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## COP26 CATALYST FOR CLIMATE ACTION

### 3<sup>rd</sup> Capacity-building Hub COP26 Catalyst for Climate Action Day

#### CFAS - Germanwatch Access to Finance for the Most Vulnerable Event Summary

Access to climate finance is still a challenge for most developing countries, and especially for those recognized as most vulnerable, including LDCs and SIDS. The definition of access can include elements related to content (levels of finance and financial instruments), as well as elements of format. In terms of content, there is the issue of the inadequate levels of climate finance provided in light of the needs of developing countries, as well as an inappropriate balance of instruments, with much of this finance channelled in non-concessional terms. The topic of format is often framed as an issue of the capacity of developing countries to access finance, but it can also be approached from the side of finance providers, their requirements and processes, which due to their complexity and diversity can become barriers to access.

From the provider side, a qualitative look at access points at challenges in accessing all the different flows, including bilateral and multi-lateral; with bilateral access hampered by the often untransparent and discretionary nature of its provision, making it difficult to ensure fair access. Multi-lateral sources on the other hand are linked to criteria that can limit access, like income level. Finally, the financial mechanism of the UNFCCC, though it represents a good alternative, still has shortcomings that need to be addressed, including stringent requirements related to climate rationale for adaptation projects and levels of co-financing.

To really improve access to finance for the most vulnerable, solutions need to address both issues of content and format. It is necessary to ensure appropriate levels of finance to meet the needs of the most vulnerable, and the use of appropriate instruments considering the levels of indebtedness of developing countries. In terms of format, there is a need to address all sources of finance, including bilateral and all multi-lateral sources. The fragmentation of the current model of finance provision needs to be reduced to diminish the complexity and diversity of criteria and requirements. Increased levels of finance should flow through more devolved modalities that give more decision-making power to developing countries at the most appropriate level. Finally, requirements and processes need to be harmonized, especially in climate-specific funds, and adapted to the capacities of LDCs and SIDS, as well as other vulnerable countries and communities.

#### Related links:

[https://www.cfas.info/sites/default/files/anhang/CFAS\\_Policy\\_Brief\\_Access\\_to\\_climate\\_finance\\_0.pdf](https://www.cfas.info/sites/default/files/anhang/CFAS_Policy_Brief_Access_to_climate_finance_0.pdf)

