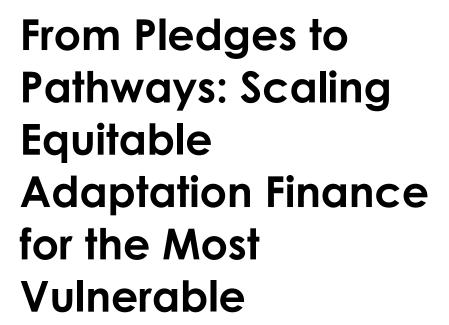
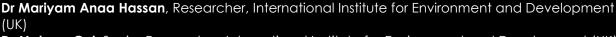
POLICY BRIEF







2025



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Accelerating Climate
Action and the Just
Energy Transition



Abstract

Adaptation finance is central to climate action, yet significant challenges remain in increasing the volume of finance and ensuring that it reaches the people and places that need it most. Small island developing states (SIDS) and least developed countries (LDCs) are among the world's most vulnerable nations. However, they not only struggle to secure sufficient financing to address the unavoidable impacts of climate change but also face barriers in accessing high-quality, equitable finance that aligns with their self-determined needs and priorities. Addressing these challenges requires both a substantial scale-up of adaptation finance and structural reforms to the global financial architecture to ensure that finance is long term, predictable and equitable, and informed by and implemented by local actors. Developed countries, including the G20, must take greater responsibility in ensuring this. Despite high-level pledges, systemic barriers and misaligned priorities in current funding mechanisms continue to impede progress.

Drawing on an evidence review of seven case studies on 'Good practices in accessing and delivering adaptation finance to support SIDS and LDCs' published by the Climate and Development Ministerial, this brief examines opportunities and challenges in accessing and delivering adaptation finance. It also highlights promising approaches and distils key lessons learned. Core themes include adopting programmatic financing to enhance country ownership, accelerating efforts to mobilise innovative finance from diverse sources – including the private sector – and addressing access and equity challenges by devolving funds to the local level. The brief also captures both fund provider and recipient perspectives – an often-missing but essential view of what is and is not working across the full finance pipeline.

Keywords: Adaptation finance, SIDS, LDCs, Climate Action, Locally-led Action

Diagnosis

As climate impacts intensify, they disproportionately affect the world's most vulnerable countries. Small island developing states (SIDS) and least developed countries (LDCs) are among the most climate-vulnerable nations despite doing the least to cause climate change. There is an urgent need for structural reforms to scale up and deliver adaptation finance in a long-term, predictable, and equitable manner to support these countries in addressing climate-related risks and building long-term resilience.

However, these countries face challenges not only in securing sufficient financing to address the now unavoidable impacts of climate change but also in accessing high-quality, equitable finance that supports their self-determined needs and priorities. Robust strategy and planning and long-term support, coupled with equitable financing mechanisms, are essential for these countries to effectively manage their unique risks and implement sustainable adaptation solutions.

The 2024 UNEP Adaptation Gap Report highlights that progress in adaptation financing remains far too slow to close the widening gap between needs and actual financial flows. While international public adaptation finance to developing countries increased from \$22 billion in 2021 to \$28 billion in 2022 – the largest absolute and relative year-on-year increase since the Paris Agreement – this remains insufficient.

G20 countries in particular have struggled to translate climate finance pledges into action at the necessary scale. Oxfam's assessment of their Nationally Determined Contributions shows that most are failing to deliver their fair share of emissions reductions – many now require cuts exceeding 100% of current emissions. It would be inequitable to expect lower-income countries to compensate for this gap and adapt to the resulting climate impacts without adequate support. Substantial finance and assistance from G20 nations are

therefore essential. Yet, systemic barriers – such as a global financial architecture that favours mitigation over adaptation, misaligned donor priorities, and burdensome approval processes – continue to undermine progress. The G20's Sustainable Finance Working Group has also noted that adaptation projects are often small-scale and fragmented, posing challenges to mobilisation. Despite mounting international calls, adaptation funding remains far below what is needed, underscoring the urgency of bold, coordinated G20 leadership.

Given the escalating impacts of climate change, it is crucial that the international community – particularly G20 countries – substantially scale up adaptation finance and take coordinated action to close the widening financing gap faced by SIDS and LDCs. This requires a shift towards innovative and inclusive financing models that better meet the needs of climate-vulnerable countries. The G20's 2024 agenda on international financial architecture reform offers a timely entry point to accelerate such models – especially through multilateral development bank (MDB) reform, climate-resilient debt clauses, and greater use of grants.

This brief presents four key recommendations, drawing on evidence from seven in-depth case studies across SIDS and LDCs. These case studies were validated by key decision-makers, including representatives from the LDC Group, AOSIS, donor groups, and through forums such as the Climate and Development Ministerial. The case studies were selected in close consultation with SIDS and LDC experts, based on their maturity, impact, and potential for replication. The selection rationale and key insights from each case study are summarised in Table 1.

Table 1: Summary of case studies, selection criteria, and insights

Case study	Selection rationale	Key insight
New Zealand's Country Flexible Finance (CFF) approach	Donor-led, programmatic finance in Pacific SIDS	Direct budget support aligned with national systems increases ownership, flexibility, and predictability.

