most urgent needs – such as SIDS and countries in low-lying South Asian deltas, the Sahel, Horn of Africa and tropical Andes – of equitable funding

BOX 3.3.

Provisions to increase international climate adaptation finance by 2025

The Glasgow Climate Pact, adopted at UNFCCC COP26 in 2021, aimed to achieve a balance between adaptation and mitigation in the provision of scaled-up financial resources (UNFCCC, 2021). The pact urged developed countries to at least double by 2025 their collective provision of climate finance for adaptation to developing countries from 2019 levels (UNFCCC, 2021). At UNFCCC COP27 in 2022, the Glasgow-Sharm el-Sheikh Work Programme on the Global Goal on Adaptation advanced technical work on assessing adaptation needs and on tracking progress towards the Glasgow Climate Pact commitment (UNFCCC, 2022). In 2024, the UNFCCC's Standing Committee on Finance announced that "significant progress has already been made toward doubling adaptation finance from 2019 levels" (SCF, 2024). In addition, "scaled-up

• • •

25. The total figures exceed 100% since overlaps have not been discounted. Some projects include both adaptation and mitigation objectives, but their relative budget shares are not always specified.

adaptation finance also continues to target the countries that are most vulnerable to climate change, in particular [LDCs and SIDS]". Yet, as Chapter 2 and the econometric analysis in this chapter both highlight, this does not necessarily mean that these groups receive adaptation finance at the scale or on the terms needed to match structural vulnerabilities.

Allocations linked to absorption capacity are a fundamental constraint for vulnerable countries

The econometric results reveal a pattern indicating that a country's ability to manage finance may be more relevant for allocation outcomes of climate and biodiversity finance than structural vulnerability. This bias towards countries with stronger recipient merit and donor interest reinforces the patterns identified earlier and could mean that some vulnerable countries are left out, while others are prioritised. To unpack these inequities, the following subsections compare different country groups' relative access by plotting per capita climate and biodiversity finance against income per capita.

Least developed and low-income countries receive greater climate and biodiversity finance compared to other countries

LDCs/LICs are vulnerable to the effects of climate change. While they have contributed only about 1% of global emissions, they have seen a fivefold increase in climate-related hazards since the 1970s (UNCTAD, 2022). The funding LDCs/LICs receive is not enough given their needs and vulnerability levels, especially considering their tight constraints for mobilising domestic resources.

Figure 3.6 shows that LDCs/LICs receive higher levels of climate and biodiversity finance than overall public international finance per capita. LDCs/LICs (shown in green in the graphs) are mostly located above the trend line for other developing countries (shown in grey on the graphs) for the three climate and biodiversity finance categories. This is especially true for biodiversity. This means that, relative to the very low per capita finance typical for their income level, LDCs/LICs perform somewhat better on climate and biodiversity finance than total finance. This explains the convex shape observed in their trend line, in part driven by richer SIDS within the LDC/LIC group. In other words, climate and biodiversity finance slightly corrects, but does not overturn, the structural disadvantage of LDCs/LICs in the allocation system.

This pattern underscores LDCs/LICs' relative priority within climate and biodiversity allocations, though they remain far more dependent on external resources than MICs, exacerbating their vulnerability to access gaps, disbursement delays and shifts in donor priorities.

FIGURE 3.6.

LDCs/LICs receive higher levels of climate and biodiversity finance than overall development finance per capita

Note: Climate and biodiversity finance has been identified through Rio markers and climate components. Other countries include all other ODA-eligible countries. Polynomial trend line fits a curved relationship using powers of a variable.

Source: (OECD, 2025; World Bank, 2025).

Small island developing states receive generous finance, but insufficient concessional flows to face escalating climate risks and debt

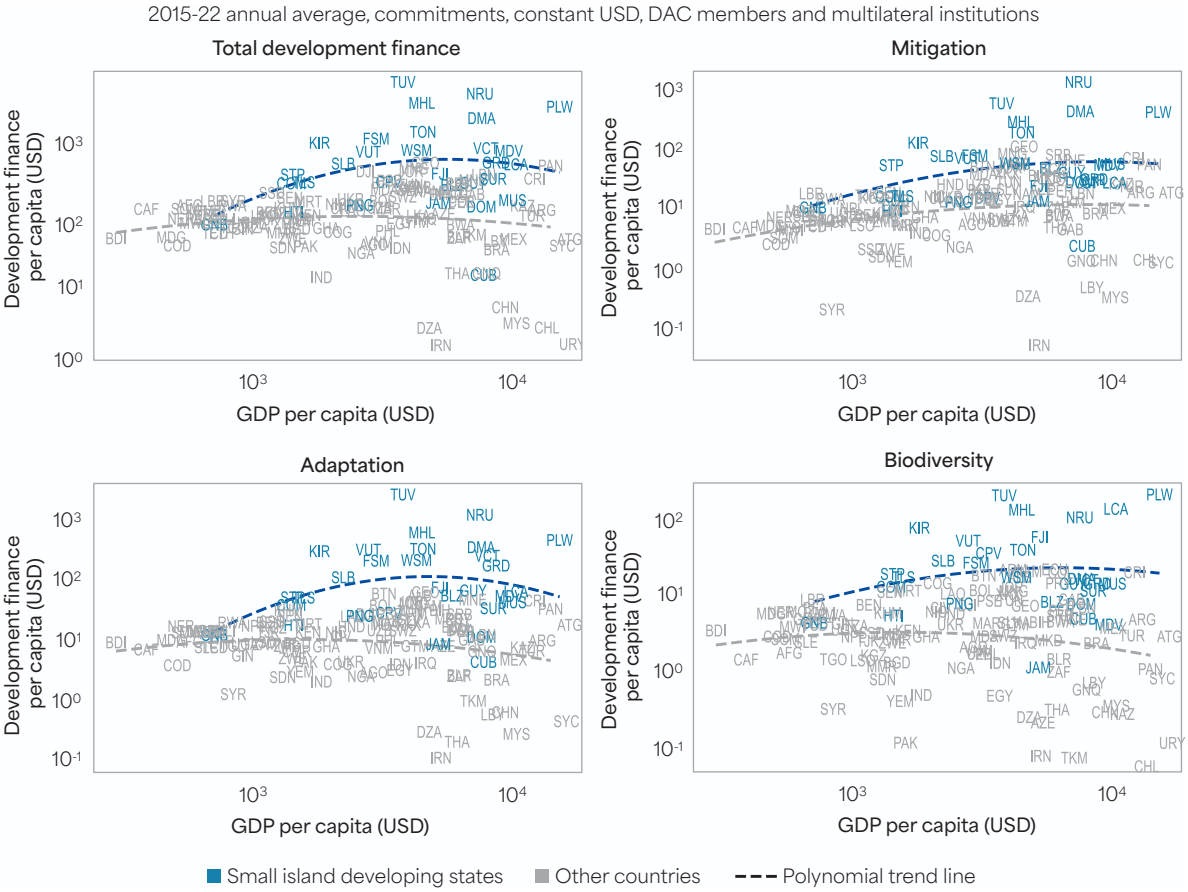
Data shows that SIDS are relatively favoured in the allocation of per capita finance – climate and biodiversity and overall – compared to other countries. Despite being a heterogenous group of countries, SIDS share a set of characteristics, notably small populations, narrow resource base, remoteness from international markets, vulnerability to climate change and high import and export costs (OECD, 2018). This creates common challenges in addressing climate and biodiversity priorities, especially adapting to climate hazards. Reflecting this, DAC members and multilateral institutions provide higher volumes of finance to SIDS,

especially for adaptation and biodiversity, compared to other countries (Figure 3.7). Multilaterally, SIDS are prioritised by VCEFs, which have special provisions or windows for SIDS; while several DAC members (Australia, New Zealand, Japan or the European Union and its member states) have also developed tailored climate packages for SIDS.

Yet, despite higher per capita commitments, previous OECD research showed that donors struggle to meet SIDS' growing climate-related needs (OECD, 2023). In addition, higher levels of finance also imply greater ODA dependency, increasing vulnerability and the need to diversify funding sources (Piemonté, Cattaneo, Morris, Pincet, & Poensgen, 2019). Thus, SIDS appear as "winners" in per capita terms within the current allocation logic but receive insufficient concessional flows to face escalating climate risks and avoid debt burdens.

FIGURE 3.7.

Small island developing states receive higher levels of climate and biodiversity finance



Note: Climate and biodiversity finance has been identified through Rio markers and climate components. Other countries include all other ODA-eligible countries. Polynomial trend line fits a curved relationship using powers of a variable.

Source: (OECD, 2025; World Bank, 2025).

While larger income levels usually go along with significant domestic resource mobilisation capacity and the ability to access capital markets, SIDS often remain constrained due to their small size and structural factors. Moreover, SIDS are uniquely exposed to environmental impacts: a single climate-related shock can erase years of development gains, generating losses equivalent to more than 100% of GNI and pushing economies backwards despite having higher income statuses. As a result, SIDS prioritise continued access to concessional finance, as well as debt relief, even when crossing income thresholds. In these contexts, institutional arrangements, such as dedicated climate funds and high-level co-ordination mechanisms, are deeply linked to securing and sustaining such access (Oh-Seng, Klöck, & Deenapanray, 2025).

Highly or extremely fragile contexts face a "fragility penalty" in accessing climate and biodiversity finance

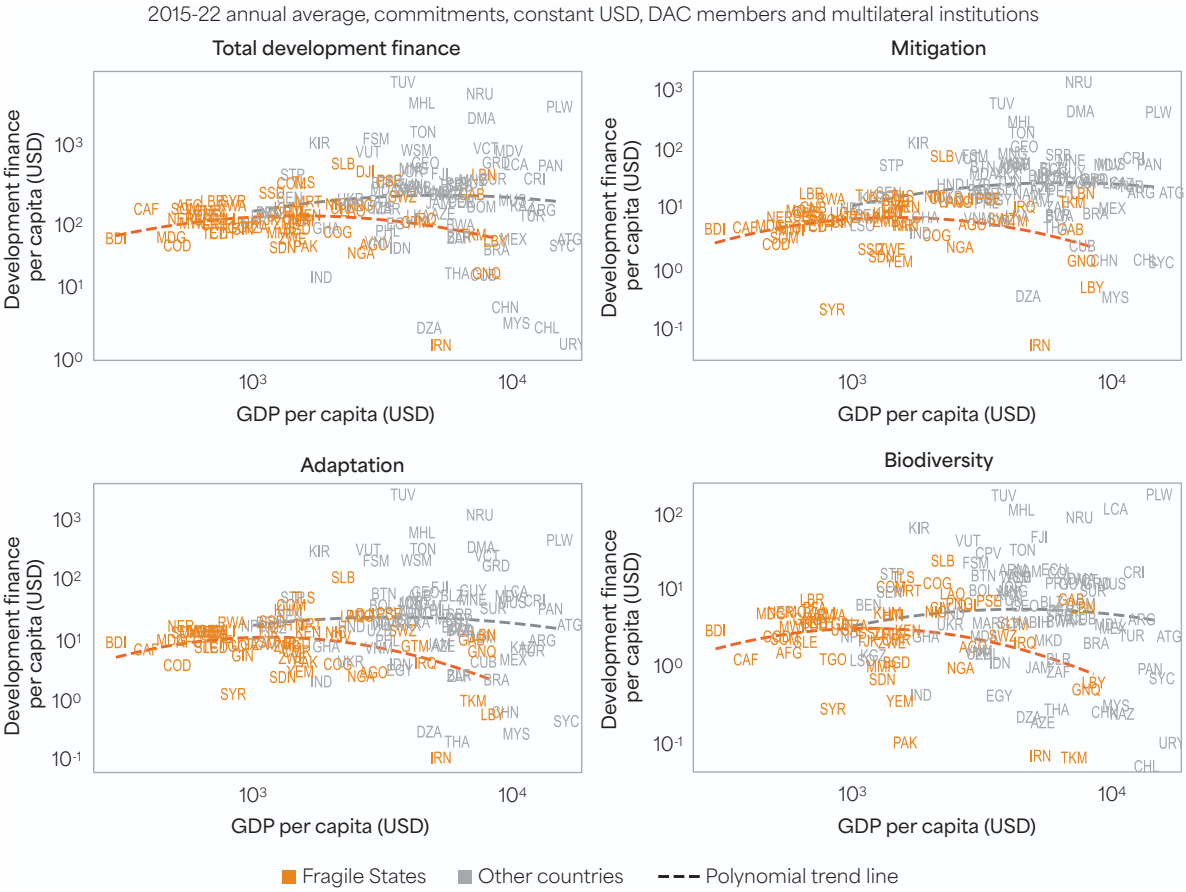
Highly or extremely fragile contexts consistently receive lower levels of public international finance, as well as climate and biodiversity development finance per capita, than countries at similar income levels (Figure 3.8). This finding is in line with other research (Villar-Roldán, Galiano, & Martín-Álvarez, 2025) and is most visible for adaptation, despite these countries' acute vulnerabilities. The OECD defines fragility as a "combination of exposure to risk and the insufficient resilience of a state, system and/or community to manage, absorb or mitigate those risks" (OECD, 2025). Contexts with high or extreme fragility are therefore associated with higher multidimensional risks and less robust institutions than other countries, which are obstacles to the deployment of activities (OECD, 2023). This is especially visible for those countries higher up the income level distribution, which receive less than other countries with the same income levels. This means that the same fragility that heightens the need for climate and biodiversity action also deters donors from engaging at scale, reinforcing a "fragility penalty" in access to climate and biodiversity finance.

Francophone countries can face language-linked access barriers with some donors

The econometric results suggest that francophone countries may face language barriers primarily with DAC donors and VCEFs, but not other multilaterals, and for climate but not biodiversity finance. Francophone recipients receive relatively less than non-francophone countries from DAC members, mainly because they are clustered in the lower range of income level per capita, meaning capacity limits allocations to them (Figure 3.9). This, compounded by language frictions, reflects the concave income pattern identified earlier.

FIGURE 3.8.

Fragile contexts receive the lowest rates of finance per capita despite high need and vulnerability



Note: Climate and biodiversity finance has been identified through Rio markers and climate components. Other countries include all other ODA-eligible countries. Polynomial trend line fits a curved relationship using powers of a variable.

Source: (OECD, 2025; OECD, 2025; World Bank, 2025).

FIGURE 3.9.

Finance from DAC members to francophone recipient countries versus other countries, by income level

Note: Climate and biodiversity finance has been identified through Rio markers. Other countries include all other ODA-eligible countries. Polynomial trend line fits a curved relationship using powers of a variable.

Source: (OECD, 2025; World Bank, 2025).

The analysis is also consistent with findings on language barriers hindering VCEF access for francophone Africa (Gandonou & Jones, 2024; ECOWAS, 2020; Tippmann, Agoumi, Doria, Henders, & Goldmann, 2013; IFDD, 2023). This partly reflects the fact that VCEF processes are centralised (and English predominates), thus affecting all stages of the financing process, from the preparation of proposals and accreditation documents to reporting and monitoring requirements, where official templates, guidelines and calls for proposals are often available only in English. Limited translation of fund documentation and the scarcity of bilingual technical experts or accredited entities compound this challenge, making francophone countries dependent on consultants and intermediaries. OECD data shows that, when adjusted for population size, climate finance from DAC and multilateral

donors in 2023 was 44% higher in English-speaking countries than non-English-speaking countries and 32% higher than French-speaking countries, respectively (OECD, 2025).[26]

In the case of biodiversity, the aggregate pattern is reversed: in 2023, English-speaking countries received 15% less per capita than non-English-speaking countries, and French-speaking countries received on average 1.8 times more per capita than English-speaking countries (OECD, 2025). This suggests that language is only one of several factors shaping access, alongside income level, regional concentration of biodiversity programmes and historical ties with bilateral donors. However, since 2015, francophone countries have narrowed their overall access gap through donor efforts to make access procedures more inclusive, including translating key documents, regional capacity development programmes and the accreditation of francophone regional development banks and agencies.

Multilateral outflows contain no francophone disadvantage. This signals that, unlike DAC members, multilateral institutions' finance rises almost linearly with income (on a log scale) (Figure 3.10). This reflects their predominant use of loans, which privileges recipient countries with macroeconomic stability and capacity to service debt – characteristics of higher-income recipients. Only biodiversity finance shows a mild downward relationship with income, reflecting the presence of biodiversity hotspots among lower income countries (e.g. Central Africa, Madagascar).

3.6. Access to finance goes beyond eligibility and requires a shared reform agenda by donors and developing countries

The econometric analysis in this chapter reveals that climate and biodiversity finance allocation mirrors traditional development finance patterns: DAC donors prioritise strategic ties and high-performing recipients, multilaterals favour debt-servicing capacity in MICs;, and overall there is a focus on abatement potential (high emitters), exposure (adaptation) and biodiversity hotspots. Allocations systematically underserve LDCs/LICs, contexts of high or extreme fragility and the most vulnerable and needy countries. SIDS perform better per capita but remain grant-dependent, while francophone countries face compounded income-language barriers from bilateral donors but not multilateral institutions.

While these results illuminate broad allocation patterns, they reveal a critical gap: neither eligibility, nor vulnerability or need, ensure effective access. Donor interests and merit criteria amplify gaps that are exacerbated by developing country capacity constraints. This underscores that access is a shared agenda requiring joint reforms on both sides.

26. For VCEFs, finance to English-speaking countries is 35.6% higher than non-English-speaking in 2023, and 43% higher than to French-speaking.

FIGURE 3.10.

Finance from multilateral institutions to francophone countries mirrors countries' GDP per capita levels

Note: Climate and biodiversity finance had been identified through climate components and biodiversity estimations. Other countries include all other ODA-eligible countries. Polynomial trend line fits a curved relationship using powers of a variable.

Source: (OECD, 2025; World Bank, 2025).

While this chapter has helped dispel or confirm broad conceptions of access inequities, country-level models have limited explanatory power and overlook strategic, institutional, fiduciary and project-level bottlenecks that influence countries' access to climate and biodiversity finance. To explore these more deeply, Chapters 4 and 5 unpack developing country and donor-side dynamics that amplify or mitigate the patterns identified here, drawing on qualitative evidence from case studies to reveal why vulnerable countries like LDCs/LICs, SIDS and contexts with high or extreme fragility often face persistent access barriers despite greater need. Annex B summarises the econometric results of Chapter 3, and their implications for developing country and donors in Chapters 4 and 5, as well as how they help explain the current access to finance gap.

4 Overcoming country barriers to accessing climate and biodiversity finance

While action on climate and biodiversity is often framed as a finance gap, absorption capacity also potentially affects allocation outcomes. Deep structural constraints that shape a country's ability to effectively absorb finance and translate it into outcomes hold back potential for accessing finance and hinder developing countries from clearly defining a public mission on climate and biodiversity. Combined with the findings in the previous chapter that developing countries' income levels, governance and regulatory quality correlate with finance allocations, these results underscore the importance of the domestic enabling environment for accessing climate and biodiversity finance. This is examined in this chapter through six country case studies (Armenia, Gabon, Madagascar, Saint Lucia, Senegal and Togo).

KEY FINDINGS

Eligibility for climate and biodiversity finance does not guarantee access. Domestic enabling environments (the quality of political commitment, strategic alignment, institutional co-ordination, public financial management systems, technical capacity and financial mobilisation capability) are critical determinants of whether countries can access finance effectively.

- **Recipient country's commitments can be signalled through narratives, but require credible institutional backing**: Countries with clear, politically endorsed climate and biodiversity narratives can attract donor interest; however, absence of credible strategies, strong institutions and demonstrated capacity undermine these narratives.
- **Fragmented strategies hinder access**: Most countries possess NDCs, NAPs and NBSAPs, but often treat them as parallel catalogues rather than integrated national priorities. When lacking costings, sequencing and links to medium-term budgets, these documents fail to guide either domestic or donor resource allocation.

- **Institutional co-ordination is a make-or-break factor**: Countries with strong inter-ministerial bodies, clear mandates and regular finance and planning dialogue (e.g. systems for co-ordinating environment, finance and planning ministries) ensure stronger pipelines, allow for negotiations with multiple donors and absorb finance faster. Where mandates overlap or co-ordination is weak, donors will bypass national systems and/or reduce commitments.
- **Public financial management (PFM) systems and data transparency unlock access**: Robust PFM is an essential overall condition for the way donors provide financial support to developing countries. Green budget tagging, environmental fiscal mapping and transparent tracking of domestic/external spending help governments demonstrate effort and credibility. Their absence signals weak commitment and increases donor perceived risk.
- **Underdeveloped domestic instruments constrain public and private finance mobilisation**: Many developing countries lack capacity for carbon pricing, payment for ecosystem services and other revenue tools due to economic fragility and institutional gaps, though emerging national funds, trust funds, capital accounts, fiscal reforms and certification schemes show promise.
- **Capacity constraints are systematic bottlenecks**: Limited human capital, fragile data systems and weak project preparation capacity constrain access at every stage of the project pipeline – from concept design through accreditation, approval, procurement and implementation. These gaps are particularly acute for LDCs/LICs, SIDS, contexts with high or extreme fragility and francophone countries.

4.1. Strong narratives can initiate access to finance, but institutional capacity is key to ensure sustained flows

Access to finance requires mutual agreement between recipient and donor sides of a partnership. As developing countries partner with different donors, conveying a strong commitment to enhanced action and a clear plan for following through is essential to be perceived as a credible counterpart who can translate resources into outcomes on the ground. Donors assess country ownership and political will before committing climate and biodiversity finance, making such political commitments a key element that cannot be overlooked (Miller, 2014; Qin, et al., 2024).

Domestic narratives (i.e. a country's own development policy framing on how it presents its climate and biodiversity priorities, constraints and ambitions to align external finance with national objective) can communicate political commitment to the donor community. A compelling narrative can play an important part in signalling ownership and willingness to act and shape the dialogue with donors on partnering, funding and determining the volume and type of finance received – whether grants, loans or blended instruments. But donors distinguish between a country merely presenting a narrative and those with the credible

ability to implement it by grounding it in actual institutional co-ordination, established policies and demonstrated capacity for policy making and macroeconomic management. This is particularly important for climate and biodiversity, where implementation requires long-term human, financial and technological commitments, with returns visible years later (IPCC, 2023).

Narratives and commitments are shaped by domestic pressures, risk profiles and political incentives for climate and biodiversity, which vary widely across developing countries, leading to markedly different access outcomes. Six countries studied in this report (Armenia, Gabon, Madagascar, Saint Lucia, Senegal and Togo) have developed compelling climate and biodiversity narratives aligned with their specific development contexts and international positioning (Box 4.1, see also Annex C). Three of the African countries (Senegal, Madagascar, Togo) and Saint Lucia prioritise adaptation, resilience and biodiversity conservation in their narratives, seeking international solidarity to address climate impacts that are disproportionate to their emissions, while framing green growth as a development opportunity. In turn, Armenia and Gabon pursue mitigation as a growth lever (clean energy, low-carbon industry), aligning with donor and investor priorities to unlock larger volumes through loans and blended finance. However, narrative strength alone does not guarantee access – as seen in the case studies, institutional capacity and co-ordination affect realised inflows.

BOX 4.1.

Country case studies on strong climate and nature narratives to enhance access to finance

Six country case studies (Armenia, Gabon, Madagascar, Senegal, Saint Lucia, and Togo) were selected to better understand good practices and limitations to "access" climate and biodiversity finance. They span various regions (Africa, Caribbean, Caucasus/Europe), vulnerability profiles (coastal erosion and cyclones; drought and flood risk; forest and marine biodiversity loss) and groupings (least developed and low-income countries, small island developing states, francophone and non-francophone, lower- and upper-middle-income). They also reflect different needs: adaptation-heavy cases (e.g. disaster risk and coastal impacts), biodiversity-led cases (high forest cover or endemic species requiring conservation finance) and countries facing dual climate-nature pressures. Each country highlights distinct access pathways and hurdles, while the set examines the systemic factors that open or close the door to finance. The sample intentionally includes contrasting institutional set-ups to observe how the same donors, rules and instruments play out across different state capacities and realities.

Three of the case study countries are LDCs/LICs from Africa, with varying levels of fragility (Madagascar, Senegal and Togo) and which face severe climate impacts despite historically low emissions. They primarily need international support to help with climate adaptation and resilience, and biodiversity conservation. They are calling for international solidarity and risk-sharing in helping them along a pathway to reduce GHG emissions that aligns with their development needs. In their narratives, climate action is also framed as a driver of economic growth, jobs and improved energy access.

This outlook aligns with positions of the African Group of Negotiators under the UNFCCC and the African Ministerial Conference on the Environment, which prioritise adaptation finance and just transitions in the region (UNECA, 2023; African Union, 2022). At the same time, these countries advocate for integrated finance for resilience, livelihoods and nature. This reflects a broader trend in West Africa, where NAPs increasingly incorporate nature-based and climate solutions into development and investment frameworks (ECOWAS, 2019):

- **Madagascar** emphasises its unique biodiversity through the House of Green Diplomacy (a diplomatic and policy co-ordination space for environmental actors), which organises multi-sectoral consultations to develop co-ordinated and supportive positions in major international negotiations, as well as ambitious biodiversity and decarbonisation initiatives (e.g. the country has the highest renewable energy mini-grid in Southern Africa, the biggest solar plant in the Indian Ocean). Yet despite the country's compelling global profile and iconic biodiversity status, Madagascar's actual access to finance remains constrained – not by narrative weakness, but by institutional fragmentation, capacity limitations and co-ordination gaps. These are examined in this chapter, and illustrate that narrative strength alone does not translate into sustained access.
- **Senegal** – a country in the Sahel – promotes its large renewable projects as the subject of national pride. It expects its Just Energy Transition Partnership (JETP) to support its green vision and has secured significant blended finance inflows through co-ordinated government structures, clear sectoral strategies and established donor relationships. Senegal also stands out as a leader in implementing the Great Green Wall through integrated development, climate, poverty reduction and land restoration programmes, helping it access various sources of finance (Lake Zhu, Ndiaye, Dahm, Mauclaire, & Boas, 2025).
- **Togo** emphasises climate resilience because its deep-water port in Lomé – which underpins most of its trade, tax revenue and jobs – is highly vulnerable to sea-level rise, storms and coastal erosion (OECD, CCI, UN, & UNIDO, 2024). The viability of Lomé's port depends on landscape and seascape planning to protect it in the face of sea level rise (OECD, CCI, UN, & UNIDO, 2024; World Bank Group, 2025) and has attracted substantive financing. Togo exemplifies how coherent narratives paired with government-wide co-ordination and clear strategic direction improve actual finance access.

Saint Lucia (a SIDS) has a narrative emphasising existential climate risks – the country's survival and sovereignty are directly threatened by sea-level rise and extreme weather. This narrative resonates strongly with donors and justifies urgent, scaled-up climate finance commitments. Moreover, as in other SIDS, Saint Lucia's narrative has a strong dimension of justice (UNDP, 2022; IISD, 2024), emphasising the importance of grant-based support. SIDS often note they are doing more than their fair share, setting ambitious goals to become carbon neutral and restore degraded ecosystems, despite

their negligible global environmental footprint (Mohan, 2023; Mohan, 2022). When paired with Saint Lucia's simple institutional structure and clear decision-making processes, such a framing enabled access to targeted finance.

Armenia and **Gabon** are UMICs and are focused on climate change mitigation. With their rapidly growing energy demand and strong industrial ambitions, mitigation is framed as a development lever: clean energy, low-carbon industry, residential building efficiency and electrified transport are perceived as both climate action and a pathway to growth, technology transfer and cheaper capital (OECD, 2019). While these narratives increasingly consider the links between adaptation and biodiversity with the real economy and growth (OECD, 2026), they remain mitigation-focused and are strongly aligned with investor and donor priorities. When paired with clear strategies and demonstrated government capacity, such narratives could enable countries to access larger finance volumes and more diverse instruments (e.g. loans and blended finance):

- **Armenia** emphasises the development co-benefits in the promotion of renewable energy for attracting investment and partnerships (Green Agenda Armenia, 2025). The country is experiencing droughts and requires irrigation investment. As the host of the CBD COP17 in 2026 it also intends to highlight the links between biodiversity and development. Overall, it experienced unequal success in accessing all sources of climate and biodiversity finance.
- In **Gabon**, the sustainable management of natural resources is an enabler for low-carbon, biodiversity-positive development. Gabon is a global carbon sink, which treats the protection of Congo Basin forests as a matter of national sovereignty. However, limited international support for conservation is prompting questioning by Gabon over whether it might, paradoxically, be more effective for the country to begin deforestation to develop its economy (e.g. build infrastructure to support ecotourism, extract more wood) and attract international attention and finance. This situation reflects a core reality: even countries with strong conservation narratives and globally significant ecosystems cannot access sustained finance if their institutional capacity to manage and deploy that finance is not fit for purpose.

Source: For more details of these case studies, see Annex C.

These diverse narratives directly influence the type and volume of climate and biodiversity finance countries seek (and receive): adaptation-focused contexts like Madagascar, Senegal and Togo primarily attract grant-based support for resilience and conservation (though volumes remain small and are constrained by capacity); SIDS like Saint Lucia use their existential justice framing to leverage grants;[27] while mitigation-oriented countries like Armenia and Gabon secure larger blended and loan flows for mitigation (Annex C).

27. Existential justice refers to the framing used by some SIDS to emphasise that climate change is not only a development issue, but a threat to their survival, sovereignty, and continued existence as nations.

Critically, finance flows only scale into sustained, expanded access when they are paired with domestic credibility and readiness. Stakeholders interviewed in Gabon and Madagascar, for example, noted that these countries could receive greater donor funding if these factors improved, while in Saint Lucia and Senegal the emphasis was placed on sustainable debt management. The evidence from all six case studies adds up to a consistent and critical pattern: while compelling narratives can open initial donor conversations and secure pilot-scale finance, the degree to which those open doors translate into actual, sustained and scaled finance access depends on institutional clarity, strategic coherence and operational capacity. These are therefore examined throughout this chapter, while Chapter 5 shows that even when these domestic elements are in place, donor allocation choices, risk thresholds and procedural requirements can either reinforce or undermine the access gains that strong narratives and institutions in principle reinforce.

4.2. Coherent, integrated national strategies are prerequisites for turning eligibility into sustained climate and biodiversity finance access

Coherent, strategically integrated national climate and biodiversity strategies are prerequisites for converting formal eligibility into actual finance access. Strategies that are part of core domestic planning and budgeting are perceived as operational roadmaps that donors can use to scale finance. Strategies that sit apart from government systems struggle to translate into access; and finance remains fragmented and project-based in such cases.

Strong and integrated climate and biodiversity strategies can drive higher finance access

All six case study countries have at least one national climate and biodiversity strategy, such as an NDC, NAP, long-term strategy (LTSs) or NBSAP (Annex C). These UNFCCC- and CBD-mandated instruments are often required for eligibility, but their quality and integration with domestic systems vary. In practice, this variation shapes access: countries with costed, prioritised and budget-linked strategies attract more finance than those with disconnected, aspirational documents.

For climate change, all six countries rely on their NDCs to frame financing needs. Guidance from the UNFCCC now encourages NDCs to include investment plans that signal to public and private financiers how countries intend to implement climate action and mobilise resources (UNFCCC, 2024). Yet, among the case studies, only the NDCs of Armenia, Senegal and Togo were consistently viewed by donors as practical guides for support (Box 4.2). This echoes global trends, where not all countries are using NDCs yet to frame their

financing needs. A recent analysis finds that 60% of first NDCs and 74% of updated NDCs quantify climate finance needs, with the number of countries providing sector-level estimates for both mitigation and adaptation rising from 28 to 40 (out of 195 and 181 Parties with NDCs, respectively) (Isah, Egli, Schmidt, & Stünzi, 2025). Most NDCs distinguish between "unconditional" targets (to be met with domestic resources) and "conditional" targets (dependent on international support). In practice, the most transformative elements (e.g. large-scale power and transport decarbonisation, deep adaptation for agriculture and coasts) are typically conditional. Countries therefore face a structural dilemma: to attract international finance, they require ambitious, operational plans, yet domestic stakeholders may resist endorsing far-reaching reforms without credible financing guarantees. Case studies show that high-cost adaptation measures are often placed in the conditional section to signal need but are downscaled or postponed when finance fails to materialise.

BOX 4.2.

Togo's 2021-2025 Presidential Roadmap's cross-ministerial integration reassures donors

Robust, coherent, prioritised strategies can act as access enablers. A strategy that identifies flagship policies and programmes with clear objectives, costs, co-financing arrangements, institutional leads and expected results gives donors something to underwrite. Togo's 2021-2025 Presidential Roadmap (the country's overall planning strategy) has three axes, with a limited number of priority projects and reforms, including increasing access to water and sanitation; responding to major climate risks; promoting green transport; and updating environmental legislation (Présidence de la République Togolaise, 2020). These priorities are implemented by Togo's Ministry of Environment, Forest Resources, Coastal Protection, and Climate Change, which is integrating them into the updates of the country's NDC and NBSAP. By linking its strategy to ministries' implementation and public budget processes, Togo signals to donors that it is operationally ready to absorb and deploy finance, attracting larger allocations and longer donor partnerships.

A similar logic applies to biodiversity. Under the KMGBF, countries must update NBSAPs and develop National Biodiversity Finance Plans (NBFPs), yet five of the six case study countries still lack these, constraining their access despite their high biodiversity importance. Only Armenia has an updated NBSAP (and is still preparing its NBFP), but like its previous version, it only provides limited financial details. First-generation NBSAPs in these countries suffered from resource shortages, poor inter-ministerial collaboration, low capacity and unfit policies. In Senegal, the first NBSAP lacked a monitoring plan, making it difficult to track progress, allocate resources and demonstrate results, leading to non-implementation and limited resource mobilisation.

In addition, many developing countries lack coherent financing strategies that explain how they will combine domestic resources, international public finance and private capital to implement their climate and biodiversity agendas (including the conditional components of NDCs and emerging NBFPs). Often, domestic contributions in these areas are unclear and ownership cannot be proved through budget allocations, since these are small or unknown. While a growing number of countries are piloting green budget tagging and participating in initiatives such as UNDP's Biodiversity Finance Initiative (BIOFIN)[28] to precisely be more transparent on domestic financing levels for biodiversity, opportunities to steer or crowd in resources are still missed when data on public and private flows are patchy and awareness of domestic and international financing mechanisms – including from South-South co-operation – remains low (Box 4.3).

BOX 4.3.

The potential of South-South co-operation in climate and biodiversity action

Access is improved by the ability of developing countries to diversify partners. Some countries combine traditional North-South support with South-South co-operation, partnering with countries or regional development banks from the South that share similar policy challenges, technologies or solutions. Broadening co-operation in this way may be more politically palatable as it is framed as partnerships among equals. Recent climate finance flows (including climate-related development finance) between Southern countries have risen from USD 15 billion in 2018 to around USD 40 billion in 2023 (CPI, 2025), mainly private investments and export-related deals.

Several examples of South-South co-operation emerged in the case studies (Annex C):

- **Regional accredited entities** reduced accreditation barriers for countries and lowered transaction costs, directly improving access for those facing capacity constraints. Togo's approval of its first GCF project through the *Banque Ouest Africaine de Développement* (BOAD, West African Development Bank), which is GCF-accredited, is a case in point. BOAD served as the channel for requesting and receiving finance, lowering transaction costs and speeding access. In Saint Lucia, technical co-operation and collective advocacy progresses through regional anchors like the Organisation for Eastern Caribbean States, the Caribbean Community, the Caribbean NDC Finance Initiative and the Caribbean Community Climate Change Centre, which is accredited with the GCF. Beyond these examples, the AF and GCF-accredited entities support a community of practice for developing countries to foster direct access, promoting knowledge exchange and peer support to access.

28. BIOFIN is UNDP's global biodiversity finance initiative that helps countries assess biodiversity funding needs and design finance strategies to mobilise resources for conservation and sustainable use.

- **Triangular co-operation arrangements** benefitted several of the case study countries in thematic areas. Madagascar received support from India and Germany on land restoration; Senegal received renewables support from Morocco and the People's Republic of China; and Saint Lucia was supported by Argentina and Germany on water and soil management.
- **Other co-operation examples improved direct access to finance**: Armenia's AF accreditation is shared across the Caucasus region, while Madagascar's execution challenges is informing cross-country learning (Belianska, et al., 2022).

Co-ordinated climate and biodiversity strategies promote efficiency

Despite growing recognition of the interlinkages between climate and biodiversity (OECD, 2025), NDCs and NBSAPs have rarely been designed or implemented in a co-ordinated way. Overlaps between NDCs and NBSAPs, differing timelines and competing institutional mandates are common features (GIZ, 2025).

Poor co-ordination can generate inefficiencies and even counterproductive outcomes. In Senegal, coastal protection measures are included in the NDC, while mangrove restoration (which also provides coastal protection) appears only in the NBSAP. This has contributed to an "over-restoration" of mangroves in some coastal areas, competition between projects for the same sites, land-grabbing risks and other priority zones left underfunded, raising questions about whether resources are aligned with domestic priorities (Gonon, et al., 2025). However, there are examples of successful synergies in the literature: for example, Colombia maps its NDC targets to NBSAP priorities through interministerial co-ordination and a green taxonomy; and Indonesia uses a high-level steering committee led by the Ministry of National Planning to integrate biodiversity and climate objectives in NBSAP revisions (GIZ, 2025).

Alignment with broader development strategies and credible legislation promotes access to finance

Coherence is also needed between climate and biodiversity strategies and wider development and sector plans. NDCs, NBSAPs and related documents that are poorly linked to national development strategies, sector policies or medium-term expenditure frameworks (or that sit alongside many similar documents with unclear hierarchy) struggle to guide real-world decisions. From a donor perspective, this creates uncertainty: when everything appears to be a priority, it is harder to justify large, programmatic allocations, and partnerships tend to stay in a project-by-project mode (see next section).

Donors prioritise countries with clear, co-ordinated national strategies, a criterion that can work even for countries with urgent needs. In Madagascar, fragmentation across the NDC, NBSAP and multiple sector strategies has hampered donor decision-making and financing. Recently, the Ministry of the Environment and Sustainable Development tried to

remedy this situation by co-developing an integrated biodiversity-agriculture-fisheries roadmap with the Ministries of Agriculture and of Fisheries and the Blue Economy. This alignment has already attracted more co-ordinated support, including a landscape and seascape project from the GEF and BIOFIN-backed financing solutions, although stakeholders emphasise that further cross-ministry co-ordination is still needed. In contrast, Senegal's NDC reflects only a fraction of the on-the-ground climate activities, many of which are not formally communicated to the Ministry of Environment and Ecological Transition, creating gaps between national commitments and implementation that complicate financing (Annex C).

Legislation is another critical link in the domestic enabling environment chain. Many strategies depend on regulatory reforms or new laws whose adoption and enforcement are often slow. Stalled Forest Code updates in Gabon and Madagascar, and Armenia's EU-aligned environmental impact assessment legislation that is only partially enforced due to capacity limits, illustrate that weak implementation can delay access to finance (and disbursements in particular), as donors perceive that the policy basis for sustained finance is incomplete. At the same time, successful examples show how credible, implemented legislation can unlock significant climate and biodiversity finance. Examples include Morocco's clear regulatory framework for onshore wind; and South Africa's licensing reforms, tax incentives and household rebates that tripled solar PV investment in 2022–2023 (GIZ, 2025; CPI, 2025).

Fragmented strategies risk perpetuating project-based finance and institutional silos

The detachment of climate and biodiversity strategies from core policy co-ordination, budgeting and legislative processes contributes to a broader sense of uncertainty over how climate and biodiversity priorities will be financed in practice. Donors may respond by funding discrete, often small projects aligned with specific strategies, but hesitate to engage at scale where priorities, financing plans and domestic contributions are unclear. In some cases, the response by donors has been to create dedicated fundraising units within environmental ministries or specialised agencies. While these can help identify projects and respond quickly to calls for proposals or post-disaster financing (e.g. as seen in the case of Madagascar following the 2020 drought in the Grand Sud region), they also risk reinforcing the separation of climate and biodiversity finance from mainstream economic and development planning.

From the perspective of access to finance, this poses two caveats for international support. First, donors that focus mainly on project pipelines without backing efforts to integrate climate and biodiversity strategies into national development planning systems, may unintentionally reinforce fragmentation and dependence on external project preparation capacity. Second, developing countries creating stand-alone fundraising structures, while leaving core budget and planning processes unchanged, can improve short-term access but weaken long-term institutional resilience and their ability to align all public spending with climate and biodiversity objectives.

Embedding strategies in domestic systems maximises sustained finance access

Strengthening access to climate and biodiversity finance hinges less on producing new strategy documents and more on improving how they are designed and embedded in domestic systems. Countries that translate NDCs, NBSAPs and related plans into sequenced, costed investment programmes linked to medium-term expenditure frameworks are better positioned to secure large, programmatic support. Joint planning across climate and biodiversity agendas (e.g. mapping NDC and NBSAP targets, shared monitoring systems, inter-ministerial steering bodies) helps avoid duplication and align donor resources behind integrated programmes. Systematic alignment with development and sector plans, including climate- and nature-impact assessments for major public investments, further shifts the focus from isolated projects to whole-of-economy transitions.

Equally important is moving from adopted to implemented legislation and from stand-alone fundraising units to integrated financial planning capacity. Regulations that are enforced, backed by clear institutional responsibilities and predictable support can unlock substantial climate and biodiversity investment. Developing capacity within finance, planning and sector ministries to analyse climate and nature risks, track related expenditures (through tools such as green budget tagging and taxonomies) and design financing strategies makes the inclusion of climate and biodiversity objectives routine in public finance decisions rather than being treated as add-ons. Coupled with clearer dialogue on how NDC and NBSAP's "conditional" elements will be supported, these measures can reduce political risks for developing countries and make donor support more effective at raising ambition and closing the gap between eligibility and access.

Chapter 5 returns to these themes from the donor perspective, examining how co-financing expectations, project-by-project support and the proliferation of VCEFs can either reinforce fragmentation or, when aligned with integrated national strategies, help close the persistent gap between eligibility and effective access.

4.3. Domestic governance and co-ordination are foundations for the effective access to climate and biodiversity finance

Domestic institutional arrangements determine whether national strategies gain collective ownership, become operational and translate effectively into enhanced delivery and financial support from donors. Weak co-ordination across ministries often leaves strategies as siloed documents, undermining their credibility and access potential. Strong inter-ministerial mechanisms, by contrast, signal readiness and attract predictable flows. The institutional architecture of government (i.e. how mandates are assigned, which body co-ordinates action and where authority sits) affects countries' capacity to access and deploy climate and biodiversity finance effectively. Access to finance, therefore, also depends on being organised enough to plan for, request, negotiate, manage and report finance. Countries with strong

governance structures (including clear leadership, defined ministerial mandates and effective co-ordination mechanisms) tend to move faster and receive more funding (Race to Resilience, 2025; IPCC, 2023), as seen in Chapter 3. By contrast, multiple and poorly co-ordinated government bodies with overlapping mandates lead to fragmented decision-making and conflicting priorities, weakening enforcement, institutional memory, capacity and management strategies (OECD, 2025).

