



United Nations
Climate Change Conference
Bonn, Germany

Access to finance for the most vulnerable

Online Seminar, 27th October 2021

Presented by:



CFAS

CLIMATE FINANCE
ADVISORY SERVICE

With support from:

giz

Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

1. Introduction

Mr. Sönke Marahrens, GIZ

2. Defining access

Ms. Bertha Argueta, CFAS/Germanwatch

3. Status quo of access to finance: A quantitative and qualitative analysis

Mr. Michel Köhler, CFAS/the greenwerk

4. A way forward

Mr. Raju Pandit Chhetri, CFAS/Prakriti Resources Centre

5. Q & A



1 | Introduction



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Climate Finance Advisory Service (CFAS)

- launched in 2013, in collaboration with a consortium of climate finance experts from developed and developing countries:



- **Objective:** build up the capacity of negotiators, Board members, advisors and other delegates helping them to effectively participate in the complex global climate finance negotiations ► focus on LDCs
- **Activities:**
 - ✓ Technical support to strategic partner countries, in particular during GCF and SCF meetings, as well as UNFCCC negotiations on climate finance
 - ✓ Meeting summaries of the GCF and SCF
 - ✓ Analysis of finance related themes ahead climate finance meetings (GCF/SCF) and international climate change negotiations (CFAS Policy Briefs – supported by GIZ)



2 | Access to climate finance: Defining “access”



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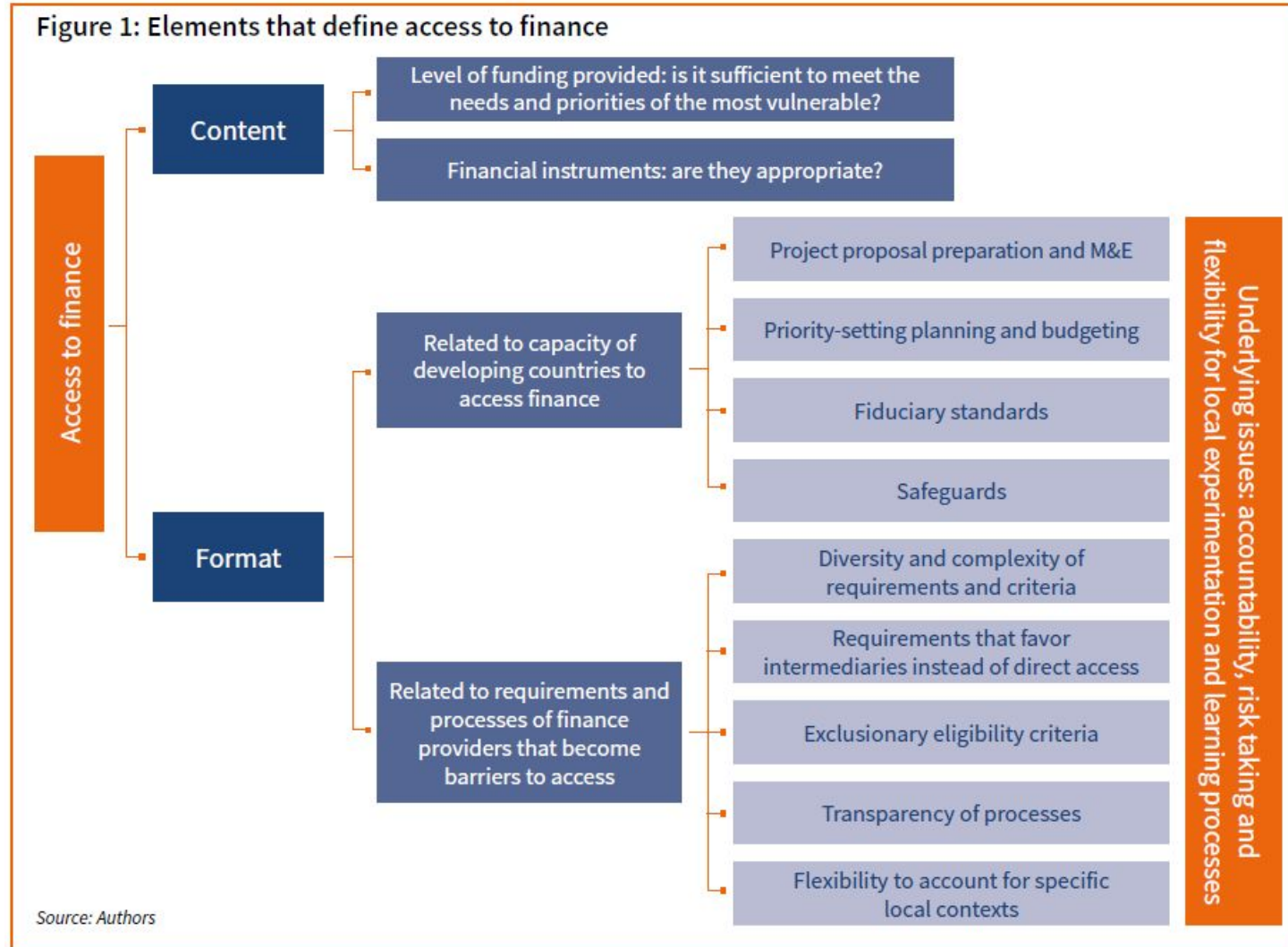
The issue of accessibility of climate finance has increasingly entered the spotlight

