



# Access to finance for the most vulnerable

COP26 Catalyst for Climate Action Day  
November 9, 2021

Presented by:



**CFAS**

CLIMATE FINANCE  
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## **The issue of accessibility of climate finance has increasingly entered the spotlight**

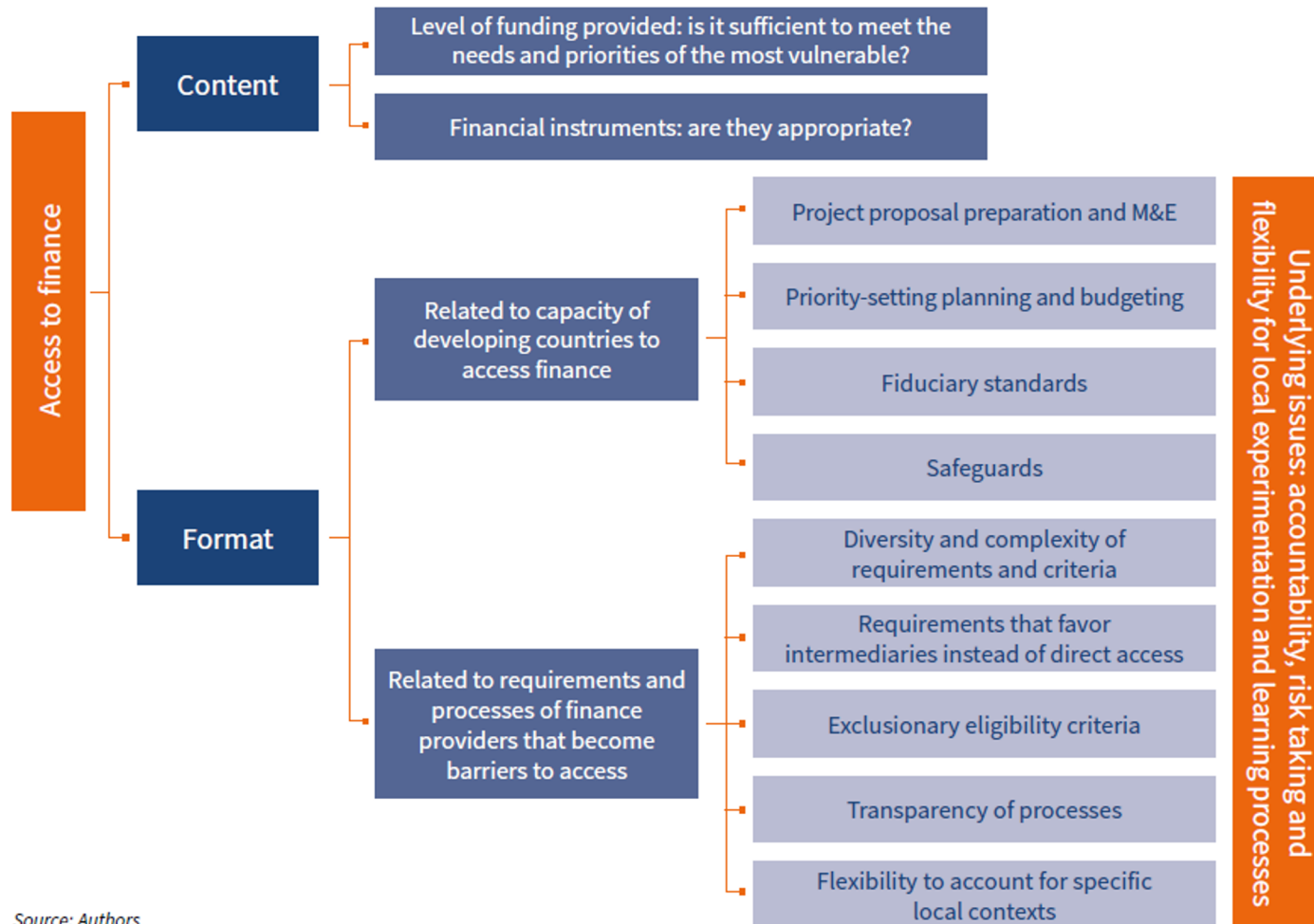
- Developing countries have increasingly stated that resources have not reached their countries as indicated by reports of developed countries.
- LDCs and SIDS feel excluded from big streams of resources that are urgently needed to address impacts of the climate crisis