Clear mandates and strong environment ministries can aid co-ordination, improving finance access

Co-ordinated strategic planning has been found to play an important role in attracting finance and delivering progress. Examples include Ethiopia, Pakistan and the Philippines (CPI, 2025; GIZ, 2025). LDCs/LICs with greater access to climate finance tend to have co-ordinated ministries and a systematic approach for aligning development priorities with funding opportunities (UNOHRLLS, 2025). However, effective co-ordination between multiple financing mechanisms and donors is demanding (Berghöfer, et al., 2017), with the case studies in this report highlighting co-ordination challenges and institutional fragmentation. In Madagascar, for example, collaboration between the Ministry of Environment and Sustainable Development and other ministries is limited, despite the fact that other ministries also receive climate and biodiversity finance. This leads to overlapping mandates and sometimes requires donor-led co-ordination of government to avoid duplication. To solve this, Madagascar created a co-ordination platform to identify strategic choices and address sector trade-offs (Annex C).

Clear, respected mandates facilitate co-ordination and alignment among domestic stakeholders and reduce institutional competition for resources (Brink & Wamsler, 2018; Amiraslani & Caiserman, 2018; Zulu, et al., 2025; Hickmann & Stehle, 2018). Institutional fragmentation is a common bottleneck, affecting the co-ordination and intermediation roles of ministries of environment with VCEFs – although this is a challenge to access finance with other donors as well. Scattered responsibilities for climate and biodiversity finance across ministries can make it harder to identify priorities, prepare proposals, respond swiftly and demonstrate and consolidate capacity. Communication across entities suffers (IFDD, 2023), reducing collaboration between – for example – the GCF National Designated Authority and GEF Operational Focal Point, i.e. the gatekeepers of VCEF finance to accredited entities, and the private sector, civil society and local authorities. Fragmentation limits project access and hinders a joined-up vision of donor opportunities.

While ministries of environment lead climate and biodiversity agendas in most countries, they tend to lack power and influence within government. Environment ministries traditionally have limited fiscal or political weight, and therefore may be unable to influence infrastructure, land-use, energy or agriculture ministries, even though those sectors require most adaptation, mitigation and biodiversity spending. For example, Madagascar's Ministry of Environment and Sustainable Development is ranked relatively low within government, with a small budget and limited clout, forcing it to seek international resources for ordinary

expenditures. Relevant competencies may also be split across government. For example, water-related functions are split between the water and mining ministries in Madagascar; and municipal waste and other waste management are split across ministries in Armenia. Some areas are managed by institutions closer to the centre of government (e.g. Madagascar's Emergency Prevention and Management Unit and Gabon's National Climate Council, tied to the Prime Minister's Office). Such splitting hinders access, as donors and other stakeholders may be unaware of all related activities.

A related issue is the lack of co-ordination within ministries of environment on climate, biodiversity and other environment-related issues – a situation that creates silos, additional fragmentation, lack of communication and competition for resources across Rio Convention and other multilateral environmental agreement national focal points or designated authorities. In Senegal, official debriefs from participation in the three Rio Convention COP negotiations are organised by the Ministry of Environment and Ecological Transition, which is looking to co-ordinate related services and staff better, and to leverage its many accredited institutions to the GCF and AF to propose integrated projects. The best-performing environment ministries make use of the strategic weight of high-level bodies and build alliances with key ministries to push priorities. They share information by connecting, focal points and national designated authorities with VCEFs, play orchestrating roles and support shadow units in line ministries to enable two-way information flow. Togo offers a good example, with the ministry of environment supporting other parts of the domestic institutional landscape to access VCEF finance (see Annex C).

High-level co-ordination and finance ministries drive integration and anchor effective governance

As environmental action cuts across various policy areas and government departments, anchoring co-ordination processes in centres of government, which have overall responsibility for policy co-ordination, is important (OECD, 2019). Countries with a high-level co-ordinating body are generally better organised to access finance, especially when climate and biodiversity are overseen from the centre of government (such as the Presidency or Prime Minister's Office), rather than left to individual line ministries. Such arrangements help embed climate and nature priorities into budgeting and medium-term expenditure planning, which in turn improves access to finance. In Armenia, for instance, climate policy is steered by an inter-agency council chaired by the Deputy Prime Minister, signalling high-level ownership and facilitating integration with fiscal planning (Annex C). However, such authorities only succeed when mandates are clear (Zembe, Nemakonde, & Chipangura, 2022; Zulu, et al., 2025).

Central authorities with convening power can be crucial to facilitate stakeholder engagement, align national priorities, leverage power and resources to enforce roles, correct policy misalignment and address new issues. Moreover, a high-level co-ordinating body is important to ensure overall strategy and political prioritisation across sectors, so that follow-through on implementation can then effectively be done by the relevant technical bodies.

In Senegal, for instance, the technical National Committee for Climate Change (COMNACC) meets regularly to validate and review project proposals developed domestically for seeking VCEF funding, drawing in academia, the private sector and civil society as needed. It has also developed a procedures manual to guide Senegalese stakeholders when approaching VCEFs. The country is considering a similar body for biodiversity.

Ministries of Finance are also pivotal to align climate and biodiversity action with economic and development priorities (The Coalition of Finance Ministers for Climate Action, 2023). As stewards of fiscal policy, investment planning and regulatory frameworks, they can embed climate and biodiversity into growth strategies, translate commitments into investable plans, unlock private capital, steer public finance, design instruments to channel resources and shape the domestic financial architecture (Orozco & Jaramillo, 2021). As shareholders or board members of MDBs, regional development banks and VCEFs, finance ministries can push for systemic reforms in these institutions. Finance ministries also manage debt and influence the mix of domestic and international resources flowing towards climate and biodiversity (Svensson, Qian Mao, & Droste, 2025).

4.4. Robust domestic systems and instruments are prerequisites for scaled climate and biodiversity finance

Clear strategies provide political guidance and goals to drive implementation, while policy co-ordination is essential to establish the authorising environment for action by different stakeholders. Strong public financial management (PFM) and transparent tracking tools (IPCC, 2023) are equally critical as these demonstrate absorption capacity that builds donor confidence. Domestic instruments for resource mobilisation (such as fiscal reforms) furthermore enable countries to complement international finance with sustainable local revenues. These elements are discussed in turn below.

Strong PFM systems build donor confidence and enable greater access to climate and biodiversity finance

Strong PFM systems are public finance systems that help plan, execute, track and account for government resources efficiently, transparently and in line with policy priorities. Countries' ability to track, report results and match international contributions with domestic resources demonstrates their political commitment through shared financial "skin in the game" (Mazzucato, 2025). However, weak budgetary systems with unclear spending lines make donors hesitant to commit funds that cannot be ring-fenced or linked to outcomes. Weak PFM is shown by the low overall budgetary execution rates in LICs (60-75%, versus over 90% in high-income economies), which signal poor absorption capacity (Mazzucato & Vieira de Sá, 2025). In Madagascar, for example, only 39% of disbursed funds use country PFM systems (GPEDC, 2025). Consequently, despite donor rhetoric of supporting country systems, finance

often bypasses national budgets via parallel project structures or intermediaries – such as the Central Africa Forest Initiative (CAFI) in Gabon, the country's largest biodiversity envelope. These arrangements limit national government steering and capacity development.

To overcome such challenges, developing countries and donors need to consider how to support the public sector so it can have the capacity, resources and tools to be at the heart of project origination, pipeline development and oversight, ensuring financed activities serve clearly defined national priorities (Mazzucato, 2025). While a key constraint for international support for climate and biodiversity action, these challenges are also common in development co-operation as a whole and have been a central focus of discussions around the effectiveness of development co-operation (GPEDC, n.d.). Chapter 5 explores how donor procurement rules, fiduciary standards and risk thresholds interact with these PFM realities – and why attempts to "protect" funds through parallel systems are justified, but can, over time, erode the very national systems that would make access easier and cheaper for all parties.

Integrating and tracking climate and biodiversity in PFM signals ownership and traceability

Two key PFM-related insights emerge from the case studies: (i) integrating climate and biodiversity into national PFM systems is essential; and (ii) central systems for recording climate- and biodiversity-related spending are also critical. Integrating climate and biodiversity into national PFM systems anchors these priorities in medium-term expenditure frameworks and annual budgets, allowing governments to signal credibly to donors where the resources will go, how they will be executed and how results will be reported. In practice, however, as seen in Gabon, Madagascar and Togo, national strategies remain only partially integrated into macro-fiscal frameworks: ministries of finance and planning often lack the analytical capacity to factor climate and biodiversity into fiscal policy, investment planning and debt strategies, and are reluctant to take on additional debt for climate and biodiversity projects.[29] The way forward is to strengthen finance-environment collaboration and build core PFM capabilities for climate and biodiversity. This will require integrating priority programmes into medium-term budgetary frameworks, assessing fiscal risks from climate impacts and agreeing on predictable multi-year donor commitments so that governments can reflect external finance in their budgets without jeopardising fiscal credibility (GIZ, 2025).

Central systems for recording climate and biodiversity spending, covering both domestic budgets and external inflows, are critical because they show where money goes, reveal gaps or duplication, and help to underpin a credible case for additional resources.

29. In Madagascar, all development finance activities pass through the Ministry of Foreign Affairs, in collaboration with the Ministry of Economy and Finance and its Aid Management Platform (*Système Intégré de Gestion des Finances et de l'Aide*, SIGFA). However, these systems do not consistently tag climate or biodiversity components, limiting traceability of related expenditures. Additionally, the Prime Minister's Office co-ordinates donors through its Office for External Co-operation (*Bureau de l'Action pour la Coopération Extérieure*, BACE).

Many countries are piloting green budget tagging and taxonomies (IFDD, 2023), and the case studies illustrate emerging good practice (see Box 4.4 and Annex C). Uganda has followed a similar route.[30]

BOX 4.4.

Case study countries are adopting green budgeting and reporting

Armenia's Ministry of Finance is moving toward climate-responsive budgeting (Green Agenda Armenia, 2025); Madagascar's finance and environment ministries are mapping domestic flows across adaptation, mitigation and disaster risk reduction; Senegal's green budgeting reforms have helped signal climate as a core budget priority; and Togo's green budgeting pilot, involving 18 ministries, feeds into a financing strategy attached to the Budget Law and creates "race to the top" incentives through quarterly reporting of green execution rates. However, efforts to improve transparency still often miss full donor and international inflows (Zulu, et al., 2025), which are not systematically tagged for climate or biodiversity in aid-management platforms or national budget systems, as seen in Madagascar and Gabon.

Source: For more details, see Annex C.

Enhancing climate- and biodiversity-related tagging for all public expenditures and external projects is a key priority. This will help to consolidate information into a single national database and to use these data to guide future budget allocations and inform dialogue with donors on aligning support with nationally defined priorities.

Underdeveloped instruments limit access despite donor support

Domestic instruments to generate and absorb innovative financing often remain underdeveloped, limiting access despite donor support. Instruments such as carbon pricing, payments for ecosystem services, user or ecotourism fees, certification and subsidy reform remain underused, limiting policy alignment and resource mobilisation. While domestic climate and biodiversity instruments can generate local financing, they face significant feasibility constraints in weaker economies: carbon pricing and ecosystem service schemes add costs to already fragile economies and risk strong public opposition (World Bank, 2021; Carattini, Carvalho, & Fankhauser, 2018). Their effectiveness depends on institutional capacity and political will, which may be lacking in LDCs/LICs; and these countries have limited domestic resource mobilisation capacity, which is a defining characteristic that public international finance can help address.

30. Uganda's climate finance unit, established in 2023, has developed a National Climate Finance Strategy, which is focused on mobilising finance from all sources; a National Green Taxonomy, which provides clarity in defining what constitutes sustainable investment; and applied the NDC Partnership's Project Checklist to enhance Uganda's national pipeline of bankable projects (CPI, 2025).

No examples were found in the six case studies of national targets for mobilising domestic resources to fund climate and biodiversity objectives, but several innovative instruments are emerging, often with support from donors:

- **National climate and resilience funds**: these pool concessional resources from multiple domestic and international donors into single national vehicles that disburse grants for adaptation, disaster preparedness and climate-resilient infrastructure, reducing transaction costs and aligning projects with developing country government priorities. These have been created in Madagascar with support from the UK, GCF and the AfDB; and in Senegal with support from the EU, World Food Programme, AfDB and GCF.
- **Environmental trust funds**: these aggregate contributions from bilateral and multilateral donors into independent endowments or revolving funds that finance long-term biodiversity conservation, protected area management and ecosystem restoration, often governed by multi-stakeholder boards. Box 4.5 showcases these types of funds in the case study countries. There also environmental trust funds in Benin, Mozambique or Lebanon (Chukwuka, Adegboyegun, & Adeogun , 2025).
- **Environmental capital accounts**: these systematically value natural assets (forests, fisheries, water) in national balance sheets to inform fiscal planning, debt-for-nature swaps and green budgeting, creating accounting frameworks that recognise ecosystem depreciation alongside traditional assets. Such accounts are work in progress in Togo and Senegal, with AfDB, GCF and World Bank support (Annex C) and are also found in the Philippines.
- **Environmental fiscal reforms**: these reallocate subsidy budgets (fossil fuels, harmful agricultural inputs) towards green incentives while introducing environmentally linked taxes, royalties or levies that generate domestic revenues for climate and biodiversity action. This has been promoted in Gabon through the Finance for Permanence programme of the GEF and the Bezos Earth Fund (Box 4.5) and in Armenia with support from the EU (Green Agenda Armenia, 2025).
- **Certification**: this establishes market-recognised standards (e.g. sustainable forestry, sustainable agriculture) that unlock risk-adjusted premium financing and export market access, often supported by donor-funded capacity development for compliance and verification. For example, Gabon's Forest Stewardship Council standards received support from the EU.

BOX 4.5.

Environmental funds help improve access to finance and increase impact

Environmental trust funds created by developing countries are vehicles that can receive grants and concessional loans from donors, co-financing from domestic budgets and sometimes private or philanthropic finance. Such instruments make it easier for external partners to channel funding quickly without having to negotiate separate bilateral agreements with domestic ministries or subnational authorities. They also offer a visible,

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nationally owned platform that can align spending with national priorities rather than various donor preferences. Finally, they can help convince donors that finance will reliably reach environmental issues.

The Madagascar Protected Areas and Biodiversity Fund (FAPBM), established in 2005, exemplifies how dedicated financing mechanisms can enhance access to biodiversity finance. The FAPBM channels and safeguards resources for conservation, with transparent rules and oversight. Currently it has a capitalisation of USD 160 million (provided by donors, including France's AFD, Germany's KfW and the World Bank) and a sound governance and prudential/fiduciary model for using the dividends (approximately USD 8-10 million annually) generated to finance operations. These cover 20 to 40% of the financial needs of 75 protected areas across the country (out of 125) or 6 million hectares, demonstrating sustainable access to long-term funding, independent of short-term donor cycles. Results have shown success. For example, the Makira Natural Park has experienced a notable slowdown in deforestation (Schüßler, Radespiel, Ratsimbazafy, & Mantilla-Contreras, 2018) and forested areas have increased in the Betampona Reserve (Cota, Sagan, Maimaitijiang, & Freeman, 2021). The FAPBM has gradually increased in size and its reach over time, aiming now to also support marine protected areas and seeking GCF accreditation to further broaden its access to climate finance. This success has inspired the smaller Tany Meva Foundation to scale up operations and specialise in supporting communities in FAPBM-operated protected area buffer zones to ensure that communities most affected by biodiversity conservation actions are adequately compensated (Blanco, et al., 2025).

There are examples of successful funds in most of the other case study countries. **Armenia**'s revolving fund to finance renewable energy and energy efficiency (the R2E2 Fund) was created in 2005 for projects in publicly owned buildings. The fund is financially independent but works with financial institutions and the private sector to develop green products and provide concessional finance. The R2E2 Fund is also seeking GCF accreditation. Fiscal reforms in **Gabon** (e.g. reform of tax exceptions, improvement in tax collection, and more controls between tax declaration and collection) will feed into the Biodiversity Preservation Fund in Gabon (Fonds de Préservation de la Biodiversité au Gabon, FPBG), as part of the Project Finance for Permanence model (Bezos Earth Fund, 2022), which is financed through a blue bond (FPBG, n.d.). The **Saint Lucia** National Conservation Fund, recognised for its strong institutional foundation and effective support for marine and terrestrial conservation, is also seeking GCF accreditation. In **Togo**, a National Forest Development Fund relies on natural resource taxes (e.g. wood, carbon taxes) to support reforestation of degraded forests, while a new National Environment Fund has just been created, with topping up modalities still being discussed.

Private investment for climate mitigation and adaptation in developing countries also faces significant barriers related to risks and uncertainty around the direction of policy, the supportive measures required for investments, the uncertainty of future climate scenarios and lack of clear revenue streams. These barriers dampen private investment in developing

countries (OECD, 2023). For biodiversity, relatively low levels of private investment are associated with their public goods characteristics and focus attention on overcoming concrete investment barriers (e.g. lack of bankable pipelines, financial risks, small ticket sizes, unclear property rights, data gaps, policy uncertainty and foreign exchange risk) (OECD, Forthcoming). To overcome these limits, innovative instruments are being developed (Box 4.6), but as seen in Chapter 2, these still rely heavily on donor support.

BOX 4.6.

The Tropical Forest Forever Facility promises significant resources for developing countries

The Tropical Forest Forever Facility aims to generate predictable, long-term finance for the conservation and restoration of tropical forests (TFFF, 2025). Launched at UNFCCC COP30 in 2025, the TFFF blends concessional and commercial finance within a collective investment vehicle (COP30 Brasil, 2025). Around 20-25% of funding will come from sovereigns and philanthropies through long-term loans, grants or guarantees, while the remaining share will be mobilised as senior debt issued in capital markets. The facility will invest in fixed-income assets, with part of the returns converted into grants for forest programmes in developing countries. At launch, 34 tropical forest countries and 53 other countries endorsed the initiative, pledging USD 5.5 billion toward a USD 125 billion goal. If successful, the TFFF will exemplify innovative access to finance for developing countries by bridging public and private capital.

Donor support for domestic climate and biodiversity instruments can only translate into improved access if it is grounded in realistic expectations about what developing countries, especially vulnerable ones, can sustain. Financing the enabling legal and supporting institutional reforms, co-funding pilots and embedding environmental objectives in fiscal strategies are all strategies that donors can use to help countries gradually build domestic revenue streams from public and private sources. But these efforts should be seen as a medium-term complement to, not a replacement for, the concessional resources that remain indispensable in many contexts.

Carbon market and results-based system potential can be unlocked by strengthening domestic systems

Carbon credits[31] are marketed as a debt-free financing channel for forest-rich developing countries, yet persistent barriers in standards, verification and co-ordination limit their role in enabling reliable access to climate and biodiversity finance (Belianska, et al., 2022). From

31. Carbon credits are tradable certificates representing the reduction, avoidance, or removal of one tonne of CO_2 equivalent emissions, generated by verified projects like renewable energy or reforestation and purchased to offset emissions elsewhere.

a policymakers' perspective, selling emission-reduction units to offset-seeking companies and governments offers concessional revenue. However, the case studies show benefits remain uneven and uncertain, and co-ordination failures undermine access (see Annex C).

In addition, many countries also pursue results-based systems, where verified forest emissions reductions trigger payments from developed countries, bilateral donors or multilateral funds like the Forest Carbon Partnership Facility or UN-REDD+ (Reducing Emissions from Deforestation and Forest Degradation) Programme. However, prolonged readiness phases – often spanning a decade due to land tenure disputes, governance challenges and safeguard requirements – delay access. Congo Basin countries, for example, have faced hurdles in clarifying ownership and establishing safeguards. Further, weak economic or social co-benefits undermine the broader development case for sustained donor funding to such schemes (Wunder, et al., 2024; CPI, 2025). The country case studies also illustrate how these access barriers are driven by methodological and co-ordination challenges, rather than country unwillingness (Annex C).

Finally, voluntary carbon markets[32] could also support access to finance at scale. Yet, these suffer from fragmentation and face credibility issues that block reliable access (Newell, 2024), despite policy advances. For example, carbon market finance in Senegal has supported large-scale mangrove restoration since 2009, as well as a carbon bank for the Great Green Wall, established in 2015 (Pan-African Agency of the Great Green Wall, 2023). However, extreme stakeholder fragmentation – involving 342 entities including NGOs, government, private sector, donors and philanthropies – created co-ordination failures (Gonon, et al., 2025; Lake Zhu, Ndiaye, Dahm, Mauclaire, & Boas, 2025).

Harmonising frameworks can unlock carbon finance potential. Properly designed results-based mechanisms and carbon markets can offer forest- and nature-rich countries with debt-free revenue. Donors can help developing countries to simplify and align requirements by financing upfront readiness work, developing high-integrity frameworks with robust safeguards and embedding carbon revenues within national budget frameworks, thus making these mechanisms move from small, pilot initiatives towards more reliable channels of finance.

4.5. Capacity underpins the entire finance access pipeline from proposal to results

Accessing finance is fundamentally a capacity issue (UNCTAD, 2022). Limited individual, institutional and societal capacity is the most consistent barrier to accessing climate and biodiversity finance and therefore requires interventions that are context-sensitive, personalised and sustained over time (UNFCCC, 2025). Countries that manage to retain qualified

32. Voluntary carbon markets are non-regulatory platforms where companies, organisations and individuals voluntarily buy and sell carbon credits from verified emissions-reduction or removal projects to offset their own greenhouse gas emissions and support climate goals.

staff in government and invest in their sustained professional development, experience improvements in finance access (e.g. Armenia, Senegal); those dependent on donor-funded temporary positions struggle to maintain institutional momentum and access (e.g. Madagascar).

Sustained human and technical capacity underpins the entire access pipeline, especially to access VCEF finance (see next section), ranging from proposal design and data production to project execution and monitoring. First, developing proposals can be difficult: not only the technical content, but also the ability to tailor needs and solutions to different donor requirements (baseline, additionality, co-benefits, replicability). A second challenge is data. Donors may ask for quantified risk assessments, estimates of avoided emissions, hectares restored, communities protected or resilience benefits. If a country lacks such data, it becomes hard to carry a project forward. Finally, project management and monitoring capacity (i.e. to supervise contractors, document progress or report against indicators) is equally critical to ensure disbursements. Countries investing in long-term capacity development can convert eligibility into disbursements more reliably, whereas donor-funded short-term positions perpetuate bottlenecks. The issue of capacity is clearly visible when attempting to access VCEF funds, as discussed next.

Capacity constraints block VCEF proposal design, data and project execution

Accessing finance from VCEFs requires navigating some of the most demanding standards in the development finance system. Most VCEFs are highly competitive and impose detailed requirements on fiduciary management, safeguards, results frameworks, theories of change, gender integration and stakeholder consultation. These are designed to ensure impact, but they also create capacity-intensive processes that many LDCs, SIDS and francophone countries struggle to fulfil (UNOHRLLS, 2025; GCA, 2025; IFDD, 2023).

Capacity constraints appear at every stage of the VCEF project cycle. Accreditation can, in principle, serve as an institutional capacity development tool, but benefits are often undermined by limited post-accreditation support (G20 IHLEG, 2024). Direct access can help develop such capacities – as national entities receive funding directly rather than via international intermediaries – and is meant to reduce transaction costs and strengthen ownership (Box 4.7).

BOX 4.7.

Strengthening country-led action and capacity through direct access and enhanced accreditation

The AF has pioneered and enhanced direct access to finance, empowering countries to access funding and develop locally-led projects directly through accredited national implementing entities (Adaptation Fund, 2024). To support this, the AF strengthened operational procedures for project scoping, expanded operation metrics and extended

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timeframes to ensure funded projects would better reflect the concerns of all stakeholders, including marginalised groups (Puig, Adger, Barnett, Vanhala, & Boyd, 2025). The AF also promotes locally led adaptation through a specific funding window. Results have been positive and were welcomed by case study country stakeholders, though this approach works best when complemented by domestic financial systems, including commercial banking, to scale and sustain local projects.

Other VCEFs do not yet offer direct access, though the GCF has recently conducted a pilot on Enhancing Direct Access, promoting country ownership through streamlined funding approvals and decision-making and oversight devolved to local organisations. This includes establishing dedicated facilities for small-scale community projects. While these mechanisms enhance ownership, direct access succeeds only when paired with sustained public commitments that enable domestic institutions to mobilise and manage larger-scale resources. The GEF is asked by CBD and UNFCCC Parties to offer long-term, patient, predictable, inclusive and flexible funding to support institutional capability development, particularly with local organisations (IIED, 2025). The GEF could draw lessons from its Small Grants Program (e.g. simplified application process, streamlined reporting, budget flexibility) to enhance direct access across its portfolio.

In addition, VCEFs are exploring ways to collaborate with each other. The GCF and AF offer fast-track accreditation pathways for entities accredited by the other, reducing the administrative burden and expediting the process. The GEF is also exploring a similar approach, as part of GEF-9, focusing on LDCs and SIDS.

In practice, direct access still accounts for a modest share of total VCEF finance, because funds remain cautious when fiduciary and implementation capacities are weak (Belianska, et al., 2022). Senegal's and others' stepwise strategies of accrediting a small set of complementary institutions illustrate how deliberate, long-term investment in national entities can gradually increase capacity – although this remains the exception rather than the rule (Box 4.8).

BOX 4.8.

Strategic accreditation develops capacity and access to VCEFs

Senegal has adopted a deliberate, long-term approach to VCEF accreditation, gradually building a small ecosystem of domestic institutions in which each institution plays a distinct role in accessing and managing climate finance: the *Centre de Suivi Écologique* is accredited to receive GCF grants, while the *Banque Agricole* and the *Banque Nationale pour le Développement Économique* (BNDE) concessional loans and vehicles such as Senegal's sovereign funds, FONSIS and FONGIP, for equity and guarantees respectively (see Annex C). These institutions are being positioned as complementary entities for accreditation, together covering public investment, private sector support, and technical implementation, so that over time a larger share of GCF and other VCEF resources can flow directly through national systems rather than international

implementers. This strategy allows Senegal to implement several projects in parallel and to organise a funding strategy that includes other donors when these windows have been exhausted. This approach aligns with the principle of country ownership and the need for greater reliance on domestic systems noted earlier.

Armenia follows a similar, stepwise approach to accreditation, with the Environmental Protection and Investment Unit of the Ministry of Environment being accredited to the AF since 2016 and with the GCF since 2019. It is aiming for direct access for the former, and reaccreditation for larger projects with the latter (from USD 10 to USD 25 million). Further, ArmSwissBank was accredited with the GCF in 2025. **Togo** is also considering such a strategic approach, with only two institutions put forward for accreditation (Togo Invest and Ecobank) and with the Forestry Office (ODEF) having received its accreditation in 2025 with the AF. In contrast, **Madagascar**'s accreditation difficulties (despite putting forward 20 entities for accreditation to the GCF in 2022) demonstrate a capacity barrier: many entities apply but few have the institutional strength to succeed, leaving the country unable to build the accredited portfolio needed for scaled finance. Further, the case evidence from Madagascar and Togo, where continual readiness programmes ran by the VCEFs take place, shows that the accreditation process may strengthen specific institutions but still not open doors to the sustained, scaled finance that demonstrates access improvement.

Even after accreditation, many countries struggle to prepare "bankable" proposals that meet expectations on baselines, quantified climate or biodiversity benefits, cost-effectiveness and alignment with national plans (see also Chapter 2). Environment and sector ministries often lack staff who can translate climate science and ecosystem services into robust economic cases, and draft proposals in technical English or French using fund-specific templates. Proposals therefore circulate through multiple revision rounds or stall before board submission, creating frustration in countries that feel "blocked" and in funds that see incomplete applications. Capacity gaps persist into implementation: weaknesses in procurement, financial reporting, safeguards and monitoring slow disbursements, which in turn makes funds reluctant to approve new projects for the same institutions.

Overall, VCEFs expose and magnify capacity constraints that are present across the wider finance landscape. They can provide valuable resources and policy signals, but without sustained, predictable support to build domestic systems, their stringent procedures risk reinforcing existing inequities in access.

Beyond VCEFs: capacity as a systemic access constraint

While VCEFs attract intense attention, the capacity challenges highlighted above are not unique to accessing these funds; they are symptomatic of a broader structural issue that affects access to bilateral, multilateral and private finance alike. Across the case studies, the same small teams responsible for accessing the VCEFs are expected to lead climate policy,

co-ordinate donors, produce investment-grade pipelines, manage complex projects and respond to climate shocks, leaving them overwhelmed and lacking the time and capacity for absorption and learning.

Recognising capacity as a cross-cutting constraint reframes the access challenge from "how to get more finance" to "how to design all finance channels so they systematically support, rather than bypass, domestic institutions." This sets the stage for Chapter 5, which focuses on what bilateral and multilateral donors can do to simplify procedures, provide long-term, country-led capacity support and use intermediaries explicitly as bridges towards stronger national systems rather than permanent substitutes.

Effective capacity development requires sustained, country-led approaches. Both developing countries and donors recognise capacity constraints as a core development co-operation challenge, often exacerbated by limited financial resources (Kim & Bang, 2025). Indeed, capacity constraints are themselves a consequence of tight limitations to financial resource mobilisation. To be effective, capacity development needs to be sustained, integrated and tailored to domestic needs, extending beyond one-off workshops or consultancies. Ideally, such long-term support would be embedded in domestic roadmaps to increase capacity, detailing strengths and gaps, and which could be used to co-ordinate and organise support (Wang & Li, 2025). Donor procedures could strengthen, not replace, national systems. Rather than imposing challenging robust fiduciary and safeguard standards, a priority is to apply them progressively: harmonising requirements around country systems that meet basic thresholds, using those systems wherever feasible, and providing targeted assistance so safeguards reinforce domestic institutions (see Chapter 5).

The case studies highlight three ways in which capacity development approaches could be further explored, replicated or scaled up:

1. **Targeted, cumulative capacity development works**. When training programmes for line ministries and subnational authorities on proposal writing, fiduciary standards, safeguards, procurement, monitoring and evaluation (all part of a typical donor proposal) are supported over the long-term, this avoids the chronic human resource constraints and high staff turnover that often erode institutional memory and capacity, particularly in LDCs/LICs and SIDS (UN-OHRLLS, 2022). For example, projects that stop at the workshop stage often see new skills evaporate, while those that build in coached repetition and peer learning see behaviour change (Standford Social Innovation Review, 2025). This was observed in Armenia after 20 years of donor support to the R2E2 Fund (Green Agenda Armenia, 2025).
2. **Regional expertise can be pooled**. Small states, for example, may not each need a full-time GCF proposal team, safeguards specialist, climate MRV specialist or biodiversity finance planner. Instead, they can rotate or share accredited experts through regional organisations, lowering costs and speeding up pipeline preparation. This is the case in Saint Lucia and Togo. Saint Lucia works with other regional partners for capacity and expertise to address common issues like sargassum proliferation (e.g. supported by France's AFD). It also benefits from external advisors to help develop projects (e.g. through UK's SIDS hub for climate and nature issues) and regional partnerships to address data and capacity gaps. Collaborating with regional partners allows for aggregation and increases scale.

3. **Investing in the local ecosystem of academia and research institutions can also bridge gaps in funding, technical expertise and capacity.** It can do so by fostering partnerships, conducting research, raising awareness, empowering communities in conservation efforts (Okafor-Yarwood, et al., 2020) and promoting cross-border collaboration (Quesada da Silva, Hwedie, Iglesias Campos, Begmatova, & Khalil, 2021). In Gabon, stakeholders noted the high investment costs needed to study and understand ecosystems, and the need to support academia and train experts to value nature, which the country cannot afford now. In Senegal, stakeholders want to connect the private sector with researchers to adapt technologies to local needs (e.g. solar panels adapted to Sahelian climatic conditions). In Armenia and Togo, universities produce significant data and information that could be used by government authorities for decision making to access finance. These authorities have the levers to decide the type of data needed and which academia could produce, rather than relying on expensive national or international consultants for support.

5 Donor entry points to support access to climate and biodiversity finance

This chapter examines how donor-side barriers limit developing countries' ability to access climate and biodiversity finance. Focusing on the interaction between donor practices and access outcomes, the Chapter analyses how bilateral and multilateral donors' allocation criteria, risk perceptions and operational requirements create barriers that are particularly acute for the most climate-vulnerable and nature-dependent countries. By focusing on access to finance as the core outcome, the Chapter demonstrates that donor-driven barriers compound domestic constraints, revealing the dual responsibility of donors to reform their practices for greater effectiveness. The analysis centres on three core donor-side access barriers uncovered through the case studies and research: allocation systems that underserve vulnerable countries, operational requirements that exclude capacity-constrained contexts and misalignment with country priorities that undermines both effectiveness and future access. For each of these barriers, the Chapter sets out entry points for donors to address these issues, including through integrating vulnerability into allocation frameworks, recalibrating counterpart requirements for capacity-constrained contexts, aligning programming with country strategies, or investing in partnerships and innovative instruments that genuinely expand access to finance.

KEY FINDINGS

While domestic enabling environments shape countries' readiness to access finance, donor strategies and actions (i.e. how donors allocate resources, perceive and manage risks, structure modalities and co-ordinate with each other) directly determine which countries realistically gain access and on what terms. Donor practices can amplify or mitigate domestic barriers and, in many cases, create access barriers as severe as domestic capacity gaps.

- **Conservative risk thresholds penalise vulnerability**: Donors apply fiduciary, political and operational risk filters based on countries' governance, security and implementation records. This systematically disadvantages the most climate-vulnerable, nature-dependent

countries, i.e. those facing ecosystem collapse, climate displacement or food insecurity, because the risk filters consider them "too risky", restricting concessional access despite being critical.

- **Modalities create gatekeeping barriers**: Counterpart and co-financing requirements and stringent procurement rules systematically favour larger, creditworthy administrations. LDCs/LICs struggle at every procedural step, leading to slow disbursement and cumulative project delays.
- **Misalignment erodes country ownership and future access**: Donors often finance off-budget, externally designed projects disconnected from NDCs, NBSAPs and development plans. This fragmented and parallel approach prevents countries from building institutional track records, integrating lessons into national systems, or demonstrating competence for larger allocations.
- **Donor fragmentation multiplies transaction costs**: Countries must deal with numerous donors with overlapping sectors, contradictory eligibility criteria and isolated projects. These strains limited administrative capacity, create co-ordination failures and prevent scaling of successful initiatives.

An effective response to the access gaps identified in Chapter 4 requires recognising that domestic reforms and donor practices are mutually dependent, especially in countries with constrained capacity. National efforts to strengthen narratives, strategies, institutions, PFM systems, financial instruments and technical capabilities can only translate into sustained access if donors also adapt how they allocate, design and deliver climate and biodiversity finance. Conversely, donor safeguards, accreditation rules and project modalities are intended to ensure impact and accountability, but when applied through parallel systems or fragmented procedures, they can inadvertently undermine the very country systems they rely on, particularly in LDCs/LICs, SIDS and contexts with high or extreme fragility.

This chapter therefore shifts the focus from "what developing countries can do" to a shared agenda that asks "what are donors' entry points for reinforcing country-level priorities and system-strengthening efforts?". The chapter examines how bilateral and multilateral donors, including VCEFs, can recalibrate risk tolerance and management, simplify and harmonise access procedures, provide long-term, predictable support for capacity and institutional development, review modalities and enhance co-ordination platforms, thereby enabling the domestic reforms outlined in Chapter 4 to unlock real, scaled access to finance.

5.1. Embedding climate and biodiversity vulnerability in allocation frameworks would avoid sidelining the most vulnerable countries

Donors' allocation frameworks only partially incorporate vulnerability as a guiding principle. Bilateral donors typically concentrate in-country operations on a limited set of strategic partners, often reflecting historic and political ties (see Chapter 3 and the country case studies, Annex C). Meanwhile MDBs distribute concessional resources across their membership through performance-based allocation models that reward policy performance, institutional quality and debt-carrying capacity (Box 5.1). Performance-based allocation (PBA) systems are common in MDBs, especially for concessional windows, though they are not universal and vary in design and scope. Institutions such as the World Bank (IDA), the African Development Bank (AfDB), the Asian Development Bank and the International Fund for Agriculture and Development use allocation frameworks that link country-level resource allocations to measures of policy performance, institutional quality and development needs. These systems are generally less relevant for non-concessional lending windows, where allocations are driven more by country demand, creditworthiness and project pipelines.

BOX 5.1.

The African Development Bank's performance-based allocation system

The African Development Fund (ADF) run by the AfDB adopted a PBA system in 1999 to allocate resources to beneficiary countries, prioritising stronger country performers while considering development needs. Performance is assessed through a Country Performance Assessment, while need is measured using per capita income, population size and infrastructure quality based on the Africa Infrastructure Development Index. Every country, however, receives a minimum allocation annually over a three-year cycle, independent of performance. Contexts with high or extreme fragility qualify for additional funding under the Fragile States Facility to support recovery and address exceptional needs. The financing mix (loan, grant or a combination) is determined with reference to the World Bank-IMF Debt Sustainability Framework. During consultations for the ADF-13 replenishment (2021-2024), stakeholders confirmed that country performance and needs will continue to guide resource allocations. Approximately 92% of ADF-13 resources are allocated based on country performance through direct PBAs (62%) and PBA-linked set-asides (30%), which are amounts carved out before the PBA formula is fully distributed, usually to fund special priorities, including contexts with high or extreme fragility, climate windows and regional integration operations. The ADF-13 cycle also introduced a Private Sector Credit Enhancement Facility.

Source: (African Development Bank Group, n.d.).

Many donors when confronted with perceived political, policy, project implementation and fiduciary risks (such as weak governance, insecurity, corruption or implementation hurdles) find disbursements to certain countries challenging to justify – even for grants, which carry no repayment risk but can still face misuse or corruption concerns. For developing countries, especially those facing urgent resilience needs, this results in additional barriers to accessing finance. Such countries may be labelled as "too risky", reflecting donors' institutional choices about how to weigh vulnerability against governance in allocation decisions.

This debate reflects a fundamental question of effective development co-operation: *should allocation systems prioritise vulnerability (and thus country need) or performance (and thus donor confidence in implementation)?* Current systems weigh performance more heavily, with consequences for access being particularly acute for fragile and vulnerable contexts. Such allocation logics and risk perceptions can create a blind spot for climate change adaptation, as vulnerability remains insufficiently reflected (OECD, 2024). As Chapter 3 shows, the most vulnerable countries are not systematically prioritised, while successive climate shocks erode the economic base and weaken fiscal capacity, tightening debt limits just as large upfront investments in resilience and low-emission infrastructure are needed. Taking on new debt to fund these investments can appear to threaten sustainability, yet failing to invest leaves countries exposed to shocks that can equally undermine long-term solvency.

While vulnerability-based metrics merit greater weight, discounting the importance of PBA systems would risk undermining the policy and governance incentives essential for effective fund use, which have improved development outcomes over time. A seen, allocation frameworks have evolved to balance both dimensions: alongside core performance metrics, MDBs have introduced vulnerability-specific windows such as IDA's Crisis Response Window (for immediate shocks) and Fragility, Conflict and Violence Envelopes, which provide targeted concessional resources to high-risk contexts. This hybrid approach maintains governance incentives while expanding access for the most vulnerable. From a mutual-agenda perspective, this also creates a two-way bargain: countries are encouraged to strengthen policies and institutions (as described in Chapter 4), while donors recognise vulnerability and shock exposure more explicitly in the volume and terms of finance they provide.

However, ongoing international discussions, including SIDS' proposals for vulnerability-based metrics (ODI Global, 2023), the UN Multidimensional Vulnerability Index (United Nations, n.d.) and GEF-9's proposed STAR formula adjustments (GEF, 2011),[33] have called for allocation metrics to better capture vulnerability in concessional resource distribution, although there is no agreement on this and the issue remains politically contested. As highlighted above, concerns can be partially addressed through highly concessional or special-purpose windows designed for vulnerable countries. Another way is to set targets for

33. STAR formula adjustments modify performance-based aid allocation criteria (such as need, policy performance, and vulnerability) to better reflect recipient countries' realities and priorities.

vulnerable countries: for example, the GCF commits at least 50% of its adaptation finance to LDCs, SIDS and African states; and the AF prioritises LDCs and SIDS, given their climate vulnerability.

Taken together, these measures move away from an approach centred mainly on past performance, towards one that also recognises vulnerability as a valid basis for access. Giving more space to embed climate and biodiversity risk indicators in allocation frameworks acknowledges the need to share and actively manage them together. Such a shift is essential if countries most exposed to climate and nature-related shocks are to access the finance that is intended for them. However, as Chapter 4 highlights, additional resources only translate into tangible access and impact when domestic institutions, PFM systems, instruments and capacity are in place to absorb them – underscoring again that risk-sharing is a joint endeavour rather than a one-way obligation.

5.2. Flexible donor co-financing and procurement policies are key for fit-for-purpose access

Donors' operational modalities like counterpart contributions, co-financing and procurement rules further affect access. Designed for fiduciary leverage, they can either reinforce the developing country capacity constraints described in Chapter 4 or enable domestic reforms, depending on implementation. Capacity-weak countries often struggle to meet counterpart contributions and co-financing, or navigate procurement rules, prompting donors to set up parallel systems that undermine national ownership. This section describes these modalities and their impacts on access to climate and biodiversity finance.

Recalibrating counterpart contributions and co-financing can promote access, despite limited fiscal space

Counterpart contributions are the inputs provided by the developing country or implementing entity to complement external financing; and they are commonly required by bilateral donors, MDBs, UN agencies and VCEFs. They can be financial or non-financial. Typical counterpart contributions include cash co-financing (e.g. direct budgetary contributions to a project), in-kind contributions, staff time and salaries, institutional support and overheads, land or infrastructure, as well as policy and regulatory actions that function as non-financial co-financing, such as maintenance and recurrent costs, and data, information and local knowledge. In practice, the scale and type of these contributions vary widely depending on the donor, instrument (grant vs. loan), income level and context, and may be more or less consequential in monetary terms for developing countries.