- 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”





3 | Status quo: A quantitative and qualitative analysis



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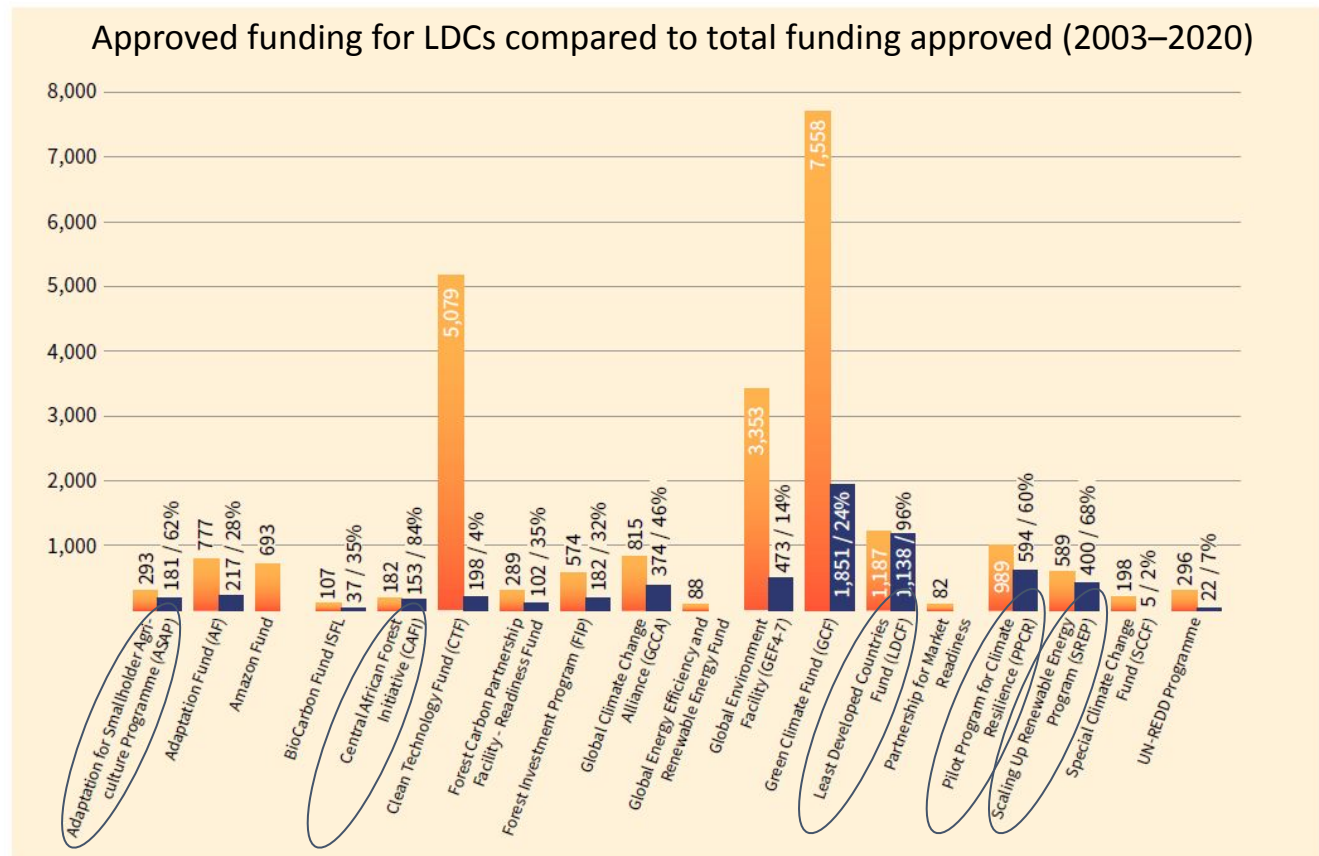