Taskforce on Access to Climate Finance	Multi-country initiative to harmonise access	Country-driven pilots (eg, Rwanda, Fiji) demonstrate how coordination improves access and delivery.
LIFE-AR (LDCs)	LDC-led initiative for locally-led action	Pooled finance supports national delivery systems that channel 70% of funds to local priorities.
SIRF Fund (Antigua & Barbuda)	National fund with direct access, diverse instruments	Uses concessional loans and grants to reach vulnerable groups; prioritises gender and youth.
Unblocked Cash (Vanuatu)	Tech-enabled community cash disbursement	Blockchain-based cash-and-voucher assistance improves speed and transparency, and empowers local choice.
ARAF (Africa)	Blended finance with private capital	Patient equity/debt funding de-risks adaptation investment in early-stage agribusinesses.
Ireme Invest (Rwanda)	Government-led green investment facility	Mobilises private finance with project prep + credit tools under national climate strategy.

Given the complexity of adaptation finance, no single approach fits all contexts. The recommendations outlined in the next section are neither prescriptive nor exhaustive; instead, they offer a flexible framework for scaling up effective adaptation finance.

Recommendations

1. Deliver finance through programmatic approaches for greater impact

G20 nations should shift from fragmented, project-based finance to programmatic approaches that support long-term planning and enable coordinated investment aligned with national strategies. This includes direct budgetary support, multi-year programmes, and strengthened public financial management systems to absorb and channel funds effectively.

New Zealand's Country Flexible Financing (CFF) model offers a strong example: by working through national systems in Pacific SIDS like Tonga and Vanuatu, it enables countries to set priorities and directly manage funds. Programmatic funding builds government capacity, fosters donor alignment, and increases predictability.

Programmatic approaches are also at the heart of Country Platforms, which align public, private, and philanthropic capital behind national adaptation and development priorities. Examples include the LDC-led LIFE-AR initiative, Rwanda's Ireme Invest green finance facility, and access partnerships in Fiji and Bangladesh. These approaches offer structured yet flexible pathways for scaling climate finance and are increasingly endorsed by MDBs and G20 dialogues.

2. Strengthen national delivery mechanisms for local action

Most climate finance still flows through national governments, but limited absorptive capacity and centralised decision-making often prevent it from reaching local communities. G20 countries should prioritise building and supporting national delivery mechanisms that empower sub-national and community-level actors.

The LIFE-AR initiative in LDCs has helped countries like Malawi, Uganda, and Bhutan develop decentralised systems that channel at least 70% of finance to community priorities. These mechanisms work through existing planning and budgeting processes and require collaboration across ministries of environment, finance, and planning. The SIRF Fund in Antigua and Barbuda shows how enhanced direct access can be used to offer concessional loans to vulnerable households, including dedicated instruments for women and youth. Similarly, the Unblocked Cash pilot in Vanuatu demonstrates how blockchain technology can improve speed, transparency, and community agency in disaster response.

These examples show that building inclusive national delivery systems takes time and long-term investment. G20 support should focus on improving institutional capacity, investing in public administration reform, and ensuring that finance is predictable and long term – key features of effective delivery.

3. Simplify and streamline adaptation finance

G20 nations and multilateral funds must simplify access procedures and harmonise reporting requirements to reduce the administrative burden on already capacity-constrained countries. Streamlining access is especially urgent for SIDS, which often face additional challenges due to small government size, high debt levels, and limited technical expertise.

In the LIFE-AR model, donors pool resources behind a national delivery mechanism and use shared reporting protocols. This reduces duplication and transaction costs, allowing countries to focus on implementation rather than navigating different donor requirements. Streamlined approval and disbursement timelines also enable faster response to emerging adaptation needs.

Similarly, the Taskforce on Access to Climate Finance – co-led by Rwanda and the UK – has piloted simplified and harmonised approaches in five countries, offering valuable lessons for broader application. The G20 can take leadership by encouraging multilateral and bilateral providers to adopt unified templates, aligned indicators, and coordinated accreditation systems, particularly for enhanced direct access modalities.

This recommendation complements existing G20 priorities on MDB reform and the proposed Multidimensional Vulnerability Index, offering a practical path to improve access while maintaining accountability.

4. Diversify finance through private sector engagement

Adaptation finance has historically relied on grants and concessional loans, but public funding alone is not enough to meet growing needs. G20 countries should support blended finance models that de-risk private investment and enable scalable public-private partnerships for adaptation – particularly in sectors like agriculture, water, and small infrastructure.

The Acumen Resilient Agriculture Fund (ARAF) is an example of this approach. With \$58 million in donor and private capital, it offers patient debt and equity investments in African agribusinesses that support smallholder resilience. Its hybrid model shows how concessional capital can be used to attract private investors without exacerbating debt burdens.

Rwanda's Ireme Invest facility combines a project preparation fund and credit facility to support green investments aligned with national goals. The facility works through the national climate fund and development bank, and offers concessional loans and guarantees to incentivise investment. These models could be adapted for LDC and SIDS contexts with G20 support.

To scale such efforts, the G20 should promote public–private pilot programmes, facilitate knowledge exchange, and support the creation of regional investment platforms. Equally important is ensuring that private finance complements – rather than replaces – public and grant-based adaptation funding, particularly for high-risk or non-revenue-generating initiatives.

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T20 South Africa convenors





The Institute for Global Dialogue (IGD)









The Institute for Pan-African
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