In MICs with greater domestic resources and capacity, certain forms of conditionality embedded in counterpart contributions and co-financing agreements can be feasible and can unlock larger deals. This was seen in Armenia, where policy-related counterpart

contributions, including regulatory reforms, supported leveraging domestic financing and mobilising domestic commercial finance, which in turn helped channeling greater development finance for climate mitigation. For instance, in 2025, this approach helped Armenia's Inecobank secure a green lending facility, with EBRD providing USD 11.25 million and GCF co-financing USD 3.75 million, leveraging additional funds for solar panels, electric vehicles, irrigation and green technologies from the EBRD (EBRD, 2025). However, as Chapter 4 highlighted, such occurrences are only likely in contexts with adequate resource mobilisation capacity. For LDCs/LICs, SIDS and contexts with high or extreme fragility that are facing constrained fiscal space, requirements for counterpart contributions and co-financing quickly become binding barriers, limiting access to already scarce non-grant finance. This reflects the reality of finance: where domestic bases are extremely limited, countries rapidly hit the sustainability limits of debt absorption, making grants essential. Madagascar exemplifies this challenge best. With GNI per capita at USD 545 in 2024 (World Bank, 2025) and government revenue per capita of USD 60-70 (IMF, 2025), national counterpart contributions are often minimal or unfeasible amid competing priorities like providing basic services and debt servicing.

However, counterpart contribution practices can be calibrated to promote access, even where fiscal space is limited (e.g. donors adapted those rules to support biodiversity project implementation in Gabon, see Annex C). Togo, for example, shows that domestically driven policy reforms, such as its new Climate Change Law (passed March 2025) and green budgeting exercise, served as credible non-financial counterpart contributions for donors (IMF, 2024; L'économiste du Togo, 2025; Togo First, 2025). Such calibration is also related to the domestic reforms discussed in Chapter 4: governments that embed climate and biodiversity in their frameworks can count on donors not to undermine those same efforts with unrealistic counterpart demands.

Revisiting procurement practices could promote lasting capacity and create markets for national stakeholders

Procurement rules can also have direct implications for climate and biodiversity financing access. Donors often require competitive tendering processes, supplier eligibility criteria (e.g. financing companies with specific qualifications or certifications) and extensive documentation to ensure transparency and value for money. This is common practice – not only for climate and biodiversity-related activities, but for all international finance.

While designed to ensure competitively priced goods and services for efficient finance spending, procurement rules can be difficult to meet in local contexts, especially at subnational or community levels where much climate and biodiversity action occurs. For instance, rural community organisations or small local governments may lack experience navigating international procurement or access to pre-qualified vendor pools. In Saint Lucia, the Disaster Vulnerability Reduction Project struggled with slow implementation due to performance and timeliness issues in procurement. By mid-2020 (about six years into the project), only around 43% of funds had been disbursed (World Bank, 2020). In portfolio-wide reviews (e.g. by AfDB in Togo), such procurement bottlenecks are repeatedly cited as a major factor

behind low disbursement rates and delays (Togo First, 2025). As a result, projects can stall for months, which perpetuates dependence rather than develop national capacity.

Often, donors resort to international contractors and intermediary implementing agencies – such as UN agencies, MDBs or international NGOs – to simplify implementation and improve disbursement and performance (Rainforest Foundation Norway, 2021; RRI and RFN, 2024; LoCAL-UNCDF, 2022). These intermediaries have robust procurement and financial management systems that meet donor standards and dedicated country capacity for implementation, which results in faster project start-up and fewer holdups at the procurement stage. While using an intermediary can streamline procedures and get finance flowing, it may also incur higher overhead costs and reduce direct capacity development. Ultimately, this creates a vicious circle for national systems: by being circumvented due to their current weaknesses, developing countries are undercut in their attempts to develop long-term capacity.

Donors are experimenting with ways to balance these concerns – for example, by providing procurement training and "readiness" support to national institutions so that over time they can satisfy the requirements themselves (NDC Partnership, 2025). However, in Gabon, Madagascar and Togo, national stakeholders have often gone through multiple rounds of such VCEF readiness programmes, without achieving greater access to finance (see Annex C). Revisiting procurement practices could promote lasting capacity and create markets for national stakeholders (e.g. allowing greater use of national suppliers to develop domestic systems). Here again, the trade-off mirrors Chapter 4: favouring short-term disbursement speed through intermediaries can come at the expense of developing the national systems that would lower transaction costs and increase access over the long run.

5.3. Strengthening and working through country systems is essential for long-term effectiveness and sustainability

Donor alignment with developing countries can strengthen national ownership, reduce fragmentation and transaction costs, and ensure that development finance supports country-led priorities rather than imposing parallel systems. In turn, donor misalignment with country systems and priorities creates a fundamental tension in climate and biodiversity finance delivery. While safeguards and rapid disbursement rationales justify off-budget, headquarters-led projects, they can undermine national ownership and institutional capacity, and so hinder access and impact. This reflects a systemic pattern where donors design and implement finance outside national systems, i.e. it is not passed through the countries' own budget processes. On paper, this allows quick disbursement and results demonstration. Yet from a developing country perspective, bypassing ownership undermines sustainability: only developing country governments can sustain interventions in the long-term, and disconnected projects (unaligned with national priorities and systems) may fail to endure or to develop institutions suitable for obtaining access in the future. In fact, once a project ends, capacity, data systems, maintenance responsibilities and recurrent spending needs often fall back on domestic institutions that are not funded or strengthened to take these over.

Use of national systems and mutual accountability can boost capacity and sustainability

Misalignment with country systems is a recurring barrier to both the effectiveness of climate and biodiversity finance and to continued access to this finance. While some activities bypass domestic institutions and country systems for valid reasons (e.g. weak PFM systems as seen in Chapter 3), the World Bank (2024) finds that 75% of public international finance bypasses recipient government budgets, with four out of five projects run by non-government entities (e.g. NGOs, UN agencies). In Senegal, funds for the Great Green Wall, for example, do not always flow to national agencies (Lake Zhu, Ndiaye, Dahm, Mauclaire, & Boas, 2025); and in Madagascar donor projects often bypass the Ministry of Environment and Sustainable Development, favouring other approaches instead (Annex C).

Projects are also often designed and managed from donor headquarters, with limited engagement of country offices and weak understanding of ground-level realities. This pattern was observed in several contexts. In Madagascar, thematic windows established by major MDBs operated with limited connection to national climate and biodiversity priorities, creating parallel streams that competed for government attention and resources (see Annex C). In Gabon, headquarters-led bilateral biodiversity programmes imposed requirements and designs that were disconnected from local priorities (see Annex C).

Such disconnects undermine mutual accountability, a core principle of effective partnerships where developing countries are accountable for delivering outcomes and using donor resources responsibly, while donors commit to channeling finance through national systems rather than parallel structures. Mutual accountability resolves the "chicken-and-egg" problem of weak systems by incentivising both sides to invest in country-led delivery.

Misaligned, small-scale projects weaken effectiveness and future access

Reflecting the limited integration of NDCs or NBSAPs in broader national development plans (see Chapter 3), donors sometimes finance stand-alone projects that score highly for climate or biodiversity relevance but remain detached from sectoral priorities such as agriculture or infrastructure, limiting their scalability and a country's ability to attract larger, programmatic finance envelopes. This misalignment has two costs: reduced development effectiveness and reduced future access.

Conversely, development co-operation projects do not always address climate change and/or biodiversity loss adequately. A recent review of DAC member project descriptions shows the need to strengthen the relevance of mitigation projects: many interventions displayed weak links between stated activities and outcomes, with little evidence that planned activities made a significant contribution to intended development goals (EBA, 2024; DEVAL, 2024). In Senegal, for example, land restoration projects associated with the Great Green Wall had a positive impact on jobs and livelihoods of the rural poor but limited environmental impacts (Lake Zhu, Ndiaye, Dahm, Mauclaire, & Boas, 2025). In Madagascar,

government stakeholders highlighted how a dearth of local initiatives forced donors to take the lead, not always responding to domestic environmental goals and failing to build the country's institutional track record to enable sustained access to finance. Stakeholders also noted that the small scale of projects meant limited impact in large or richer countries, such as Armenia, Gabon and Madagascar (Annex C).

Multi-year programmatic approaches can deliver sustained impact

The patterns of misalignment identified above (i.e. stand-alone projects, off-budget delivery, headquarters-led design) persist, in part, because short-term project cycles fail to develop the institutional foundations needed for sustainable impact and scaled access. Long-term partnerships offer a proven counterpoint, allowing donors to invest in country systems over the long run, aligning donor commitments with the sustained institutional development that Chapter 4 highlights. Donors can address misalignment through long term country-led partnerships because institutional change and results take time.

In the case of biodiversity, for example, support is estimated to require at least 10-15 years to develop institutional capacity, shift sectoral incentives and embed biodiversity considerations into national planning, budgeting and policy frameworks (typically through long-term technical assistance, financing and scaling up pilots). This represents a challenge, given the typical development co-operation project cycle is 3-5 years (Dufief, Barchiche, Wemaëre, Landry, & Rochette, 2022). Similarly, finance for climate adaptation in SIDS tends to follow large disasters, while predictable, long-term financing is scarcer (COVID-19 Global Evaluation Coalition, 2023). An evaluation of 26 climate adaptation projects in Pacific SIDS found that no project of less than five years had achieved its intended outcomes (Oh-Seng, Klöck, & Deenapanray, 2025). The country case studies analysed in this report, however, found that several donors had adopted climate and biodiversity programmatic approaches, which usually underpin long-term partnerships. For example, the World Bank's Sustainable Agricultural Transformation Program in Togo runs for 10 years (2025–2032) (GCA, 2025); and Madagascar's Legacy Landscapes Fund supports the Makira-Masoala parks for over 50 years (Legacy Landscapes Fund, 2024).

5.4. Improving donor co-ordination is key to improve country access to finance

Harmonisation and reduced fragmentation through enhanced donor co-ordination are critical to improving access to finance. As seen in Chapter 2 many countries need to juggle donor proliferation. This is not merely inefficient – it actively constrains access to finance because limited national staff spend their time servicing multiple donor processes rather than implementing development priorities. The case studies demonstrate this concretely. In Senegal, several donors proposed separate mangrove projects in the Casamance region,

leading to inefficiencies, wasted resources and missed opportunities. In Madagascar, stakeholders noted that many donors operated in the Grand Sud region following drought and land degradation, but with little co-ordination, leading to wasted finance and weak development outcomes. These co-ordination failures compound the domestic fragmentation and limited capacity described in Chapter 4.

Greater donor co-ordination in countries is necessary to reduce fragmentation. By increasing their knowledge and awareness of on-going programmes and approaches, donors can improve effectiveness, pool valuable resources, promote joint programming and avoid duplication. Co-ordination can take multiple forms: government-led donor co-ordination groups, monthly co-ordination meetings with high-level government participation, or country platforms that bring public and private actors together around national priorities. Whichever options is chosen, it will be most effective if developing countries exercise ownership: no external actor can ensure that international support integrates coherently diverse donor modalities into national strategies. The case studies provide several examples of how developing countries lead (or not) such co-ordination (Annex C), with country platforms and greater VCEF co-ordination being two promising approaches moving forward. Both of these are explored in turn below.

Country platforms reduce fragmentation when government-led and donor-aligned

Country platforms (CPs) have gained significant momentum as a particularly promising mechanism to voluntarily convene, co-ordinate and align support and finance with national strategies (G20 Saudi Arabia, 2020; OECD, 2023; Gul, Holland, Hassan, & Upson, 2025; OECD et al., 2025) (Box 5.). Donors can support CPs by consolidating around a single, government-anchored forum, aligning their own processes with its decisions and using it to co-ordinate climate and biodiversity finance across sectors. A common rationale behind the establishment of CPs is the desire to support programmatic approaches, rather than the usual project-based finance approach, to ensure alignment with national needs, priorities and systems, on the one hand, and with donors' capacities and mandates, on the other. Doing so can lower transaction costs, clarify expectations and create predictable access.

However, as with any new mechanism, CPs risk adding complexity to an already fragmented landscape if not carefully calibrated. And their role in improving access to climate and biodiversity finance is not automatic: country ownership, including high-level political commitment and interministerial co-ordination, fundamentally determine whether CPs enhance or constrain access (OECD, 2023). Further, care should be taken that their creation does not add to the proliferation of new platforms. Instead, strengthening existing co-ordination mechanisms and maximising the convening power of donors may offer a pragmatic path forward in some settings. For example, some MDB structures in countries already pool mechanisms and consolidate donors (e.g. platforms supported by IDA that integrate multiple funding streams into country-led programmes). Longstanding CPs can

maximise effectiveness by drawing on years of experience with donor co-ordination – as documented through the Global Partnership for Effective Development Co-operation – to strengthen inclusiveness, transparency and alignment with country-led priorities (GPEDC, n.d.). Finally, CPs need to ensure a more co-ordinated architecture that is also just and inclusive, governed and implemented by developing countries themselves, rooted in their local realities and long-term vision rather than donor preferences (Gul, Holland, Hassan, & Upson, 2025).

BOX 5.2.

Lessons from climate and biodiversity-focused country platforms

A growing number of countries, including LDCs/LICs and SIDS, are exploring the potential of country platforms (CPs). Their effectiveness and legitimacy rely on strong country ownership, flexibility to adapt to evolving contexts, and genuine connectivity to finance (Tanaka, Garnak, & Orozco, 2024). To be successful, CPs need to reflect individual country circumstances and possess core features that include a high-level national mandate, clear priorities, engagement of a broad set of actors and progress tracking (Gilmour, Tanaka, & Colenbrander, 2024). CPs require a "whole-of-government" mandate and dedicated institutional capacity, which can be challenging to establish and sustain.

The first generation of CPs began with South Africa's Just Energy Transition Project Management Unit (JET PMU) in 2021 and focused on energy-related climate mitigation. The JET PMU had presidential-level commitment, demonstrating how high-level political commitment is necessary to ensure delivery on ambition. CPs should not be located at ministerial level as it is important to ensure intergovernmental co-ordination (OECD et al., 2025). Lessons from JETP Indonesia also demonstrate that goals and investment plans designed to support national policies need to be based on reliable data, as well as credible scenarios to ensure clarity of purpose (OECD et al., 2025; AFD and OECD, 2025).

Since these early examples, CPs have expanded in scope to cover adaptation (e.g. Bangladesh), industrial decarbonisation (e.g. Türkiye), forests (e.g. Colombia) and nature-based solutions (e.g. Brazil) with varied institutional models. These range from independent organisations to units embedded within government structures or co-ordinated by national development banks. Building on leadership from the Brazilian UNFCCC COP30 Presidency, 13 countries and one region plan to develop CPs through the GCF's Readiness Program, which is also creating a new Country Platforms Hub (GCF, 2025).

However, CPs can struggle to ensure equitable access to finance and may inadvertently perpetuate existing economic challenges and inequities (OECD, 2023). Such governance failures limit their potential for securing access – with challenges observed in South Africa, Senegal and Viet Nam (OECD et al., 2025). In practice, CPs often privilege large, bankable projects aligned with donor preferences over locally identified priorities, while smaller ministries, local governments or vulnerable

communities have limited voice in project selection. Governance arrangements can be complex and opaque, with unclear mandates and high transaction costs, which slow decision making and delay disbursements, reproducing the co-ordination failures they were meant to solve. There are also concerns that finance mobilised through CPs relies heavily on loans rather than grants, potentially adding to debt burdens if not carefully managed. Finally, existing CP examples are largely focused on MICs, with significantly less engagement from LDCs/LICs, limiting their potential to address access barriers for the most vulnerable countries.

Lessons from the OECD's Clean Energy Finance and Investment Mobilisation Programme suggest that CPs' success relies on addressing outstanding barriers in the policy and regulatory framework and providing project preparation to identify pipelines of bankable projects (OECD et al., 2025; OECD, 2025).

VCEF harmonisation and clearer mandates reduce access fragmentation

Incentivising co-ordination and harmonisation is particularly key among VCEFs, which have been criticised for being overly complex. Such co-ordination and harmonisation can reduce transaction costs and facilitate access for countries navigating multiple funds (Box 5.3). Even though VCEFs have recently been working to develop common approaches to accreditation, project pipeline development and review processes, alongside shared MRV and reporting templates, these initiatives remain work in progress and have not yet substantially improved access for countries with limited capacities (GEF IEO, 2025). Notwithstanding, while harmonisation is critical, each fund still needs to retain distinct roles aligned with its comparative advantage. France's 2023 strategic assessment proposed a clearer division of VCEF mandates to improve coherence and reduce overlap (DG Trésor, 2023), with the CIF focusing on mitigation and clean-energy investments in emerging economies through MDBs; the GCF prioritising adaptation and mitigation projects in LDCs and SIDS; the GEF maintaining a broad environmental mandate with stronger emphasis on biodiversity; and the AF supporting readiness and enabling adaptation activities. Such delineation could enhance access for countries by clarifying which fund serves which development contexts, potentially reducing the transaction costs of navigating multiple access requirements (G20 IHLEG, 2024).

BOX 5.3.

Recent VCEFs reforms to improve co-ordination

VCEFs are pursuing greater coherence and complementarity (Taskforce on access to climate finance, 2025). However, co-ordination improvements have not yet translated into measurably improved access for vulnerable countries. A joint declaration of the GEF, GCF, AF and CIF at UNFCCC COP28 in 2023 stated their committed to strengthen

their complementarity and coherence, move towards harmonised procedures and project review cycles, streamline access modalities and assess their added value in the broader landscape (VCEFs, 2023). The GCF-GEF Long-Term Vision on Complementarity, Coherence and Collaboration, initiated in 2021, represents a significant step forward, advancing indicator harmonisation and broader collaboration among funds; and the 2025 annual report of the GCF-GEF Long-Term Vision highlights wider collaboration among VCEFs (GCF & GEF, 2025). This builds upon an annual dialogue of funds and other operational initiatives at secretariat level (e.g. establishment of structured platforms, such as the Heads Meeting and a VCEF Taskforce), related to accreditation and re-accreditation, direct access, knowledge management, readiness support, results management, the scaling up of successful projects and joint communication and outreach (Adaptation Fund, 2024).

ANNEX

A Statistical and econometric methodology

Modelling strategy

The econometric identification of finance allocation determinants must address the inherent non-randomness in the distribution of flows (Balla & Reinhardt, 2008). The use of multiple linear regression techniques, such as Ordinary Least Squares leads to biased coefficient estimates, typically attenuated towards zero (Clist, 2011). To address this issue, the literature proposes the use of limited dependent variable models that accommodate the censored nature of the data. Three primary approaches have been widely discussed: the Tobit model, Heckman's two-step model, and the Two-Part Model, also known as the Cragg or hurdle model (Berthélemy, 2006; Yabe, Opršal, Harmáček, & Syrovátka, 2024). These approaches model the allocation process as comprising two distinct stages: a selection stage (or gate-keeping stage), in which the decision is made as to whether a recipient country receives any finance at all, and a level-setting stage, which determines the volume of finance allocated to those selected. The key differences between these models lie in the assumptions regarding the relationship between these two stages, particularly whether they are treated as dependent or independent processes, and in the distributional assumptions imposed on the error terms.

The Tobit model treats the two decision stages as a single continuous process. It assumes that the same set of explanatory variables influences both stages with identical signs and magnitudes, and that the error term is homoscedastic and normally distributed (Clist, 2011). However, these assumptions are often implausible in the finance allocation context. In particular, empirical evidence has shown violations of both homoskedasticity and normality in the Tobit setting (Yabe, Opršal, Harmáček, & Syrovátka, 2024) and the strong assumption of parameter equality across stages imposes unjustified restrictions. Moreover, the Tobit model presupposes that all determinants of the probability of receiving finance exert a similar influence on the total volume, which is unlikely to hold in practice (Yabe, Opršal, Harmáček, & Syrovátka, 2024).

An alternative approach is Heckman's two-step selection model, which explicitly models the selection process as a potential source of omitted variable bias (Clist, 2011). However, the model requires at least one variable that affects the selection stage but does

not influence the level-setting stage to achieve identification. In many applied settings, such variables are either unavailable or theoretically implausible (Puhani, 2000). In the absence of such instruments, identification relies entirely on distributional assumptions, rendering estimates sensitive to functional form misspecification. Monte Carlo simulation indicates that the Heckman approach performs poorly without a valid exclusion restriction (Puhani, 2000).

Given these limitations, the Two-Part Model, also referred to as the two-stage Cragg model or Type II Tobit, emerges as a theoretically and empirically preferable alternative. This model distinguishes econometrically between the selection and level-setting stages, allowing for independent estimation of each. In the first stage, a binary model (typically a logit) estimates the probability of a recipient obtaining any finance, while the second stage models the volume of finance conditional on receipt using a linear regression (Amemiya, 1985). The key identifying assumption is the independence of the error terms across stages, i.e. $Cov(\epsilon_1, \epsilon_2) = 0$. Unlike the Heckman approach, no exclusion restriction is required, and estimation remains consistent provided this assumption holds. Empirical tests have failed to reject the independence assumption in the context of financial allocations (Neumayer, 2003), and simulation results suggest that any bias from relaxing it is negligible (Manning, Duan, & Rogers, 1987). The model is given as follows:

Selection stage (stage 1):

$$logit(\pi_{ijt}) = \beta_0 + \beta_1 x_{1ijt} + ... + \beta_n x_{nijt} + u_j + \tau_t$$

where:
$\pi_{ijt} = Prob(y^1_{ijt} = 1 \mid x_{1ijt}, ..., x_{nijt}, u_j)$
$u_j \sim N(0, \sigma^2_u)$

Level-setting stage (stage 2):

$$y^2_{ijt} = \beta_0 + \beta_1 x_{1ijt} + ... + \beta_n x_{nijt} + u_j + \tau_t + \epsilon_{ijt}$$

where:
$u_j \sim N(0, \sigma^2_u)$
$e_{ij} \sim N(0, \sigma^2_e)$

where y^1_{ijt} represents the binary decision by donor j to allocate finance (1) or not (0) to recipient i in time t. x_{1ijt} to x_{nijt} are the n independent variables observed for recipient i on which donors j base their decision in time t, u_j are the donor random effects, and τ_t are time fixed effects; and where y^2_{ijt} is the amount of climate or biodiversity finance committed by donor j to recipient i in time t. x_{1ijt} to x_{nijt} are the same n independent variables observed for recipient i by donor j in time t, u_j are the donor random effects, τ_t are time fixed effects, and ϵ_{ijt} are the remaining error terms.

The model in the first stage is a mixed effects logistic regression, while the second one is a mixed effects linear regression. To reflect the cross-sectional panel structure of the data, donor-level random effects are incorporated in both stages of the model, following the approach of (Weiler, Klöck, & Dornan, 2018). This allows for the fact that donors make multiple allocation decisions in a given year that are not statistically independent. Year fixed effects

are also included in both models to capture time-specific shocks and global trends. Additionally, heteroskedasticity is addressed through the use of robust standard errors, and the risk of endogeneity is mitigated by introducing lagged time-varying covariates, in line with (Thiele, Nunnenkamp, & Dreher, 2007).

Dependent variable

Adopting a comparative approach, the Two-Part Model is estimated separately for total finance as well as for three subsets of climate and biodiversity finance: climate change mitigation, climate change adaptation, and biodiversity. International public finance activities are measured using the OECD Development Assistance Committee's (DAC) Creditor Reporting System (CRS), which collects data on official development assistance (ODA), other official flows (OOF) and private sector instruments (PSI). The sum of these three categories, from both bilateral and multilateral donors, constitutes official development finance (ODF) (OECD, 2024), which is the measure used here. This report uses commitment data rather than disbursements, as commitments better reflect donor intent. While existing literature often relies on nominal amounts, per capita figures or shares of GDP as dependent variables, this report focuses on nominal committed amounts. This choice offers the clearest picture of where finance is directed, whereas the alternative measures introduce biases related to income level or population size – factors that are instead included as independent variables in the model.

The selection stage uses a binary dyadic dataset, coded as 1 when the sum of commitments between a donor-recipient pair in a given year exceeds USD 50 000, and as 0 otherwise. This threshold helps exclude noise from very low-value activities in the CRS. To account for inflation and improve comparability over time, all financial data are expressed in constant 2022 USD, following (Berthélemy, 2006). In the second stage, a log transformation of the dependent variable is applied to stabilise variance and enhance model fit. Finally, separate models are estimated for DAC donors and multilateral institutions to capture potential differences in allocation behaviour across donor types.

Regarding DAC member models, activities related to climate change mitigation, climate change adaptation and biodiversity have been identified through the respective Rio markers (OECD, 2024). Since 1998, the DAC monitors development finance targeting the objectives of the Rio Conventions, through four "Rio markers" [biodiversity, desertification, climate change mitigation and adaptation (the latter introduced in 2009); for more information on the markers, see (OECD, 2024)]. The Rio markers were designed to track the degree to which members integrate environmental considerations into their activities and to support members in preparing their national reports to the Conventions. Reporting on the Rio markers is mandatory for ODA from DAC members (but not for OOF or PSI, or for multilateral and bilateral donors beyond the DAC). Activities are aggregated at face value, whether they are marked as significant (coded as 1) or principal (coded as 2) under the different Rio markers.

Regarding the models for multilateral institutions, the analysis relies on the Rio markers for the three climate and biodiversity thematic areas, complemented by activities reported under the climate component methodology. The latter identifies the components of a project that directly contribute to promote adaptation and/or mitigation, calculated in accordance with the joint MDB methodology for tracking climate mitigation finance and the joint MDB methodology for tracking climate adaptation finance (MDBs, 2024; OECD, 2024). Despite the accounting bias from combining two different accounting methodologies, this report has opted to use self-reported amounts to maintain consistency with original data sources. The dataset of multilateral institutions used in this analysis has been truncated to multilateral institutions having provided a positive commitment to any of the three climate and biodiversity objectives under study over 2015-2022. This prevents the introduction of a structural zero bias in the selection stage of the model. Additionally, the International Investment Bank has been removed from the dataset due to discontinued reporting. The final sample comprises 31 multilateral institutions, including 17 multilateral development banks, 4 vertical climate and environmental funds, and 10 other multilateral entities.

Independent variables

To assess the influence of variables in the selection and level-setting stages to allocate climate and biodiversity finance, the models are specified using typical variables of the allocation literature. Those generally belong to three groups: donor interest, recipient need and recipient merit (Hoeffler & Outram, 2011). Further, additional independent variables are included to deepen the understanding of language's influence, and the relationship concerning the three climate and biodiversity thematic focuses.

Donor interest

Donor interest variables are included in the model to capture the extent to which allocation reflects strategic, economic and political considerations. While such factors are a standard feature of allocation studies, their influence on climate and biodiversity finance may be less direct, given that this type of finance is often justified by its contribution to global public goods. Testing their significance therefore provides insight on whether climate and biodiversity finance follows conventional patterns of public international finance or whether it is guided by a distinct logic, potentially an environment-related one.

Four dimensions of donor interest are considered, mirroring (Tennant, Davies, & Tennant, 2024). First, the share of a donor's exports going to a recipient country (*donor export share*), taken from (IMF, n.d.), serves as a proxy for economic interdependence. It is expected to be positively signed, consistent with the argument that donors are more engaged in countries with which they have deeper trade relationships. Second, geopolitical alignment is measured through an agreement score distance between donor-recipient pairs at the UN General Assembly (*UN agreement score*), estimated by (Coppedge, et al., 2025). This variable

is expected to display a positive coefficient, reflecting the hypothesis that donors allocate more finance to countries that align with them on global issues. Third, the existence of past colonial ties is introduced, on the assumption that donors are more likely to direct finance towards former colonies due to historically rooted political, cultural and institutional connections. A positive coefficient is expected. Finally, the geographic distance between donor and recipient capital cities (*distance capitals*), taken from (Conte, Cotterlaz, & Mayer, 2022), is included to capture regional focus and influence. Here, a negative relationship is anticipated: the further away the recipient country, the less finance it is likely to receive. These variables are excluded from the models on multilateral institutions, as there are no equivalent measures capturing their strategic interests, and their mandates are regional or global in scope. In sum, these are the variables:

- *past colonial relationship*: dummy denoting country pairs having been in a colonial relationship. The data has been sourced from the CEPII Gravity database (Conte, Cotterlaz, & Mayer, 2022).
- *un agreement score*: country pair agreement score computed annually through votes in the UN General Assembly. The data has been sourced from (Bailey, Strezhnev, & Voeten, 2016), and updated in 2024 by Voeten (United Nations General Assembly Votes and Ideal Points, 2024), and lagged by one year. The name of the data point taken in the original dataset is the dyadic agreement score, across all sectors.
- *donor export share*: share of donors' total exports going to the recipient countries. The measure corresponds to the value of exported goods, free on board, in USD. The data has been sourced from the International Monetary Fund's (IMF) International trade in goods by developing country dataset (IMF, n.d.), lagged by one year and transformed using the natural logarithmic.
- *distance capitals*: geodesic distance between capital cities of country pairs. The data has been sourced from the CEPII Gravity database (Conte, Cotterlaz, & Mayer, 2022) and transformed using the natural logarithmic.

Recipient merit

The recipient merit dimension is designed to capture whether climate and biodiversity finance is directed towards well-governed countries, where it is presumed to be used more effectively and to generate greater impact (Burnside & Dollar, 2000; Collier & Dollar, 2002). Governance quality is therefore central to this dimension.

Two variables are included. First, a democracy index is used to measure the degree of political accountability and institutional reliability. It is constructed as the average of the five democracy indices produced by Varieties of Democracy (Coppedge, et al., 2025). The underlying assumption is that higher levels of democracy increase donor trust in recipient institutions, thereby facilitating larger allocations. A positive coefficient is expected. Second, an indicator of liberal economic regulation – the Economic Regulation score from the Fraser Institute's *Economic Freedom of the World* index (Gwartney, Lawson, & Murphy, 2024) – is included to reflect the degree of economic liberalisation in recipient economies. Donors are

assumed to prefer engaging in more liberal contexts, where regulatory frameworks are predictable and market-oriented, suggesting again a positive relationship. While the World Bank's World Governance Indicators are widely used in finance allocation studies, they are not employed here due to concerns about their ability to measure distinct dimensions of governance reliably (Langbein & Knack, 2010). Second, a variable specific to climate and biodiversity finance is considered: whether a country hosts at least one accredited entity to the GCF. Accreditation signals that a country has developed the technical, financial and fiduciary capacity to manage climate and biodiversity projects, thereby enhancing its institutional credibility and readiness to receive such finance. The dummy variable is coded as one from the year of accreditation onwards, reflecting the expectation that positive effects could emerge quickly, as the accreditation process is lengthy [which took a median time of 17 months up to 2020 (GCF IEU, 2020)], and reforms and capacity development could therefore already be visible. A positive coefficient is anticipated, consistent with the view that accreditation facilitates access not only to GCF resources but also signals higher institutional, technical, and fiduciary capacity, enhancing eligibility for broader climate and biodiversity finance flows. In sum, these are the variables:

- *democracy index*: average of five indices ranking recipient countries on different types of democracies. The data has been sourced from V-Dem (Coppedge, et al., 2025; Pemstein, et al., 2025), and the five democracy indices and their original name are the following: electoral democracy index (v2x_polyarchy), liberal democracy index (v2x_libdem), participatory democracy index (v2x_partipdem), deliberative democracy index (v2x_delibdem), and egalitarian democracy index (v2x_egaldem). The data is lagged by one year.
- *liberal economic regulation*: measure of liberal economic regulation of recipient countries (credit and labour markets, business regulations, competition policy). The data has been sourced from the Fraser Institute's Economic Freedom dataset (Gwartney, Lawson, & Murphy, 2024), specifically from "Area 5 – Economic Regulation", lagged by one year and transformed using the natural logarithmic.
- *gcf accredited entity*: dummy denoting whether recipient countries have at least one accredited entity. The data has been manually compiled from the GCF's website (Green Climate Fund, n.d.), and has not been lagged by one year, as accreditation is a multi-year process and its potential consequences can be expected prior to, or the year of, the accreditation date (see Box A.1). This variable is only included for the three subsets of climate and biodiversity finance.

BOX A.1.

Testing the causal impact of GCF accreditation on access to climate and biodiversity finance

As the results of the standard econometric finance allocation model indicate a positive effect of the *gcf accredited entity* variable for DAC and multilateral finance, this raised the question of whether such an effect also holds in the time dimension. The underlying rationale is to assess whether the accreditation of an entity causally improves a country's

subsequent access to climate finance, rather than only being favoured relatively to other recipient countries. To examine this, a difference-in-differences model with three-way fixed effects (donor, recipient, and year) is estimated, similarly to (Arezki, Camara, Imam, & Kpodar, 2025) and (Faye & Niehaus, 2012):

$$y_{ijt} = \beta Accredited_{jt} + \mu_i + \lambda_j + \tau_t + \epsilon_{ijt}$$

where y_{ijt} denotes finance commitments from donor i to recipient j in year t, μ_i denotes donor fixed effects, λ_j denotes recipient fixed effects, τ_t denotes time fixed effects, and ϵ_{ijt} denotes the remaining error term. The treatment variable was coded as follows: $Accredited_{jt} = 1\{t \geq A_j\}$; i.e. as one for all years greater or equal to A_j, the recipient's first year of accreditation. To ensure robust results, the treatment year was also additionally tested with a one-year lag, to allow for effect delays. The model includes robust standard errors. The same two-stage procedure was applied as in the standard models of this analysis, first modelling the probability of receiving any finance and the volume of commitments conditional on a positive flow. This strategy was applied separately for climate change mitigation, adaptation, and biodiversity finance, and for both DAC and multilateral donors.

Recipient need

The recipient need dimension seeks to capture the extent to which climate and biodiversity finance is directed towards countries with the greatest underlying socio-economic and environmental vulnerabilities. Variables are grouped into two main categories: development- and environment-related indicators linked to mitigation, adaptation and biodiversity.

On the development side, Gross Domestic Product (GDP) per capita is included. A non-linear, concave relationship to GDP is expected, and the models include GDP as a squared term, following standard practice from the literature (Alesina & Dollar, 2000). At very low levels of income, absorption capacity constraints and reliance on grants limit the volume of finance. At intermediate levels, countries are better positioned to ensure efficient absorption of resources and thus allocations are expected to increase. At higher levels of income, access to alternative financing sources reduces reliance on concessional flows. The expected outcome is therefore a positive coefficient on GDP per capita and a negative coefficient on its squared form, describing a concave relationship. Inequality is also included to reflect the recipient's economic needs, and is measured through the Palma ratio, defined as the share of GNI held by the richest 10% divided by that of the poorest 40% (Cobham & Sumner, 2013). High inequality signals stronger distributive needs, and a positive relationship with financial allocations is anticipated. These are the main variables:

- *gdp per capita*: gross domestic product (GDP) per capita of recipient countries. The data has been sourced from the World Bank's World Development Indicators (World Bank, 2025), expressed in constant 2015 USD, lagged by one year and transformed using the natural logarithmic.

- *sq gdp per capita*: squared GDP per capita of recipient countries. The data has been computed by authors, squaring the above data point to obtain a non-linear term.
- *palma ratio*: ratio of the income share of the top 10% of the recipient countries populations to that of the bottom 40%. The underlying data has been sourced from the (World Inequality Database, 2025), while the ratio has been computed by authors, lagged by one year and transformed using the natural logarithmic.

Turning to thematic needs, two mitigation-related variables are used to capture both a static and a dynamic perspective on abatement potential. The first, greenhouse gas emissions per capita (*ghg emissions per capita*), measures a country's relative contribution to global emissions and is sourced from the World Development Indicators (World Bank, 2025). Unlike most mitigation studies that focus solely on CO_2, or on other greenhouse gases individually, this analysis incorporates all greenhouse gases at once in one indicator, as mitigation finance targets not only fossil fuel-related emissions but also land use-related ones (OECD, 2025). The second variable, the annual growth rate of fossil CO_2 emissions (*annual growth fossil of carbon dioxide*), derived from the European Commission's Emissions Database for Global Atmospheric Research (Crippa, et al., 2022), reflects the dynamics of emerging emitters. This dataset was chosen because it provides more precise estimates and captures year-to-year variations more reliably than greenhouse gas emissions, which tend to reflect only orders of magnitude. Together, these variables provide complementary perspectives: if mitigation finance aims to maximise abatement potential, whether through addressing current high emitters and/or rapidly growing ones, both are expected to yield positive coefficients.

For adaptation, the model incorporates the three dimensions of vulnerability to climate change: exposure, sensitivity and adaptive capacity, derived from the Notre Dame Global Adaptation Initiative (University of Notre Dame, 2025). This index is extensively used in the literature, either through the vulnerability indicator (Weiler & Klöck, 2021; Tennant, Davies, & Tennant, 2024; Liu, Dong, & Nepal, 2024), or through its underlying indicators (Weiler, Klöck, & Dornan, 2018). Exposure and sensitivity capture, respectively, the degree to which countries are at risk of climate hazards and the extent to which populations and economies depend on vulnerable sectors. Both are expected to be positively associated with adaptation finance allocations. Adaptive capacity, however, presents a more ambiguous case. From a strict needs-based perspective, a negative relationship would be expected, as countries least able to absorb shocks could receive more support. Yet, from a recipient merit perspective, higher adaptive capacity signals stronger institutions and greater absorption potential, which could attract additional finance. A positive coefficient is therefore also plausible.

Finally, biodiversity-related needs are addressed through three indicators. Biodiversity intactness, derived from the Natural History Museum's index (Phillips, De Palma, Gonzalez, & Contu, 2021), estimates the proportion of original species and their abundance remaining in an ecosystem. Finance is expected to prioritise countries with higher intactness, where conservation potential is greatest, implying a positive coefficient. A categorical variable identifying megadiverse countries (Mittermeier, Goettsch Mittermeier, & Robles Gil, 1997), as recognised under the CBD, is included to capture biodiversity significance. Here too, a positive relationship is anticipated, as these countries are home to globally significant biodiversity. The nature dependency index, developed under the Co$ting Nature project (Co$ting

Nature, 2017), measures the degree of reliance on ecosystem services by combining supply and demand. A positive coefficient is expected, since greater dependency strengthens the case for finance that promotes the sustainable management of natural resources to ensure functioning ecosystems that underpin livelihoods of nature-dependent populations. These are the main variables:

- *ghg emissions per capita*: total greenhouse gas emissions per capita (including land use, land-use change and forestry (LULUCF)) of recipient countries. The data has been sourced from the World Bank's World Development Indicators (World Bank, 2025), expressed in $MtCO_2e$, and then divided by the recipient countries' population (same source) to obtain the per capita measure (tCO_2e per capita). It has been lagged by one year and transformed using the inverse hyperbolic sine function, given the presence of negative values. This variable is only included in the climate change mitigation models.
- *annual growth fossil CO2*: annual growth rate of fossil CO_2 emissions of recipient countries. The growth rate has been computed from country-level fossil CO_2 emissions estimates produced by the European Commission's Emissions Database for Global Atmospheric Research (Crippa, et al., 2022), lagged by one year and transformed using the inverse hyperbolic sine function, given negative values. This variable is only included in the climate change mitigation models.
- *exposure*: degree to which a system faces biophysical climate-related risks. The data has been sourced from ND-GAIN (University of Notre Dame, 2025), lagged by one year and transformed using the natural logarithmic. This variable is only included in the climate change adaptation models.
- *sensitivity*: extent to which a recipient country depends on climate-vulnerable sectors, or population at risk. The data has been sourced from Notre Dame Global Adaptation Initiative, or ND-GAIN (University of Notre Dame, 2025), lagged by one year and transformed using the natural logarithmic. This variable is only included in the adaptation models.
- *adaptive capacity*: ability of a country to cope with climate impacts using social, economic, and institutional resources. The data has been sourced from ND-GAIN (University of Notre Dame, 2025), lagged by one year and transformed using the natural logarithmic. This variable is only included in the climate change adaptation models.
- *biodiversity intactness*: estimated percentage of the original number of species that remain and their abundance. The data has been sourced from the Biodiversity Intactness Index (Phillips, De Palma, Gonzalez, & Contu, 2021), from the latest historical measure dating back to 2014 (value is held constant over the different years of the models), and transformed using the natural logarithmic. This variable is only included in the biodiversity models.
- *megadiverse countries*: dummy denoting megadiverse countries, i.e. identifying Earth's biologically wealthiest nations. That list includes 17 countries and has been established by (Mittermeier, Goettsch Mittermeier, & Robles Gil, 1997).

- *nature dependency*: relative magnitude of ecosystem services (product of supply and demand). The data has been sourced from the Co$ting Nature project (Co$ting Nature, 2017), and is held constant over 2015-2022. It uses remote sensing and global databases to map the spatial distribution of 13 ecosystem services.

Language

To capture the role of communication frictions in the allocation of climate and biodiversity finance, language-related independent variables are included in the model. While rarely employed in the allocation literature, these variables are introduced to quantify the influence of language on funding patterns. To capture this effect, a binary indicator, *francophone recipient*, is defined, taking the value 1 if French is an official language of the recipient country and 0 otherwise. Two dyadic variables further capture the ease of communication between donor-recipient pairs. The first, *common official language*, is a dummy equal to 1 when the pair shares an official language, taken from (Melitz & Toubal, 2014). The second, *linguistic proximity*, is a continuous index measuring the closeness of the countries' native language(s); this index is set to 0 for dyads with a shared official language. To mitigate confounding factors, the specification also includes an indicator of past colonial relationships, already mentioned earlier, which is only moderately correlated with the common-language variable ($\rho = 0.36$; Table A.3). The existence of a shared official language is expected to facilitate communication at no marginal cost and to increase finance. Greater linguistic proximity, even in the absence of a common language, is likewise anticipated to lower translation and interpretation costs and to foster interpersonal rapport, thus exerting a positive effect. These variables are excluded from the models estimated on multilateral institutions. In sum, these are the variables:

- *francophone recipient:* dummy denoting countries with French as official language. The data has been sourced from (Melitz & Toubal, 2014).
- *common official language*: dummy denoting country pairs sharing an official language. The data has been sourced from (Melitz & Toubal, 2014).
- *linguistic proximity*: describes the similarity of 200 common words in the native language(s) of a country pair. The data rests on a scoring by (Brown, Holman, Wichmann, & Velupillai, 2008) and adjustments by (Melitz & Toubal, 2014).

Control

Population is included in both stages of the model to control for the size of the recipient country. Finance is expected to increase for more populated countries. Hence this is the variable used:

- *population*: recipient countries' population. The data has been computed by authors from the World Development Indicators (World Bank, 2025), lagged by one year and transformed using the natural logarithmic.

TABLE A.1.

