



United Nations



Framework Convention on
Climate Change

DRAFT

**Climate Finance Access and Mobilization Strategy
for the Least Developed Countries in Asia**

2022 – 2030

*Note: This regional strategy is endorsed on 11 August 2022 at UNESCAP,
Bangkok, Thailand.*

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I. Introduction

A. Background

1. The Needs-based Climate Finance (NBF) Project was launched in 2017 by the United Nations Framework Convention on Climate Change (UNFCCC) secretariat. The Project aims to facilitate access to and mobilization of climate finance and investments, in support of developing country needs to implement their national adaptation plans (NAPs), national adaptation programmes of action and nationally determined contributions (NDCs). The Project builds on and complements existing climate finance work underway in member countries and helps to establish collaborations, harness networks and avoid duplication.

2. The Least developed countries in Asia (hereinafter as LDCs-Asia) is a group of countries, comprising Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, Nepal, and Timor-Leste, grouped together for the purposes of climate finance mobilization and access.

3. The LDCs-Asia Climate finance Access and Mobilization Strategy (the Strategy) is a product of the NBF project which is being conducted under the leadership of the Royal Government of Bhutan in collaboration with the LDCs-Asia, with technical and financial support from the UNFCCC secretariat.

4. The annex to the Strategy is a desk-based technical assessment of the countries' needs and priorities as discussed by countries through regional inception and pre-validation workshops conducted in 2020-2021. It provides a regional climate context for the group of countries, including a greenhouse gas emissions profile and key climate change vulnerability and climate related disaster risks for the region. International climate finance flows per country are outlined based on data from the OECD DAC database¹. Information on domestic climate finance is provided where available. The technical assessment informed the development of the Strategy.

B. Regional Context

5. The LDCs-Asia group share similar socio-economic circumstances and demographics, and importantly, face a high degree of climate change challenges, are most at risk to the impacts of climate change and have a shared purpose to access and mobilize scaled up climate finance.

6. LDCs-Asia share common socio-economic characteristics such as low productivity, economic vulnerability, lack of modernization, highly concentrated export structures, weak indicators of nutrition, health, education and employment. Asia is prone to the geographical incidence of extreme weather events, slow onset events and other climate induced impacts such as: floods, flash floods, glacial lake outbursts floods, glacial retreat, cyclones, tsunamis, heavy monsoon rains and erratic rain, storm surges, sea level rise and droughts. For LDCs-Asia, climate change will increase the frequency and severity of extreme weather events. In the event of climate related disasters, the compound effects could be highly detrimental for the vulnerable people.

7. The COVID-19 crisis has brought about adverse economic impacts and severely affected the process of growth and development of LDCs at large, representing a significant reversal of the economic and social progress achieved in recent years, including in terms of poverty and social outcomes. A UN framework for the immediate socio-economic response to COVID-19² provides the strategy for urgently supporting countries and societies impacted by the pandemic.

¹ OECD DAC data was used only for the purpose of the technical assessment as some LDCs-Asia countries have reservations on the data.

² <https://unsdg.un.org/sites/default/files/2020-04/UN-framework-for-the-immediate-socio-economic-response-to-COVID-19.pdf>

8. LDCs-Asia have put in place several country level policies related to climate change. Most countries have detailed mitigation priorities with clear targets for increasing the renewable energy share in electricity generation. Much of this ambition stems from national policies to increase energy security by decreasing dependence on fossil fuels, and to increase electrification through renewable energy sources in rural areas. Priority actions for adaptation across the seven countries are in the agriculture and food security, water resources (including flood control and control of salinity intrusion in coastal areas), resilient infrastructure (including flood shelter, communication, cyclone shelter, transport) and health sectors.

II. Strategic framework

A. Goal

9. The goal of the LDCs-Asia Climate Finance Access and Mobilization Strategy is to effectively mobilize, access, utilize and scale up climate finance to contribute to the achievement of national and regional climate resilient and low-emission development pathways.

