



## Road to COP28: WAPPP is at the Forefront of Bridging the Climate Finance Gap

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21 November 2023

**Recent numbers on the gap between needs and actual financing in climate action do not look optimistic.** Global climate finance stood at \$1.3 trillion in 2021/2022 with \$1.15 trillion (or 90%) in mitigation and less than 10% in climate adaptation. The total climate flow is less than 10% of the average annual climate finance needed through 2030 of \$8.1 to \$9 trillion.

**Income divide is more explicit for climate flows.** Less than 3% of the global total (\$30 billion) was allocated to or within least developed countries (LDCs), while 15% went to or within emerging markets and developing economies (EMDEs) excluding China. The ten countries most affected by climate change between 2000 and 2019 received just \$23 billion<sup>1</sup>; less than 2% of total climate finance. East Asia and the Pacific, the US and Canada, and Western Europe account for a combined 84% of total climate finance.

**Real mobilization of private capital for climate action in low- and middle- income countries is falling behind.** Private climate flows were about 49% (\$625 billion) of total climate finance. Most private finance was concentrated in the US, Western Europe, and other developed economies, and mainly targets mitigation efforts. More than \$571 billion or 91% of this funding was channeled domestically. The majority (31%) came from private households, attributed to an increase in electric vehicles (EVs) sales. LMICs are falling behind.

**Public development financial institutions continue to dominate in providing climate finance in LMICs.** National development financial institutions (DFIs) remained the largest source, committing \$238 billion (or 37% of the public total), dominated by domestic commitments by institutions in East Asia and the Pacific. Boosting capacity of domestic agencies is even more critical in low- and middle-income countries (LMICs), if we are going to address climate change in a significant way. However, LMICs need more than domestic public FIs, if they want to move the needle on climate action.

**While there are many International development financial institutions (DFIs), they are often slow and provide limited funding.** For instance, multilateral climate funds (MCFs) provided \$3 billion, representing only 0.5% of public climate finance. Multilateral DFIs provided \$93 billion, or 15% of total public commitments in 2021/2022. Only roughly 45% of financing from multilateral DFIs went to EMDEs, and

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<sup>1</sup> According to the Long-Term Climate Risk Index (2021), the ten countries most affected from 2000 to 2019 are: Puerto Rico, Myanmar, Haiti, Philippines, Mozambique, The Bahamas, Bangladesh, Pakistan, Thailand, Nepal.



40% to developed countries. Majority of multilateral DFIs money is still rendered as loans [\(61%\) in LMICs](#), instruments which de-risk and leverage private capital are few, cumbersome and fragmented, further burdening already debt-laden economies. Making the already debt-burdened economies even more debt-laden.

**In an environment of critical climate finance needs in LMICs and growing pressure on MDBs to move towards leveraging private capital, WAPPP has become a thought leader in addressing the fundamentals and underlying systemic issues which challenge climate action and private capital flows in LMICs.**

- *First, calling for climate risk assessment and mitigation with a holistic approach.* PPPs are a tool for development and unless multi-stakeholder management is undertaken to integrate climate risks in planning, preparation, and implementation; a solely finance-based solution will not impact the value for future generations. WAPPP has published its thought piece on the [ecosystem methodology](#).
- *Second, by partnering with International Sustainable Resilience Center (ISRC), a three-part investment modeling and analysis toolkit is available to our members.* The tool kit starts with data collection on mapping the target area for existing information on climate-related events and risks and comparative data analysis to generate future climate-related information. Second step is to run scenarios on extreme events to assess the readiness of the public agencies to tackle the loss and damage and understand the prevention of such scenarios. Third step is to run the future impact evaluation to the present for a return on investment with better decision making today to avoid the impending losses.
- *Third, as philanthropy has become a major stakeholder in the global development and finance landscape, WAPPP has launched a new Chapter on public-private-philanthropy partnerships (PPPPs).* This Chapter, in collaboration with The Partnering Initiative, explores various ways philanthropy can catalyze and re-risk investments in LMICs.
- *Fourth, WAPPP is proud to be an executive advisory board member of the [FAST-Infra Label](#).* The FAST-Infra Label is a globally applicable label for projects demonstrating significant positive sustainability performance. It is designed to enable all market players, including developers, operators, and investors to show the positive impact of an infrastructure asset, and attract investors seeking assets which positively contribute to sustainable outcomes.
- *Lastly, WAPPP has announced that Small PPPs will be a special focus of its activities and has launched a year-long program of small PPP challenges to the global PPP community.* WAPPP recognizes that most of the LMICs projects are at local level. These projects are smaller in size, deal with many different jurisdictions at both national and sub-national level, not necessarily ready to be fully financially viable based on user fees and in many ways more complex to structure due to inter-dependent governance and social challenges. We want to explore, understand, reach out and possibly increase thought leadership on this very critical and



important segment of impact. These are the projects which face climate risks the most and will have the most long-lasting influence on climate action and capital mobilization.

Global climate finance has a long way to go. WAPPP, with its immense network in both public and private sectors, has a front seat to become the convenor of innovation. We will have and will continue to seek creative ideas, which will be rolled out progressively. Do you want to be part of this dialogue and initiatives? Join our growing community today by visiting our website: [www.wappp.org](http://www.wappp.org)