Summary of variables

Variable	Description	Source	Sign hypothesis	Core dimension	Environmental dimension
Dependent variables (binary and continuous)					
Total finance	Overall public international finance	(OECD, 2025)	N.A.	N.A.	N.A.
Mitigation finance	Identified through the Rio markers for DAC members and as the sum of Rio markers and climate components for multilateral donors		N.A.	N.A.	N.A.
Adaptation finance			N.A.	N.A.	N.A.
Biodiversity finance	Identified through the Rio marker for DAC members and multilateral institutions		N.A.	N.A.	N.A.
Independent variables					
population	Population of recipient country	(World Bank, 2025)	(+)	Control	N.A.
donor export share	Share of donors' total exports going to the recipient country	(IMF, n.d.)	(+)	Donor interest	N.A.
un agreement score	Country pair agreement score computed annually through votes in the UN General Assembly	(Bailey, Strezhnev, & Voeten, 2016; Voeten, 2024)	(+)	Donor interest	N.A.
past colonial relationship	Dummy denoting country pairs having been in a colonial relationship	(Conte, Cotterlaz, & Mayer, 2022)	(+)	Donor interest	N.A.
distance capitals	Geodesic distance between capital cities of a country pair		(-)	Donor interest	N.A.
liberal economic regulation	Measure of liberal economic regulation (credit and labor markets, business regulations, competition policy)	(Gwartney, Lawson, & Murphy, 2024)	(+)	Recipient merit	N.A.
democracy index	Average of the five indices ranking democracies of recipient country	(Coppedge, et al., 2025)	(+)	Recipient merit	N.A.
gdp per capita	Gross domestic product (GDP) per capita of recipient country	(World Bank, 2025)	(+)	Recipient need	N.A.
sq gdp per capita	Squared GDP per capita of recipient country	N.A.	(-)	Recipient need	N.A.

Variable	Description	Source	Sign hypothesis	Core dimension	Environmental dimension
palma ratio	Ratio of the income share of the top 10% to that of the bottom 40%	(World Inequality Database, 2025)	(+)	Recipient need	N.A.
french recipient	Dummy denoting recipient countries with French as an official language	(Melitz & Toubal, Native language, spoken language, translation and trade, 2014)	(–) / (+)	Language	N.A.
common official language	Dummy denoting country pairs sharing an official language		(+)	Language	N.A.
linguistic proximity	Linguistic proximity of the languages of a country pair		(+)	Language	N.A.
gcf accredited entities	Dummy denoting whether a recipient country has at least one accredited entity	(Green Climate Fund, n.d.), Authors' compilation	(+)	Recipient merit	Mitigation, Adaptation, Biodiversity
ghg emissions per capita	Greenhouse gas emissions per capita per recipient country	(World Bank, 2025)	(+)	Recipient need	Mitigation
annual growth fossil CO_2	Annual growth rate of fossil CO_2 emissions per recipient country	(Crippa, et al., 2022)	(+)	Recipient need	Mitigation
exposure	Degree to which a system faces biophysical climate-related risks	(University of Notre Dame, 2025)	(+)	Recipient need	Adaptation
sensitivity	Extent to which a country depends on climate-vulnerable sectors, or population at risk		(+)	Recipient need	Adaptation
adaptive capacity	Ability of a country to cope with climate impacts using social, economic, and institutional resources		(–)	Recipient merit Recipient need	Adaptation
biodiversity intactness	Estimated percentage of the original number of species that remain and their abundance	(Phillips, De Palma, Gonzalez, & Contu, 2021)	(+)	Recipient need	Biodiversity
megadiverse countries	Dummy denoting megadiverse countries	(Mittermeier, Goettsch Mittermeier, & Robles Gil, 1997)	(+)	Recipient need	Biodiversity
nature dependency	Magnitude of currently used ecosystem services (product of supply and demand)	(Co$ting Nature, 2017)	(+)	Recipient need	Biodiversity

Source: Authors

TABLE A.2.

Descriptive statistics of independent variables

	Count	Mean	Standard deviation	Minimum	25%	50%	75%	Maximum
population	1120	15.70	2.22	9.29	14.60	16.10	17.20	21.07
donor export share	31 413	-9.63	2.85	-25.04	-11.28	-9.48	-7.70	-0.89
un agreement score	35 064	0.68	0.12	0	0.63	0.68	0.73	1
past colonial relationship	4 495	0.03	0.17	0	/	/	/	1
distance capitals	4 495	8.82	0.63	5.15	8.51	8.94	9.25	9.88
democracy index	1 008	0.33	0.18	0.05	0.18	0.31	0.47	0.84
liberal economic regulation	904	6.01	1.02	2.35	5.50	6.09	6.74	8.07
gdp per capita	1 087	7.97	0.98	5.57	7.20	8.12	8.73	9.88
sq gdp per capita	1 087	64.53	15.41	31.06	51.83	65.98	76.24	97.56
palma ratio	1 120	4.06	0.43	2.89	3.81	3.98	4.28	5.77
francophone recipient	146	0.21	0.41	0	/	/	/	1
common official language	4 247	0.11	0.31	0	/	/	/	1
linguistic proximity	3 852	0.71	0.75	0	0	0.62	0.98	6.35
gcf accredited entities	1 168	0.23	0.42	0	/	/	/	1
ghg emissions per capita	1 040	1.13	1.94	-5.90	0.83	1.67	2.29	4.96
annual growth fossil CO_2	1 064	0.02	0.10	-0.71	-0.02	0.02	0.07	0.66
exposure	1 096	-0.80	0.18	-1.32	-0.91	-0.78	-0.69	-0.33
sensitivity	1 040	-1.07	0.24	-1.66	-1.24	-1.07	-0.89	-0.43
adaptive capacity	1 024	-0.53	0.22	-1.11	-0.66	-0.51	-0.36	-0.12
biodiversity intactness	128	-0.32	0.22	-1.10	-0.46	-0.30	-0.15	0
nature dependency	118	0.41	0.17	0.03	0.29	0.41	0.52	0.82
megadiverse countries	146	0.10	0.30	0	/	/	/	1

Note: Observations included in this table of descriptive statistics have to meet the following requirements (when applicable): donor name should be a DAC member, recipient name should be an ODA-eligible country.

Source: Authors

Table A.3 displays the correlation matrix of independent variables used in the models. Only a few variables have a correlation coefficient higher than 0.5 in absolute terms. Those are: *donor export share* and *population* (0.63), *gdp per capita* and *sq gdp per capita* (1.0), *sensitivity* and *gdp per capita* (-0.63) [and *sq gdp per capita* (-0.63)], *adaptive capacity* and *gdp per capita* (-0.68) [and *sq gdp per capita* (-0.67)], *adaptive capacity* and *sensitivity* (0.54), *biodiversity intactness* and *nature dependency* (-0.56).

TABLE A.3.

Correlation matrix of independent variables

	population	donor export share	un agreement score	past colonial relationship	distance capitals	democracy index	liberal economic regulation	gdp per capita	sq gdp per capita
population	/	/	/	/	/	/	/	/	/
donor export share	0.63	/	/	/	/	/	/	/	/
un agreement score	-0.08	0.03	/	/	/	/	/	/	/
past colonial relationship	-0.05	0.07	-0.07	/	/	/	/	/	/
distance capitals	-0.16	-0.33	-0.20	0.00	/	/	/	/	/
democracy index	-0.25	0.03	0.22	0.02	0.17	/	/	/	/
liberal economic regulation	-0.29	0.06	0.25	-0.01	0.00	0.46	/	/	/
gdp per capita	-0.27	0.22	0.11	0.00	0.03	0.30	0.39	/	/
sq gdp per capita	-0.28	0.21	0.10	0.01	0.03	0.31	0.39	1.00	/
palma ratio	0.07	0.03	-0.10	0.03	0.34	0.24	-0.09	0.14	0.15
francophone recipient	-0.01	-0.08	-0.08	0.01	-0.07	-0.05	-0.08	-0.28	-0.26
common official language	-0.12	0.00	-0.14	0.36	0.06	0.06	0.03	-0.04	-0.03
linguistic proximity	-0.15	0.05	0.11	-0.06	-0.08	0.17	0.16	0.40	0.40
gcf accredited entities	0.26	0.22	0.01	0.01	0.10	0.20	0.14	0.05	0.04
ghg emissions per capita	0.38	0.35	0.01	-0.02	-0.16	-0.11	-0.03	0.14	0.14
annual growth fossil CO2	0.09	-0.01	-0.09	0.00	0.03	-0.02	0.04	-0.15	-0.16
exposure	-0.06	-0.19	-0.10	0.06	0.43	0.06	-0.15	-0.26	-0.25
sensitivity	-0.12	-0.34	-0.11	0.02	0.00	-0.30	-0.29	-0.63	-0.63
adaptive capacity	-0.17	-0.47	-0.12	0.04	0.17	-0.09	-0.29	-0.68	-0.67
biodiversity intactness	-0.19	-0.12	-0.07	0.00	0.01	-0.06	-0.15	0.07	0.07
nature dependency	-0.09	-0.06	0.13	0.01	0.06	0.14	0.33	0.01	0.02
megadiverse countries	0.39	0.31	-0.03	0.00	0.15	0.11	-0.02	0.09	0.10

Note: This correlation matrix corresponds to the dataset used for the DAC members' selection stage model, which represents the largest modelling sample used throughout this report.

	palma ratio	francophone recipient	common official language	linguistic proximity	gcf accredited entities	ghg emissions per capita	annual growth fossil CO2	exposure	sensitivity	adaptive capacity	biodiversity intactness	nature dependency	megadiverse countries
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	/	/	/	/	/	/	/	/	/	/	/	/	/
	0.03	/	/	/	/	/	/	/	/	/	/	/	/
	0.06	0.14	/	/	/	/	/	/	/	/	/	/	/
	0.08	-0.25	-0.15	/	/	/	/	/	/	/	/	/	/
	0.18	-0.04	0.02	-0.04	/	/	/	/	/	/	/	/	/
	-0.14	-0.24	-0.11	0.10	0.01	/	/	/	/	/	/	/	/
	-0.07	0.03	0.00	-0.11	-0.01	-0.02	/	/	/	/	/	/	/
	0.12	0.06	0.11	-0.18	0.06	-0.19	0.07	/	/	/	/	/	/
	-0.23	0.20	0.07	-0.34	-0.14	-0.30	0.12	0.23	/	/	/	/	/
	0.04	0.35	0.12	-0.33	-0.09	-0.33	0.14	0.41	0.54	/	/	/	/
	0.07	-0.01	0.01	-0.03	-0.06	-0.25	0.01	-0.01	0.08	0.03	/	/	/
	-0.02	0.00	0.01	0.18	-0.01	0.11	0.02	0.21	-0.16	0.01	-0.56	/	/
	0.25	-0.06	0.00	-0.01	0.27	0.16	-0.06	0.16	-0.33	-0.15	0.04	0.00	/

Source: Authors

Results

This section provides the detailed regression summary tables underlying the results presented in Chapter 3 (Figure 3.3 and 3.4). Figure A.1 and Figure A.2 report the regression summaries for DAC member finance, focusing on the selection and level-setting stages, respectively. They also present the summary regression tables for multilateral institutions across both stages.

FIGURE A.1.

DAC members - Selection and level-setting stages

	Dependent variable: Selection				Dependent variable: USD Commitment			
	Total	Mitigation	Adaptation	Biodiversity	Total	Mitigation	Adaptation	Biodiversity
Population	0.546*** (0.021)	0.194*** (0.023)	0.201*** (0.025)	0.114*** (0.025)	0.336*** (0.018)	0.123** (0.040)	0.099* (0.039)	0.041 (0.041)
Donor Export Share	0.103*** (0.014)	0.300*** (0.017)	0.284*** (0.017)	0.283*** (0.018)	0.246*** (0.014)	0.242*** (0.031)	0.218*** (0.026)	0.248*** (0.031)
UN Agreement Score	1.712*** (0.336)	0.307 (0.283)	-0.320 (0.292)	-0.405 (0.310)	0.621** (0.231)	-0.044 (0.482)	-0.055 (0.462)	-0.428 (0.471)
Past Colonial Relationship	1.138*** (0.275)	1.065*** (0.125)	1.169*** (0.129)	0.922*** (0.131)	1.698*** (0.100)	1.198*** (0.154)	1.423*** (0.145)	1.241*** (0.143)
Distance Capitals	-1.555*** (0.053)	-0.312*** (0.047)	-0.486*** (0.050)	-0.158** (0.050)	-1.088*** (0.038)	-0.540*** (0.076)	-0.578*** (0.072)	-0.249*** (0.077)
Democracy Index	-0.554*** (0.137)	0.673*** (0.140)	0.485*** (0.144)	0.918*** (0.151)	0.060 (0.115)	1.402*** (0.230)	0.479* (0.218)	0.613** (0.230)
Liberal Economic Regulation	0.126*** (0.025)	0.346*** (0.026)	0.345*** (0.026)	0.130*** (0.029)	0.011 (0.020)	0.151*** (0.042)	0.179*** (0.033)	0.031 (0.044)
GDP Per Capita	2.130*** (0.310)	3.000*** (0.337)	3.263*** (0.338)	3.709*** (0.356)	0.480 (0.273)	2.209*** (0.577)	2.435*** (0.534)	2.245*** (0.564)
Sq GDP Per Capita	-0.162*** (0.020)	-0.253*** (0.022)	-0.273*** (0.022)	-0.295*** (0.023)	-0.089*** (0.017)	-0.192*** (0.037)	-0.202*** (0.035)	-0.196*** (0.036)
Palma Ratio	0.670*** (0.053)	0.544*** (0.051)	0.492*** (0.052)	0.447*** (0.054)	0.767*** (0.042)	0.567*** (0.082)	0.447*** (0.078)	0.519*** (0.081)
Francophone Recipient	-0.816*** (0.052)	-0.397*** (0.053)	-0.507*** (0.054)	-0.373*** (0.055)	-0.513*** (0.044)	-0.363*** (0.089)	-0.402*** (0.082)	-0.188* (0.085)
Common Official Language	1.136*** (0.107)	0.890*** (0.074)	0.751*** (0.073)	0.810*** (0.079)	0.777*** (0.064)	0.056 (0.113)	0.347*** (0.100)	0.392*** (0.108)
Linguistic Proximity	0.068* (0.033)	0.236*** (0.031)	0.241*** (0.031)	0.146*** (0.034)	0.157*** (0.027)	0.091 (0.048)	0.124** (0.047)	0.099* (0.050)
GCF Accredited Entities		0.040 (0.052)	0.064 (0.052)	0.173** (0.055)		0.227** (0.081)	0.149* (0.075)	0.138 (0.080)
GHG Emissions Per Capita		0.089*** (0.016)				0.101*** (0.028)		
Annual Growth Fossil CO2		1.556*** (0.233)				0.901* (0.385)		
Exposure			1.253*** (0.177)				0.767** (0.270)	
Sensitivity			-0.450*** (0.123)				0.202 (0.194)	
Adaptive Capacity			0.595*** (0.166)				1.258*** (0.263)	

	Dependent variable: Selection				Dependent variable: USD Commitment			
	Total	Mitigation	Adaptation	Biodiversity	Total	Mitigation	Adaptation	Biodiversity
Biodiversity Intactness				0.921*** (0.126)				1.047*** (0.192)
Nature Dependency				2.234*** (0.178)				1.380*** (0.269)
Megadiverse Country				0.234*** (0.069)				0.421*** (0.100)
No. Observations	23,802	23,557	23,572	22,775	16,733	6,391	7,016	5,801
No. Groups	31	31	31	31	31	31	31	31
Time Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared					0.56	0.30	0.32	0.29
Log-Likelihood	-8,548	-8,948	-9,066	-8,160	-35,898	-14,808	-15,892	-12,983
AIC	17,141	17,947	18,184	16,372				
Convergence					Yes	Yes	Yes	Yes
Wald Chi2					6,172	877	1,168	842
Prob > Chi2					0.00	0.00	0.00	0.00

Note: *p<0.05; **p<0.01; ***p<0.001

Source: Authors

FIGURE A.2.

Multilateral institutions - Selection and level-setting stages

	Dependent variable: Selection				Dependent variable: USD Commitment			
	Total	Mitigation	Adaptation	Biodiversity	Total	Mitigation	Adaptation	Biodiversity
Population	0.193*** (0.012)	0.222*** (0.020)	0.164*** (0.023)	0.081. (0.044)	0.427*** (0.016)	0.415*** (0.028)	0.323*** (0.032)	0.205*** (0.054)
Democracy Index	0.279* (0.132)	0.338. (0.183)	0.353. (0.186)	-0.215 (0.373)	0.713*** (0.170)	0.350 (0.245)	0.114 (0.245)	0.848 (0.470)
Liberal Economic Regulation	0.234*** (0.024)	0.262*** (0.034)	0.191*** (0.034)	0.090 (0.071)	0.114*** (0.032)	-0.003 (0.049)	0.075 (0.046)	-0.162 (0.089)
GDP Per Capita	2.582*** (0.316)	1.906*** (0.436)	1.909*** (0.432)	0.204 (0.833)	1.553*** (0.438)	-1.291* (0.622)	-0.038 (0.583)	-0.611 (1.095)
Sq GDP Per Capita	-0.179*** (0.020)	-0.126*** (0.028)	-0.143*** (0.028)	-0.025 (0.053)	-0.094*** (0.028)	0.089* (0.040)	-0.001 (0.038)	0.032 (0.070)
Palma Ratio	0.085* (0.043)	0.033 (0.059)	0.033 (0.061)	0.261* (0.116)	-0.022 (0.063)	-0.068 (0.087)	0.133 (0.090)	-0.027 (0.151)
Francophone Recipient	0.080. (0.048)	-0.108 (0.068)	-0.036 (0.065)	-0.055 (0.131)	0.287*** (0.063)	0.115 (0.097)	0.020 (0.088)	-0.003 (0.167)

	Dependent variable: Selection				Dependent variable: USD Commitment			
	Total	Mitigation	Adaptation	Biodiversity	Total	Mitigation	Adaptation	Biodiversity
GCF Accredited Entities		0.168* (0.066)	0.157* (0.064)	0.215. (0.129)		0.229** (0.086)	0.268*** (0.081)	0.240 (0.161)
GHG Emissions Per Capita		-0.005 (0.018)				-0.013 (0.025)		
Annual Growth Fossil CO2		0.829** (0.322)				1.192** (0.446)		
Exposure			0.194 (0.196)				-0.081 (0.286)	
Sensitivity			-0.091 (0.154)				0.129 (0.202)	
Adaptive Capacity			0.036 (0.203)				0.522. (0.277)	
Biodiversity Intactness				0.417 (0.295)				-0.033 (0.383)
Nature Dependency				0.146 (0.398)				-0.055 (0.482)
Megadiverse Country				0.451** (0.163)				0.052 (0.205)
No. Observations	20,492	19,931	20,118	19,557	4,987	2,397	2,529	597
No. Groups	26	26	26	26	26	24	25	12
Time Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared					0.64	0.66	0.63	0.76
Log-Likelihood	-9,104	-5,362	-5,733	-1,526	-9,767	-4,644	-4,791	-1,102
AIC	18,241	10,762	11,506	3,093				
Convergence					Yes	Yes	Yes	Yes
Wald Chi2					788	519	403	81
Prob > Chi2					0.00	0.00	0.00	0.00

Note: *p<0.05; **p<0.01; ***p<0.001

Source: Authors

Robustness checks and limitations

To test the robustness of the results, the analysis is replicated using finance per capita as the dependent variable in the level-setting stage, while keeping the selection stage unchanged. This alternative specification follows the approach of (Rabehajaina, Gueyie, & Sedzro, 2022), who argue that per capita measures provide an adjusted perspective by accounting for

country size. Figure A.3 and Figure A.4 present the corresponding summary tables for DAC members and multilateral institutions, respectively. The consistency of results across both specifications provides confidence in the validity of the main findings.

FIGURE A.3.

DAC members - Level-setting stage (finance per capita)

	Dependent variable: aid per capita			
	Total	Mitigation	Adaptation	Biodiversity
Population	0.665*** (0.018)	-0.877 (0.040)	-0.903*** (0.041)	-0.961*** (0.039)
Donor Export Share	0.247*** (0.014)	0.243*** (0.031)	0.251*** (0.026)	0.218*** (0.031)
UN Agreement Score	0.661** (0.231)	-0.006 (0.482)	-0.356 (0.472)	-0.019 (0.462)
Past Colonial Relationship	1.698*** (0.100)	1.199*** (0.154)	1.425*** (0.145)	1.228*** (0.143)
Distance Capitals	-1.089*** (0.038)	-0.541*** (0.076)	-0.578*** (0.072)	-0.249*** (0.076)
Democracy Index	0.065 (0.115)	1.406*** (0.230)	0.480* (0.218)	0.632** (0.230)
Liberal Economic Regulation	0.010 (0.020)	0.149*** (0.042)	0.177*** (0.039)	0.025 (0.044)
GDP Per Capita	0.504 (0.273)	2.234*** (0.578)	2.461*** (0.534)	2.225*** (0.565)
Sq GDP Per Capita	-0.090*** (0.017)	-0.193*** (0.037)	-0.203*** (0.035)	-0.195*** (0.036)
Palma Ratio	0.762*** (0.042)	0.563*** (0.082)	0.442*** (0.078)	0.513*** (0.081)
Francophone Recipient	-0.513*** (0.044)	-0.363*** (0.089)	-0.401*** (0.082)	-0.201* (0.085)
Common Official Language	0.777*** (0.064)	0.054 (0.113)	0.346*** (0.100)	0.389*** (0.108)
Linguistic Proximity	0.160*** (0.027)	0.094 (0.048)	0.126** (0.047)	0.093 (0.049)
GCF Accredited Entities		0.227** (0.081)	0.147 (0.080)	0.150* (0.075)
GHG Emissions Per Capita		0.102*** (0.028)		
Annual Growth Fossil CO2		0.899* (0.385)		
Exposure			0.768** (0.270)	
Sensitivity			0.192 (0.194)	

	Dependent variable: aid per capita			
	Total	Mitigation	Adaptation	Biodiversity
Adaptive Capacity			1.239*** (0.263)	
Biodiversity Intactness				1.645*** (0.294)
Nature Dependency				1.462*** (0.272)
Megadiverse Countries				0.426*** (0.100)
No. Observations	16,733	6,391	7,016	5,801
No. Groups	31	31	31	31
Time Fixed Effects	Yes	Yes	Yes	Yes
R-squared	0.41	0.59	0.36	0.39
Log-Likelihood	-35,904	-12,981	-14,808	-15,893
Convergence	Yes	Yes	Yes	Yes
Wald Chi2	2,990	2,313	6,646	1,987
Prob > Chi2	0.00	0.00	0.00	0.00

Note: *p<0.05; **p<0.01; ***p<0.001

Source: Authors

FIGURE A.4.

Multilateral institutions - Level-setting stage (finance per capita)

	Dependent variable: aid per capita			
	Total	Mitigation	Adaptation	Biodiversity
Population	-0.573*** (0.016)	-0.585*** (0.028)	-0.679*** (0.032)	-0.796*** (0.054)
Democracy Index	0.721*** (0.170)	0.360 (0.245)	0.119 (0.245)	0.848 (0.470)
Liberal Economic Regulation	0.113*** (0.032)	-0.004 (0.049)	0.074 (0.046)	-0.163 (0.089)
GDP Per Capita	1.577*** (0.437)	-1.257* (0.622)	-0.008 (0.583)	-0.592 (1.095)
Sq GDP Per Capita	-0.096*** (0.028)	0.087* (0.040)	-0.002 (0.038)	0.031 (0.070)
Palma Ratio	-0.028 (0.063)	-0.074 (0.087)	0.127 (0.090)	-0.032 (0.151)
Francophone Recipient	0.286*** (0.063)	0.114 (0.097)	0.020 (0.088)	-0.005 (0.167)

	Dependent variable: aid per capita			
	Total	Mitigation	Adaptation	Biodiversity
GEF Accredited Entities		0.227** (0.086)	0.267*** (0.081)	0.240 (0.161)
GHG Emissions Per Capita		-0.012 (0.025)		
Annual Growth Fossil CO2		1.188** (0.446)		
Exposure			-0.075 (0.286)	
Sensitivity			0.120 (0.202)	
Adaptive Capacity			0.508 (0.277)	
Biodiversity Intactness				-0.035 (0.383)
Nature Dependency				-0.034 (0.482)
Megadiverse Countries				0.055 (0.205)
No. Observations	4,987	2,397	2,529	597
No. Groups	26	24	25	12
Time Fixed Effects	Yes	Yes	Yes	Yes
R-squared	0.67	0.66	0.66	0.78
Log-Likelihood	-9,766	-4,643	-4,791	-1,102
Convergence	Yes	Yes	Yes	Yes
Wald Chi2	1,698	814	1,262	449
Prob > Chi2	0.00	0.00	0.00	0.00

Note: *p<0.05; **p<0.01; ***p<0.001

Source: Authors

To explore potential differences in the drivers of grant- versus debt-based finance, the DAC member models are estimated separately for each instrument type. Figure A.5 presents the regression results for grant-based finance, while Figure A.6 reports the results for debt-based finance. Overall, the coefficients for grants are broadly consistent with those observed in the aggregated models. A notable exception is the role of democracy: while the level of democracy exerts a negative effect on overall grant allocations (compared to no significance in Figure A.1), it remains positive for climate and biodiversity funding in the selection stage. This pattern reinforces the divide already identified in the aggregated models.

FIGURE A.5.

DAC members - Selection and level-setting stages - Grants

	Dependent variable: Selection				Dependent variable: USD Commitment			
	Total	Mitigation	Adaptation	Biodiversity	Total	Mitigation	Adaptation	Biodiversity
Population	0.547*** (0.021)	0.182*** (0.023)	0.199*** (0.025)	0.107*** (0.025)	0.299*** (0.017)	0.012 (0.035)	0.070* (0.036)	-0.002 (0.038)
Donor Export Share	0.102*** (0.014)	0.301*** (0.017)	0.284*** (0.017)	0.285*** (0.018)	0.227*** (0.013)	0.229*** (0.027)	0.205*** (0.024)	0.260*** (0.029)
UN Agreement Score	1.643*** (0.335)	0.231 (0.283)	-0.349 (0.292)	-0.351 (0.311)	0.687*** (0.224)	-0.789 (0.429)	-0.279 (0.425)	-0.415 (0.443)
Past Colonial Relationship	1.166*** (0.275)	1.113*** (0.124)	1.184*** (0.128)	0.932*** (0.130)	1.816*** (0.097)	1.545*** (0.137)	1.679*** (0.133)	1.379*** (0.134)
Distance Capitals	-1.572*** (0.053)	-0.318*** (0.047)	-0.474*** (0.050)	-0.157** (0.050)	-1.076*** (0.037)	-0.476*** (0.067)	-0.503*** (0.066)	-0.191** (0.072)
Democracy Index	-0.560*** (0.137)	0.665*** (0.140)	0.485*** (0.144)	0.945*** (0.151)	-0.051 (0.111)	1.500*** (0.204)	0.499* (0.200)	0.733*** (0.216)
Liberal Economic Regulation	0.130*** (0.025)	0.345*** (0.026)	0.341*** (0.026)	0.125*** (0.029)	-0.019 (0.019)	0.078* (0.037)	0.160*** (0.036)	0.018 (0.041)
GDP Per Capita	2.117*** (0.309)	2.962*** (0.334)	3.278*** (0.342)	3.737*** (0.359)	0.037 (0.265)	1.617** (0.513)	2.075*** (0.492)	2.094*** (0.530)
Sq GDP Per Capita	-0.162*** (0.020)	-0.251*** (0.021)	-0.274*** (0.022)	-0.297*** (0.023)	-0.060*** (0.017)	-0.156*** (0.033)	-0.180*** (0.032)	-0.189*** (0.034)
Palma Ratio	0.666*** (0.053)	0.536*** (0.051)	0.480*** (0.052)	0.441*** (0.054)	0.694*** (0.041)	0.443*** (0.073)	0.381*** (0.072)	0.423*** (0.076)
Francophone Recipient	-0.821*** (0.052)	-0.389*** (0.053)	-0.501*** (0.054)	-0.376*** (0.056)	-0.479*** (0.042)	-0.293*** (0.079)	-0.367*** (0.075)	-0.173* (0.079)
Common Official Language	1.132*** (0.107)	0.891*** (0.074)	0.759*** (0.073)	0.808*** (0.079)	0.787*** (0.062)	0.068 (0.100)	0.384*** (0.092)	0.393*** (0.101)
Linguistic Proximity	0.068* (0.033)	0.248*** (0.031)	0.237*** (0.031)	0.145*** (0.034)	0.160*** (0.026)	0.109* (0.043)	0.129** (0.043)	0.102* (0.046)
GCF Accredited Entities		0.041 (0.052)	0.064 (0.052)	0.177** (0.055)		0.158* (0.072)	0.028 (0.069)	0.069 (0.075)
GHG Emissions Per Capita		0.089*** (0.016)				0.088*** (0.024)		
Annual Growth Fossil CO2		1.543*** (0.233)				0.459 (0.340)		
Exposure			1.240*** (0.177)				0.588* (0.248)	
Sensitivity			-0.460*** (0.123)				0.242 (0.178)	
Adaptive Capacity			0.568*** (0.166)				1.285*** (0.241)	

	Dependent variable: Selection				Dependent variable: USD Commitment			
	Total	Mitigation	Adaptation	Biodiversity	Total	Mitigation	Adaptation	Biodiversity
Biodiversity Intactness				1.326*** (0.191)				1.644*** (0.276)
Nature Dependency				2.217*** (0.180)				1.453*** (0.255)
Megadiverse Country				0.254*** (0.069)				0.375*** (0.094)
No. Observations	23,802	23,557	23,572	22,775	16,686	6,288	6,984	5,778
No. Groups	31	31	31	31	31	31	31	31
Time Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	N.A.	N.A.	N.A.	N.A.	0.55	0.33	0.35	0.32
Log-Likelihood	-8,572	-8,931	-9,072	-8,161	-35,242	-13,771	-15,223	-12,548
AIC	17,188	17,912	18,197	16,375				
Convergence					Yes	Yes	Yes	Yes
Wald Chi2					6,114	891	1,328	921
Prob > Chi2					0.00	0.00	0.00	0.00

Note: *p<0.05; **p<0.01; ***p<0.001

Source: Authors

In contrast, the coefficients for debt-based finance drop substantially in significance (Figure A.6). This is largely attributable to the smaller sample size, as debt funding is more concentrated among specific donors and recipients. Between 2015 and 2022, only 19 DAC bilateral donors provided climate and biodiversity finance through debt instruments (compared to 31 for total finance, irrespective of the financing instrument), while 96 countries received such funding (compared to 146). The limited number of observations in the level-setting stage, particularly for climate and biodiversity finance, reduces the interpretative power of the results. Despite these constraints, a few previously observed patterns are maintained. The concave relationship between recipient income levels and access to finance is preserved in the selection stage. The *donor export share* variable continues to exert a positive influence at this stage, even though it is only significant for total finance in the level-setting stage. Liberal economic regulation exerts a positive influence in the selection stage across total, mitigation, and adaptation finance. In terms of variation across the climate and biodiversity thematic areas, mitigation and biodiversity finance appear responsive to specific needs: static and dynamic emissions measures are significant for mitigation, while biodiversity intactness and nature dependency drive biodiversity-related allocations. By contrast, debt-based adaptation finance appears less strongly tied to climate vulnerability, suggesting scope for a more needs-oriented allocation.

FIGURE A.6.

DAC members - Selection and level-setting stages - Debt instruments

	Dependent variable: Selection				Dependent variable: USD Commitment			
	Total	Mitigation	Adaptation	Biodiversity	Total	Mitigation	Adaptation	Biodiversity
Population	0.142*** (0.041)	0.287*** (0.075)	-0.041 (0.087)	0.232 (0.142)	0.162** (0.051)	0.232* (0.094)	0.129 (0.092)	0.219 (0.141)
Donor Export Share	0.436*** (0.037)	0.317*** (0.064)	0.482*** (0.070)	0.318** (0.123)	0.141** (0.046)	0.154 (0.084)	0.088 (0.082)	-0.078 (0.127)
UN Agreement Score	0.531 (0.548)	2.089* (0.833)	0.365 (1.025)	1.024 (1.534)	0.133 (0.623)	0.645 (0.951)	-2.397* (0.938)	3.912** (1.248)
Past Colonial Relationship	0.412* (0.176)	0.108 (0.255)	0.088 (0.296)	0.192 (0.381)	0.095 (0.189)	-0.135 (0.259)	-0.210 (0.217)	0.045 (0.289)
Distance Capitals	-0.150. (0.082)	-0.108 (0.131)	-0.229 (0.150)	-0.237 (0.234)	-0.222* (0.095)	-0.215 (0.160)	-0.425** (0.154)	0.017 (0.229)
Democracy Index	1.165*** (0.253)	0.670. (0.396)	0.377 (0.473)	0.221 (0.681)	1.087*** (0.270)	0.944* (0.419)	1.324** (0.428)	0.059 (0.583)
Liberal Economic Regulation	0.341*** (0.048)	0.377*** (0.079)	0.320*** (0.093)	0.219 (0.141)	-0.096 (0.059)	0.058 (0.095)	0.194* (0.083)	-0.007 (0.114)
GDP Per Capita	7.458*** (0.725)	7.055*** (1.168)	8.395*** (1.493)	6.125** (1.950)	3.192*** (0.807)	2.594* (1.307)	0.480 (1.209)	3.728* (1.771)
Sq GDP Per Capita	-0.516*** (0.046)	-0.476*** (0.074)	-0.571*** (0.095)	-0.406*** (0.123)	-0.207*** (0.051)	-0.164* (0.082)	-0.031 (0.077)	-0.228* (0.111)
Palma Ratio	0.567*** (0.090)	0.510*** (0.140)	0.338. (0.174)	0.685** (0.253)	0.122 (0.104)	0.354* (0.163)	-0.105 (0.173)	0.307 (0.218)
Francophone Recipient	-0.645*** (0.113)	-0.222 (0.194)	-0.241 (0.219)	-0.044 (0.427)	-0.132 (0.134)	-0.173 (0.238)	0.132 (0.183)	-0.192 (0.400)
Common Official Language	0.649*** (0.156)	0.549* (0.264)	0.346 (0.310)	0.543 (0.541)	0.141 (0.181)	0.205 (0.301)	-0.507* (0.255)	0.269 (0.495)
Linguistic Proximity	0.002 (0.054)	0.051 (0.080)	0.137 (0.089)	-0.015 (0.123)	0.028 (0.064)	0.053 (0.094)	0.006 (0.090)	0.208 (0.136)
GCF Accredited Entities		0.162 (0.143)	0.611*** (0.164)	0.516* (0.245)		-0.091 (0.150)	-0.274* (0.136)	-0.109 (0.202)
GHG Emissions Per Capita		0.203** (0.067)				-0.019 (0.080)		
Annual Growth Fossil CO2		1.935* (0.755)				0.948 (0.965)		
Exposure			0.235 (0.615)				0.339 (0.542)	
Sensitivity			-0.476 (0.411)				-0.623 (0.384)	
Adaptive Capacity			0.582 (0.566)				-0.391 (0.540)	

	Dependent variable: Selection				Dependent variable: USD Commitment			
	Total	Mitigation	Adaptation	Biodiversity	Total	Mitigation	Adaptation	Biodiversity
Biodiversity Intactness				1.438* (0.640)				-0.608 (0.557)
Nature Dependency				1.758* (0.840)				-1.726* (0.723)
Megadiverse Country				0.340 (0.301)				0.123 (0.260)
No. Observations	23,802	23,557	23,572	22,775	1,280	529	365	164
No. Groups	31	31	31	31	19	17	14	10
Time Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared					0.60	0.56	0.56	0.55
Log-Likelihood	-2,908	-1,421	-1,065	-530	-2,206	-893	-503	-209
AIC	5,861	2,892	2,182	1,112				
Convergence					Yes	Yes	Yes	Yes
Wald Chi2					285	192	169	131
Prob > Chi2					0.00	0.00	0.00	0.00

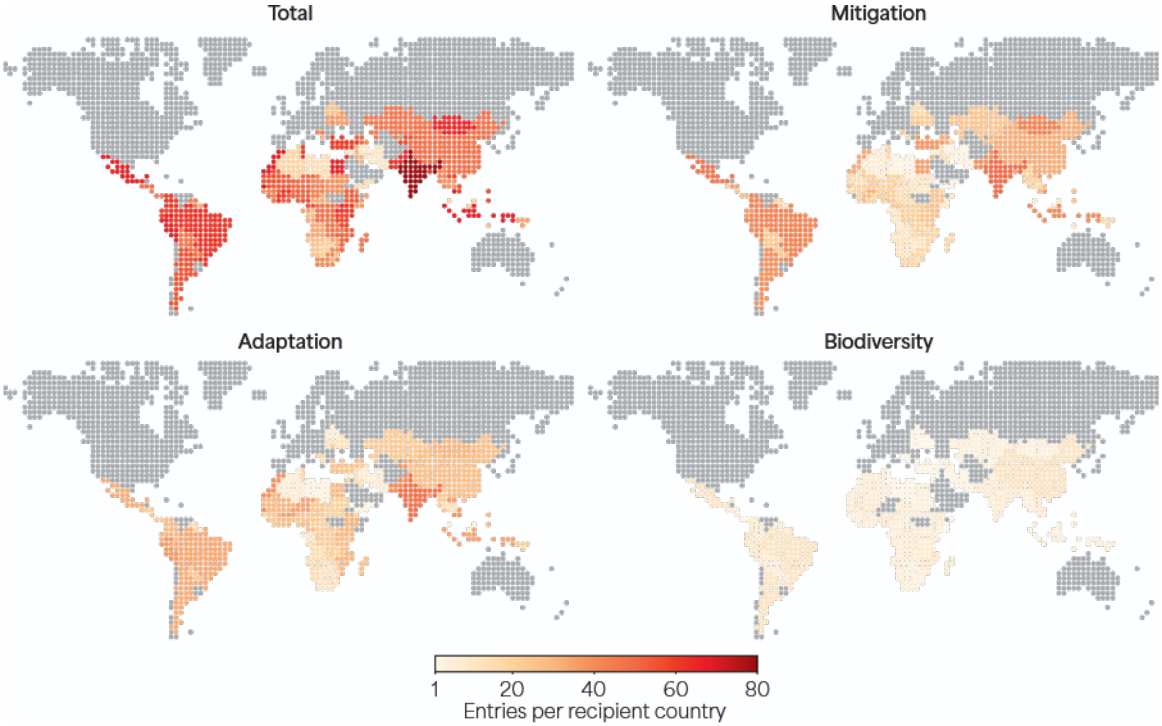
Note: *p<0.05; **p<0.01; ***p<0.001

Source: Authors

One limitation of the model concerns the availability of data for certain countries with respect to the included covariates. The selection of these variables was carried out with attention to maximising country coverage, but some countries, often conflict-affected are missing. Figure A.7 presents the frequency and geographical distribution of observations in the dataset for the level-setting stage among DAC members. It indicates that the datasets maintain a broad regional diversity of countries and that the composition of included countries remains relatively stable across different finance subsets.

FIGURE A.7.

Model data coverage of the level-setting stage for DAC members



Source: Authors

ANNEX

B From allocation patterns (Chapter 3) to access barriers (Chapters 4-5)

Econometric correlations and plausible implications

Econometric result and coefficient sign (Chapter 3)	Plausible implication: Domestic factors (Chapter 4)	Plausible implication: Donor practices and barriers (Chapter 5)	Plausible implication: Access gap
Donor interest			
Donor export share (DAC), positive sign	Positively associated with bilateral engagement; this may indicate trade alignment rather than domestic capacity.	Is associated with bilateral trade specialisation; the pattern may reflect economic ties more than governance strength.	A broader donor base may be associated with stronger PFM systems.
Colonial ties (DAC), negative sign	The association appears historical rather than linked to current domestic policy performance.	Negatively associated with donor diversification; the persistence may reflect historical path dependency rather than active preference.	Post-colonial countries often show limited donor competition; the historical association may constrain diversification.
Distance (DAC), negative sign	Negatively associated with donor engagement, consistent with geographic and transaction cost-related patterns.	Donor activity intensity is negatively associated with distance; proximity is associated with a stronger regional presence.	Greater distance is associated with weaker access; benefits appear to cluster regionally.
Recipient performance			
Democracy index (DAC selection/level), positive sign	Positively associated with DAC flows; transparency and accountability indicators move together with access levels.	Allocations are positively associated with democratic governance; this is consistent with donors treating democratic systems as more reliable.	Countries scoring lower on governance indices show weaker associations with received volumes.

Econometric result and coefficient sign (Chapter 3)	Plausible implication: Domestic factors (Chapter 4)	Plausible implication: Donor practices and barriers (Chapter 5)	Plausible implication: Access gap
Liberal economic regulation (DAC selection), positive sign for climate mitigation	Market-oriented policy environments show a positive association with mitigation-related inflows; reform depth and finance levels move together.	Conditionality and finance availability are associated; this is consistent with donors viewing reform readiness as linked to commercially viable frameworks.	Countries not aligned with policy reform patterns see limited co-variation with mitigation finance intensity.
GCF accreditation (Multilateral level-setting), positive for selection, and only positive for level-setting for multilaterals	Accreditation status is positively associated with access likelihood; the relationship appears stronger for MICs than for LDCs/LICs.	Institutional readiness and accreditation outcomes are associated; the relationship is significant but not transformative for total resource inflow.	Low-capacity countries show a weak association between accreditation progress and actual disbursements.
Recipient need			
GDP per capita (concave; DAC and multilateral selection and level), positive sign to peak, then declining	Funding levels display an inverted-U association with income; MICs show the strongest association with volumes.	Finance allocations are associated with debt capacity; concessional access aligns only weakly with LDCs/LICs.	Low-income, high-vulnerability countries show only a weak association with finance, likely due to absorption and debt constraints.
Inequality (Palma ratio; DAC), positive sign	Weak positive association with allocations; high-inequality contexts show a moderate association with flows.	DAC targeting is associated with inequality metrics; higher inequality aligns with social adjustment programming.	MICs with inequality issues are associated with selective readiness; LDCs/LICs and contexts with high or extreme fragility show weaker linkages.
GHG emissions per capita (DAC mitigation selection and level), positive sign	Emission intensity is positively associated with mitigation-related inflows.	Finance levels are associated with abatement potential; this suggests donors align flows with higher-emitter profiles.	Low-emission, high-vulnerability countries show a negative association with mitigation finance.
Emission growth (annual growth fossil CO_2; DAC and multilateral level), positive sign for both	There is a positive association between emission growth and project volumes; flows align with rising emission profiles.	Allocations are associated with emission growth dynamics; slow or negative emitters show weaker alignment.	Ambitious mitigators show negative associations with funding allocated per unit of emission change.
Climate exposure (DAC adaptation), positive sign	Exposure levels (e.g. hurricanes, droughts) are positively associated with adaptation inflows.	Donors' allocations are more closely associated with exposure indices than with vulnerability or adaptive capacity measures.	Highly exposed countries show a positive association with access, but not proportionately with composite vulnerability.