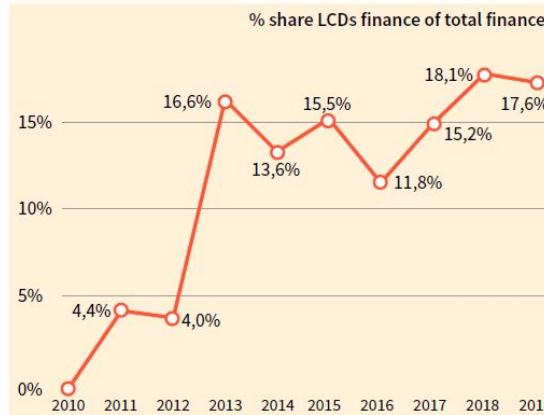
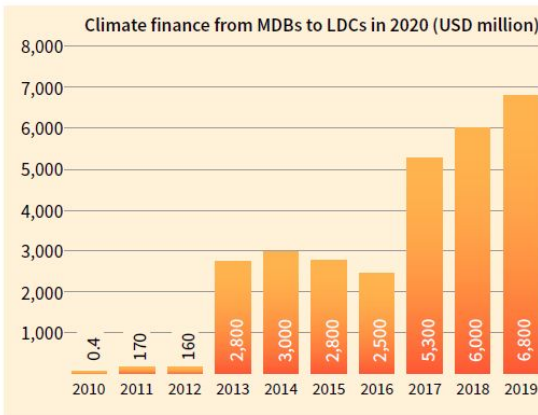
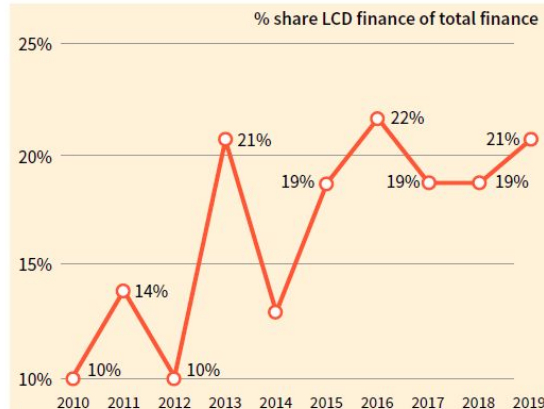
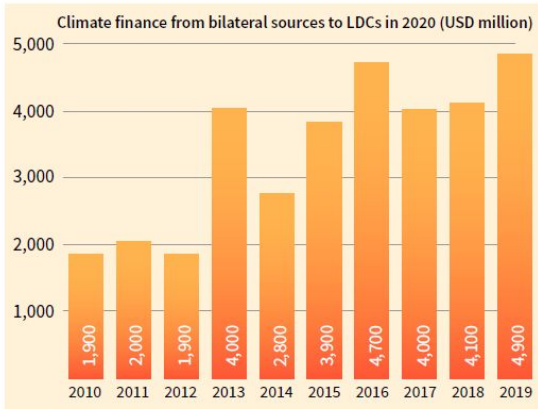
3 | Status quo of finance flows - LDCs

