

OECD-PCCB NETWORK WORKSHOP SERIES

WORKSHOP 1

Capacity Development to support developing countries access climate-related finance

4th May 2022

The rise in climate-related natural disasters and the impacts from the COVID-19 pandemic are disrupting the already too slow pace of partner country access to climate finance.¹ The latest IPCC report, for example, notes that the cost of adaptation in developing countries alone is estimated to be USD 70 billion every year, with conservative calculations predicting this will be more than doubling by 2030 and increasing more than fivefold by 2050.² In many parts of the world, it is still possible for communities to adapt to higher temperatures and changing weather patterns, but they have not received enough resources to do so, according to the IPCC. Finance in particular is one of the biggest barriers to adaptation, as it is to enhance low-carbon pathways in many developing countries.

Against this background, capacity development efforts to support countries access climate finance need to increase in pace, scale, effectiveness and sustainability. Climate finance, notably for climate change adaptation, needs to catch up decades in a matter of years. The UNFCCC COP26 climate change conference in Glasgow advanced efforts to address the current shortfall in climate finance, and the *OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change*, also commits DAC members to ‘working with relevant bilateral and multilateral finance institutions to improve access’, notably through capacity development.³

However, access to climate-related finance stumbles upon a number of bottlenecks. For example, developing fundable projects - in particular to access international climate funds - is a major challenge for partner countries, notably for LDCs, SIDS and in fragile settings.¹ Countries have to go through a complex, time-consuming and resource-intensive process of developing and submitting proposals, which entails holding stakeholder consultations, conducting feasibility studies, drafting concept notes, engaging with donors and making regular adjustments.⁴ The global climate finance landscape is complicated by the myriad donors providing climate finance, each using different templates and criteria for submitting proposals. Submitting these, in turn, requires not only knowledge of donor policies and systems, but also substantial technical and professional skills in a range of subjects, including how to set up baselines and indicators, how to ensure environmental and social safeguards, or how to use the available science to articulate the climate additionally of proposals. In addition, language is often a constraint, especially for non-English speaking countries and communities.⁵

Inadequate access to finance, more generally, is a key constraint to the growth of micro, small and medium-sized enterprises (MSMEs) in many developing countries. Furthermore, beyond easing external financing constraints of firms, having developed financial sectors are strongly linked with long-run economic growth, as well as reduced levels in poverty and inequality. Given the impacts of climate change on economies, policy makers and regulators in developing countries are increasingly aiming to develop and deepen financial sectors, and at the same time address the implications of climate change on financial sectors both safeguard the functions of financial sectors in the face of climate change and enable climate action across economies.

The first workshop in the joint OECD-PCCB Network series proposes a technical panel discussion looking at the current bottlenecks that partner countries experience to access finance. Following this, three break-out groups will explore a number of concrete and practical solutions that have proved successful in supporting partner countries access climate finance. The groups will reconvene and a short plenary discussion will draw conclusions from these discussions. The three break-out groups will focus upon:

- Effective and innovative mechanisms to support partner countries;
- Efforts to support the capacity of the private sector of partner countries; and
- Initiatives that are helping SIDS access climate finance.

OECD-PCCB Network Workshop on Capacity Development for Climate Action and Ambition
Setting the scene and Workshop 1 on Access to Climate Finance Draft agenda
Virtua Event [4th 2022]

Time (CET)	
11:30 - 12:00 (30')	Zoom line open for early connection.
Session 1: Introduction, context and proposal	
12:00 - 12:10 (10')	<p>Welcome and opening remarks: brief introduction to the session's agenda and objectives.</p> <ul style="list-style-type: none"> • PCCB Secretariat • DAC ENVIRONET Secretariat
Session 2: Panel discussion lifting bottlenecks to access climate finance in partner countries through capacity development	
12:10 - 13:10 (60')	<p>Donors have dedicated programmes to create enabling environments, plan interventions and help partner countries apply for funding. Direct access funding windows, notably for local institutions, are one example. Another way to support partner countries is through streamlining processes for certain vulnerable countries, like SIDS. Other methods and instruments include technical assistance, policy support and other training activities. Evaluations of projects and programmes, however, have shown that these often need to have more flexibility and be more forward-thinking, need to limit intermediation and transaction costs, and are not fast, effective or sufficiently sustainable. This panel discussion will look at the following issues:</p> <ul style="list-style-type: none"> • What are the main capacity bottlenecks that partner countries face today to access climate finance? • How can donors support partner countries in their efforts to access climate finance and what is the role of capacity development here? • What positive experiences exist from where donors could draw inspiration and that could be scaled-up or replicated?