## **Accessibility has been part of the UNFCCC processes and initiatives**

- Issues of accessibility have been identified through these processes
- In light of this, initiatives like the COP26 C4CA and the Task Force on Access to Climate Finance have been launched, to address the need to improve current arrangements for access to climate finance, by developing programmatic approaches and enhancing capacity

## 2 | Defining “access”

Figure 1: Elements that define access to finance



Source: Authors



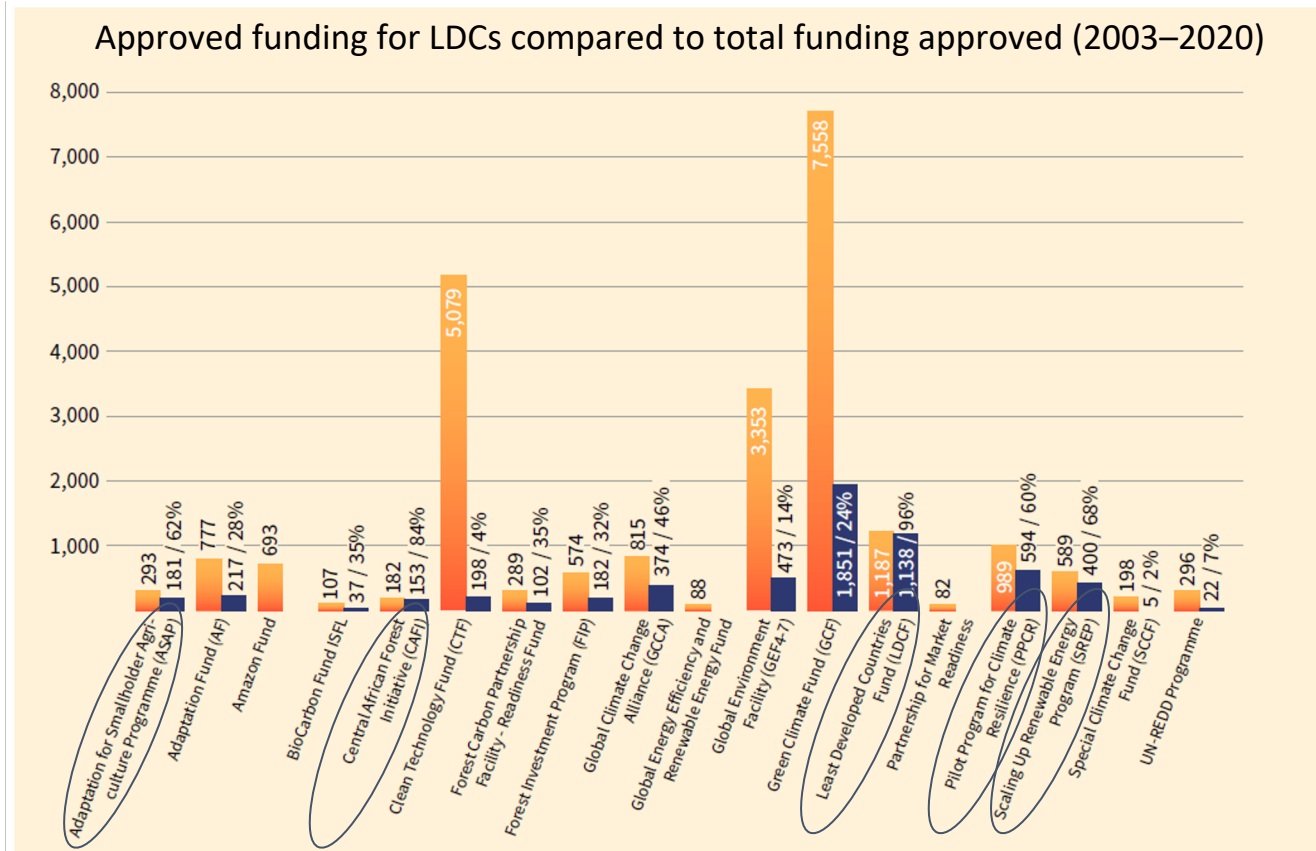
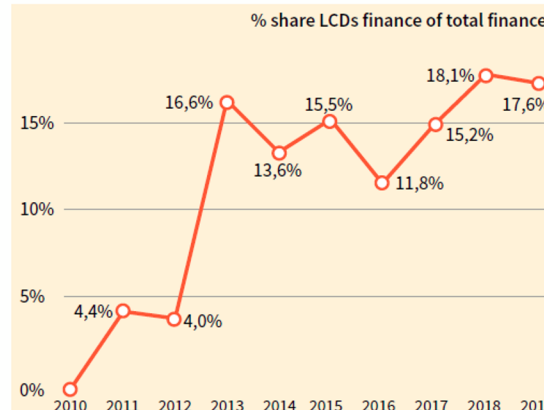
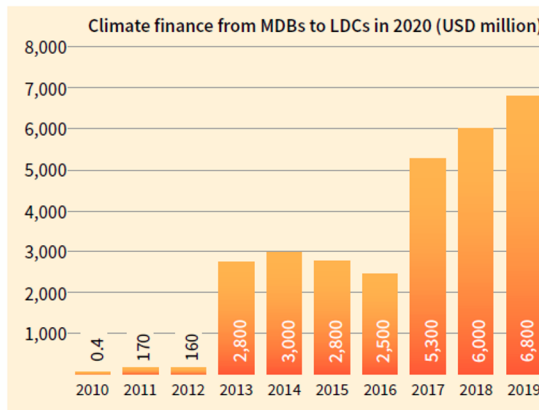
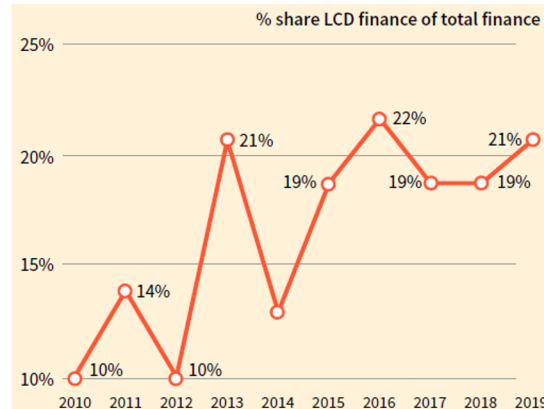
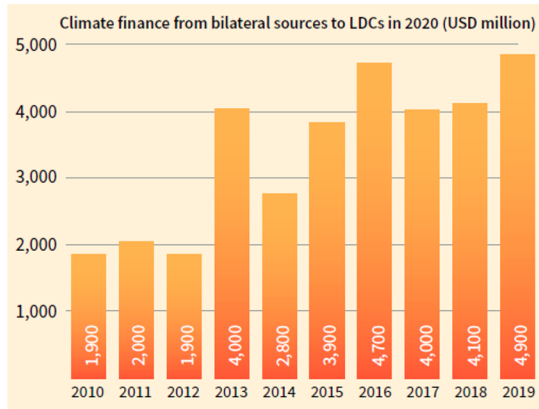
# 3 | Status quo of finance flows - LDCs