B. Objectives

10. The specific objectives of the Strategy include:

(a) To comprehensively identify and effectively mobilize sources of climate finance from both international and domestic public and private sectors and ensure that finance flows to areas that most need it, and to the scale required;

(b) To reduce challenges and barriers in accessing funding at scale by strengthening coordination and promoting collaboration among LDCs-Asia, including clear articulation of climate finance priorities as a regional group;

(c) To enhance efforts in capacity building and innovation, particularly on research and development to further access and mobilize climate finance; and

(d) To ensure enhanced climate finance for the implementation of activities, projects and programmes identified in respective NDCs, NAPs, and other relevant key climate change policies and plans.

C. Key principles

11. The key principles guiding the design, implementation, monitoring and evaluation of the Strategy are as follows:

(a) **Ownership and alignment:** The strategy should be country-led and aligned with both national and regional climate change strategies and development plans that are underway or planned, taking into account the specific climate vulnerabilities and adaptive capacity of LDCs-Asia;

(b) **Integration and collaboration:** The strategy will be approached with a lens of LDCs-Asia as a regional group and aims to encourage knowledge sharing and learning as well as capacity-building among the countries;

(c) **Inclusivity:** The strategy will demonstrate inclusiveness by ensuring that it benefits, considers, and engages vulnerable people, gender-sensitive groups, and other key stakeholders in a holistic manner; and

(d) **Flexibility:** the strategy is a guiding framework which can be adapted to changing circumstances and priorities, that have a potential for resilience and economic recoveries including in light of COVID-19 recovery.

D. Expected impacts of the strategy

12. The expected impacts of the strategy are as follows:

(a) Increased access to climate finance and resource mobilization, including, international public climate finance, the financial mechanism of the UNFCCC and the Paris Agreement and its operating entities, finance from multilateral development banks and bilateral partners, domestic public climate finance as appropriate, and private sector climate finance;

(b) Improved coordination, collaboration, and response to shared climate challenges and opportunities among LDCs-Asia; and

(c) Development of multi-country and transboundary project concepts that aim to reduce climate vulnerabilities, increase adaptive capacity and promote low-emission development according to the needs of LDCs-Asia.

E. Institutional arrangements

13. Operationalization of the strategy would be guided by the lead country (Bhutan) of the LDCs-Asia NBF project until the mandate is given to other LDCs in the NBF project, with implementation support from identified project partners that have presence in the sub-region. Further outreach and engagement to relevant institutions will be conducted to support the strategy implementation.

III. Strategic areas of collaborative action

14. The Strategy is intended to cover the period 2022 to 2030 and comprises four strategic areas each with corresponding activity areas and actions.

A. Strategic area I: identifying and mobilizing effective and appropriate financing for climate action in the subregion

Activity areas:

(a) Find ways to build public-private partnerships to attract financing, and other means to blend available climate finance.

(b) Address the lack of private sector adaptation activities including in agriculture, water technology, infrastructure and affordable and energy efficient housing where private sector could possibly contribute, by creating more dialogue between government and private sector entities.

(c) Address the need for better access and mobilization of climate finance, promote more simplified procedures including direct access to international climate finance, and address challenges to access funds.

Specific actions:

(a) Map readiness funds and resources available from various sources for each NBF country and develop multi-year plans for the use of readiness funds in a coordinated way.

(b) Conduct a scoping exercise to identify private sector players in the countries including private banks and institutional and philanthropic investors.

(c) Organize a private sector dialogue to better understand the preconditions for active private sector participation, drivers for successful capital markets in the region, barriers to leveraging private capital and required policy interventions.

Conduct capacity building of direct access entities serving LDCs to originate effective climate projects and programmes.

B. Strategic area II: strengthening coordination and collaboration to enable effective mobilization of climate finance for the subregion.

Activity areas:

(a) Better connect areas where mitigation and adaptation strengths can be shared, and gaps can be closed. Suggested areas include renewable energies, water resource management, forest management and energy efficiency technologies.