Econometric result and coefficient sign (Chapter 3)	Plausible implication: Domestic factors (Chapter 4)	Plausible implication: Donor practices and barriers (Chapter 5)	Plausible implication: Access gap
Climate sensitivity (DAC adaptation), negative sign (deters selection)	Higher sensitivity is negatively associated with adaptation project selection.	Donor allocation intensity is inversely associated with sensitivity indicators.	High-sensitivity contexts show a consistent negative association with adaptation finance selection.
Adaptive capacity (DAC adaptation), positive for selection but negative for level-setting (for multilaterals)	Adaptive capacity is positively associated with eligibility but negatively associated with funding volume.	Institutional capacity and finance intensity are inversely associated; risk aversion may help explain uneven allocation.	Low-capacity countries exhibit a negative association between vulnerability and received adaptation finance.
Biodiversity intactness (DAC biodiversity), positive sign	Biodiversity intactness is positively associated with biodiversity finance, conditional on governance quality.	Allocations are positively associated with ecological richness and institutional readiness.	High-intactness, low-capacity countries show a weaker association between ecological value and resource flow.
Nature dependency (DAC biodiversity), positive sign	Economic dependence on natural resources is positively associated with conservation-related funding.	Donor finance is associated with ecosystem dependence, but less so with local participation or co-investment readiness.	Community livelihood dependency is weakly associated with actual project delivery benefits.
Megadiverse countries, positive sign for DAC and multilateral selection	Megadiversity is positively associated with donor selection, contingent on governance.	Finance volumes are associated with ecological value but moderated by institutions and income group.	Megadiverse LDCs/LICs show weaker associations, likely due to capacity and debt-eligibility thresholds.

Source: Authors.

ANNEX

C Key takeaways of the six case study missions

Armenia

1. Armenia faces biodiversity loss and growing vulnerability to climate change (particularly drought, floods and land degradation) which pose serious risks to sustainable development. These challenges are recognised as national priorities and closely tied to resilient livelihoods. As a small, landlocked economy with limited fiscal space and exposure to regional shocks, Armenia experiences structural capacity constraints and remains reliant on external financing to achieve its climate and biodiversity goals. Accessing finance for climate and biodiversity does not pose significant challenges to the country, although its middle-income status is placing a growing burden on its debt profile, as traditional concessional development finance becomes scarcer. Armenia underscores the need to scale up climate adaptation efforts, while its hosting of CBD COP17 in 2026 is increasing domestic attention to biodiversity-related issues.

Armenia is committed to climate and biodiversity action but faces several challenges to raise ambition, deliver more integrated action, and attract and leverage greater finance

2. Armenia's policy and strategic framework for climate and biodiversity is evolving quickly, with several reforms moving in parallel. The government is updating its NDC, NBSAP and NBFP, signalling a shift toward more ambitious targets (e.g. greater emission reduction goals in the NDC, or greater land and forest conservation objectives in the NBSAP). In tandem, plans to adopt a national climate law and/or a strengthened law on protected areas help codify mandates, set long-term goals and create predictable rules for implementation, while the recently approved Environmental Impact Assessment and Expert Examination (EIA) law reinforces safeguards at the project and plan level, and the renewable and energy efficiency law anchors Armenia's decarbonisation efforts. While these developments are promising, other recent legislative developments (e.g. Agriculture Law, Land Code), including secondary legislation, have not mainstreamed environmental concerns sufficiently or emphasised the importance of sustainable natural resource management.

3. Moreover, Armenia's overall solid legal foundation for climate and biodiversity ails when put into practice: insufficient enforcement and compliance tools (e.g. inspections, sanctions), unstable budget financing (e.g. few green taxes or incentives exist), unclear mandates across institutions, and lack of robust monitoring and data systems, are all factors that impede consistent implementation and enforcement at national and local levels. The experience of its first NBSAP shows that ambitious plans may not lead to change (as in fact none of its goals were achieved), while real risks of failure may occur when investment outpaces the development or implementation of regulation (for example, floating PV could not be deployed due to the enabling framework).
4. Armenia's capacity to implement climate and biodiversity priorities is constrained above all by limited human capital, financing, data and technology. The domestic pool of climate and biodiversity specialists is small (e.g. thin pipeline of science and engineering graduates) and fragmented (e.g. limited policy-science interface across government and academia) and public administration struggles to retain talent (e.g. wages are less competitive than in the private sector, international donors or neighbouring markets). These gaps slow enforcement, project preparation, data and MRV systems, as well as the uptake and maintenance of modern technology and tools.
5. At the institutional level, Armenia's Ministry of Environment (MINEV) is the leading institution on climate and biodiversity and is among the country's largest ministries. Its effectiveness, however, is constrained due to institutional factors, notably current gaps in sectoral expertise in the ministry, limited environmental capacity across other line ministries and few bridges to systematically connect with experts across sectors. Recent mergers in key environment-related portfolios (e.g. energy, agriculture), agencies with operational challenges (e.g. forest protection agency) or weak institutional anchoring (e.g. the autonomous Environmental Project Implementation Unit, EPIU) and changing roles (e.g. since 2019, the Forest Committee has operated under the authority of the Ministry of Environment of the Republic of Armenia and the Law "On Eco-patrol Service " No. HO-364-N of November 22, 2023 adopted, which, as a result, starting from January 1, 2024, the Eco-Patrol Service replaced the Forest Committee and exercises its functions with expanded powers). These dilute policy focus and technical depth that could otherwise support the MINEV's role and ensure greater accountability on environmental issues across government. Furthermore, innovation is often held back by limited capacity within the MINEV and a tendency to centralise implementation, even for projects better executed by sector ministries. A clearer division of labour (e.g. with the MINEV setting standards, safeguards, and outcomes, while delegating delivery to line ministries, municipalities, and accredited entities) can free bandwidth for upstream policy, pipeline curation and innovation.
6. While inter-sector co-ordination does occur in Armenia (e.g. sharing and consultation around the NBSAP, Coordination Council on Climate Change under the Deputy Prime Minister) and a relatively small administration can enable swift exchanges, the system still misses opportunities to capture cross-sector synergies and finance, including co-ordinated project pipelines, joint proposals, and green-budgeting approaches. Additional targeted measures could help (e.g. crafting inter-ministerial committees with decision rights, environmental focal

points/teams across sector ministries, definition of joint targets, empowered technical working groups, temporary secondments between ministries, or shared data/MRV systems). Finally, while co-ordination is more developed for climate change issues, by contrast, biodiversity and land degradation remain smaller in scope and more ad hoc. Issues of inclusiveness (e.g. under-representation of the private sector, NGOs, and local authorities) further constrains problem-solving and the mobilisation of resources.

7. Many of the issues highlighted here related to the fact that a clearer, economics-oriented vision that links environment to growth, jobs and competitiveness is still missing in Armenia. Such a centralised vision could rally domestic actors and facilitate inter-ministerial work. A sharper articulation of the second pillar of the CBD (sustainable use of biodiversity) within sector strategies, for example, and greater emphasis on climate-biodiversity-land degradation synergies, could help build bridges across sectors and policy domains. However, shifting leaderships and shifting priorities often disrupt continuity and execution, and thwart a long-term, stable vision on these issues. Against this backdrop, the organisation of the CBD's COP17 in 2026 offers a timely opportunity to bring climate and nature to the forefront and to consolidate a whole-of-government narrative with measurable commitments in sector plans and budgets – beyond the NDC, NBSAP and NBFP.

Financial resources for climate and biodiversity are increasing, but Armenia could leverage all sources and align institutions to scale climate and biodiversity finance

8. Armenia is adopting a broad, "all-sources" approach to climate and biodiversity finance. Forthcoming legislation aims to mobilise domestic resources (e.g. through taxation and market instruments in the proposed climate law; targeted government support in the renewable energy law). Recognising highly valuable ecosystems and Other Effective area-based Conservation Measures (OECMs) are currently being explored to also help anchor municipal financing for conservation. This would require an operational OECM framework (national criteria, mapping, a recognition procedure and a registry) to enable municipalities to plan and co-finance conservation outcomes. Alongside policy reform, Armenia is scaling practical solutions: its Renewable Resources and Energy Efficiency Fund (R2E2 Fund), an autonomously funded revolving facility, deploys renewable-energy and energy-efficiency investments and offers a holistic toolkit for local authorities and financial institutions; while projects like KfW/WWF's *Promotion of Ecological Corridors in Armenia* or SDC/WWF's *Living Landscapes for Market Development* are testing models to sustain biodiversity operations by building resilient value chains (e.g. dairy, apple, wine) and advancing community-based conservation and OECMs. Other options could be explored to diversify and stabilise funding over time (e.g. debt-for-nature swaps, biodiversity fund).
9. Armenia's growing network of accredited entities strengthens direct access to climate and biodiversity finance. ArmSwissBank and the EPIU hold accreditation with the GCF. EPIU also works with the AF. These constitute solid starting points for scaling investment. Ongoing

reaccreditation efforts for EPIU (aiming at greater project amounts) and accreditation of the R2E2 Fund aim to preserve and expand this access. To maximise impact, Armenia can work to create stronger project pipelines, partnering with local financial institutions and municipalities, so that direct access translates into faster approvals and higher disbursement levels. Further, Armenia can deliberately pursue synergies across the Rio Conventions (UNFCCC, CBD, UNCCD) to build integrated, multi-benefit pipelines and tap a broader mix of funding windows.

10. The private sector plays a pivotal role in Armenia's financing landscape, notably for climate change mitigation, illustrated by successful blended finance models such as the UNDP-supported energy efficiency retrofitting of buildings. To replicate successful mitigation experiences, Armenia could explore crowding in private capital for adaptation and biodiversity activities (e.g. by developing project pilots to develop pipelines, or providing technical assistance for municipalities, informal economic units and cooperatives).
11. With grants and concessional finance tightening (as Armenia is a middle-income country), accessing capital is harder and more competitive. Diversifying domestic and international, public and private channels offer a practical way to broaden financing options beyond traditional sources. Yet, to do so efficiently, financing needs could be fully mapped, especially as the MINEV is not having an overview of all such activities (e.g. it is unclear how much is invested in biodiversity or land degradation priorities). The OECD DAC CRS database provides an overview of all development finance activities and could be a starting point for such mapping; while the OECD DAC PINE database provides information on economic instruments used worldwide for the environment. Pursuing current climate-related budget tagging efforts and the BIOFIN exercise to inventory biodiversity expenditures and gaps, are promising initiatives. These efforts, taken together, could help Armenia develop a coherent strategy or vision on financing climate and biodiversity (including the role of international finance).

International support for climate and biodiversity is growing and diversifying in Armenia, but greater donor co-ordination could support delivery

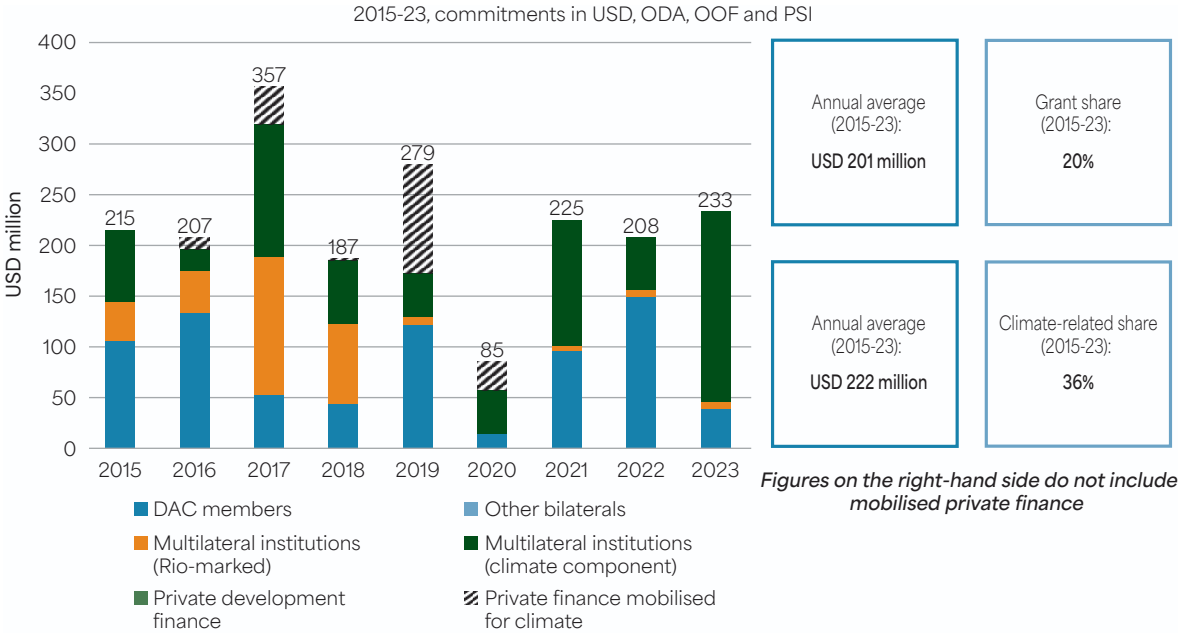
12. Armenia benefits from a large and growing pool of development co-operation donors that operate across several sectors, including power, transport, forestry, waste management, or energy-efficiency in buildings. This diversity is an asset: different donors bring complementary strengths (e.g. upstream policy support, feasibility studies, project preparation, concessional finance, private-capital mobilisation); and there is a shared recognition that no single donor can cover every phase of the project cycle. As a result, partnerships and co-financing are increasingly used to sequence reforms, de-risk investments and scale impact – an area primarily observed in the energy sector with renewables and energy efficiency projects. Armenia's geographic and economic proximity to Europe also opens access to special EU instruments and regional facilities, which can help it blend grants with loans and technical assistance for priority sectors.

13. At the same time, a diverse donor landscape requires tightening co-ordination and greater pipeline management. The existing donor co-ordination platform is a useful, country-driven forum, but lacking a government-owned donor financing strategy for climate, biodiversity and land degradation, priorities remain fragmented and issues discussed can be ad hoc. Reinvigorating and expanding the platform, finding ways to include all stakeholders (private sector, NGOs, local authorities, academia), and doing so by building on past co-ordination experiences, could turn the existing platform into a delivery engine. Done well, the platform could reduce duplication, speed approvals and convert external support into bankable, climate- and biodiversity-related projects nationwide.
14. Country ownership is deemed to be relatively strong in Armenia: projects are expected to align with national development priorities and the Ministries are closely following up implementation. At the same time, the Ministry of Finance is calling for a more bottom-up, structuring approach that builds pipelines and systems rather than isolated transactions – even if country-owned. With most external support now arriving as loans (often non-concessional) and debt levels constraining new borrowing, there is a push to prioritise socially-oriented projects and to rebalance toward grants, concessional windows, and blended finance. Pursuing synergies across Rio Conventions (UNFCCC, CBD, UNCCD) can, here too, help mainstream climate, nature and land goals into sector plans, raise awareness among decision-makers, and unlock integrated programmes that meet fiscal realities while advancing development outcomes.
15. Donor flexibility can be limited, occasionally slowing disbursements, though Armenia generally shows no absorption challenges. Authorities seek more adaptable modalities (flexible eligibility and procurement) to engage all governmental stakeholders, including affiliated institutions. To be more flexible and deal with cross-regional impacts, donors often also involve Armenia in regional projects. These are often viewed unfavourably because the MINEV can lack a clear role if engagement skews toward sector ministries (e.g. infrastructure). Early scoping with the MINEV by donors to define country-level benefits and earmarked budgets, and set governance roles for both the environment and lead sector ministries, could help.
16. Armenia could leverage its current experiences in peer learning and South-South and triangular co-operation, which are especially valuable for a small country to learn from others, accessing concessional finance and technical assistance (and other forms of capacity development), while sharing proven domestic models with others (potentially, e.g. R2E2's independent governance, financing, and operating approach; EPIU's experiences with accreditation to the AF and GCF).

Development finance received by Armenia

FIGURE C.1.

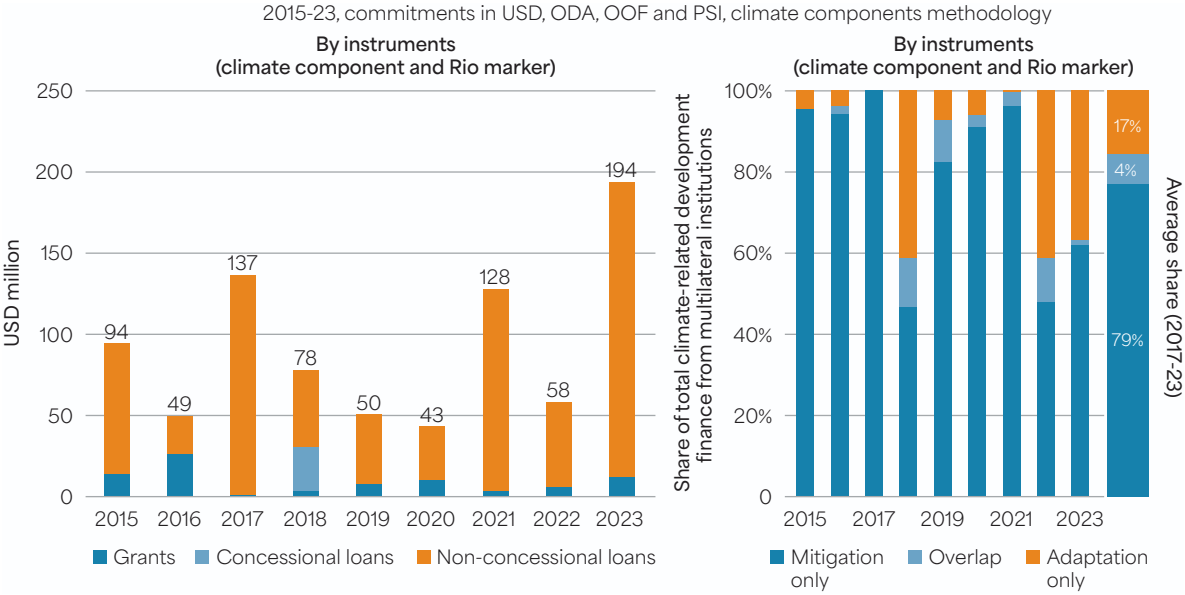
Overview of total climate-related development finance to Armenia



Figures on the right-hand side do not include mobilised private finance

FIGURE C.2.

Climate-related development finance to Armenia from DAC members and multilateral institutions



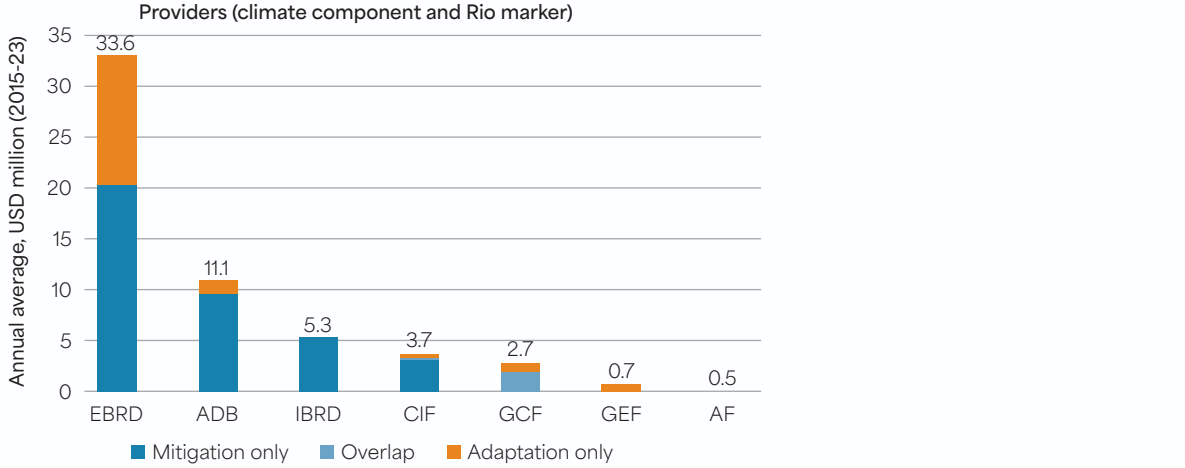
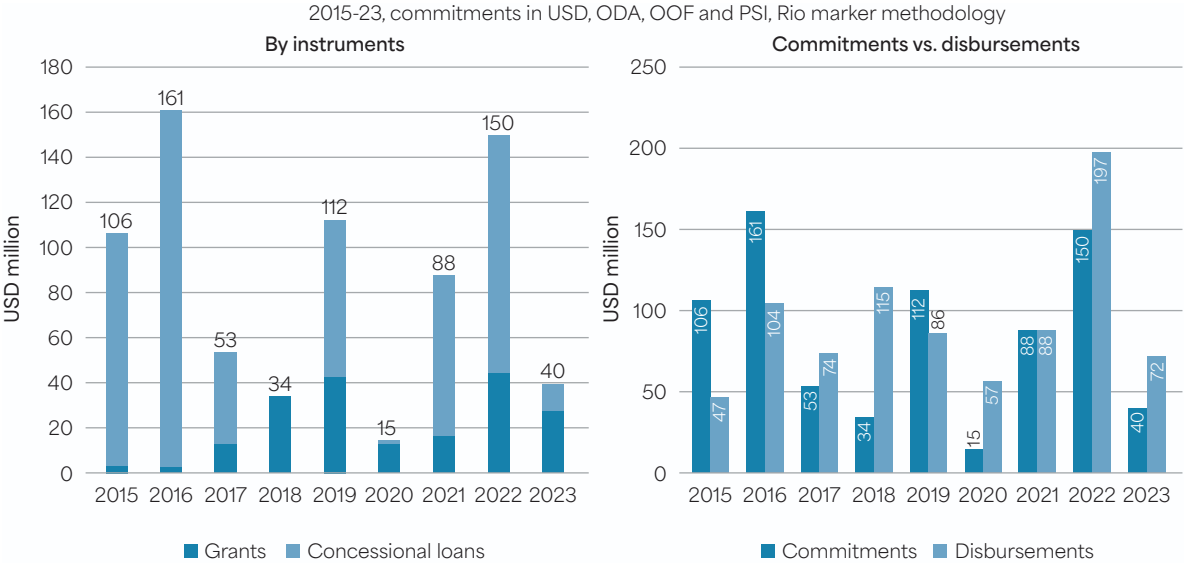
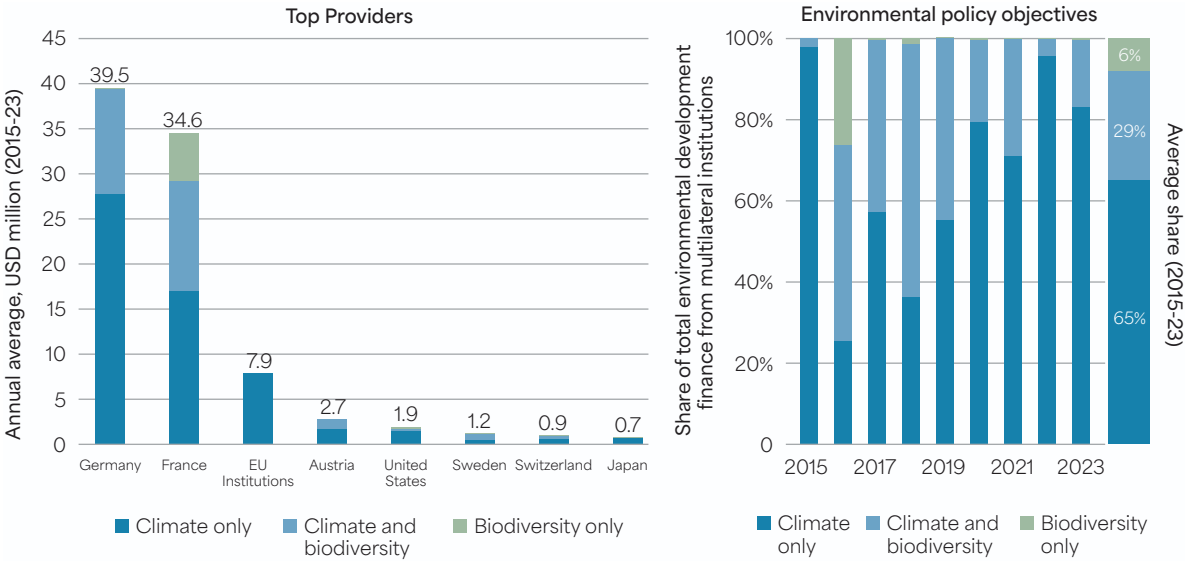


FIGURE C.3.

Climate and biodiversity-related development finance to Armenia from DAC members





Main bilateral and multilateral projects related to climate and biodiversity

TABLE C.1.

Key climate-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (million USD)	Instruments	Description
2022	France	105.2	Concessional loans	FB-PP Governance
2021	Germany	47.3	Concessional loans	Promotion of Renewable Energies Phase II
2021	France	24.1	Concessional loans	Credit line energy efficiency
2023	Germany	13	Concessional loans	Promotion of Renewable Energies and Energy Efficiency (Phase III)
2022	EU Institutions	10.5	Grants	EU Support to Education in Armenia
2021	France	10.1	Non-concessional loans	SME loans financing activity
2023	EU Institutions	6.5	Grants	EU Support to Education in Armenia
2021	France	4.9	Concessional loans	Sustainable bond issue subscription MSME Bonds SA
2023	Sweden	4.4	Grants	World Bank RESILAND Armenia Resilient Landscape Project
2022	EU Institutions	4.2	Grants	EU Support to Education in Armenia

TABLE C.2.

Key biodiversity-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (million USD)	Instruments	Description
2021	France	24.1	Concessional loan	Credit line dedicated to financing energy efficiency work and equipment for low-income households
2023	Sweden	4.4	Grant	Sustainable management and restoration of forests, wetlands and abandoned mining areas (co-financed with the GEF)
2021	Germany	3.5	Grant	Biodiversity and sustainable local development
2021	Austria	1.8	Grant	Armenia's Forest Resilience, Adaptation Strengthening and Rural Green Growth through Mitigation
2022	Sweden	1.5	Grant	Green Transition - Eastern Europe Region (harmonization of environmental standards with the European Union)
2022	Switzerland	1.5	Grant	Living Landscapes for Market Development in Armenia: Introducing Economic Incentives for Natural Resource Conservation, While Creating Additional Income
2022	Switzerland	1.2	Grant	Living Landscapes for Market Development in Armenia: Introducing Economic Incentives for Natural Resource Conservation, While Creating Additional Income
2020	Austria	1.1	Grant	Strengthening inclusive growth in rural areas of Shirak by supporting community development and partnership initiatives
2022	Germany	0.9	Grant	Creation and strengthening of agricultural cooperatives through improved legislation and modern agricultural technologies, continuation
2021	France	0.6	Grant	International cooperation actions of local authorities for development

TABLE C.3.

Key climate-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (million USD)	Instruments	Description
2023	ADB	62.7*	Non-concessional loan	Investment project in Yerevan urban development, including green urban mobility
2021	EBRD	57.2*	Non-concessional loan	Electric Networks of Armenia (ENA) Investment Program – Network Modernization
2023	ADB	55.2*	Non-concessional loan	Seismic Safety Improvement Program

Date	Donor	Commitments (million USD)	Instruments	Description
2021	EBRD	22.9*	Non-concessional loan	Bus project in Yerevan
2020	EBRD	16.9*	Grant	Solar power station Masrik-1 (55 MW)
2022	ADB	16.1*	Non-concessional loan	Fiscal Sustainability and Financial Market Development Program
2022	ADB	16.1*	Grant	Fiscal Sustainability and Financial Market Development Program
2020	EBRD	15.7*	Grant	Electric Networks of Armenia (ENA) Investment Program - Grid Modernization, Smart Electric Meter
2021	ADB	15.6*	Grant	Electric Networks of Armenia (ENA) Investment Program - Grid Modernization, Smart Electric Meter
2023	ADB	13.8*	Non-concessional loan	Seismic Safety Improvement Program – additional financing

TABLE C.4.

Key biodiversity-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (million USD)	Instruments	Description
2022	GEF	2.7	Grant	Integrated Landscape Resilience Improvement Project in Armenia
2023	GEF	1.4	Grant	Land restoration and ecosystem service enhancement through the use of fruit and nut tree biodiversity in Armenia
2022	GEF	1.2	Grant	Integrated Landscape Resilience Improvement Project in Armenia
2022	GEF	0.8	Grant	Integrated Landscape Resilience Improvement Project in Armenia
2022	GEF	0.7	Grant	Integrated Landscape Resilience Improvement Project in Armenia
2022	GEF	0.7	Grant	Integrated Landscape Resilience Improvement Project in Armenia
2023	GEF	0.5	Grant	Framework programme to support the updating of NBSAPs and the 7th national reports
2022	GEF	0.3	Grant	Framework programme to support the development of biodiversity financing plans
2023	GEF	0.3	Grant	Land restoration and ecosystem service enhancement through the use of fruit and nut tree biodiversity in Armenia
2023		0.3	Grant	Land restoration and ecosystem service enhancement through the use of fruit and nut tree biodiversity in Armenia

Gabon

1. Gabon has some of the best-preserved and most biodiverse ecosystems in Africa, with 88% of its territory covered by tropical forest, home to thousands of plant and animal species, and playing a vital role in the annual storage and absorption of large amounts of carbon. Despite the local, regional and global importance of Gabon's natural resources, the country receives little development funding (an average of USD 34 million per year between 2020 and 2023 for climate change from bilateral and multilateral donors), illustrating problems of access to climate and biodiversity development finance. Furthermore, this natural wealth does not fully contribute to the country's sustainable development, at a pivotal moment marked by the completion of a major political transition and high levels of debt. There is a national dynamic of reflection and momentum in favour of climate and biodiversity policy reforms.

An emerging focus on climate and biodiversity that needs to be consolidated

2. Gabon recently elected a new government, following a transition period during which environmental and sustainable development issues were central to the political agenda. This focus aims to consolidate Gabon's historic leadership on environmental issues. The country is a regional leader in the Congo Basin and has made significant progress in conservation, establishing 13 national parks and identifying 35 key biodiversity areas to protect vulnerable species and habitats. The country aims to comply with Target 2 of the KMGBF by achieving the 30x30 target by 2030, including for marine protected areas.
3. At the same time, this new policy direction seeks to move from the current conservation paradigm to a model where sustainable development is based on the enhancement of nature and more closely aligned with the country's real economy. For example, Gabon wishes to strengthen its carbon neutrality status by replacing its thermal energy mix with hydroelectricity. It also aims to develop its ecotourism offering. The country is facing significant financial pressure and considers that nature conservation has slowed down its development process, while offering many opportunities to overcome the current situation.
4. This policy direction is enshrined in the National Development Plan for Transition and the Gabon 2050 National Prospective Study, although the new authorities' strategic documents are still being drafted and could subsequently be translated into operational plans. This shift in the new national leadership is based on legislative efforts concerning several environmental issues (e.g. plastics law, framework law on corporate social responsibility, legislative initiatives for the creation of a sovereign carbon market), which could transform this orientation into concrete actions. This coincides with updates to the NDC and the NBSAP, which may offer opportunities to deepen climate and biodiversity priorities and to develop a shared vision across government.
5. Gabon understands that this policy direction will also help to reduce current pressures on its natural resources, including illegal logging, peaceful coexistence between humans and wildlife, poaching and habitat degradation, as local communities improve their livelihoods. A people-centred approach is needed to ensure that this policy direction is shared by the entire population – in a context where the decentralisation process remains limited, civil

society is relatively weak, and the government is under strong pressure to deliver rapid results for rural areas and marginalised segments of society. In this context, the achievements of the conservation policy pursued by the previous regime could be used to create a strategy focusing on the management and sustainable use of renewable natural resources, which could be co-ordinated with other existing strategies (e.g. NBSAP).

A dense institutional framework that could define better the terms of collaboration on environmental issues

6. Gabon has a dense institutional framework. Numerous national institutions, in particular four ministries, are responsible for environmental issues. At the heart of this ecosystem are the Ministry of the Environment, Ecology and Climate (MEEC) and the National Climate Council (CNC), which deals with climate-related issues. In addition, the Gabonese Agency for Green Economy Development (AGADEV) was recently created and placed under the supervision of the Ministry of Economy, Finance, Debt and Participations (MEFDP) to promote the green economy. This fragmentation is multi-level and does not only concern the MEEC, which struggles to be involved in all the activities carried out by donors in Gabon. Mandates overlap partially, capacities are scattered, and stakeholders often feel that they do not have a clear entry point when seeking information, data or funding to develop climate- and biodiversity-related projects. The current political context, marked by a desire for reform, offers an opportunity to consider how this ecosystem can be adapted to its objectives, by striking a balance between the added value of specialisation and the cost of excessive fragmentation, and by improving institutional clarity for civil society actors, the private sector and the population– for example, by creating a one-stop shop.
7. Gabonese institutions do not have a formal framework for systematic dialogue, co-ordination or collaboration. Most collaborations are informal and ad hoc, often based on personal relationships rather than institutional prerogatives ensuring an integrated government approach to climate and biodiversity issues. Experimenting with solutions to strengthen institutional co-ordination could be considered to change the current situation – for example, through the creation of environmental focal points or even environmental units in sectoral ministries linked to the MEEC, by strengthening the tripartite relationship between the MEEC and the MEFDP, or by mobilising ministries with a link to nature to collaborate with the CNC on a common agenda for access to finance.
8. This framework for collaboration and consultation could be extended to donors, civil society and the private sector, which do not yet have sufficient access to information on climate and biodiversity financing opportunities; and foster collaboration between focal points of climate and biodiversity conventions and funds, as entry points for accessing international public financing. A clearer governance ecosystem, as well as better co-ordination and enhanced dialogue with national and international partners, could enable more effective technical assistance for capacity development – assistance that responds primarily to national needs and fills critical gaps.
9. There is a lack of co-ordination between national governments, regional organisations and international actors involved in managing the vast forest resources of the Congo Basin region and responding to its environmental challenges. The absence of a unified governance

framework complicates the alignment of national policies with regional and global environmental objectives, leading to inefficiencies and gaps in implementation at the basin level. It also makes it difficult for external partners to identify a clear entry point for providing support, and contributes to further fragmentation of the regional landscape, as they set up their own support initiatives, such as the Congo Basin Forest Partnership (CBFP), the Central African Forest Initiative (CAFI), or by supporting NGOs. Gabon could leverage its environmental credibility to mobilise neighbouring countries within regional programmes for the preservation of common goods, carried out within regional organisations. Such leadership would strengthen the confidence of donors and consolidate Gabon's role in regional environmental governance.

10. Finally, Gabon has several areas where capacities can be strengthened, particularly in project development, financial management, the creation of national inventories, and the collection of environmental data. These inventories could be used to assess the monetary value of Gabon's natural capital, an important lever for guiding public action and strengthening environmental diplomacy. Capacity development for project design and implementation can be supported by promoting technical assistance as a lever for continuing education, as part of a strategy to gradually empower national actors. This could be further embedded in Gabonese higher education and vocational training institutions, such as Omar Bongo University or the National School of Water and Forestry, by developing courses focused on green finance, climate engineering and sustainable resource management. This could include, for example, scholarship programmes co-financed with donors. For their part, donors would benefit from designing capacity development mechanisms that are better integrated into local structures, avoiding the current fragmentation: the organisation of multiple workshops on the same topics without co-ordination, or the provision of visiting consultants confined to a single project. Achieving a critical mass of national technical expertise, combined with improved institutional clarity and co-ordination, will increase the potential for mobilising climate and biodiversity development finance.

An opportunity to build on successful experiences, while Gabon continues to innovate in climate and biodiversity financing

11. Gabon's limited access to climate and biodiversity development finance can be explained, on the one hand, by the fact that, as an upper-middle-income country, it has restricted access to concessional financing, but also by its debt ratio exceeding the CEMAC community threshold of 70% (which makes any new financing more restrictive) and by a recent political transition, which has led to the suspension of many donor activities. On the other hand, Gabon does not have any institutions accredited to the GCF or the AF, and has only benefited from a few projects through the GEF. Only one institution, the Caisse des Dépôts et Consignations (CDC), has been involved in the GCF readiness programme and is actively working to obtain accreditation for grants (up to USD 10 million) from the GCF and the AF. This situation is an anomaly that could be corrected, starting with the development of a national climate and biodiversity financing strategy that identifies the national public and/or private entities to be supported for accreditation through a variety of financial instruments, while working in parallel on the development of structuring and bankable projects. The CNC,

as the national GCF focal point, could lead this initiative, disseminating information and be strengthened to raise awareness of funding opportunities from a variety of sources, including the commercial banking sector, microfinance institutions and the Gabonese Strategic Investment Fund (FGIS). In particular, the CNC could support national actors by sharing up-to-date data and tools, promoting the exchange of good practices, connecting stakeholders, and bringing together a community of insiders capable of developing bankable projects aligned with national climate priorities.

12. At the same time, Gabon is innovating through a series of financial solutions to enhance the value of its climate and biodiversity assets. It was one of the first countries to work on a results-based payment mechanism, within the framework of CAFI, which led to an initial disbursement of USD 17 million in 2021 – a first for an African country. Gabon has also negotiated two debt-for-nature swaps over the past 20 years, with the aim of restructuring the equivalent of USD 400 million in debt. The second operation included the establishment of a blue bond, enabling the creation of a marine protected area and capitalising the FPBG. This fund has also received a grant from the Bezos Earth Fund – a first for a French-speaking country or a country in the Congo Basin – and also benefits from funding through a 'permanence' mechanism, another pioneering initiative among French-speaking countries, designed with The Nature Conservancy (TNC) and the Prime Minister's Office to promote tax reform for nature conservation. Finally, Gabon has ensured that its forest carbon credits are accredited by the UNFCCC and is working towards their recognition by other mechanisms to fully exploit this market in the future, while piloting a voluntary carbon credit mechanism in partnership with Compagnie des Bois du Gabon (CBG) and TotalEnergies, as well as a pilot biodiversity credit project in collaboration with the UNDP. These experiences include certain small-scale financing activities implemented by donors, which have demonstration effects and which the government could examine and scale up (for example in the forestry or ecotourism sectors).
13. In summary, these examples illustrate Gabon's proactivity in the areas of climate and biodiversity, in a context where limited access to traditional channels has stimulated innovative solutions and the emergence of new partnerships. These efforts are not being leveraged to fuel international advocacy on the opportunities offered by the country, even though they are well suited to the Gabonese context, helping to alleviate, or at least not increase, the debt burden, while generating endogenous and self-financing solutions to support its national parks.
14. However, they remain insufficient and do not yet fully respond to the new vision of promoting national resources. To achieve this, and in parallel with the accreditation process, Gabon could encourage more public-private partnerships and greater involvement of the private sector. This would require legislative reforms to regulate practices and protect stakeholders, as well as incentives to attract more international philanthropic funding. Gabon could also ensure that its new CSR law generates local environmental benefits, collaborate with the insurance sector to address human-wildlife conflict on a large scale, and explore other instruments currently sought by climate and biodiversity donors, such as blended finance or green credit lines.
15. Above all, Gabon can seize the opportunity to assess the entire financial landscape, with a twofold objective: (a) mapping all internal and external financial flows related to biodiversity

and climate in the country (e.g. by piloting a green budgeting exercise, drawing on the BIOFIN initiative and using the OECD DAC CRS on international flows); and (b) reflecting on what works and what does not work for the country. The results of this exercise could feed into a process of consultation and national dialogue to define the next steps for Gabon and lead to an inclusive, interministerial strategy and action plan for climate and biodiversity financing. This plan would identify the actions and resources that can be mobilised at the national level, as well as those for which external support is needed, while bringing these issues closer to the country's future development process. This could then be enriched by the creation of a bank of priority projects for climate and biodiversity, developed jointly with the various actors in the ecosystem and aligned with the country's priorities.

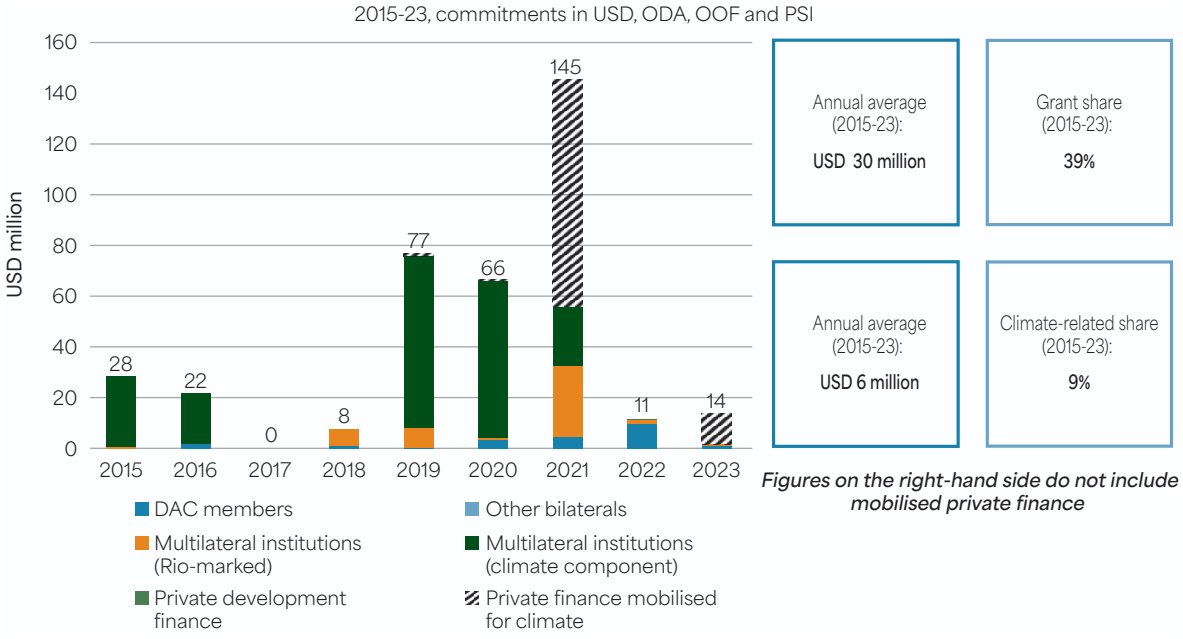
A declining donor base that could be re-engaged through leadership, dialogue and co-ordination

16. Gabon has relatively few bilateral (France, Japan, European Union) or multilateral (AfDB, United Nations agencies) partners present on the ground, with many activities being implemented as part of multi-country projects managed from other countries in the region. This limited presence on the ground means that many partners are not always aware of local needs and opportunities. Furthermore, its ongoing involvement in regional initiatives such as CAFI and PFBC demonstrates its willingness to engage with international partners on environmental issues.
17. At the same time, the development finance landscape is marked by a gradual decline in volumes. In the current context of development co-operation, competition for access to resources is intensifying, which will put pressure on the government to present structuring projects, ensure national ownership and effective implementation. Furthermore, Gabon's status as an upper middle-income country limits its access to concessional financing.
18. Donors in Gabon have no formal framework for dialogue and co-ordination to exchange views, engage in dialogue and move forward with the government in any domestic sector. While the Prime Minister's Office was considering reactivating thematic co-ordination groups, Gabon could create at least one group on environmental policies. The stakeholders consulted during the mission welcome this idea, not so much to discuss the country's needs (which are well documented) but rather to enable partners to co-ordinate better, forge partnerships between themselves and the government with a view to using funding more effectively, avoid overlapping initiatives, and establish a dialogue to remove obstacles. For example, several donors are currently working on green tax reform or carbon market regulation without national co-ordination or oversight. Such co-ordination frameworks could promote better structuring of investments in the country.
19. For their part, the national parties consulted during the mission perceive donor rules as lacking transparency, particularly about the choice of partners to implement the projects and programmes they finance, with complex and unclear criteria that cause long delays in disbursements and, above all, favour conservation at the expense of the real economy. These two visions are sources of mutual frustration and differences of opinion on the approach to be adopted for the country to rationalise its potential for both people and nature.