Share of LDCs from all developing Parties

16.6% of population (*WB 2021*)

3.3% of GDP (*WB 2021*)

4 out of 10 most vulnerable countries (*CRI 2021*)



Source: Authors, based on OECD DAC 2021; Note: some SIDS are also LDCs

Source: Authors, based on based on Climate Funds Update



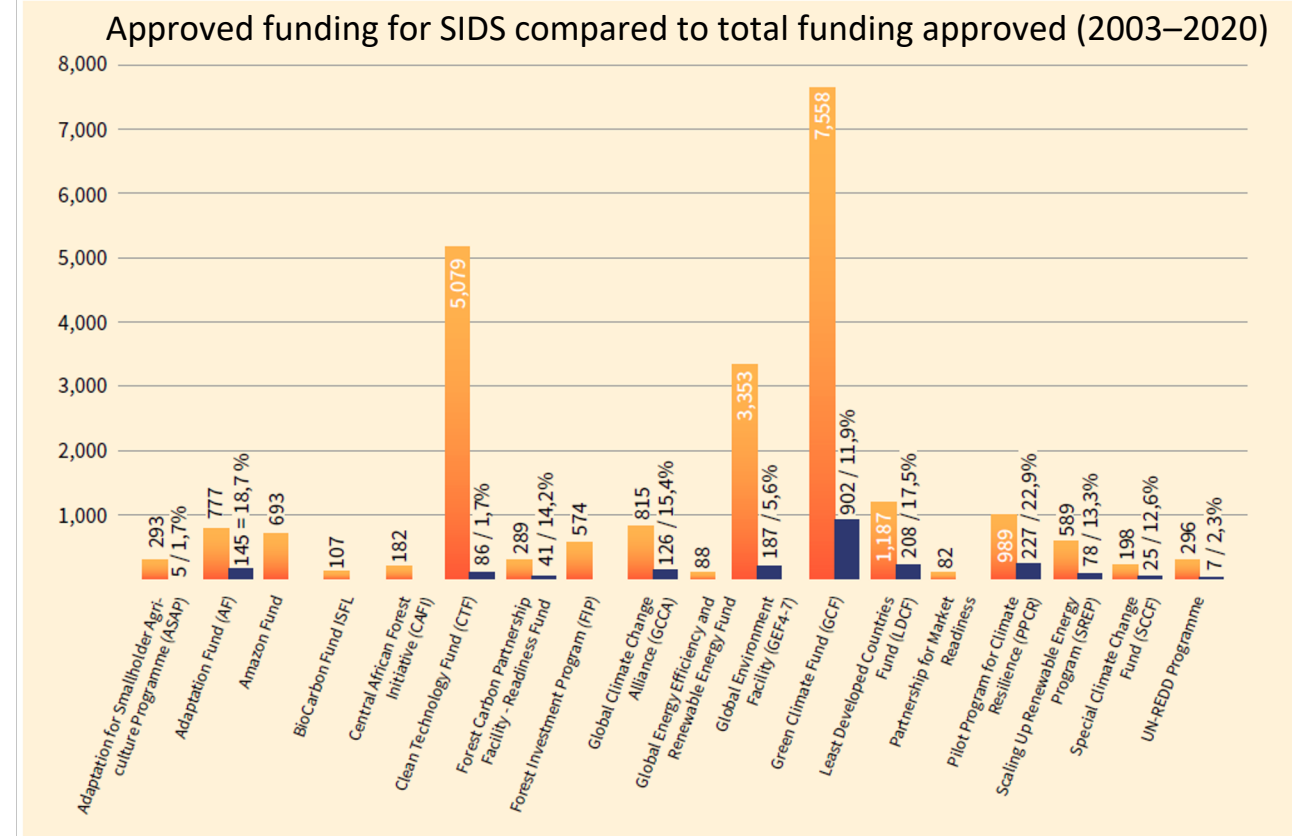
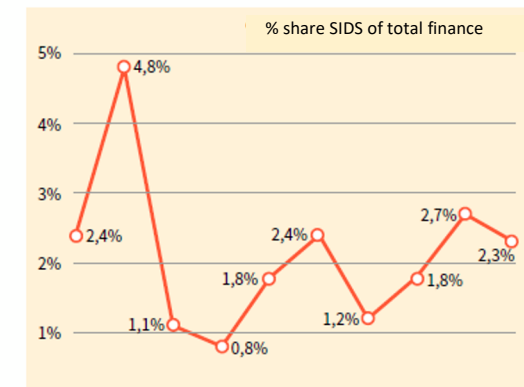
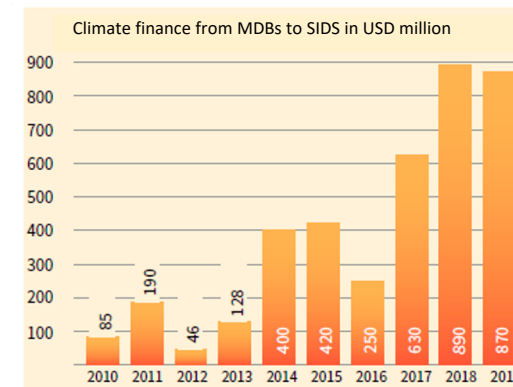
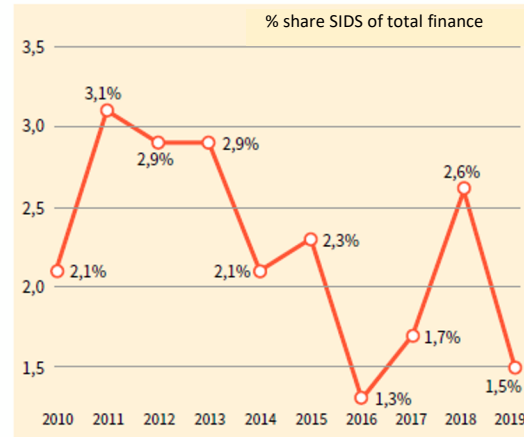
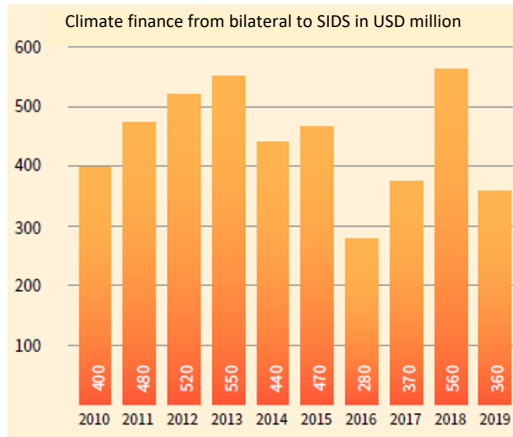
# 3 | Status quo of finance flows - SIDS