Share of LDCs from all developing Parties

16.6% of population (WB 2021)

4 out of 10 most vulnerable countries (CRI 2021)

3.3% of GDP (WB 2021)



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

Source: Authors, based on based on Climate Funds Update

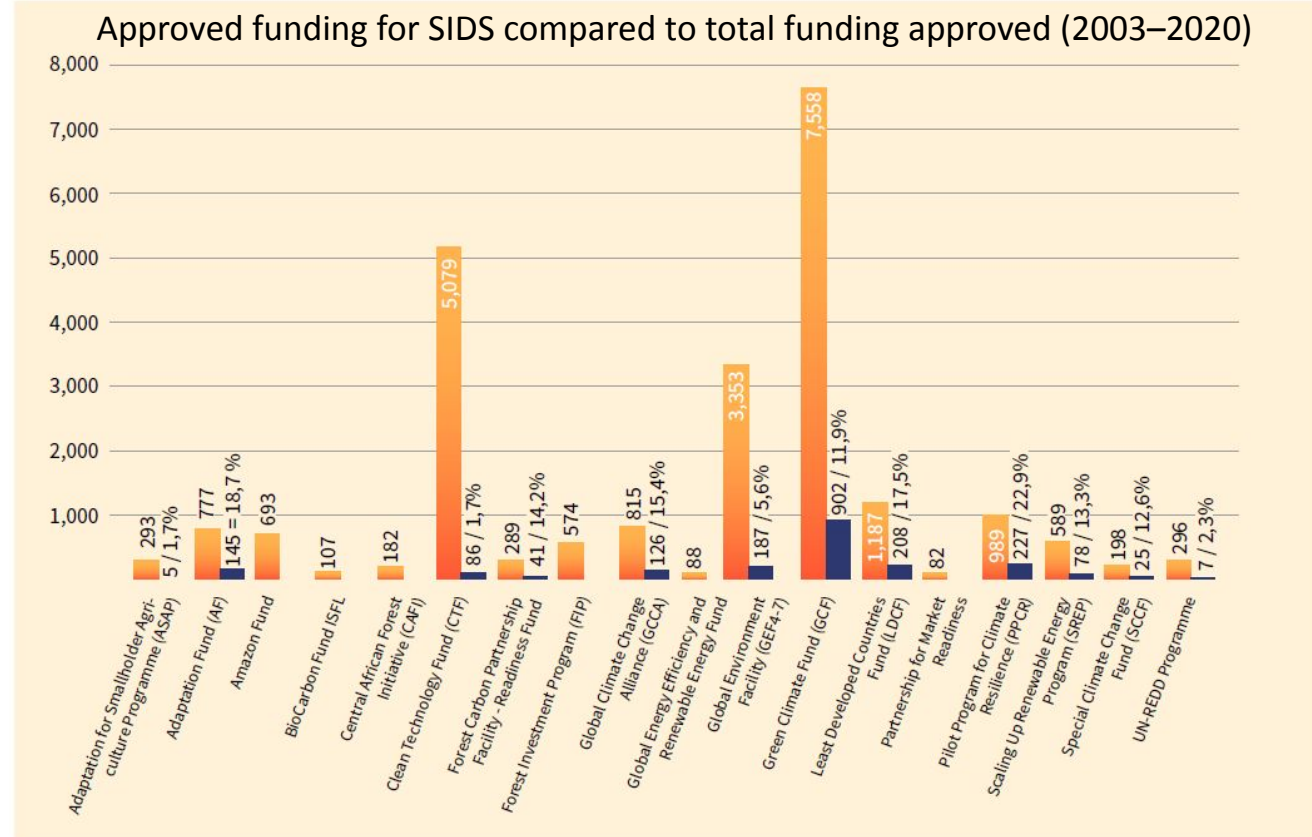
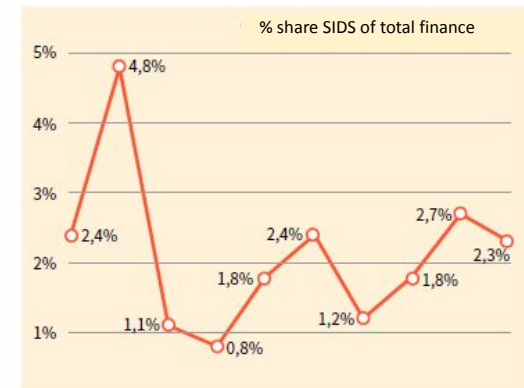