(b) Collaborate among ‘pockets’ of countries and focus on areas with greater opportunity for exchanging experiences and knowledge.

(c) Support building investible pipelines to address mitigation and adaptation as well as loss and damage.

Specific actions:

(a) Identify new project ideas and concept notes and, where applicable, assess existing ones and collaborate with both public and private stakeholders to develop them into potential climate project investments.

(b) Identify priority needs through socio-economic and environmental vulnerability assessment, impact assessments and other science and evidence-based tools that provide the climate rationale for justifying national and regional projects for climate finance.

(c) Peer-to-peer learning among NBF countries on accessing readiness grants and exchange good practices and lessons learned during regional and global forums.

(d) Facilitate consultations with regional experts on financial instruments that can be used to support climate related investments such as climate bonds, and debt for environment swaps to free up fiscal resources on climate investments.

(e) Establish an LDCs-Asia focused regional platform or coordinating body that ensures knowledge sharing across country partners, relevant communities of practice, group of scientists and academics, as well as the private sector on climate finance, requesting LDCs in Asia to nominate respective focal/contact points for facilitating this coordination issues.

C. Strategic area III: promoting research and development to further strengthen awareness, capacity-building, and science and innovation for financing climate action.

Activity areas:

(a) Explore opportunities to access common funding for improved technologies, example in agriculture and livelihood sector which would provide scope for technology and knowledge exchange.

(b) Include more targeted capacity building to overcome institutional and technical barriers e.g. climate science basis, climate modelling, downscaling and projection, renewable energy technologies, formulation of financing needs for the, Global Environment Facility (GEF), Green Climate Fund (GCF) and other international climate funds, as well as addressing requirements of the Paris Agreement such as reporting, and monitoring needs.

(c) Include research institutions and universities more strongly in actions and capacity-building measures.

(d) Increase research and development budgets, and collaboratively work on cross-regional climate innovation.

Specific actions:

(e) Compile tools and methodologies from relevant sources for assessing and costing climate finance needs as identified in their respective NAPs, NDCs, long-term and low-emission development strategies including loss and damage and other emerging climate change priorities.

(f) Identify needs for financial, technological, and capacity-building support for accessing various sources of climate finance.

(g) Engage regional organisations, academia and think tanks in the development of climate finance data and information platforms that help in evaluation and costing of needs and priority sectors.

(h) Explore, identify, establish, promote and support the development of innovative financing mechanisms or instruments and their coordination, including but not limited to: (i) specialized lending facilities or funds; (ii) green/climate credit lines in commercial or development banks; (iii) green/climate bonds; (iv) payments for ecosystem services; (v) nature-based solutions, locally led adaptation and 'blue economy' programmes; (vi) debt for climate swaps; (vii) incentive schemes for off-grid energy users; (viii) insurance mechanisms; and (ix) market and non-market based mechanisms.

(i) Encourage national development banks and financial institutions to finance projects and programmes with significant mitigation and adaptation potential.

D. Strategic area IV: increase climate finance to deliver meaningful technology transfer

Activity areas:

(a) Increase climate finance for technology transfer to deliver meaningful technology transfers through piloting and implementation of projects or activities.

(b) Mobilize climate finance for undertaking/updating technology action plans (TAP) and technology needs assessment (TNA) focusing on prioritizing technologies in LDC countries.

(c) Further develop public policies and strategies to support technology transfer for climate change adaptation and mitigation.

(d) Collaboration and networking among the national designated entities of LDCs-Asia serving as national entities for the development and transfer of technologies.

(e) Mobilize climate finance for organizing a technology exposition.

Specific actions:

(a) Pilot projects demonstrating technology transfer including those supported under the CTCN.

(b) Mobilize climate finance for updating TAPs and TNAs and where applicable, focusing on prioritizing technologies in LDC countries.

(c) Upscale technology transfer projects of LDCs-Asia with the financial support of Adaptation Fund, GCF, GEF, Least Developed Countries Fund and other sources.