Share of SIDS from all developing Parties

0.95% of population (*WB 2021*)

1.1% of GDP (*WB 2021*)

2 out of 10 most vulnerable countries (*CRI 2021*)

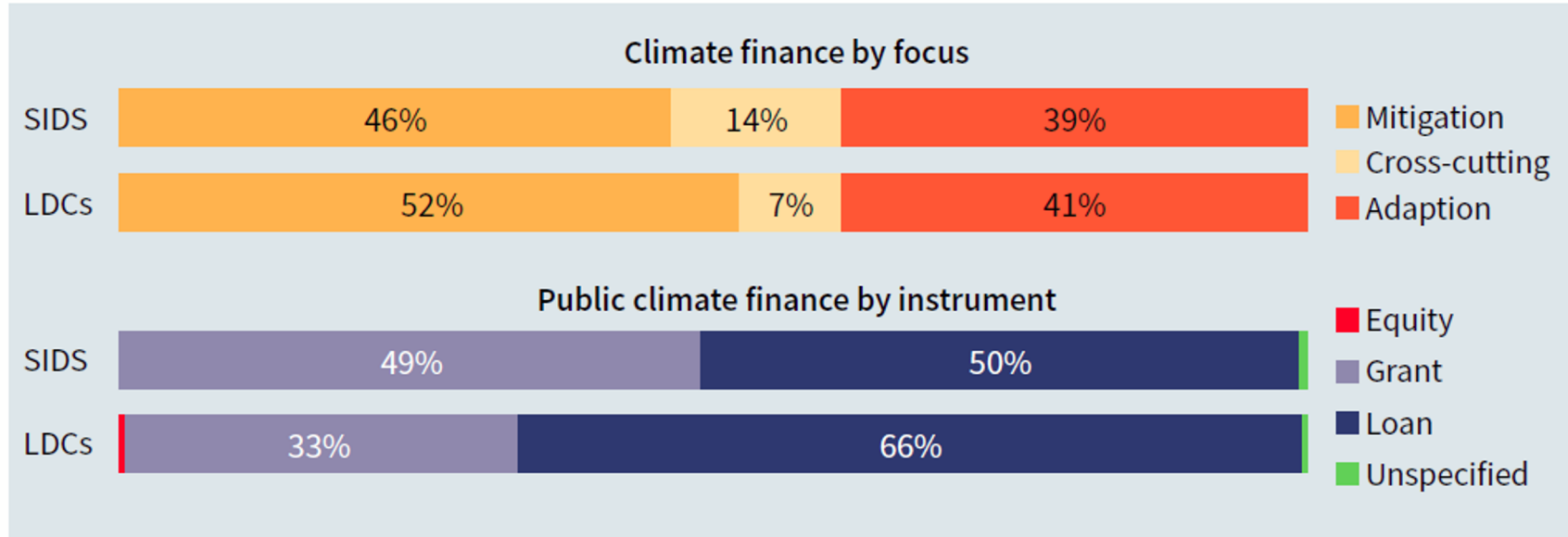


Source: Authors, based on OECD DAC 2021; Note: some SIDS are also LDCs

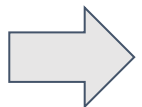
Source: Authors, based on based on Climate Funds Update