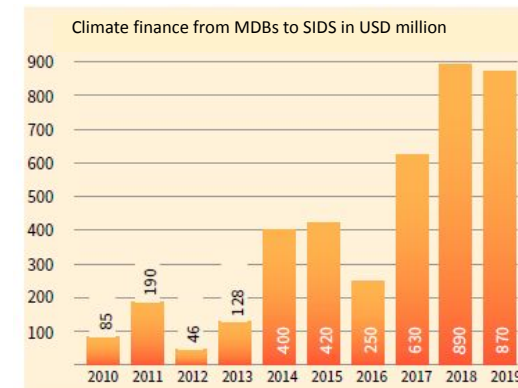
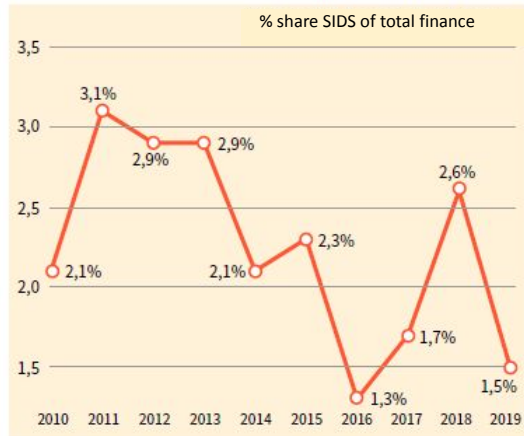
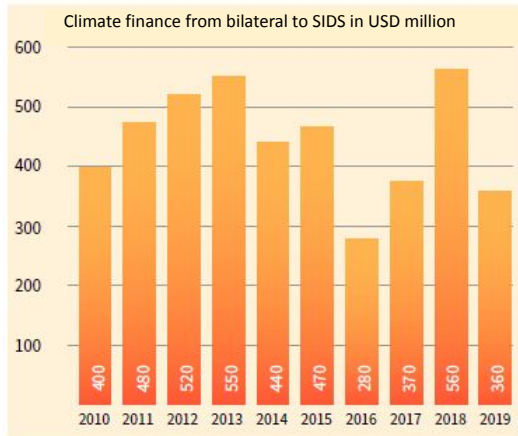
3 | Status quo of finance flows - SIDS

Share of SIDS from all developing Parties

0.95% of population (*WB 2021*)

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

1.1% of GDP (*WB 2021*)