Development finance received by Gabon

FIGURE C.4.

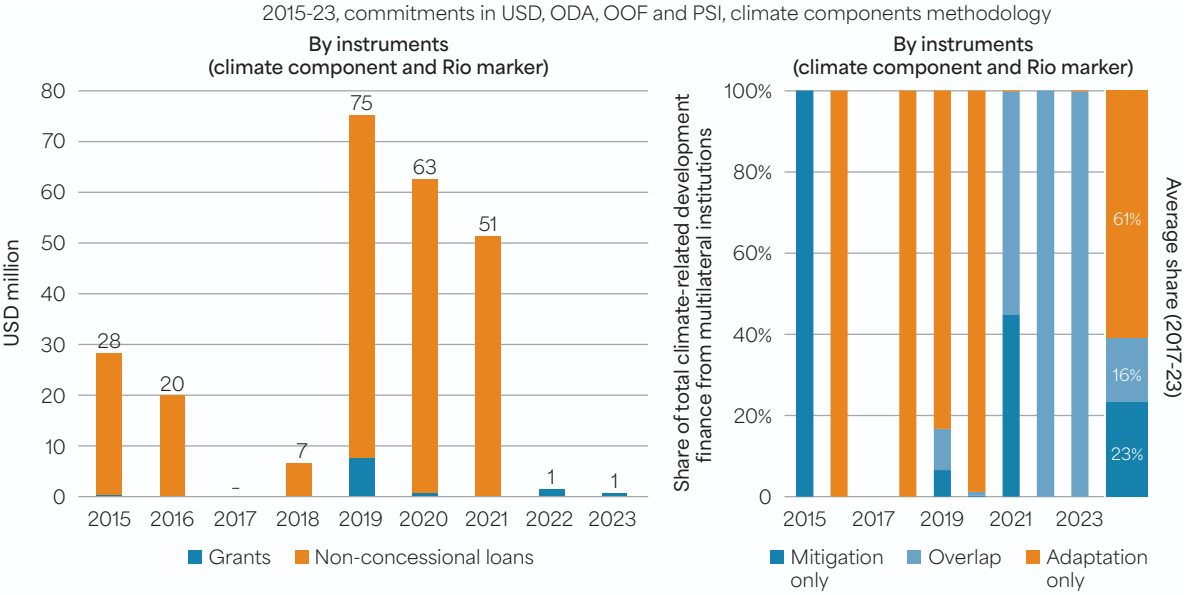
Overview of total climate-related development finance to Gabon



Figures on the right-hand side do not include mobilised private finance

FIGURE C.5.

Climate-related development finance to Gabon from DAC members and multilateral institutions



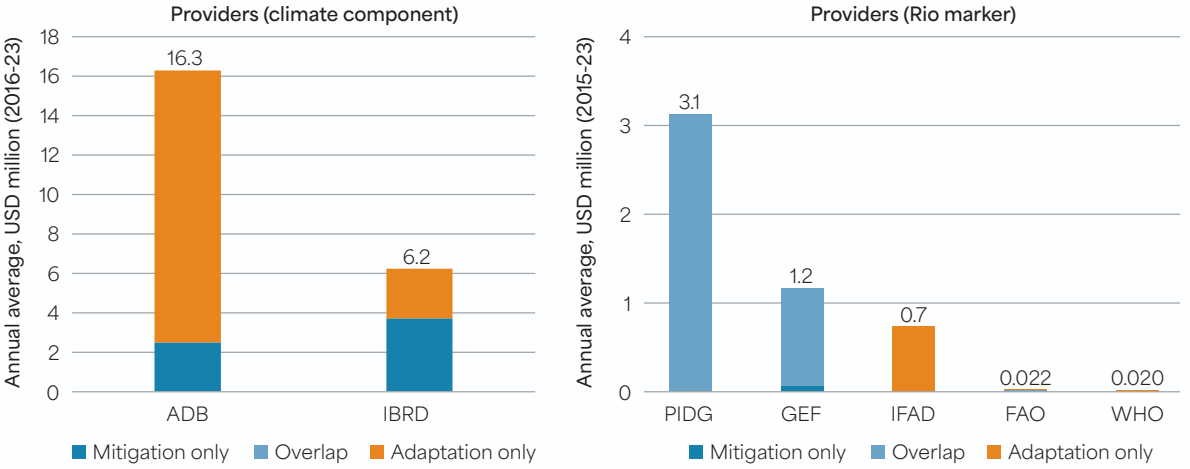
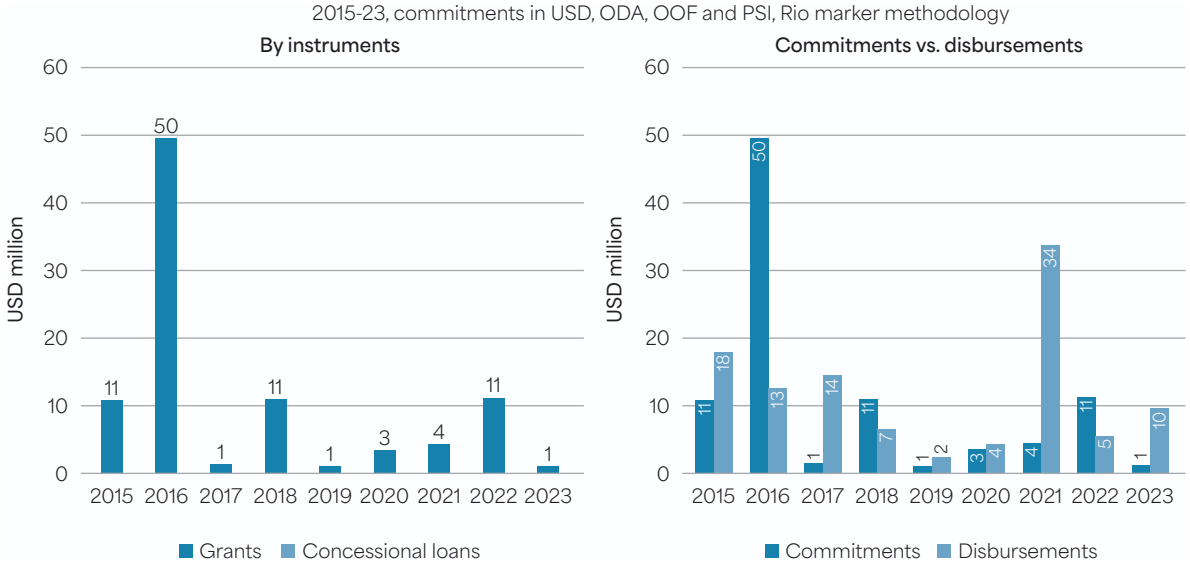
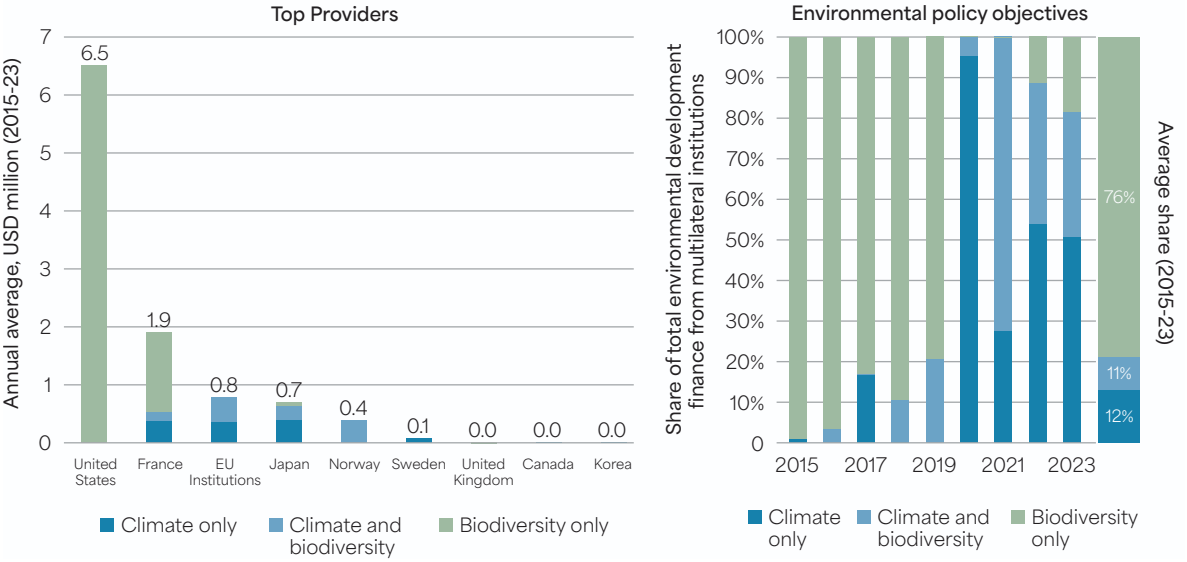


FIGURE C.6.

Climate and biodiversity-related development finance to Gabon from DAC members





Main bilateral and multilateral projects related to climate and biodiversity

TABLE C.5.

Key climate-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2022	EU Institutions	3.4	Grant	Improving Governance and Democracy in Gabon, particularly with regard to natural resource management
2020	Japan	2.3	Grant	Supply of medical equipment
2022	EU Institutions	1.8	Grant	Sustainable growth and green jobs in Gabon
2021	Norway	1.6	Grant	Establishing legal foundations for sustainable forests and livelihoods
2022	EU Institutions	1.5	Grant	Sustainable growth and green jobs in Gabon
2022	France	1.1	Grant	Research to ensure food and energy security for populations while respecting the environment
2021	France	0.8	Grant	Rehabilitation of the Mindoube landfill site
2022	Sweden	0.8	Grant	Improving access to urban mobility services
2021	Norway	0.7	Grant	Combating corruption and forest crime, supporting defenders and improving governance
2020	France	0.6	Grant	Research to ensure food and energy security for populations while respecting the environment

TABLE C.6.

Key biodiversity-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2022	EU Institutions	1.8	Grant	Sustainable growth and green jobs in Gabon
2021	Norway	1.6	Grant	Establishing legal foundations for sustainable forests and livelihoods
2022	EU Institutions	1.5	Grant	Sustainable growth and green jobs in Gabon
2021	France	0.8	Grant	Rehabilitation of the Mindoube landfill site
2021	Norway	0.7	Grant	Combating corruption and forest crime, supporting defenders and improving governance
2022	EU Institutions	0.4	Grant	Sustainable growth and green jobs in Gabon
2022	United States	0.3	Grant	Reducing human-elephant conflicts
2022	United States	0.3	Grant	Research and conservation of sea turtles in West and Central Africa
2022	France	0.3	Grant	Cultural c-ooperation and dissemination
2022	United States	0.2	Grant	Community conservation of elephants in Bas Ogooué

TABLE C.7.

Key climate-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2020	AfDB	31.4*	Non-concessional loan	Programme to support the infrastructure sector in Gabon, particularly in terms of resilience to the effects of climate change
2020	AfDB	30.4*	Non-concessional loan	Budgetary support in response to the COVID-19 crisis, enabling the resilience of the most vulnerable populations to be strengthened
2021	PIDG	28.2	Non-concessional loan	Kinguele hydroelectric power station (31 MW)
2021	AfDB	22.3*	Non-concessional loan	Kinguele hydroelectric power station (31 MW)
2022	GEF	1.3	Grant	Framework programme to support the updating of national communications, biennial transparency reports
2021	IBRD	0.7*	Non-concessional loan	Digital Gabon Project, enabling increased efficiency
2020	GEF	0.3	Grant	7th GEF operational phase
2020	GEF	0.3	Grant	7th GEF operational phase
2023	FAO	0.2	Grant	Support for accelerating economic transformation in Gabon as part of the Hand in Hand Initiative, contributing to climate change mitigation and adaptation, as well as biodiversity

TABLE C.8.

Key biodiversity-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2023	GEF	0.470	Grant	Framework programme to support the updating of the NBSAP and the 7th national reports
2023	FAO	0.173	Grant	Support for accelerating economic transformation in Gabon as part of the Hand in Hand Initiative, contributing to climate change mitigation and adaptation, as well as biodiversity
2023	GEF	0.081	Grant	Eighth Operational Phase of the GEF Small Grants Programme (Part 1)
2023	GEF	0.079	Grant	Eighth Operational Phase of the GEF Small Grants Programme (Part 1)
2023	GEF	0.079	Grant	Eighth Operational Phase of the GEF Small Grants Programme (Part 1)
2021	FAO	0.069	Grant	Support for the formulation of the National Agricultural Investment Programme for Food and Nutritional Security in Gabon
2023	GEF	0.033	Grant	Eighth Operational Phase of the GEF Small Grants Programme (Part 1)
2023	GEF	0.033	Grant	Eighth Operational Phase of the GEF Small Grants Programme (Part 1)
2023	GEF	0.032	Grant	Eighth Operational Phase of the GEF Small Grants Programme (Part 1)
2023	GEF	0.032	Grant	Eighth Operational Phase of the GEF Small Grants Programme (Part 1)

Madagascar

1. Madagascar is blessed with exceptional but threatened biodiversity and is also extremely vulnerable to climate change. These two challenges are now recognised as major priorities for action. The country has undertaken several national reforms to integrate these issues into the development and implementation of public policies and institutional organisation, while seeking to facilitate the mobilisation of additional resources. This new strategic dynamic at the national level is accompanied by increased engagement on the international stage through active green diplomacy. However, this new direction faces many obstacles, particularly at the institutional and financial levels. Access to climate and biodiversity financing remains particularly difficult for Madagascar's national institutions, requiring additional efforts to accelerate action in the face of the urgency of these issues. The country is expressing a greater desire for sovereignty in managing these challenges, but is faced with a severe lack of financial resources.

Madagascar can seize the unique opportunity to streamline and structure its vision and priorities on climate change and biodiversity

2. Madagascar is actively engaged in green diplomacy, which contributes to global recognition of the unique importance of its biodiversity and climate vulnerabilities. Through initiatives such as its role as advisor to the President of COP16 of the CBD, alongside Norway as champions of resource mobilisation, and its launch alongside Bhutan, Panama and Suriname of the "G-ZERO initiative" at COP29 of the UNFCCC, the country is seeking to establish itself as a key player in international environmental negotiations.
3. This external mobilisation is also reflected at the national level with greater recognition of the links between climate, biodiversity and sustainable development, considered as three inseparable pillars for the country's future. Progress is visible, particularly in terms of resilience to extreme weather events such as cyclones, leading to a significant decrease in the number of deaths over time, while renewable energies already account for 45% of the energy mix in 2022, with an ambitious target of at least 80% by 2030. However, these diplomatic and political efforts, although generating high expectations, are still struggling to translate into concrete actions capable of responding to emergencies at the grassroots level. Studies show, for example, that coastal communities remain extremely vulnerable to climate hazards and that national protected areas continue to deteriorate, highlighting a gap between the ambitions expressed internationally and domestically and their effective implementation.
4. Madagascar's vision is reflected in a multitude of strategies and action plans covering various areas such as agriculture, energy, the blue economy, climate and biodiversity conservation. In addition, there are international commitments, notably the NDC, the NAP and the NBSAP, developed to meet the requirements of the UNFCCC and CBD. However, the lack of a comprehensive and coherent framework hinders the effective implementation of these strategies and their alignment with national priorities and partner funding. Furthermore, these documents are often perceived as insufficiently politically validated, lacking cross-sectoral buy-in and being too theoretical, which complicates their application and makes it difficult to identify and prioritise financial needs, both domestic and external. With new strategies currently being developed, particularly on climate finance, biodiversity, updating the NDCs and NBSAP, and clean cooking, Madagascar has a unique opportunity to streamline and structure its priorities. Better co-ordination between existing plans would make it possible to translate these strategies into concrete action plans, aligned with the government's expectations and opportunities for partnership with donors, and facilitating the aspirations and commitment of stakeholders around common objectives.
5. Institutionally, Madagascar has a well-established framework for climate and biodiversity governance. All ministries recognise the Ministry of Environment and Sustainable Development (MEDD) as the lead ministry on these issues, and focal points or even environmental units exist in relevant ministries (although their capacity varies). Inter-ministerial dialogue is common, particularly through ad hoc co-ordination platforms set up for the development of strategies or the implementation of projects involving several ministries. However, the division of responsibilities is not always clear, as evidenced by the overlap between the MEDD and the Ministry of Fisheries and Blue Economy in the management of marine and coastal areas, or the dispersion of responsibilities related to the private sector

among different agencies and institutions. This institutional fragmentation complicates the adoption of coherent and strategic approaches.

6. Some interministerial collaborations are more advanced, particularly between the MEDD and the ministries responsible for water, disaster risk reduction and energy, while others, such as with agriculture and fisheries, remain limited due to a lack of co-ordination, differing leadership styles, administrative red tape and budgetary constraints. As a result, the MEDD struggles to fully play its role as regulator and co-ordinator, leading to duplication of initiatives and a lack of clarity on all the actions carried out in the country, including those financed by donors. In this context, the creation of an interministerial committee for the environment (CIME), which will meet at the strategic level for the first time in 2025 (a reform required by the IMF under the Resilience and Sustainability Facility), represents a key opportunity to improve climate and biodiversity governance. To maximise its impact, the CIME could benefit from having a permanent technical committee to enable regular monitoring of commitments and actions. This reform would give the MEDD the opportunity to play a central role in the country's environmental policy and to ensure an integrated and co-ordinated approach to these issues (given that the MEDD ranks 24th out of 25 ministries in the government's organisational chart).
7. The Ministry of Economy and Finance (MEF) also plays a key role in this dynamic and is gradually strengthening its involvement in climate and biodiversity issues. It has been instrumental in integrating Madagascar into the ARC Facility's disaster insurance programme, in collaboration with the CPGU. In addition, it is currently implementing several reforms, including green budget marking in co-operation with the MEDD. Furthermore, the MEF is working to streamline administrative procedures that slow down the disbursement of funds for projects related, inter alia, to climate and biodiversity. It also conducts internal audits and evaluations to improve its interactions with donors and optimise the use of resources. The MEF, through its External Cooperation Support Office (BACE), could go further by reactivating the Aid Management Platform (AMP) database to centralise information on all international climate and biodiversity-related funding, starting with the information available from certain ministries and donors. Such an initiative could be built on self-feeding information, would enhance transparency and clarity at the national level, and would improve the co-ordination of actions between the government and donors.

The model for accessing climate and biodiversity finance must be redesigned and strengthened to increase financial autonomy

8. Madagascar is unanimously recognised as a legitimate candidate for climate and biodiversity financing, whether bilateral, multilateral, public or private. However, OECD data show that most financing comes from bilateral and multilateral donors rather than from specific international mechanisms dedicated to climate and biodiversity financing. Although Madagascar has succeeded in mobilising resources through the GEF and has participated in a multi-country project financed by the GCF, as well as through the AF and the CIF (via the CPGU) and the AfDB's Climate Change Facility (via the Ministry of Water), the amounts accessed remain insufficient in relation to the country's needs and the expectations of

stakeholders. Faced with this situation, Madagascar has embarked on a proactive approach to attract more funding.

9. Madagascar's approach to mobilising these resources relies mainly on the GCF and GEF focal points, hosted within the MEDD. These focal points have organised training sessions for other ministries and shared information on the procedures for accessing these funds, which are often perceived as complex, lengthy and requiring specific expertise. Several ministries, including those of Agriculture and Livestock and Transport and Meteorology, have been involved in projects financed by these mechanisms. In addition, the MEDD has applied to host one of the GCF's regional offices, which would strengthen national capacities and could facilitate better access to this funding. Work is also underway to map MEDD needs and capacity gaps to better use these funds.
10. To improve its approach, Madagascar could strengthen awareness-raising and information sharing among national stakeholders. For example, the establishment of the CIME at the technical level, as well as the creation of a database and information platform, in collaboration with the MEF, would increase the transparency and clarity of the process for accessing GEF and GCF funding. At the same time, the MEDD could also consolidate its own capacities by increasing its human and financial resources, putting in place incentives to retain expertise, and strengthening and mobilising the skills of other ministries to better structure projects before they are submitted. Another key issue is English language proficiency, as access to certain funding is sometimes limited by the fact that these donors operate primarily in English, making access difficult for French-speaking actors.
11. Another major challenge is the absence of a national entity accredited to the GCF. Several attempts by the MEDD to obtain accreditation for national institutions failed so far. A more strategic approach is needed, identifying a national institution capable of fulfilling this role. The Foundation for Protected Areas and Biodiversity in Madagascar (FAPBM) may be a plausible candidate for initial accreditation, with proven experience in project management, collaboration with other foundations at the international level, and donor support. The MEDD, through the GCF focal point, could support this institution by developing a joint, politically supported roadmap, which would benefit from donor support to achieve successful accreditation.
12. The absence of an accredited entity, combined with limited budgets for the MEDD, means that Madagascar currently has to rely on intermediary implementing agencies to finance the majority of its climate and biodiversity projects. This situation runs counter to the country's desire to exercise greater control over the management of the funds obtained. Furthermore, accreditation is only the first step in a broader process: Madagascar will also need to improve its capacity to absorb and manage funding and ensure that the resources mobilised generate concrete and sustainable results. To date, project implementation rates and fund disbursements are relatively low (ranging from 25% to 50%, depending on the sector), national counterparts, including financial counterparts, are not always respected, and various obstacles are delaying project implementation (some GEF-7 projects are still not operational in 2025). Until these challenges are resolved, Madagascar will have to continue to collaborate with implementing agencies, but these agencies can gradually evolve to strengthen national capacities and enable the country to gradually take over the management of funding itself.

13. In this context, Madagascar is also exploring new channels for mobilising climate and climate and biodiversity financing. Under the IMF's Resilience and Development Facility, the country is committed to evaluating the issuance of green bonds through collaboration between the MEDD and the MEF (and the IFC and Société Générale). At the same time, Madagascar is accelerating the reform of its carbon market, which has enabled greater private sector involvement in financing the country's energy transition (although the legal framework is still being defined). The country is also focusing on payments for ecosystem services, a mechanism already used on a small scale with promising results. Other ongoing initiatives include the development of the Lemur Bond with the World Bank and the integration of the insurance sector into climate risk management, in partnership with the CPGU and the Directorate General of Meteorology. This wave of financial innovation is being driven by the recent adoption of a decree on climate and biodiversity financing, as well as greater flexibility on the part of the MEF in removing barriers to access finance. In addition, the reform of oil subsidies and the preparation of an independent anti-corruption office are signals for creating a more favourable environment for private investment in the sector.

In the context of a paradigm shift among donors, Madagascar and its partners could agree on ways to move forward with this agenda and achieve results

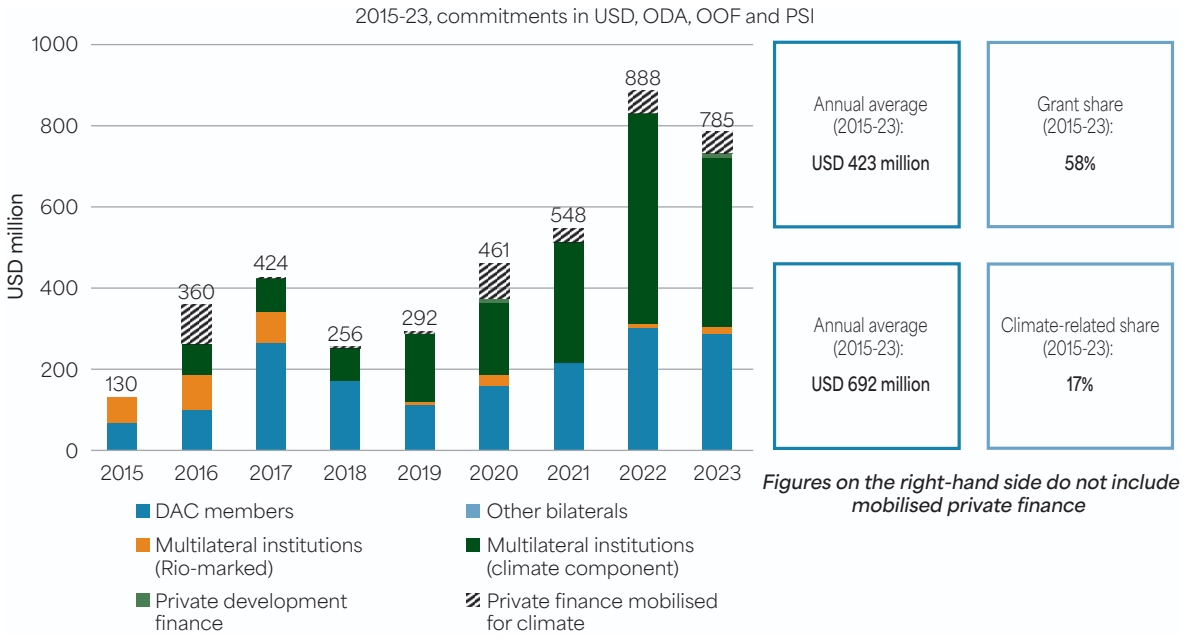
14. Madagascar receives more climate and biodiversity funding than many of its regional neighbours, benefiting from the presence of numerous donors who make the environment a central pillar of their action in the country. These donors co-ordinate their interventions through various permanent working groups, which meet at both the political and technical levels. There are thematic groups on the environment, biodiversity, sustainable oceans and climate change, in which the MEDD actively participates. However, these platforms often focus on information sharing without clearly defining the next steps, limiting their effectiveness as tools for strategic dialogue and the operationalisation of synergistic and complementary actions. This lack of direction hinders the identification of medium-term government priorities, the distribution of tasks among donors, and the targeting of priority needs requiring external support. In this regard, the co-ordination group dedicated to nutrition is adopting a more constructive, inclusive, and participatory approach, which could serve as a model for strengthening the governance of environment and climate-related groups.
15. At the same time, donors are gradually adjusting their approach to development co-operation, including in Madagascar. Direct budget support is declining, while the use of parallel implementation units and short-term (often multi-country) projects is becoming more common. The supply of concessional loans is increasing, and intervention through implementing agencies is becoming more widespread. These trends are accompanied by growing concerns among donors about internal co-ordination challenges, the country's limited capacities and the performance of project portfolios, which may lead some of them to reduce their presence in Madagascar. Considering these developments, a renewed commitment to the principles of development co-operation effectiveness (including national ownership, results-based approaches, transparency and mutual accountability) could help establish a more strategic partnership that is aligned with the country's current reform dynamics.

16. In this context, Madagascar could also rethink its approach to development co-operation. Rather than relying solely on grants, more proactive use of concessional loans for projects with high environmental, social and economic added value could be considered as a lever for development. A greater reorientation of financial flows towards local communities could also increase the impact of interventions by aligning them with locally-led development approaches. Finally, Madagascar could further explore alternative forms of co-operation, such as South-South co-operation and triangular co-operation – notably by taking advantage of the support of the Ministry of Foreign Affairs and local embassies –to diversify its sources of funding and strengthen its capacities and autonomy in implementing its environmental and climate strategies.

Development finance received by Madagascar

FIGURE C.7.

Overview of total climate-related development finance to Madagascar



Figures on the right-hand side do not include mobilised private finance

FIGURE C.8.

Climate-related development finance to Madagascar from DAC members and multilateral institutions

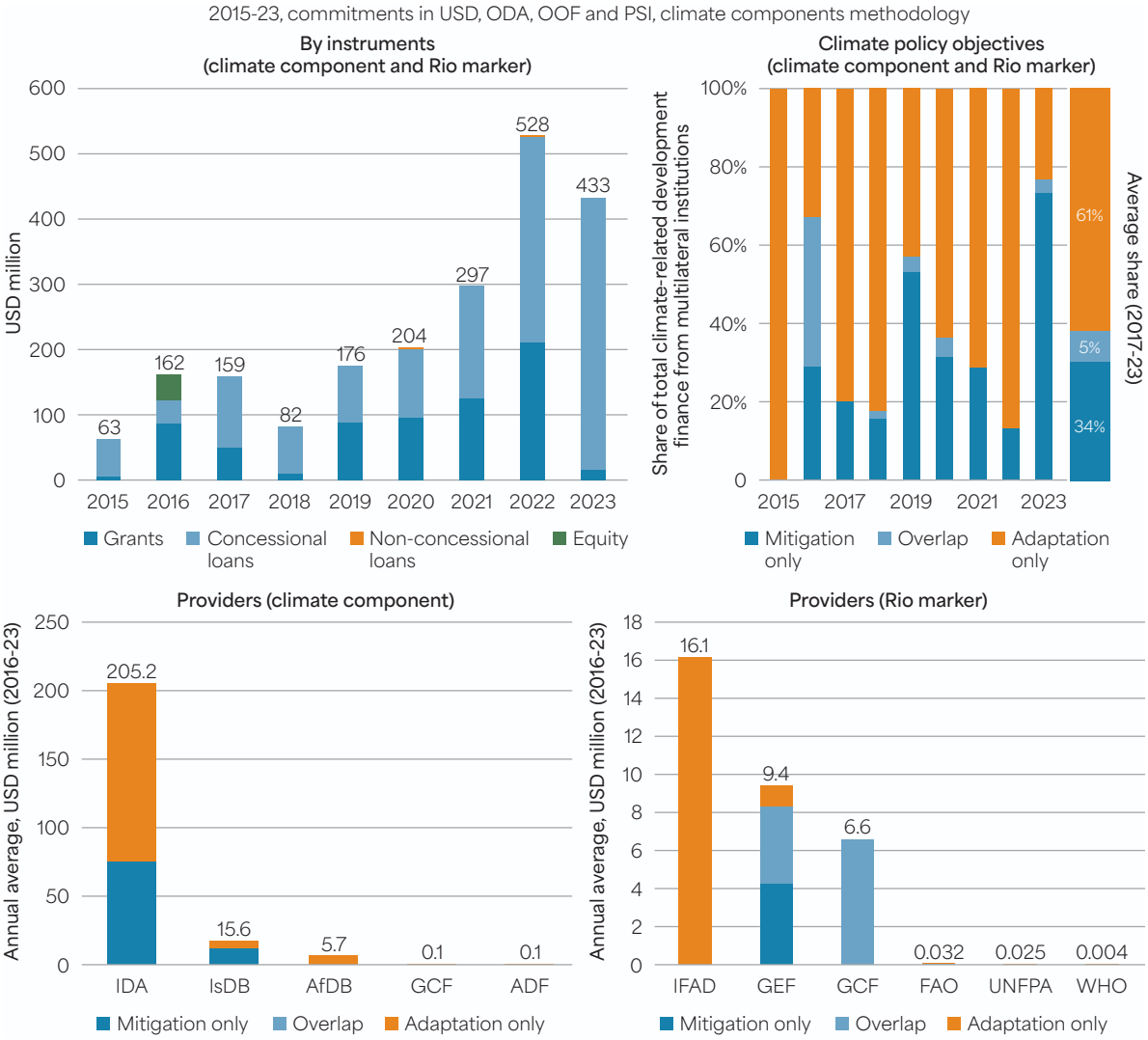
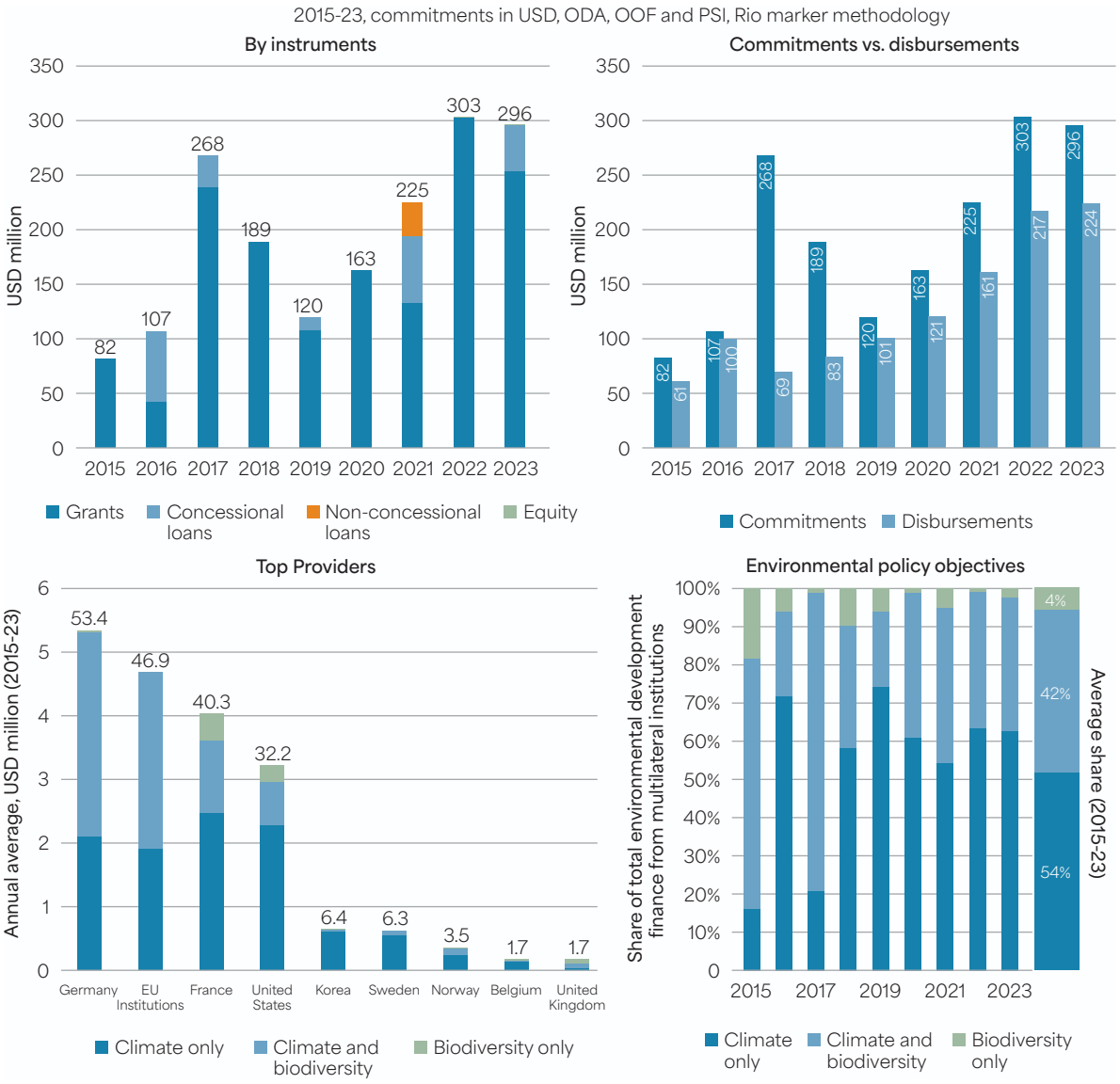


FIGURE C.9.

Climate and biodiversity-related development finance to Madagascar from DAC members



Main bilateral and multilateral projects related to climate and biodiversity

TABLE C.9.

Key climate-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2021	South Korea	50.2	Concessional loan	Construction of four electrical substations and rural electrification through the extension of power lines
2021	Germany	33.9	Grant	Participation in the Foundation for Nature Conservation (FAPBM)
2021	France	30.3	Non-concessional loan	Cable transport in Antananarivo
2023	France	22.0	Concessional loan	Project for the development of decentralised rural electrification in Madagascar
2022	EU Institutions	21.0	Grant	The Green Deal initiative, incorporating a Nexus-HDP approach, contributes to strengthening the resilience of the population and institutions.
2023	France	20.0	Concessional loan	Forest conservation and sustainable development in south-eastern Madagascar
2020	Germany	19.5	Grant	Rural electrification using renewable energy sources
2023	Germany	17.3	Grant	Pro-poor municipal development and decentralisation
2022	Japan	17.2	Grant	Development of rice seed production fields and facilities
2020	Germany	16.7	Grant	Improving the protection and sustainable use of natural resources within and around protected areas

TABLE C.10.

Key biodiversity-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2021	Germany	33.9	Grant	Participation in the Foundation for Nature Conservation (FAPBM)
2022	EU Institutions	21.0	Grant	The Green Deal initiative, incorporating a Nexus-HDP approach, contributes to strengthening the resilience of the population and institutions

Date	Donor	Commitments (USD million)	Instruments	Description
2023	France	20.0	Concessional loan	Forest conservation and sustainable development in south-eastern Madagascar
2020	Germany	16.7	Grant	Improving the protection and sustainable use of natural resources within and around protected areas
2021	Germany	16.7	Grant	Participation in the Foundation for Nature Conservation (FAPBM)
2022	EU Institutions	15.8	Grant	The Green Deal initiative, incorporating a Nexus-HDP approach, contributes to strengthening the resilience of the population and institutions
2022	EU Institutions	15.8	Grant	The Green Deal initiative, incorporating a Nexus-HDP approach, contributes to strengthening the resilience of the population and institutions
2022	Germany	12.6	Grant	Madagascar National Parks V Investment Fund (MNP)
2022	Germany	11.0	Grant	Erosion Control Programme VI (ECP)
2023	EU Institutions	10.5	Grant	Harmonious management of protected areas

TABLE C.11.

Key climate-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2023	IDA	33.9	Grant	Digital and energy connectivity project for inclusion in Madagascar
2023	IDA	21.0	Grant	Digital and energy connectivity project for inclusion in Madagascar
2021	IDA	20.0	Concessional loan	Road sector sustainability project in Madagascar
2023	IDA	16.7	Grant	Rural Livelihood Productivity and Resilience Project
2022	IDA	16.7	Grant	Connecting Madagascar for inclusive growth
2022	IDA	15.8	Grant	Connecting Madagascar for inclusive growth
2022	IDA	15.8	Grant	Safety net and resilience project in Madagascar
2021	IDA	12.6	Grant	Social security safety net project
2022	IDA	11.0	Grant	Additional funding for the road sector sustainability project in Madagascar
2022	IDA	10.5	Grant	Connecting Madagascar for inclusive growth

TABLE C.12.

Key biodiversity-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2023	IDA	100.8	Concessional loan	Rural Livelihood Productivity and Resilience Project
2023	IDA	65.9	Concessional loan	Rural Livelihood Productivity and Resilience Project
2022	IFAD	27.9	Concessional loan	Programme aimed at strengthening sustainable entrepreneurship and supporting the economic integration of young people in rural areas
2022	IDA	22.9	Concessional loan	Food Systems Resilience Programme for Eastern and Southern Africa
2022	IDA	22.9	Grant	Food Systems Resilience Programme for Eastern and Southern Africa
2023	IDA	21.8	Concessional loan	Rural Livelihood Productivity and Resilience Project
2022	IDA	19.8	Concessional loan	Food Systems Resilience Programme for Eastern and Southern Africa
2022	IDA	19.8	Grant	Food Systems Resilience Programme for Eastern and Southern Africa
2022	IFAD	18.1	Concessional loan	Programme to strengthen sustainable entrepreneurship and support the economic integration of young people in rural areas
2022	IDA	17.4	Concessional loan	Food Systems Resilience Programme for Eastern and Southern Africa

Saint Lucia

1. Saint Lucia faces biodiversity loss and is highly vulnerable to climate change, posing serious threats to its development. These issues are recognised as national priorities. As a SIDS, the country experiences systematic and structural constraints in capacity and resource mobilisation due to its small size and population, and high levels of public debt. Saint Lucia is heavily reliant on external financing. While national strategies integrate climate and biodiversity into growth and development plans, the country could benefit from more programmatic approaches that link projects to strategic plans and align them with national priorities and budget processes. Given the country context of Saint Lucia, regional arrangements play a central role in delivering international support, and Saint Lucia is actively seeking international partnerships. However, access to finance for climate and biodiversity remains focused on dedicated funds and is not integrated into a comprehensive approach that includes traditional development finance, which represent the bulk of available resources. Saint Lucia raises concerns about exposure to climate risks given its SIDS status.