### 3 | Status quo of finance flows - conclusion

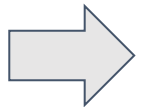
Bilateral and MDB Climate finance to LDCs and SIDS by focus and instrument split; average of years 2016 – 2018



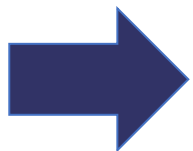
Source: OECD (2020)



Climate finance flows seem to fall short of needs, recently decreased for SIDS



Inappropriate balance of instruments and thematic focus

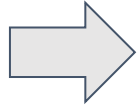


**Insufficient access to international climate finance for the most vulnerable**

### 3 | Status quo of access - qualitative findings

#### **Access to bilateral funds:**

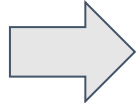
- Discretionary nature lacks transparency
- Is prone to donor countries interests and policy goals
- Scarce devolution of decision-making



**Concentration on selected countries, fair access is challenging**

#### **Eligibility criteria:**

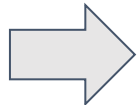
- Income classification for ODA/IDA disadvantages SIDS (higher income but high vulnerability)
- Higher income can even increase vulnerability
- Finance with low or no concessionality for countries with high debt inaccessible



**Eligibility barriers to access appropriate funds for adaptation and resilience**

#### **Financial mechanism to the UNFCCC:**

- Specific mandates for LDCs and SIDS, and for adaptation activities
- Capacity building, simplifications, country ownership, devolved decision-making processes
- Low concessionality for countries with high debt inaccessible



**Addresses many shortcomings regarding access for the most vulnerable**



### 3 | Gaps & Challenges in the approval process

#### **Type of funding:**

- Estimation of agreed full costs and agreed incremental costs due to climate change determine the concessionality of the funds provided. Comparing the costs of a baseline scenario to a mitigation scenario seems rather simple, it can pose a significant challenge for many adaptation projects.
- It is often challenging to determine the share of incremental costs due to climate change impacts

#### **Climate rationale for adaptation projects:**

- Determining climate impact potential - proposals need to “demonstrate that the emission reductions or adaptation impacts would not have been achieved without the proposed activities.”
- Proving the vulnerability each time is a discouraging challenge for many vulnerable countries.
- Many developing countries, in particular LDCs and SIDS, face an uphill task of providing long-term hydro-meteorological data to provide the climate rationale for climate change adaptation actions

#### **Co-financing:**

- The GCF, like many funds, considers the amount of mobilized co-financing, either explicitly or implicitly, as an important factor to determine the efficiency of a proposed activity. It is a challenge for many LDCs

**Increase the level of finance provided to one that is adequate to meet the needs of the most vulnerable:** Climate finance provided and mobilized is still well below the levels agreed by developed countries for 2020

**Provide finance through appropriate instruments:** Eligibility criteria of all sources, especially MDBs, which determine the type of instruments through which countries can access finance need to be revised.

**Reduce fragmentation of the current model of finance provision:** Dealing with the complexity and diversity of criteria and requirements from different sources of finance by promoting greater transparency and alignment of access criteria and identifying ways of reducing the discretionary nature of bilateral sources.

**Increase the levels of finance that flow through more devolved modalities:** climate finance should be channeled using sources and modalities that give more decision-making power to developing countries - eg EDA

**Harmonizing and adapting the requirements and processes of the different sources to the capacities of LDCs and SIDS:** Climate funds like the GCF and AF need to continue simplifying their processes

# Q & A



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**Many thanks for your participation!**

The policy brief will be published via the CFAS website: <https://www.cfas.info/en>

**Presented by:**



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