12:10 - 13:10 (60')	<p>Panellists include:</p> <ul style="list-style-type: none"> TBD 		
Session 3: Break-out groups: Capacity development solutions that help partner countries access climate finance			
13.10 -14.15 (65')	<p>Break out groups Three break-out groups will focus upon: (a) effective and innovative mechanisms to support partner countries access climate finance; (b) supporting the private sector to access finance; and (c) the particular situation of SIDS. Each group will include a presentation by up to 3 speakers of a few concrete solutions and tools, which will be followed by a discussion with participants.</p>		
	<p>Group 1. Effective solutions</p> <ul style="list-style-type: none"> TBD 	<p>Group 2. SIDS</p> <ul style="list-style-type: none"> TBD 	<p>Group 3. Private sector</p> <ul style="list-style-type: none"> TBD
14.15 - 15.00 (45')	<p>Plenary Discussion After a short de-briefing of the break-out groups, participants will discuss the main takeaways of the panels.</p>		
Session 4: Closing and next steps			
15:00 -15:05 (5')	<p>Workshop wrap-up and next steps.</p> <ul style="list-style-type: none"> PCCB Secretariat DAC ENVIRONET Secretariat 		

¹ Phillips et al. (2020), Compound climate risks in the COVID-19 pandemic, Nature Climate Change 10, 586-88, <https://www.nature.com/articles/s41558-020-0804-2>; Ranger et al. (2021), Managing the financial risks of climate change and pandemics: What we know (and don't know), One Earth 4(10): 1375-85, <https://www.sciencedirect.com/science/article/pii/S259033222100539X?via%3Dihub>

² IPCC (2022), Climate Change 2022: Impacts, Adaptation and Vulnerability, <https://www.ipcc.ch/report/ar6/wg2/>

³ OECD DAC (2021), OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change, <https://www.oecd.org/dac/development-assistance-committee/dac-declaration-climate-cop26.htm>

⁴ OECD (2018), Making development co-operation work for Small Island Developing States, https://www.oecd-ilibrary.org/development/making-development-co-operation-work-for-small-island-developing-states_9789264287648-en; UNFCCC (2020), Capacity gaps in accessing adaptation funding. Information Note. AC18/INFO/8A, https://unfccc.int/sites/default/files/resource/ac18_8a_gaps.pdf; UNFCCC LEG (2020), Gaps and needs related to the process to formulate and implement national adaptation plans, and ongoing activities of the LEG, the Adaptation Committee and relevant organizations related to addressing those gaps and needs, <https://unfccc.int/sites/default/files/resource/Gaps-and-needs-Naps-March-2020.pdf>; Pauw, P. et al. (2020), "Conditional nationally determined contributions in the Paris Agreement: Foothold for equity or Achilles Heel?", Climate Policy, Vol. 20/4, pp. 468-484, <http://dx.doi.org/10.1080/14693062.2019.1635874>; Omukuti, J. (2020), "Challenging the obsession with local level institutions in country ownership of climate change adaptation", Land Use Policy, Vol. 94, <https://doi.org/10.1016/j.landusepol.2020.104525>; Cao, Y. et al. (2021), Exploring the conflict blind spots in climate adaptation finance. Synthesis Report., <https://www.sparc-knowledge.org/sites/default/files/documents/resources/exploring-the-conflict-blind-spots-in-climate-adaptation-finance.pdf>.

⁵ UNFCCC LEG (2020), Gaps and needs related to the process to formulate and implement national adaptation plans, and ongoing activities of the LEG, the Adaptation Committee and relevant organizations related to addressing those gaps and needs, <https://unfccc.int/sites/default/files/resource/Gaps-and-needs-Naps-March-2020.pdf>.

⁶ Independent Evaluation Unit (2021), Independent evaluation of the adaptation portfolio and approach of the Green Climate Fund. Final Report, <https://ieu.greenclimate.fund/sites/default/files/document/210223-adaptation-final-report-top.pdf>.