Saint Lucia reflects its commitments in action plans but could work to increase its access and absorption to finance for climate and biodiversity

2. Saint Lucia has a strong commitment to climate and biodiversity action, including by being the first in the Caribbean to submit its NDC 3.0. Saint Lucia has recently set ambitious targets to reduce greenhouse gas emissions, partly conditional on the mobilisation of international support.
3. Climate and biodiversity are considered key pillars of sustainable development that cannot be dissociated in practice from one another. Resilience is understood as equal to development. Saint Lucia has developed various strategies and action plans to integrate climate and biodiversity into development planning. These include its NDC, NAP and NBSAP. Efforts are underway to mainstream these into key sectors such as agriculture, water, fisheries, forestry and infrastructure, as well as in the tourism sector which is identified as the most productive sector with potential to mobilise additional domestic resources.
4. At the institutional level, the Department of Economic Development (DED) (focal point for GCF) and the Department of Sustainable Development (DSD) (focal point for the GEF and the AF, as well as for the Climate Technology Centre and Network), are recognised as the entry points for donor funding. In particular, DED is in charge of co-ordinating projects, and ultimately approving and signing off on project proposals.
5. However, the lack of an overarching strategy to align and connect sectoral plans to general policy planning and implementation, limits their effectiveness as well as the alignment of financing partners with national priorities. Most ministries have identified their priorities and needs but would benefit from developing or updating relevant legislation (e.g. Climate Change Act, Wildlife Protection Act and Biodiversity Conservation Act). Existing action plans are often insufficiently validated politically and lack buy-in across relevant ministries and agencies, which can complicate and delay implementation.
6. National co-ordination structures exist, including interministerial committees (e.g. on Climate Change, Biodiversity and SDGs). It is not always clear, however, that these processes have the level of engagement and buy-in at the decision-making level to articulate investment priorities and mobilise resources. The newly established Climate Finance Unit within DED aims to centralise information, co-ordinate actions within government and with donors, and integrate climate into national economic planning – ultimately allowing for relevant decisions to be anchored at higher levels. However, some stakeholders have noted potential concerns related to the centralisation of co-ordination (i.e. create delays and reduce flexibility).
7. Overall, structural capacity constraints are a defining reality of Saint Lucia's ability to access and absorb finance. This ranges from data collection and processing, to compliance with donor requirements to access finance, pipeline development, financial structuring including of innovative finance approaches, and lack of specific skills (further undermined by "brain drain"). This also leads to challenges of retaining and sharing information and institutional knowledge and limits the creation of climate rationales and data-driven arguments. Further, lack of data may hamper the potential of innovative finance solutions such as carbon credits

which would benefit from, for example, having a forest inventory and a GHG inventory to build upon. Strengthening of monitoring and evaluation would also be important for implementation and to follow progress of projects, such as the Ministry of Agriculture's intention to hire staff for this in its corporate planning unit.

8. Saint Lucia remains open to working with regional partners for capacity and expertise. Some initiatives include working with regional neighbours to address common issues like sargassum (e.g. supported by AFD), with external advisors to help develop projects (e.g. through UK's SIDS hub for climate and nature issues), or through regional partnerships to address data and capacity gaps. Collaborating with regional partners allows for aggregation and to increase scale.

Despite structural constraints, Saint Lucia can mobilise more finance by strengthening co-ordination, scaling regional partnerships, and unlocking private sector potential

9. Saint Lucia is heavily reliant on external financing, compounded by limited national capacity and constrained fiscal space due to high levels of indebtedness. Although not yet implemented in Saint Lucia, debt suspension clauses triggered by natural disasters (e.g. hurricanes) could be a beneficial mechanism in the future.
10. Climate and biodiversity projects are often carried out outside the scope of the national budget. Most needs lie within the public sector, particularly in areas like sustainable livelihoods and resilience. As the country nears ODA graduation, it is exploring strategies to attract private finance, including blended finance vehicles. However, private finance mobilisation remains marginal. Saint Lucia and donors also continue exploring innovative finance mechanisms, such as blue bonds or debt-for-nature swaps.
11. The mobilisation of resources is primarily managed by focal points in the Department of Economic Development (GCF) and the Department of Sustainable Development (GEF and AF), along with the Ministry of Foreign Affairs. These focal points help other ministries and share information on proposals to access funds – i.e. to navigate funding processes that are often found complex, long, too bureaucratic and inflexible, and requiring a specific expertise. A range of ministries and agencies are involved in the projects financed by these mechanisms. However, thematic ministries are often brought in too late, creating disconnects between project design and implementation, and often leading to overly ambitious project proposals or timelines. Involving thematic departments earlier in the design process would help align priorities and ensure that the capacities are there to execute projects and ensure ownership.
12. Nationally, a dedicated NDC facilitator provides support to other agencies for implementation and to access funds; a corresponding function does not exist for biodiversity. Moreover, Saint Lucia is focusing on the Blue Economy as a theme for mobilising additional investment.

13. The Caribbean Development Bank (CDB), is a key implementing partner in the region (for the GCF and other donors) and is accredited to the GCF. The Saint Lucia Development Bank (SLDB) has recently become the first national institution to be accredited as a Direct Access Entity by the GCF (July 2025), successfully overcoming a process characterised by often being overly complicated and onerous. Saint Lucia also counts with other potential candidates for accreditation such as the Saint Lucia National Conservation Fund (SLUNCF), the Ministry of Finance, and the OECS. Among them, the SLUNCF is recognised for its strong institutional foundation and effective support for marine and terrestrial conservation. In general, there is a mismatch between the capacity available and the demanding GCF processes. Stakeholders continue to advocate for more programmatic, rather than project-by-project, approaches.
14. There is no picture of overall finance for climate and biodiversity, both domestically and internationally. Possible solutions linked to improving accountability could include having a portal with a catalogue-like interface for all ministries to have an overview of what is going on, and to explore existing resources that are readily available to understand the country's development finance flows (e.g. looking into OECD data), further reducing costs.
15. Different donors provide significant support for action on climate and biodiversity, while access to finance seems to be focused entirely on dedicated funds. An overview of actual total resources availability, both from donors and domestically, and how these resources are deployed in an integrated way – in line with the policy understanding – across climate, biodiversity and overall development and resilience, would be essential as a basis to align policy ambition and intention with resources planning.
16. The size of Saint Lucia, and in general of economies in the region, means that there is often a size mismatch between available financing instruments and project scale – too large for local actors, too small for international ones. As a result, regional approaches are common. While regional actors like the OECS and CDB can support project aggregation to overcome this scale issue, it raises additional complexity with direct country alignment.
17. Moreover, capacity constraints imply that the country is confronted with challenges in assessing different financial instruments and mechanisms, including the choice of insurance options. For example, insurance policies such as the Caribbean Catastrophe Risk Insurance Facility and CAT-bonds, which are financial tools to help manage the financial risks associated with natural disasters and climate-related events, can be technically complex and difficult to assess in terms of their relevance or effectiveness. Climate finance services advisors, supported by donors, can help to tap in regional experience and knowledge, bridging time and expertise to countries for specific purposes. While developing the capacity in every country can be limited given the number of administrations, donor support at regional level stands out as a recurrent option.
18. Projects are frequently standalone initiatives, lacking considerations of replication or scaling once the projects are finalised. The result is a sentiment of repeated, duplicative interventions rather than building on lessons learned, and of starting over with each new initiative. Procurement challenges, and difficulties in sourcing high-quality local providers – often necessitating external contractors – compound these challenges. The high share of funding going to external consultants and advice, without generating tangible progress, is a source of frustration for both Saint Lucia and donors.

19. The integration of climate and biodiversity action into Saint Lucia's overarching strategy for sustainable development, resilience and growth offers an opportunity to better align access to finance more strategically with country priorities, develop lasting capacities, and generate more tangible progress. The predictability of funding streams could enhance continuity and scaling of projects.

International support is growing, but better donor co-ordination and national leadership are key to ensuring lasting and locally-owned impacts

20. Saint Lucia has access to bilateral and multilateral donors, while it also receives support from private foundations, holding long-standing, historical partnerships with different key donors, such as between the Ministry of Agriculture and FAO. For Saint Lucia, these partnerships play a key role in bridging structural capacity gaps. Language is not a barrier for Saint Lucia in accessing international climate or biodiversity finance.
21. Having previously relied heavily on support from traditional donors like USAID, Saint Lucia is now actively diversifying its partnerships and strengthening regional ties. Saint Lucia is also actively exploring increased engagement with non-traditional partners through South-South co-operation and triangular co-operation (e.g. Brazil, Morocco, Malaysia, Mexico). For example, Saint Lucia's Ministry of Agriculture collaborates with Argentina and Germany (GIZ) to strengthen water and soil resource management for agri-food systems.
22. Donor co-ordination mechanisms occur mostly at the regional level. This gives regional organisations with a local presence and expertise, like the CDB, CARICOM, OECS, or CCCCC, a particularly important role – although the capacity of these institutions is often also constrained and may rely on operating with the support of larger institutions as the World Bank or IADB. Donors also rely on the Saint Lucian government for the co-ordination of donors and often expect the government to have the whole picture of development co-operation activities, despite the fact that many donors are not physically in the country, complicating co-ordination.
23. Donors are aware of the challenges Saint Lucia faces in accessing funds, in particular from GCF, and are continuing conversations on how to simplify, streamline and harmonise access, e.g. by improving responsiveness and adopting common templates.
24. A persistent challenge lies in aligning funding modalities with national priorities. Saint Lucia's development strategies typically follow a 3-5 year planning cycle, but implementation often takes longer – frequently exceeding the timeline of available funding. By the time funds are disbursed, priorities may have shifted. Building strong bilateral relationships has proven helpful for adapting to these changes. Some donors, such as Canada, demonstrate flexibility in adjusting project objectives and timelines, provided the overall scope remains intact. Open communication is critical for responsiveness and mutual understanding.
25. While most donors have regional approaches and multi-country programmes (e.g. because of the size), they may not have a common geographical scope, undermining the appetite of co-ordination at the regional level. Differences in portfolio coverage, timelines, and

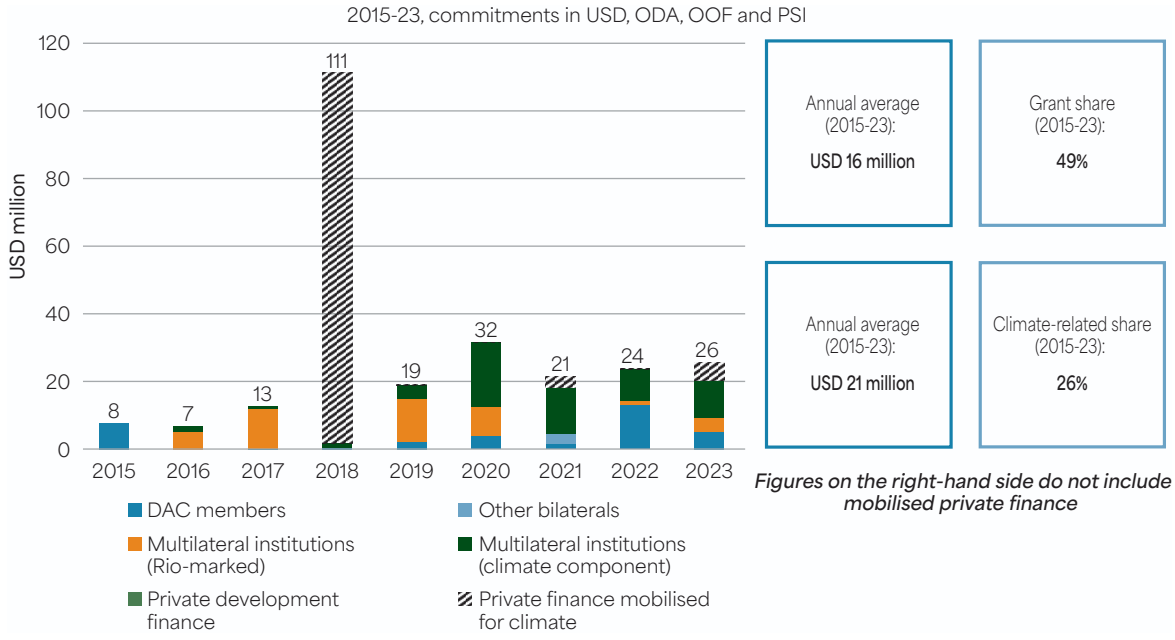
administrative procedures across countries make regional alignment more challenging. Further, multi-country programmes may also add an extra layer of complexity due to varying political and administrative cycles.

26. Despite agreement of the centrality of local ownership, sustaining project outcomes after completion remains a challenge, particularly at the community level (e.g. farmers involved in agroforestry initiatives). Partners expect implementing agencies to involve stakeholders, while long-term viability and continuity requires government ownership and alignment with local needs. Most NGOs are small and grassroots-based, and are not professionalised. While they can reflect strong community ownership, few local counterparts are able to follow donor process requirements. As a result, the government becomes overstretched, and donors struggle to identify alternatives to scale up projects. Donors such as UNDP can play an important role to support capacity development within communities, including SMEs and cooperatives. A general sense of frustration persists among communities, who often struggle to see tangible outcomes. Impact measurement, particularly in biodiversity projects, remains unclear both to donors and to Saint Lucia itself.

Development finance received by Saint Lucia

FIGURE C.10.

Overview of total climate-related development finance to Saint Lucia



Figures on the right-hand side do not include mobilised private finance

FIGURE C.11.

Climate-related development finance to Saint Lucia from DAC members and multilateral institutions

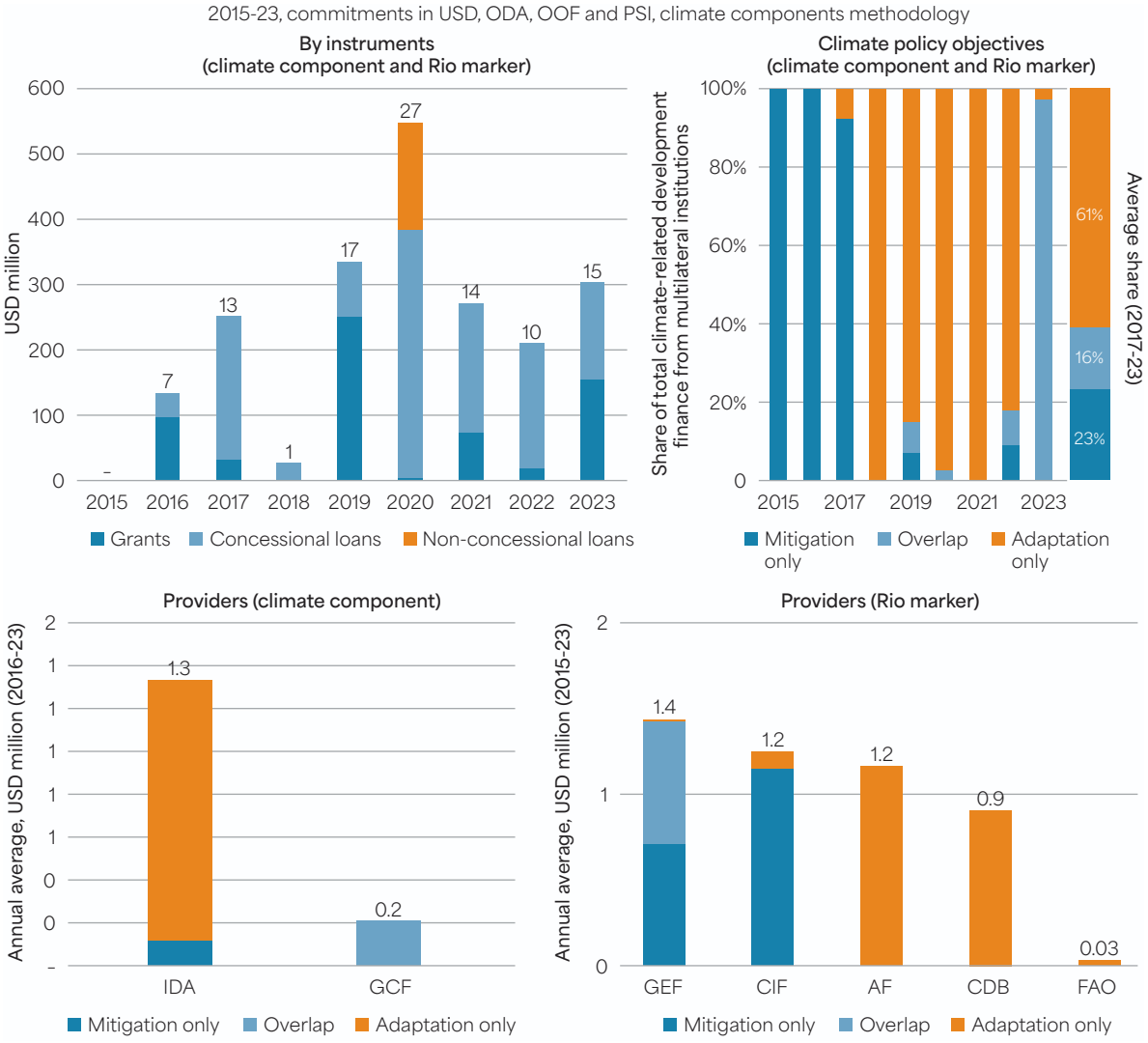
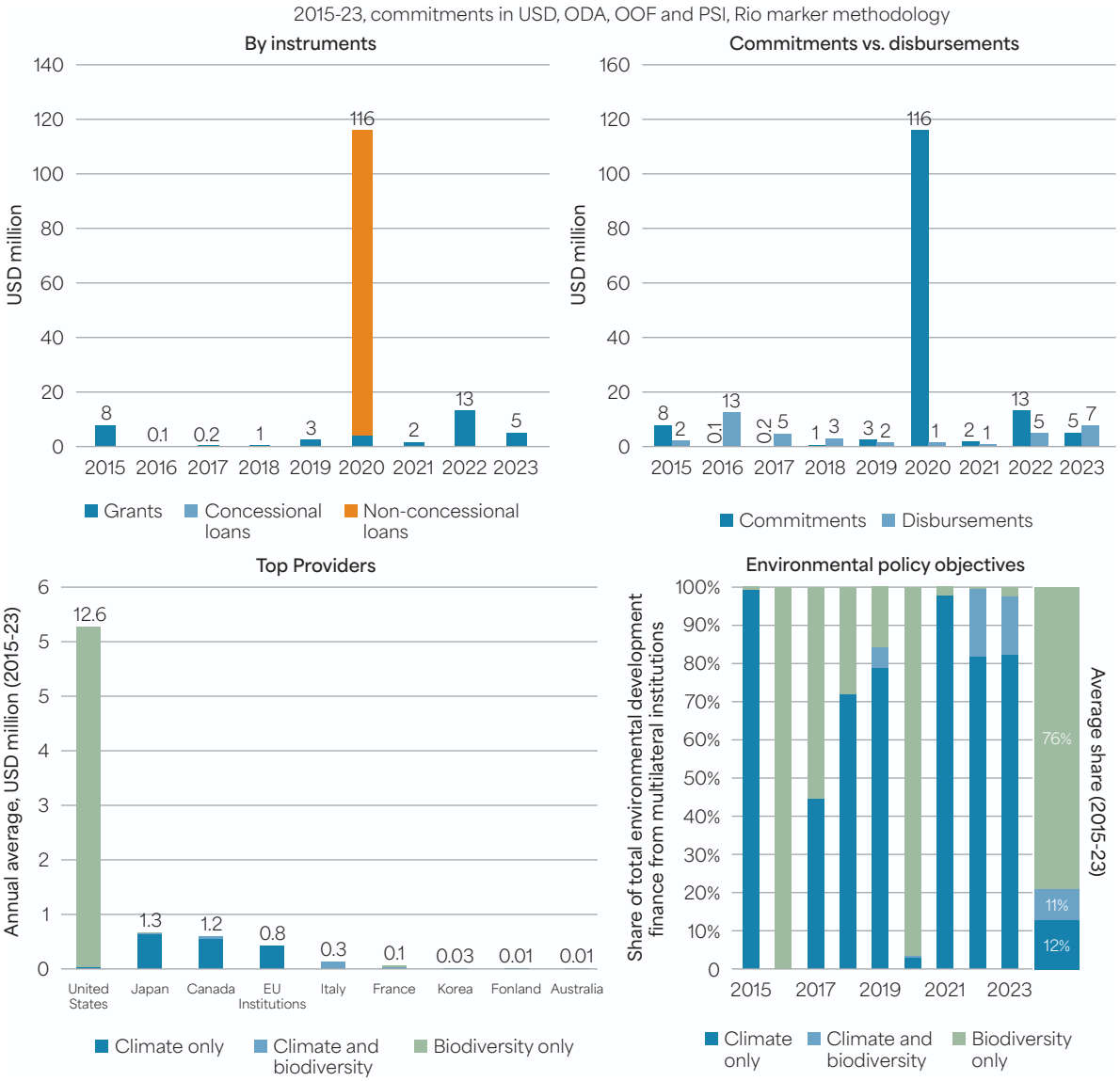


FIGURE C.12.

Climate and biodiversity-related development finance to Armenia from DAC members



Main bilateral and multilateral projects related to climate and biodiversity

TABLE C.13.

Key climate-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2022	Japan	9.6	Grant	Choiseul Fishing Port Improvement Project (project marked as relevant for adaptation - reducing the economic vulnerability of Saint Lucia)
2021	United Arab Emirates	2.9	Grant	Photovoltaic panels and charging stations for electric vehicles at the airport
2021	Japan	1.5	Grant	Medical equipment (marked as relevant for adaptation)
2022	Italy	1.1	Grant	Implementation of a geo-information center (e-GEOS), acting as an early warning system
2022	Italy	1.1	Grant	Implementation of a geo-information center (e-GEOS), acting as an early warning system
2020	Canada	1.1	Grant	Sustainable agriculture in the Caribbean
2020	Canada	1.0	Grant	Sustainable agriculture in the Caribbean
2020	Canada	1.0	Grant	Sustainable agriculture in the Caribbean
2023	Canada	0.9	Grant	Climate-smart and gender-responsive agriculture and food systems
2022	United States	0.7	Grant	Technical assistance to the National Utilities Regulatory Commission of Saint Lucia on solar energy and microgrids

TABLE C.14.

Key biodiversity-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2020	United States	111.9	Non-concessional loan	Blue bond for marine conservation
2022	Italy	1.1	Grant	Implementation of a geo-information center (e-GEOS), acting as an early warning system
2022	Italy	1.1	Grant	Implementation of a geo-information center (e-GEOS), acting as an early warning system
2020	France	0.5	Grant	P209 - Sustainable Development Goals (P185) - CLIMATE
2023	Canada	0.3	Grant	Funding Caribbean organisations for a resilient environment

Date	Donor	Commitments (USD million)	Instruments	Description
2020	United States	0.1	Grant	Project to protect the St. Lucia couresse, an endemic snake
2023	United States	0.1	Grant	Strengthen the Saint Lucia National Conservation Fund to make it an effective and efficient community foundation
2023	Canada	0.1	Grant	Funding Caribbean organisations for a resilient environment
2023	Canada	0.1	Grant	Funding Caribbean organisations for a resilient environment
2022	France	0.05	Grant	Technical expertise mission (Expertise France - Saint Lucia)

TABLE C.15.

Key climate-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2020	IDA	13.9*	Concessional loan	Regional Air Transport Connectivity Project in the Caribbean
2022	IDA	9.0*	Concessional loan	Unleashing the Caribbean's blue economy
2020	CDB	8.2	Non-concessional loan	Reconstruction of the Millennium Highway and West Coast Highway
2023	CDB	6.0*	Concessional loan	Youth savings project
2021	IDA	5.8*	Concessional loan	Credit for the policy to develop the response, recovery, and resilience to COVID-19
2021	IDA	3.7*	Concessional loan	Renewable energy sector development project
2021	GCF	3.0*	Grant	Mobilisation of international climate finance and private investment for low-carbon development in Sainte-Lucie
2023	GEF	2.6	Grant	Promoting nature and nature-based solutions for sustainable blue and green pathways in the tourism, food, and urban planning sectors in Saint Lucia
2020	IDA	2.1*	Concessional loan	Saint Lucia Human Capital Resilience Project
2023	GCF	1.7*	Grant	Improve the process of Saint Lucia's National Adaptation Plan by developing sectoral strategies and action plans, strengthening the evidence base, and improving private sector engagement.

TABLE C.16.

Key biodiversity-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (million USD)	Instruments	Description
2023	GEF	2.6	Grant	Promoting nature and nature-based solutions for sustainable blue and green pathways in the tourism, food, and urban sectors in Saint Lucia
2023	GEF	0.9	Grant	Promoting nature and nature-based solutions for sustainable blue and green pathways in the tourism, food, and urban sectors in Saint Lucia
2023	GEF	0.5	Grant	Support program for updating the NBSAP and the 7th national reports
2023	GEF	0.2	Grant	Eighth operational phase of the GEF Small Grants Program (Part 1)
2023	GEF	0.2	Grant	Eighth operational phase of the GEF Small Grants Program (Part 1)
2023	GEF	0.2	Grant	Eighth operational phase of the GEF Small Grants Program (Part 1)
2023	GEF	0.1	Grant	Eighth operational phase of the GEF Small Grants Program (Part 1)
2023	GEF	0.1	Grant	Eighth operational phase of the GEF Small Grants Program (Part 1)
2023	GEF	0.1	Grant	Eighth operational phase of the GEF Small Grants Program (Part 1)
2023	FAO	0.1	Grant	Feasibility studies for the GCF proposal from Saint Lucia in support of the fisheries sector adaptation strategy action plan

Senegal

1. Senegal has made significant progress in recognising and addressing climate challenges, as evidenced by a consolidating ecosystem and a gradually strengthening policy and governance framework. Challenges remain, particularly in terms of access to finance, navigating complex financial mechanisms and filling capacity gaps. At a time of crisis in international solidarity and growing public debt, Senegal highlights the need to better co-ordinate this ecosystem and explore new approaches to achieve greater efficiency and increase impact.

Senegal can capitalise on its strengths by strengthening its strategic vision and institutional framework

2. Senegal's national development vision incorporates climate change and, to a lesser extent, biodiversity. This focus could erode, calling into question Senegal's ability to implement its NDC and broader energy transition ambitions. With a significant portion of its NDC and NAP contingent on international financial support, Senegal may be forced to divert its limited domestic resources towards adaptation and, increasingly, towards loss and damage management, which could limit its resilience and long-term development goals.
3. Successive initiatives and policy frameworks have broadened the scope of climate and environmental priorities. The recent adoption of the Environment Code, the development of a green budget and green taxonomy, the introduction of climate contingency lines in the annual budget, and the law governing the payment of a portion of revenues from hydrocarbon exploitation into an intergenerational fund are all examples of a dynamic and deepening policy landscape. The next updates to the NDC, NAP and NBSAP will be able to build on this national momentum to streamline priorities, improve co-ordination, strengthen communication and guide donors.
4. Senegal has a functional institutional framework to guide climate action. Focal points are deployed in all sectoral ministries and co-ordinate with the Ministry of Environment and Ecological Transition (METE). The METE, in turn, participates in several steering committees for initiatives led by other ministries (e.g. on green bonds at the Ministry of Finance and Budget or on energy transition at the Ministry of Petroleum, Energy and Mines).
5. The National Committee on Climate Change (COMNACC), with expertise covering six themes, plays a key role in supporting the Senegalese ecosystem – although its engagement and visibility on bilateral climate-related activities could be strengthened. The expected approval of a decree consolidating the status of COMNACC could be an opportunity to improve this aspect, allocate it with an operating budget and enable its members to devote more time and expertise to its work. This decree could also consider the sub-national dimension of COMNACC, namely COMRECC. To access climate development financing, COMNACC has developed useful tools to streamline project applications, including a procedures manual defining the decision-making chains for the GCF and the AF. This process is open to all project promoters, including civil society and local actors, and involves the METE (as the designated national authority for these Funds), before engaging accredited national agencies.
6. To date, Senegal has successfully accredited three entities, and others are currently in the process of accreditation. These accredited entities facilitate access to more climate finance by offering specialised support to project developers (e.g. small projects for the CSE, agricultural projects for La Banque Agricole). In addition, Senegal's accreditation strategy favours complementarity through financial instrument specialisation (grants, concessional loans, guarantees, equity investments). However, access to climate finance faces challenges related to the dynamics between the accredited entity and the GCF or AF – although these entities are considering strengthening their advisory role to project developers. Rethinking the tools available to these organisations, clarifying their added value, increasing their resources, and promoting co-ordination will deliver greater results.

7. Senegal's designated national authority could also adopt a more strategic approach to guiding key initiatives to fully mobilise the country's potential. Rethinking the strategy for collaboration with ministerial focal points could strengthen the country's capacity to access climate funds effectively.
8. Much of this ecosystem does not yet apply to the field of biodiversity policy. While METE seeks to better co-ordinate work around the three Rio Conventions, discussions are underway on the possible creation of a 'COMNABIO' – a national committee on biodiversity issues – and on how to co-ordinate designated national authorities and convention focal points (all under METE). In addition, the BIOFIN initiative has just been launched in Senegal to develop a NBFP. These efforts would help identify national biodiversity funding sources (which are underestimated), exploit synergies and maximise the effectiveness of the funding obtained by Senegal.

Senegal can consolidate the link between the green and development agendas by building on its achievements

9. Senegal faces the challenge of aligning climate and development priorities, as climate issues are not yet fully integrated into sectoral policy and planning frameworks. While the next NDC will include new sectors (e.g. sanitation), others need to be meaningfully integrated (e.g. tourism). A narrative shared by many stakeholders, which distinguishes climate finance from general development finance without fully recognising the synergies between them, is hindering national progress in implementing and financing the country's NDC and NAP.
10. A critical gap lies in the insufficient climate specialisation within sectoral ministries. Many of these ministries have no direct engagement with the GCF or the AF, which prevents them from understanding the opportunities that exist and the steps to take to benefit from them. In part, this may result from a lack of knowledge about the types of development finance that can be mobilised to address cross-cutting issues such as climate (and biodiversity). As a result, many sectoral ministries lack the capacity to identify or justify the climate rationale for potential projects, which hinders the approval and implementation of funding and discourages them from engaging with these funds.
11. METE and the Ministry of Finance and Budget (MINFIN) are helping to raise awareness of the impact of climate change on all sectoral activities, through actions ranging from seminars organised by METE after UNFCCC COPs with ministerial focal points, to the introduction by MINFIN of climate-related contingency funds when approving ministerial budgets. Greater engagement by METE may be needed to ensure that climate issues are considered across sectoral ministries. This awareness-raising and advocacy could include inviting MINFIN or the Ministry of Economy, Planning and Cooperation (MEPC) to attend UNFCCC COP negotiations, or collaborating with MEPC to develop a national carbon accounting framework to improve transparency, resource allocation and understanding by all sectors of their contribution to the fight against climate change.

12. The lack of centralised monitoring of all climate- and biodiversity-related financing activities weakens the central government's organisational power. Although the DCCTEFV of the METE occupies a pivotal position in the green finance ecosystem, it does not have sufficient human resources or a mandate to ensure comprehensive monitoring of initiatives. To ensure compliance with the principle of unity of public finances, the MINFIN could assume this responsibility by establishing procedures for centralising and monitoring information. The Sustainable Finance Steering Committee, created in 2023 and placed under the authority of the Minister of Finance and Budget, could play a key role in co-ordinating and supervising this financing.
13. In conjunction with this centralisation of financing information, the METE could set up an MRV system to enable carbon accounting at the national level. Although some ministries, such as the Ministry of Infrastructure, Land and Air Transport (MITTA), have developed sectoral MRV systems, these are not consolidated at the government level. It is therefore essential to reduce the fragmentation of information and to establish systematic procedures for centralising carbon accounting information.

Senegal's proven capabilities could enable it to mobilise more funding for climate and biodiversity

14. Senegal has significant capabilities, benefiting from a well-trained central administration and solid experience in mobilising and executing climate-related projects. For example, the country can submit up to 30 projects per year to COMNACC for review and has demonstrated expertise in engaging in, preparing and implementing large-scale climate initiatives supported by complex financial mechanisms and partnerships.
15. Although the MEPC provides financial support through a dedicated technical assistance fund for feasibility and cost-benefit studies to help project promoters structure their co-financing, this tool could be better exploited. Gaps remain in technical capacity, particularly in accessing and managing climate and biodiversity financing available through the GCF and the GEF. Due to a lack of co-ordination and limited engagement of sectoral ministries on climate issues, the country lacks a critical mass of climate and biodiversity experts. Frequent turnover of experts further reduces institutional memory and limits long-term capacity development efforts. This leads to dependence on consultants, sometimes international, and implementing partners.
16. Many project proponents seek funding directly but lack the capacity to effectively implement and scale up quality projects. Developing these skills through smaller-scale projects, using other sources of climate finance, could be a first step before approaching more demanding funding windows, such as those of the GCF or the GEF. This is particularly true for local communities, which now have responsibilities for adaptation or conservation management (due to the ongoing decentralisation process). In some cases, accredited entities have been forced to take on implementation themselves, as project proponents have attempted to modify their projects after approval – illustrating how the latter perceive climate action and development.

17. Intermediary implementation partners, such as UN organisations or international civil society organisations, play a crucial role in facilitating funding applications and project implementation, given the current climate emergency and limited domestic capacity to access funding. These institutions could place greater emphasis on knowledge transfer and capacity development so that national partners can gradually take over.
18. Mobilising the role of academia could be a promising avenue for strengthening the national process of accessing funding. The recently established South-South academic initiative, which aims to train local experts and reduce dependence on external consultants, is encouraging. Key actions to be undertaken in collaboration with METE include improving data quality and archiving, conducting impact studies, and monitoring project impact and climate finance flows. Other actors could also promote data sharing between ministries, donors and implementing agencies. Improving information governance would facilitate project design, execution and evaluation.
19. The French language still constitutes an obstacle to accessing climate and biodiversity finance in Senegal. Although digital tools (for example the translation of documents at the end of the application process) and a greater presence of bilingual staff within the GCF and the GEF facilitate communication and project management, disparities persist in how language affects project applications and evaluation processes. Senegalese stakeholders invest considerable effort and resources to access crucial information, formulate project proposals, carry out assessments, translate, understand and adapt documents. This situation affects the quality of project submissions and can slow down – or even discourage – engagement in the financing process. To address this, it is necessary to invest more in multilingual support, in strengthening the capacities of francophone stakeholders, and in structured peer-learning initiatives.

As development co-operation is in transition, Senegal needs to increase its reliance on other forms of financing

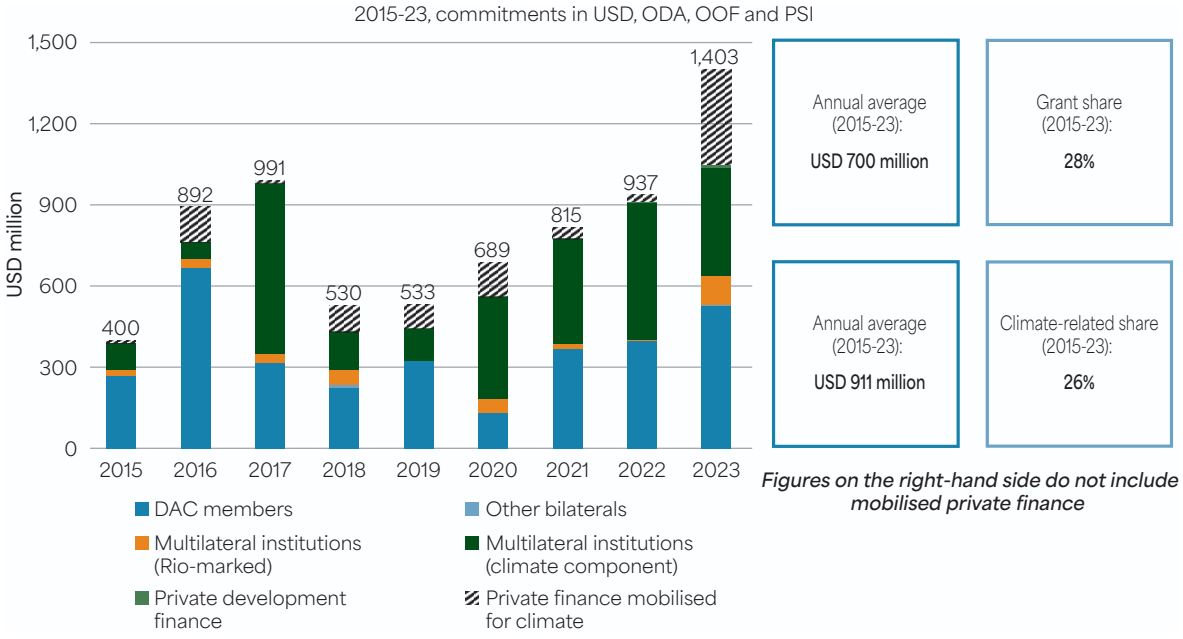
20. Senegal is fully committed to development co-operation, which it sees as an essential lever for strengthening its national sovereignty. Donors are essential to meeting national needs. As the global landscape for development co-operation evolves and access to climate and biodiversity finance remains complex, Senegal has actively diversified its partnerships, engaging a wide range of donors on these issues. However, many national actors are not aware of the opportunities to access climate- and biodiversity-related finance through these partners. A central tool for disseminating information on financing opportunities, areas of specialisation and eligibility criteria of the different donors, beyond the GCF and the GEF, could support a strategic and integrated approach to financing and help project promoters better target the appropriate funding windows.

21. The activities of donors are aligned with national development priorities and the NDC, ensuring consistency with Senegal's climate and development objectives. This alignment is then certified through the oversight of the MEPC, which aims to avoid duplication in annual budget cycles, and of the Prime Minister's Operational Office for the Co-ordination and Monitoring of Projects and Programmes. Donors implement projects that generate co-benefits for climate, biodiversity and desertification, thereby reinforcing an integrated approach to sustainable development. This approach could inspire Senegal's own efforts to find synergies among Rio Conventions.
22. Mobilising private sector finance remains a challenge, due to the strict regulations imposed by donors (for example risk-mitigation measures and reputation concerns) and the limited opportunities to develop public-private partnerships, which often constrain private sector engagement. Difficulties in accessing finance can hold back the scaling up of projects that have already demonstrated their performance and profitability. However, initiatives such as the World Food Programme's R4 Rural Resilience Initiative offer promising models for integrating private finance into climate resilience efforts. Further opportunities are also emerging in Senegal's fast-growing carbon market – where the National Renewable Energy Agency aspires to become the one-stop shop for entering this market – through the Just Energy Transition Partnership (JET-P) and via the issuance of green bonds, which are attracting investments from national and international commercial banks.
23. Co-ordination among donors could be improved, as their activities are not always monitored by the METE. The use of institution-specific climate-related terminology complicates project design, since each donor applies its own vocabulary, objectives and financing criteria, making the climate finance ecosystem difficult to grasp. This fragmentation creates challenges for project developers, who must constantly adapt their proposals to meet differing expectations, often leading to inefficiencies and delays. The Government of Senegal would nevertheless benefit from clarifying its annual climate- and biodiversity-related financing priorities to improve the co-ordination of donor activities and to distribute projects geographically according to needs.
24. The highly procedural and administrative nature of the GEF and the GCF, combined with lengthy and constraining approval processes, discourages applicants. Application procedures for the GEF and the GCF are complex and repetitive, with iterative requests for clarification that exacerbate language barriers. In addition, the semi-annual project review cycle and frequent staff rotations further slow the process, making it difficult for applicants to maintain momentum. Similarly, the constraints associated with the GEF – such as language barriers, rigid templates, co-financing requirements and capacity limitations – complicate access to funding. Moreover, the lack of clear visibility on sources of finance and the division of responsibilities reduces transparency and recognition, particularly for multi-country projects where local activities are often diluted. Strengthening transparency, streamlining procedures and increasing engagement at national level would improve both the accessibility and the impact of this financing.

Development finance received by Senegal

FIGURE C.13.

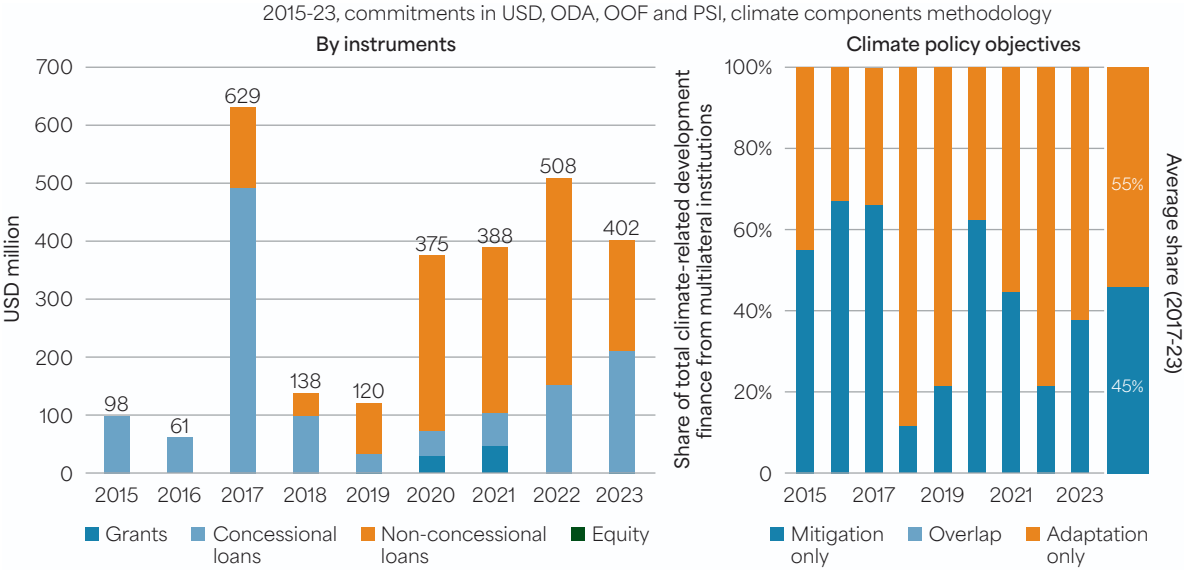
Overview of total climate-related development finance to Senegal



Figures on the right-hand side do not include mobilised private finance

FIGURE C.14.