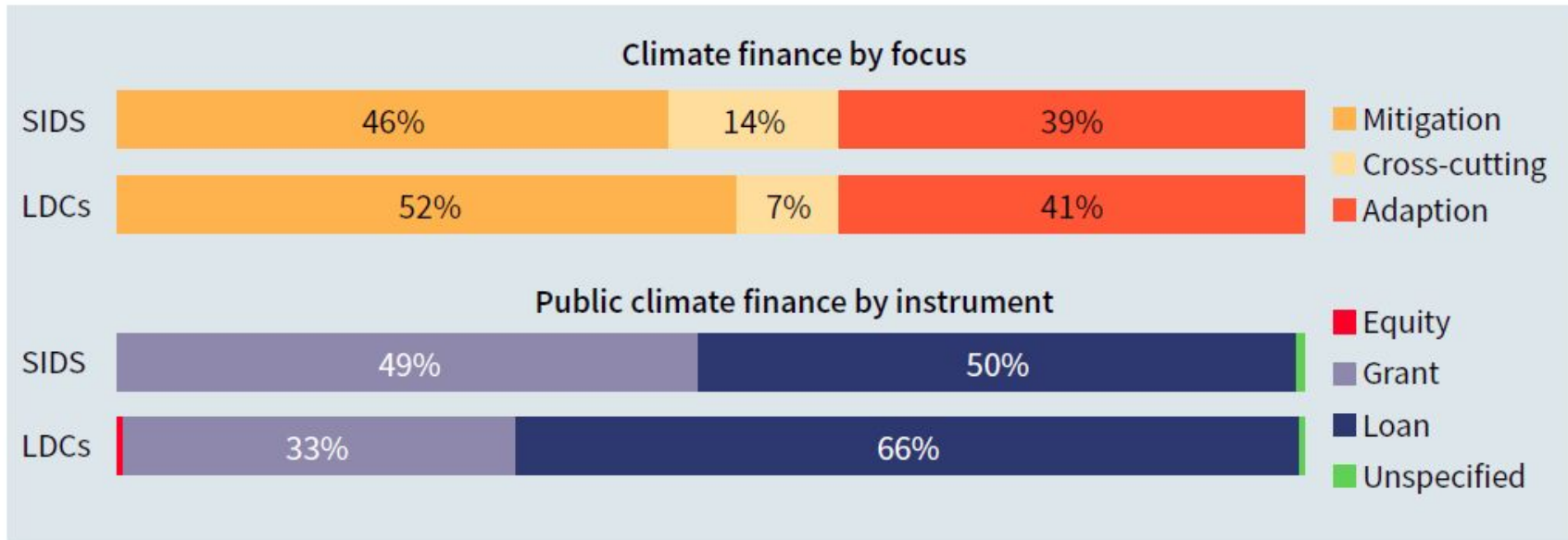


Source: Authors, based on OECD DAC 2021; Note: some SIDS are also LDCs

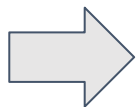
Source: Authors, based on based on Climate Funds Update

3 | Status quo of finance flows - conclusion

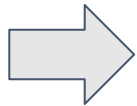
Bilateral and MDB Climate finance to LDCs and SIDS by focus and instrument split; average of years 2016 – 2018



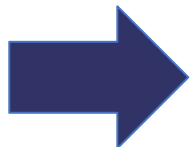
Source: OECD (2020)



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

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

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



4 | A way forward



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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

The delivery plan for the USD 100 billion goal: a delivery plan for mobilizing the USD 100 billion a year, as a way of helping build trust before the negotiations start

The post-2025 goal discussions: Negotiations for the post-2025 climate finance goal should not only set a goal that better reflects the needs of developing countries, they should also focus on qualitative elements linked to access, including the channels

Transparency in climate finance: Ensuring that the quantitative and qualitative information provided in accordance with Article 9.5 of the Paris Agreement is detailed enough to give clarity on the projected levels of finance, the channels and instruments, as well as the regional, geographical and sectoral priorities. Also linking this with the 9.7 of the AP.

Global Stocktake: To assess progress in climate finance provided and mobilized from a qualitative, as well as a quantitative, perspective linking above aspects of GST is crucial.

Guidance from COP26 to the operating entities of the Financial Mechanism; UNFCCC should address the issues concerning the requirements, procedures and criteria that constitute barriers to access



5 | 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>

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