

HIGH LEVEL EVENT ON THE NEEDS OF DEVELOPING COUNTRIES

COP26 SIDE EVENT

Friday, 5 November 2021, 13:15-14:30

Room: Strangford Lough, COP26, Glasgow

Summary report

A high-level event on needs of developing countries was held during COP26 in Glasgow, UK in November 2021. It brought together ministers from various developing countries to discuss climate finance needs, including challenges in accessing finance and strategic approaches to address their countries' needs.

It provided an opportunity to reflect on the work of countries in 2020 and 2021 under the Needs-based finance (NBF)¹ project through which the UN Climate Change secretariat is facilitating the development of climate finance mobilization and access strategies to support the priority mitigation and adaptation actions of developing countries. In collaboration with governments and regional governmental organizations the project now encompasses over 100 countries in 12 regions.

The high-level event was opened by UN Climate Change Executive Secretary Patricia Espinosa, who noted the importance of understanding the specific needs of developing countries, in terms of climate finance, technology, capacity building, to ensure the fulfillment of their national mitigation and adaptation goals. She further shared some of the approaches and advancements in the Needs-Based Finance project. The Executive Secretary called for developed countries to deliver on the USD100 billion climate finance goal and stressed the need for more grant-based adaptation finance.

A keynote speech was delivered by His Excellency Mr. Yeshey Penjor, Minister of Agriculture and Forests of Bhutan, current chair of the LDC Group. The minister noted that the \$100 billion goal has not been reached and stressed that developing countries' needs are predominantly adaptation, estimated at \$140-300 billion per year and indicated that *"We are suffering from the gains of our partners, why should we avail loans to adapt to the challenges created by others?"*

He further stressed the need for support in reducing GHG emissions, and the finalization of rules for market mechanisms under Article 6 of the Paris Agreement as a priority at COP26. Quoting examples of losses experienced in Bhutan due to extreme weather, the minister posed the question: *"Who will stand responsible and pay compensation for such loss and damages?"*

The opening speeches were followed by a panel, moderated by Ms. Amal-Lee Amin, Climate Change Director at the CDC Group, comprised of:

¹ The Conference of the Parties (COP) at its twenty-third session, in its decision pertaining to long-term climate finance, 6/CP.23, paragraph 10, requested the secretariat, in collaboration with the operating entities of the Financial Mechanism, United Nations agencies and bilateral, regional or multilateral channels, to explore ways and means to assist developing country Parties in assessing their needs and priorities, in a country-driven manner, including technological and capacity-building needs, and in translating climate finance needs into action.

- H.E. Mr. Aiyaz Sayed-Khaiyum, Minister for Economy, Civil Service and Communications of Fiji;
- H.E. Ms. Aminath Shauna, Minister of Environment, Climate Change and Technology of the Maldives;
- H.E. Mr. Molwyn M. Joseph, Minister of Health, Wellness, and the Environment of Antigua and Barbuda; and
- Ms. Milagros De Camps, Vice Minister of International Cooperation, Ministry of Environment and Natural Resources of the Dominican Republic.

Climate Finance Needs

In discussing climate finance needs and priorities the panel emphasized the gap between climate finance needs and funding received by developing countries. The debt crises worsened by reduced tourism during the pandemic has affected the economies of many countries in particular the island states as mentioned by all three island ministers.

Minister Shauna of the Maldives quoted the assessment done under the Needs-based Finance project of the Indian Ocean Island States which found a *“massive gap in the finance realized”*.

Reflecting on the USD100 billion goal, Minister Sayed-Khaiyum of Fiji pointed out that *“we are spending hundreds of millions of dollars every year subsidizing the fossil fuel industry, yet we are having problems gathering a hundred billion dollars for climate finance.”*

Several speakers made it clear that finance for adaptation and resilience in the face of devastating climate change is a priority for developing countries. Noting that most climate finance is provided in the form of loans, they stressed that adaptation finance should be grant-based or concessional.

Finance for loss and damage was also discussed, referring to it as emergency funding after extreme weather events caused by climate change. It was further reflected that the current climate finance landscape is not agile enough to respond quickly in such crises, where Minister Joseph of Antigua and Barbuda provided an example where only 25% of the funding pledged to address damages caused by a hurricane have been provided four years after the destructive event.

Minister Joseph called for a new window under the GCF or facility to enable the rapid deployment of finance from devastation, loss and damage after extreme events.

Regarding the mode of provision of finance, the panel highlighted that climate finance should be approved and provided programmatically, as opposed to on an individual basis for *“cherry-picked”* projects, followed by a long application process.

Challenges in accessing climate finance

The long approval period for climate finance was discussed as a challenge, as well as in the onerous accreditation processes required by the climate funds. Speakers explained how this does not match the reality on the ground, with increasingly urgent needs caused by the accelerating climate crisis. In some cases, further challenges arise, for example as a middle-income country the Maldives has no access to concessional finance.

Furthermore, often the situation and needs on the ground changes by the time (years) the GCF takes to process an application for the provision of funding. As one potential solution Minister Sayed-Khaiyum mentioned the multinational Task Force on Access to Climate Finance launched at COP26, aimed help expedite programmatic access to and provision of climate finance.

Vice-Minister Ms. De Camps of the Dominican Republic shared steps her country has taken to improve direct access to the Green Climate Fund, including through the establishment of a green development bank, which will also look to mobilize climate finance from a variety of other sources.

Responding to a question from the audience concerning the climate footprint of tourism and travel, panelists from the islands stressed that, while they are in favor of reducing emissions from travel, tourism is often the only revenue source available to domestically fund adaptation projects. For example, 35-40% of the finance needed for urgent adaptation action in the Maldives comes from a combination of domestic banks borrowing and a green tourist tax imposed on travel into the country.

In addressing mitigation, panelists expressed the need for access to finance and technologies to support an energy transition in all small island developing states.

Capacity building

The need for capacity building as part of effective support and climate finance mobilization strategies was recognized by speakers. Vice-Minister De Camps spoke about the need to build capacity for developing projects and accessing finance domestically as opposed to relying on international entities.

In closing, Mr. Daniele Violetti, Senior Director Programme Coordination, UN Climate Change secretariat, thanked the speakers for their contributions and highlighted the importance of providing finance for national priorities through an inclusive process to ensure timely implementation, political buy-in and long-term success. He confirmed that, thanks to donors, the Needs-Based Finance project will continue for the next few years.