Climate-related development finance to Senegal from DAC members and multilateral institutions



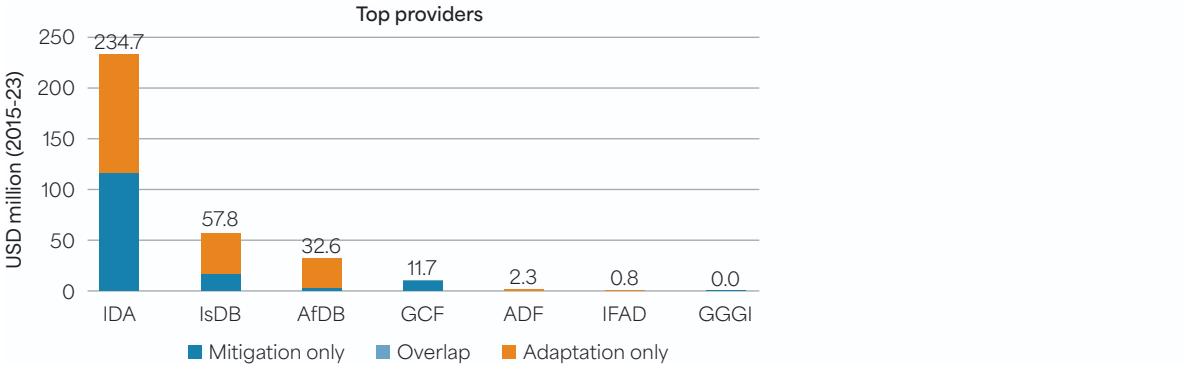
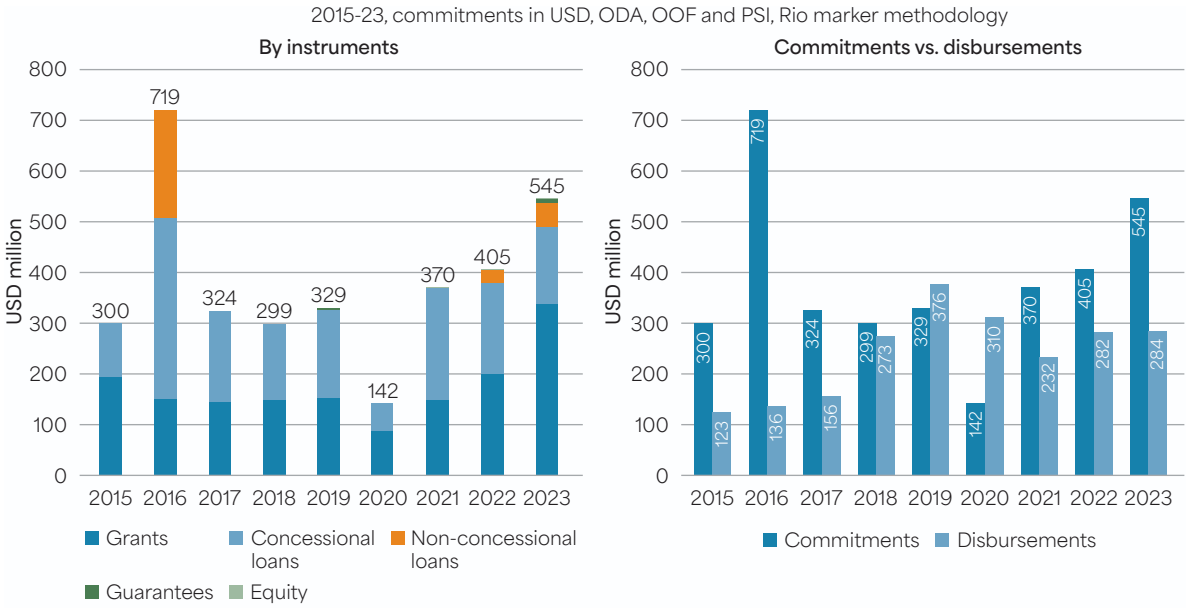
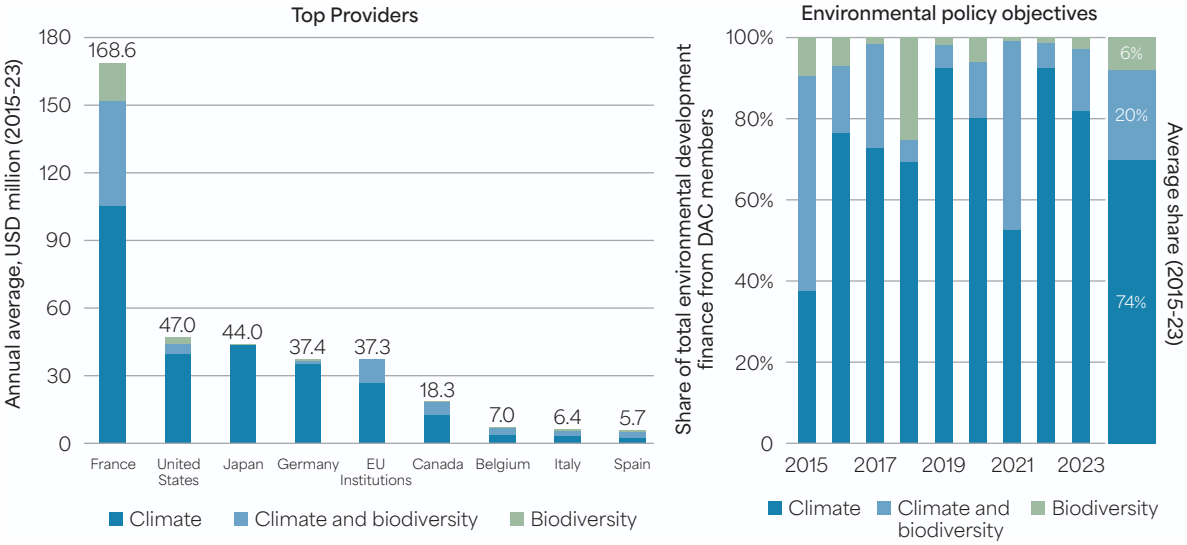


FIGURE C.15.

Climate and biodiversity-related development finance to Senegal from DAC members





Main bilateral and multilateral projects related to climate and biodiversity

TABLE C.17.

Key climate-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2023	France	99.9	Concessional loan	Restructuration du réseau de transport collectif de Dakar
2022	Japan	76.1	Concessional loan	Couverture sanitaire universelle (CSU) et au redressement de la pandémie
2023	Germany	67.3	Grant	Appui budgétaire à la résilience au Sénégal
2021	Japan	54.7	Concessional loan	Amélioration de la productivité du riz irrigué en réhabilitant et/ou en agrandissant les champs, et en finançant du matériel agricole
2022	France	47.3	Concessional loan	Accroître l'offre d'équipements publics sportifs dans le cadre de la préparation des jeux olympiques de la jeunesse de Dakar 2026
2020	France	43.9	Concessional loan	Amélioration de la qualité de vie des populations du Grand Dakar (préservation environnementale, développement économique, gestion des déchets, efficacité des services publics)
2021	France	43.3	Concessional loan	Gestion foncière, planification de l'usage des sols et des ressources naturelles, financer la réhabilitation et l'extension de périmètres irrigués (Département Dagana, Lac de Guiers)

Date	Donor	Commitments (USD million)	Instruments	Description
2023	France	42.6	Non-concessional loan	Réseau de bus dans le cadre du projet de mobilité pour le Grand Dakar
2021	France	32.5	Concessional loan	Financement TER dans le cadre du projet de mobilité pour le Grand Dakar
2022	France	31.5	Concessional loan	Électrification rurale (Matam, Ziguinchor), avec une forte dimension 'genre'

TABLE C.18.

Key biodiversity-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2021	France	43.3	Concessional loan	Land management, land use and natural resource planning, financing the rehabilitation and extension of irrigated areas (Dagana Department, Lake Guiers)
2021	France	28.1	Concessional loan	Cleanup of Hann Bay through the treatment of industrial and domestic waste
2021	France	24.9	Concessional loan	Cleanup of Hann Bay through the treatment of industrial and domestic waste
2021	France	21.7	Concessional loan	Sanitation in Greater Dakar: (i) access to sanitation facilities, (ii) sewage sludge treatment, (iii) support for public and private stakeholders
2023	EU Institutions	14.9	Grant	Cleanup of Hann Bay through the treatment of industrial and domestic waste
2021	France	10.8	Grant	Land management, land use and natural resource planning, financing the rehabilitation and extension of irrigated areas (Dagana Department, Lake Guiers)
2021	France	6.5	Grant	Integrating adaptation into water resource management policies (integrated management and optimisation of water withdrawals)
2023	France	5.6	Grant	Research to ensure food security (diversified agricultural development and preservation of natural resources)
2021	France	5.4	Grant	Sanitation in Greater Dakar: (i) access to sanitation facilities, (ii) sewage sludge treatment, (iii) support for public and private stakeholders
2022	France	5.4	Grant	Support for Senegal's marine protected areas policy through the sustainable conservation and development of the mangroves of Casamance and Sine Saloum

TABLE C.19.

Key climate-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2021	IDA	113.1	Non-concessional loan	Stormwater management and climate change adaptation project
2021	IsDB	112.1	Non-concessional loan	TER financing as part of the Greater Dakar mobility project
2020	GCF	91.6	Non-concessional loan	Rural solar electrification
2020	IDA	89.3	Non-concessional loan	Municipal solid waste management in Senegal
2022	IDA	74.5	Non-concessional loan	Expanding access to energy in Senegal
2022	IDA	72.9	Non-concessional loan	Improving connectivity in agricultural production areas in northern and central Senegal
2023	IDA	66.6	Concessional loan	Additional funding for stormwater management and climate change adaptation
2022	IsDB	54.7	Non-concessional loan	Optimising water availability in the Nianjia-Bolong watershed
2022	IsDB	54.0	Non-concessional loan	Construction of the Dakar-Saint Louis highway
2020	IDA	51.5	Non-concessional loan	Agriculture and Livestock Competitiveness Program

TABLE C.20.

Key biodiversity-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2022	IsDB	43.3	Non-concessional loan	Optimising water availability in the Nianjia-Bolong watershed
2021	IDA	28.1	Concessional loan	Regional support for pastoralism in the Sahel
2021	IDA	24.9	Grant	Regional support for pastoralism in the Sahel
2021	IDA	21.7	Concessional loan	Regional support for pastoralism in the Sahel
2021	IDA	14.9	Grant	Regional support for pastoralism in the Sahel
2021	IDA	10.8	Concessional loan	Regional support for pastoralism in the Sahel
2021	IDA	6.5	Grant	Regional support for pastoralism in the Sahel
2021	IDA	5.6	Concessional loan	Regional support for pastoralism in the Sahel
2021	IDA	5.4	Grant	Regional support for pastoralism in the Sahel
2023	GEF	5.4	Grant	Framework program to support the updating of NBSAPs

Togo

1. Togo is highly vulnerable to the impacts of climate change and has lost much of its biodiversity. While the challenges associated with climate change are well understood and are being addressed through measures and reforms, the situation remains precarious in terms of biodiversity. The energy transition is underway and coastal protection is a national priority, two key areas for transforming the country's economy. At the same time, national objectives also emphasise reforestation, which is not necessarily beneficial for ecosystems if the methods used are not appropriate. In short, Togo is fully aware of the close interdependence between climate and development. It is therefore committed to generating climate co-benefits in all its activities and investments but still needs to link development and biodiversity to ensure holistic sustainable development. However, chronic lack of funding is a major obstacle to intensifying climate and biodiversity action. Added to this are budgetary constraints linked to debt reduction, as well as institutional challenges to mobilising additional funding, whether national or international, public or private. The country is embarking on a process of climate-focused reforms and developing its capacity to better manage these challenges.

Togo is translating its commitments into action and can now leverage its strengths to open a new chapter on climate and biodiversity in the country

2. Togo's Presidential Roadmap (FdR, 2020-2025) briefly addresses environmental objectives, preferring instead to focus on economic growth through the construction of essential infrastructure, industrialisation, an agricultural revolution, and the promotion of the country as a regional trade hub. Despite this, the government has also made it a priority to protect the coastline, the economic heart of the country, from coastal erosion, as well as to achieve a 50% share of renewable energy in installed electricity capacity by 2030, and to plant one billion trees. This ambitious vision has resulted in clear ministerial mandates to steer reforms and has also made it possible to structure donor support around well-defined priorities and facilitate implementation and eventual scaling up. In addition, the FdR indirectly integrates environmental issues into other social and economic objectives (e.g. through interministerial co-ordination and environmental impact assessments). However, the strategy could go further by more explicitly integrating climate and biodiversity objectives into the very heart of Togo's future.
3. The revision of the FdR in 2026 coincides with the update of the NDC and the NBSAP. This coincidence provides an opportunity to better co-ordinate these processes, thereby enabling a more coherent set of priorities to be identified, which would facilitate the mobilisation of funding. Furthermore, the update of the FdR comes at a time when the Ministry of Economy and Finance (MEF) has just completed its second green budgeting exercise, establishing a baseline for the current integration of environmental issues across all ministries. This work could stimulate a virtuous cycle aimed at further strengthening environmental considerations in all sectors.

4. In addition to a clear and ambitious strategic framework defined at the highest level, Togo regularly updates its NDC, NAP and NBSAP, in line with UNFCCC and CBD rules. These documents serve as the main thematic references to guide action on climate and biodiversity. Although they are developed through inclusive and interministerial processes that incorporate civil society perspectives, they still suffer from insufficient operationalisation to translate them into concrete action plans. This crucial step would enable the government, particularly the Ministry of Environment and Forest Resources (MERF) and other relevant ministries, to better prioritise and organise national efforts, while helping donor identify appropriate entry points for their support. However, the frequency of NDC revision cycles limits the time for effective implementation before each update.
5. The Roadmap (FdR) included a revision of environmental legislation. The government and parliament have recently taken a series of initiatives to improve this legal framework: a law on combating climate change, a decree on carbon management mechanisms, and a draft law on protected areas. This framework is also evolving to create an enabling environment for private sector investment, which has already led to a series of investments in the energy sector, including construction of the country's first photovoltaic power plant. However, these two dimensions could be better aligned, for example by promoting biodiversity restoration, payment for ecosystem services and ecotourism, or by integrating climate concerns into the health sector, which would help mobilise additional finance and accelerate progress towards government objectives.
6. Institutions working on environmental issues are robust, well co-ordinated, technically competent and aligned with the vision set out in the Roadmap. MERF adopts a collaborative approach by raising awareness among other ministries on climate issues and, where possible, supporting them in mobilising finance for climate-related projects. This constructive approach is particularly appreciated, and its best illustration is the effective collaboration between the trio formed by the Ministry of Economy and Finance (MEF), MERF and the Ministry of Development Planning and Co-operation (MPDC). These three ministries work closely at several levels, notably by making environmental budget tagging a success that is recognised as a regional model of excellence. Each ministry has at least one environmental focal point and, in some cases, a proactive unit that participates in the exchanges and processes led by MERF, takes part in UNFCCC COPs or identifies activities contributing to the country's NDC. The planning process in Togo also ensures the systematic integration of environmental issues, and their subsequent identification through green budgeting, a practice that is also applied to projects implemented with donor funding. All these good practices are complemented by pragmatism in addressing certain co-ordination challenges or gaps, for example by creating ad hoc solutions to resolve overlapping mandates, such as between MERF and the Ministry of Mines and Energy Resources (MMRE) on clean cooking.
7. These strengths could be leveraged even further for Togo's benefit by refocusing efforts on more effective project management, reducing administrative burdens, decentralising responsibilities and improving budget execution. MERF could also strengthen information sharing, while other ministries could systematically draw on its expertise in project calls related to climate change. In addition, developing the capacities of focal points and dedicated units would be a key area for improvement. It would also be useful to identify, showcase and mobilise local expertise, to improve project quality, notably by specifying the climate co-benefits of activities, and to reduce the systematic use of international consultants. The

MEF-MERF-MPDC collaboration could continue removing bottlenecks that slow budget execution and donor disbursements, for example by clarifying from the outset the relevance of activities to facilitate disbursements. The SIFI platform could usefully be extended to better capture data on all donor activities that do not pass through the national budget, as well as to include an archive with supporting documents such as feasibility studies and evaluations. Finally, stronger oversight by the National Assembly and a more structured engagement with civil society, universities and research centres, for which the collaboration framework remains vague or even non-existent, could support better monitoring of activities and amplify national momentum for change.

8. Finally, Togo is aware of the climate challenges at local level. This is why the country has committed to establishing a multi-level climate governance framework. This would help extend the horizontal integration of climate issues into public policies and organise its climate action ecosystem through vertical dissemination, supported by adequate financial resources. The ongoing decentralisation process is seen as an opportunity to support regions and ensure that local development plans incorporate climate-related issues, for example through a holistic development guide for all subnational actors. Similarly, the NAP provides actions that are broken down to the local level. These efforts could be strengthened, as stakeholders consistently point out that the most vulnerable populations, who are on the front lines of climate change impacts, are also those who benefit least from climate finance. Civil society organisations active at the local level could design multi-stakeholder projects to support their national structuring, increase their impact and make their contribution more visible to donors.

Togo must take advantage of the current momentum to prioritise and increase access to and absorption of climate and biodiversity financing

9. Togo does not allocate sufficient domestic financial resources to climate and biodiversity issues. In addition, the country struggles to attract the international financing needed to meet its growing needs (estimated at USD 13 billion by 2050 by the World Bank). As a result, most activities are financed by donors, mainly through concessional loans and grants, as the country's access to international financial markets at reasonable rates remains limited. However, strengthening domestic investment can send a strong signal about national priorities, encouraging greater donor mobilisation, the search for additional low-cost, long-term financing, and diversification of funding sources.

10. The recent accreditation of ODEF to the AF represents a major opportunity to begin reversing this trend. Having a direct access entity could help the country strengthen its capacity to develop projects. To do so, ODEF could adapt its legislative framework and create a central unit responsible for setting up projects and supporting other ministries in this process. ODEF's experience is based on previous FAO projects that have helped strengthen its capacities, as well as on support from MERF, thus providing a useful model for the accreditation of other national entities. However, Togo does not appear to have a clear strategy for accrediting domestic entities, although Togo Invest and Ecobank currently seem to be

candidates to the GCF. Furthermore, Togo could take greater advantage of the presence in Lomé of accredited regional entities, such as BOAD and BIDC, by using their support to build a pipeline of investment projects (in particular by mobilising BOAD's Climate Study Fund, also supported by AFD). However, the lack of national structures with adequate technical capacities, particularly in terms of fiduciary management, hampers project implementation and highlights the need for capacity development.

11. Togo has not yet been able to mobilise sufficient resources, partly because of specific challenges related to institutional capacities. MERF has made good use of several cycles of the GCF readiness programmes, and the administration has generally proved competent, responsive, able to initiate projects and willing to learn by doing. There is also a clear determination to ensure that donor-funded activities emerge from a bottom-up approach. However, several ministries do not yet sufficiently understand the financing ecosystem needed to access the GCF or other funds (for example, the Ministry of Public Works and Transport), including existing financing channels and available opportunities. This situation could improve if information on the different funding windows was centralised and made accessible to all stakeholders in French. Initiatives such as the mapping of green finance led by the Prime Minister's Office and MERF could be better showcased to all relevant actors, serving as the basis for a more systematic and regular exercise to develop a gradual, ambitious but realistic financial mobilisation strategy adapted to the country's current fiscal context.
12. Ongoing capacity development efforts remain too superficial or partial, thus limiting their effectiveness. Moreover, these activities mainly benefit actors at the national level, while subnational and community levels, where the impacts of climate change are often more acute, are less well served. Capacity development must also aim to generate more data on climate, biodiversity and ecosystems. Despite recent efforts by INSED to establish a national data ecosystem, the country still suffers from a lack of relevant data (for example on gender or local species), limited capacity to fully assess the environmental impacts of socio-economic activities, and a shortage of risk assessment skills needed to conduct feasibility studies that can then facilitate project development.
13. There is an opportunity for Togo to explore alternative sources of finance, both domestic and external. For example, the country could increase its own resources by building on existing taxes on natural resources and on recent progress in domestic resource mobilisation. Togo has already benefited from an African Development Bank guarantee and could examine how this financial mechanism might be extended to other activities. The country is also willing to work with its partners to issue a green bond in the coming years. The recently adopted climate change law provides a sufficiently flexible framework to make the Environment Fund, which is still inactive, operational by financing it through green taxation and by diversifying and broadening the range of available financial sources, including additional domestic revenues (taxes on cigarettes and transport) and concessional loans for environmental purposes. This Fund has the potential to demonstrate the government's commitment to investing in environmental projects, thereby strengthening donor confidence and facilitating the mobilisation of external co-financing for the design of large-scale projects or for supporting inclusive actions led by non-state actors, such as civil society and universities. Universities could also be more systematically consulted to ensure the scientific relevance of projects,

particularly in the areas of sustainable reforestation and marine biodiversity, thereby enhancing the credibility of the government's environmental ambitions.

14. Finally, despite a strong interest in involving the private sector in climate-related activities, this engagement is still incipient. Togo could build on recent experiences in the green mobility sector, where national targets for electric vehicles were quickly exceeded (with more than 3% of two-wheelers being electric before 2025) thanks to active private sector participation, as well as on the successes achieved by independent power producers in the energy sector. However, Togo still needs to develop incentive schemes, such as subsidies or tax breaks, to encourage private actors to integrate climate considerations into their activities. It also needs to explore more effective ways of involving the private sector in other key areas, particularly biodiversity.

In parallel with the rollout of a green finance access strategy, Togo can mobilise its partners to provide effective support to the country

15. To date, Togo's access to green finance remains limited. The GEF and the GCF, in particular, are perceived as distant, with complex and lengthy processes for obtaining financing, even though the country's needs and time constraints are urgent. These financial mechanisms often force Togo to rely on implementing agencies to access these funds, which operate on a global scale and therefore cannot always prioritise projects specifically focused on the country. To circumvent these constraints, multi-country projects are frequently used; however, these are not always aligned with national priorities, nor do they have the same quality and transformative potential as national projects. Ultimately, many Togolese actors prefer to turn to other donors and sources of financing, abandoning these international funds. The accreditation and access processes for the GEF, and even more so for the GCF, would benefit from being adapted to better reflect national realities and capacities. For example, current GCF criteria do not always allow projects to be aligned with the priorities defined in country strategy documents. Increased use of calls for proposals could also encourage more direct, flexible, and subsidised engagement.

16. Togo, being relatively small, is often considered an ideal testing ground for new approaches and pilot projects. This has enabled the emergence of several exemplary activities where pilot initiatives have been successfully implemented. One notable example is the green budget tagging programme, which began with nine ministries and has now been rolled out across all ministries, thereby transforming the budget models of many ministries and development partners. In a context where development co-operation and financing are declining, such experiences could be showcased and scaled up at regional level through South-South and triangular co-operation. This would indirectly benefit Togo by facilitating access to technologies, know-how and networks, thereby strengthening its own capacities.

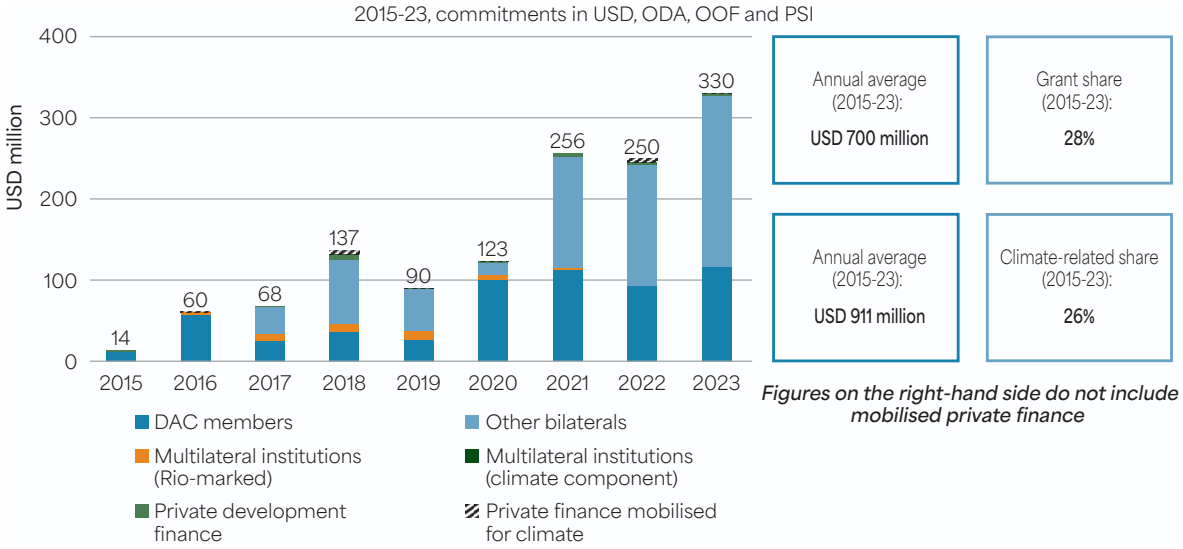
17. The framework for dialogue between ministries and donors is generally satisfactory, although this varies by sector. For example, in the energy sector, the group meets quarterly with high-level ministerial participation to review donor portfolios, discuss sector trends and provide a strategic dialogue space for the ministry. This synergistic approach is not replicated in other groups, and the group dedicated to environmental issues in particular has remained inactive since the onset of the COVID-19 crisis. Rapidly reviving this group could help to

better align donor projects with Togo's priorities, especially as the FdR, the NDC and the NBSAP are currently under revision. This group could also include the Ministry of Planning, which is responsible for national monitoring of aid effectiveness principles, to foster strategic thinking on integrating climate issues into these principles. This could, for example, take the form of creating a platform dedicated to monitoring NDC implementation, allowing, among other things, relevant information on all donor activities related to the NDC to be systematically transmitted to MERF. The estimate that only 7% of the NDC has been implemented clearly illustrates the lack of monitoring of activities at national level, as well as the insufficient integration of these commitments into project design. Making the MRV system operational, through collaboration between MERF and MPDC, would provide a concrete response to this challenge.

Development finance received by Togo

FIGURE C.16.

Overview of total climate-related development finance to Togo



Figures on the right-hand side do not include mobilised private finance

FIGURE C.17.

Climate-related development finance to Togo from DAC members and multilateral institutions

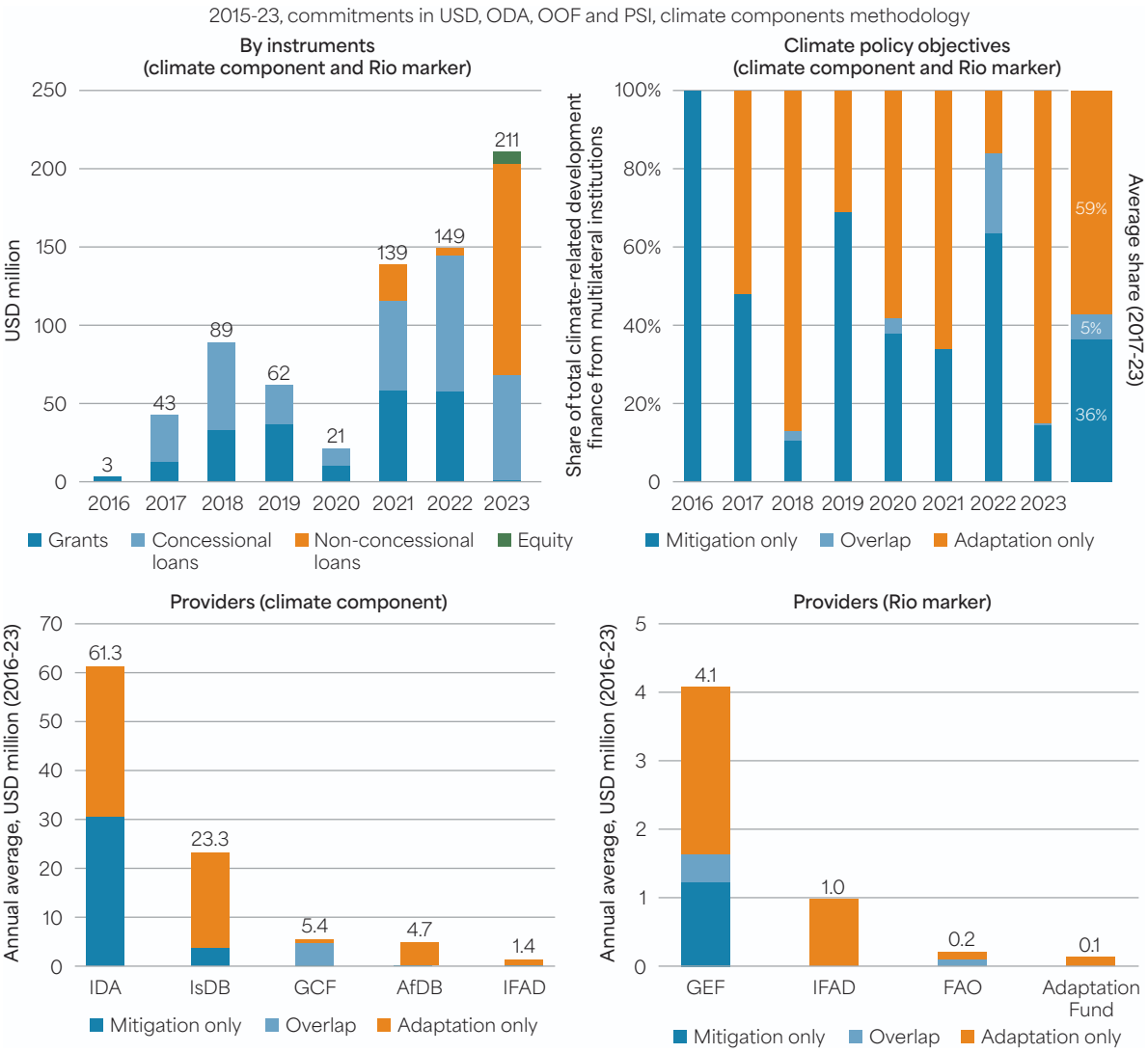
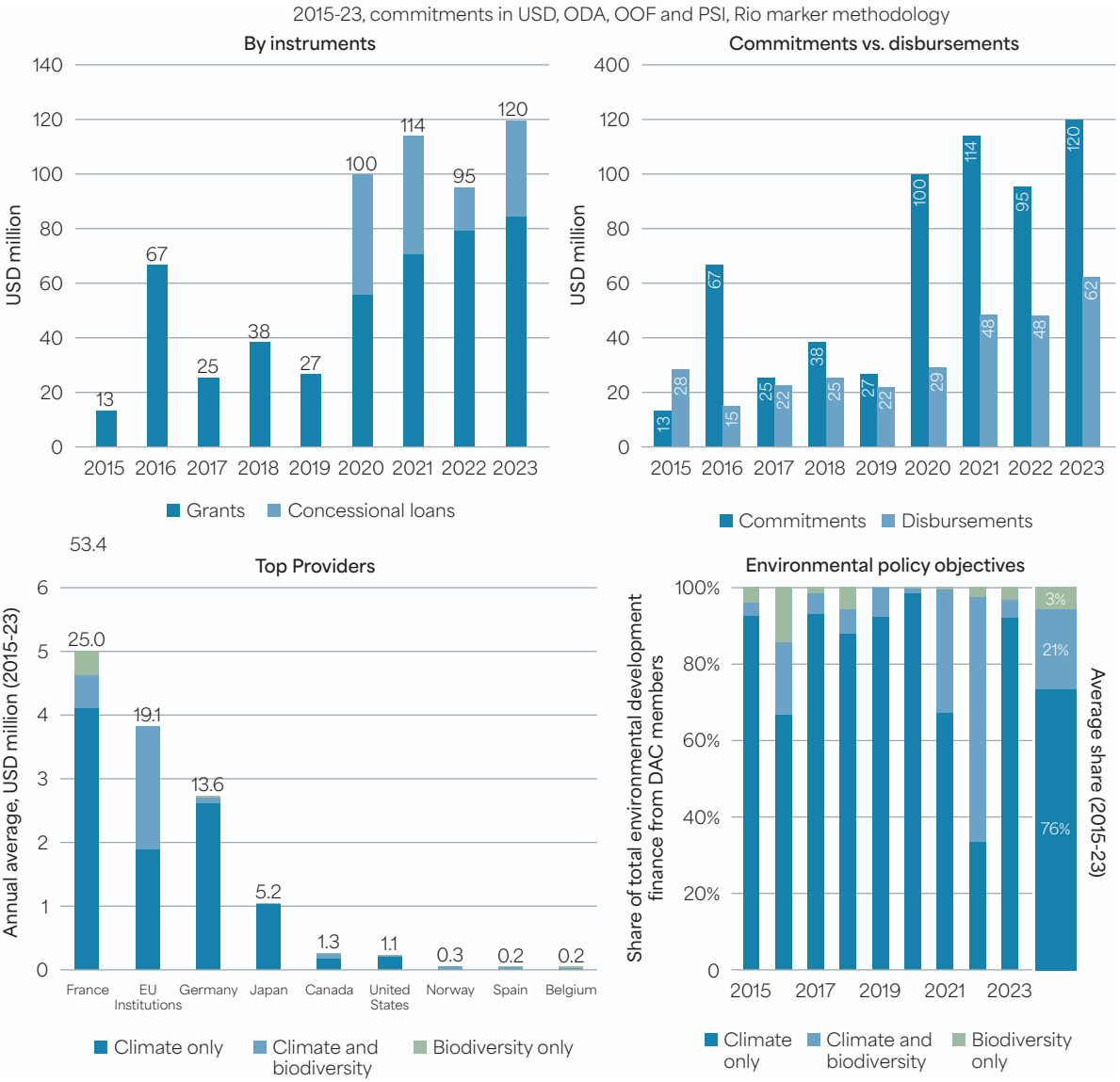


FIGURE C.18.

Climate and biodiversity-related development finance to Togo from DAC members



Main bilateral and multilateral projects related to climate and biodiversity

TABLE C.21.

Key climate-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2020	France	43.9	Concessional loan	Support for the implementation of the National Water Sector Development Plan in Togo (water distribution infrastructure, targeting vulnerable populations in the north)
2021	France	43.3	Concessional loan	Extension of the electricity grid to 53 urban centres in Togo, half of which are located in the northern part of the country
2023	France	35.0	Concessional loan	WACA Project - West Africa Coastal Management Programme
2023	Japan	29.0	Grant	Bypass road construction project in the city of Sokodé (climate-resilient road)
2021	EU Institutions	19.8	Grant	Support Programme for the Fight against Climate Change, Biodiversity Protection and Agroecology (PALCC+)
2023	Germany	19.8	Grant	Rural development and social stabilisation through irrigation
2020	EU Institutions	16.9	Grant	Electricity Network Extension Programme in Urban Centres of Togo (PERECUT)
2022	France	15.8	Concessional loan	Construction of a landfill site, waste treatment platform and installation of photovoltaic panels (PEUL 4)
2021	EU Institutions	13.2	Grant	Support Programme for the Fight against Climate Change, Biodiversity Protection and Agroecology (PALCC+)
2022	EU Institutions	12.9	Grant	Support programme for the development of sustainable agro-industries and the preservation of natural resources

TABLE C.22.

Key biodiversity-related commitments by DAC member countries (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2021	EU Institutions	19.8	Grant	Program to Support the Fight Against Climate Change, Biodiversity Protection, and Agroecology (PALCC+)
2022	France	15.8	Concessional loan	Construction of a waste disposal center, waste treatment platform, installation of photovoltaic panels (PEUL 4)

Date	Donor	Commitments (USD million)	Instruments	Description
2021	EU Institutions	13.2	Grant	Program to Support the Fight Against Climate Change, Biodiversity Protection, and Agroecology (PALCC+)
2022	EU Institutions	12.9	Grant	Program to support the development of sustainable agro-industries and the preservation of natural resources
2022	EU Institutions	10.5	Grant	Sustainable production and resilience building to prevent food crises
2022	EU Institutions	6.9	Grant	Program to support the development of sustainable agro-industries and the preservation of natural resources
2022	EU Institutions	6.3	Grant	Program to support the development of sustainable agro-industries and the preservation of natural resources
2022	EU Institutions	5.4	Grant	Program to support the development of sustainable agro-industries and the preservation of natural resources
2023	France	2.5	Grant	Lomé Urban Development Project (PEUL 3): optimizing waste management, securing the landfill environment
2023	France	1.1	Grant	Moi Jeu Tri: Management of electronic waste from the solar industry in Togo

TABLE C.23.

Key climate-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2023	IsDB	134.6	Non-concessional loan	Coastal erosion protection project
2022	IDA	57.0	Concessional loan	Regional emergency intervention project on solar energy
2022	GCF	25.0	Grant	Strengthening national and regional capacities for effective climate risk management in Togo
2021	IsDB	19.5	Non-concessional loan	Decentralised rural electrification through solar mini-plants
2023	IDA	16.2	Concessional loan	Financing of Togo's first sustainable and inclusive development policy
2021	IDA	16.2	Concessional loan	Lomé-Ouagadougou-Niamey economic corridor (climate-resilient roads)
2021	IDA	16.2	Grant	Lomé-Ouagadougou-Niamey economic corridor (climate-resilient roads)

Date	Donor	Commitments (USD million)	Instruments	Description
2021	IDA	15.9	Concessional loan	West Africa Food System Resilience Programme
2021	IDA	15.9	Grant	West Africa Food System Resilience Programme
2022	IDA	12.5	Concessional loan	Second development policy financing project for tax management and infrastructure reform (includes a renewable energy deployment programme)

TABLE C.24.

Key biodiversity-related commitments by multilateral institutions (2020-23)

Date	Donor	Commitments (USD million)	Instruments	Description
2023	GEF	0.470	Grant	Framework support programme for updating the NBSAP and the 7th national reports
2022	FAO	0.186	Grant	Project to strengthen reforestation and support the restoration of forest landscapes in Togo
2020	FAO	0.136	Grant	Support for establishing implementation instruments for the national agricultural investment and food and nutrition security programme
2021	FAO	0.122	Grant	Support for establishing implementation instruments for the national agricultural investment and food and nutrition security programme in Togo
2020	FAO	0.120	Grant	Support for developing the national programme for the sustainable management of non-timber forest products and for implementing priority actions
2023	FAO	0.107	Grant	Project to strengthen reforestation and support forest landscape restoration in Togo
2023	GEF	0.081	Grant	Eighth Operational Phase of the GEF Small Grants Program (Part 1)
2023	GEF	0.079	Grant	Eighth Operational Phase of the GEF Small Grants Program (Part 1)
2023	GEF	0.079	Grant	Eighth Operational Phase of the GEF Small Grants Program (Part 1)
2021	FAO	0.075	Grant	Support for the development of the national program for the sustainable management of non-timber forest products and the implementation of priority actions

ANNEX

D Questionnaire

Section 1: General information

1. Can you briefly describe your organisation and its role in climate or biodiversity initiatives?
2. What has been your role or involvement in accessing/supporting access to climate or biodiversity finance? In mobilising domestic/private finance?
3. What is the internal process and who were the key actors (ministries, donors, others) in obtaining funding?
4. How would you describe your partnership with bilateral/multilateral donors or others/the partner country? Your partnership with the private sector? With other environment-related ministries in the country?
5. How many projects do you submit for donor funding? In how many cases have you been successful in accessing climate/biodiversity funding?

Section 2: Success stories in accessing finance

1. Can you share a concrete example of a project or initiative in which your organisation has successfully accessed/supported access to climate or biodiversity finance?
   - Who were the key actors?
   - How knowledgeable are these actors about climate and biodiversity finance mechanisms? / In your view, what are the main climate and biodiversity finance mechanisms you could access?
2. What do you think were the key factors that facilitated success?
   - What role did capacity, governance arrangements, institutions, partnerships, language or networks play in this success? Are there other factors to consider?
   - Were there specific external factors (e.g. political support, donor priorities) that contributed to the success?

3. How common are these cases in this country? Have certain donor approaches proven more favourable than others? Which ones?
4. Could you give us other examples to study?

Section 3: Challenges and failures

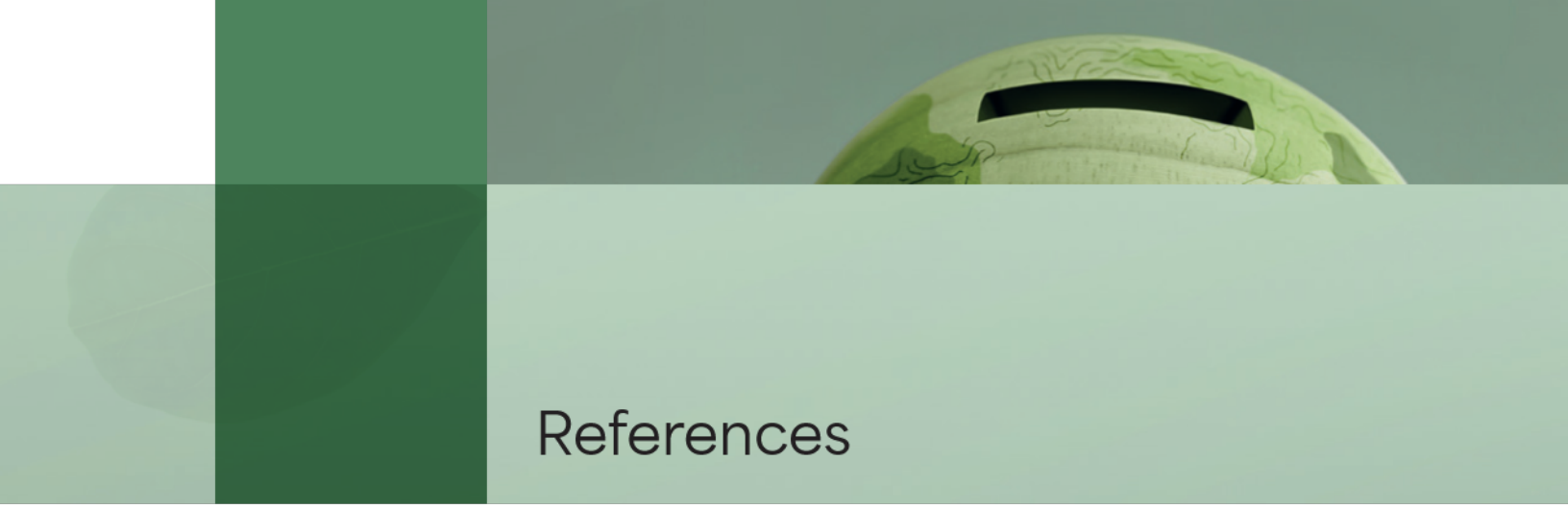
1. Can you describe a case where your organisation [one or more examples]
   - encountered difficulties or failed to access climate or biodiversity funding?
   - has accessed funding that did not result in disbursement?
   - disbursements did not lead to sustainable results?
2. What were the main obstacles or challenges encountered [open question]?
   - Administrative or procedural obstacles.
   - Limitations in financial or technical capacity.
   - Political or institutional challenges.
   - Language.
   - Other
3. How have these difficulties influenced your organisation's efforts to obtain funding over time?
4. In your opinion, what could have been done differently to improve access, disbursement and results?

Section 4: Specific context factors

1. How do local or national institutions/policies and regulations influence...
   - access to climate or biodiversity finance?
   - the mobilisation of domestic finance (e.g. taxes, remittances)?
   - the mobilisation of private finance?
2. What role does language play in success or failure?
3. To what extent do regional cultural context/regional collaboration play a role?
4. How would you assess the level of involvement of local actors in the design, decision-making and monitoring of funded projects?
5. Do you consider the funded projects to be the most appropriate, given your context and local needs?
6. Does your organisation have mandates that overlap with other national institutions? If so, how do you manage co-ordination and what is the impact on your work with donors?

Section 5: Recommendations and closing

1. Based on your experience, what recommendations would you make to improve access, disbursement and ensure sustainable results related to climate and biodiversity financing for organisations in this country/for donors?
2. What support or resources would be most useful to your organisation in the future?
3. If you had a magic wand and could instantly change one thing to improve access to climate and biodiversity finance, what would it be?



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