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Policy barriers to climate finance flows in Asia: the cases of Bangladesh, Cambodia, Nepal and Thailand

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Contents

Summary **4**

1. Introduction **7**

2. Methods **9**
2.2 Interviews 12
2.3 Focus group discussions 14

3. Results **15**
3.1 The systematic literature review and meta-analysis 15
3.2 Insights from the interviews validated by focus group discussions 20

Bangladesh 21
Cambodia 29
Nepal 40
Thailand 52

4. Conclusions **66**

5. Limitations and future research **68**

References **69**

Annexes **75**
Annex A: Interview schedule 75
Annex B: Barrier groupings and descriptions (from literature) 76

Summary

Climate change presents an urgent and growing hazard to the economic and social wellbeing of countries throughout Asia and the Pacific. To address this issue, substantial investments in climate adaptation action are crucial, yet the currently existing climate finance flows, especially from the private sector, remain insufficient. Unlocking these resources requires more than new financial mechanisms; it calls for targeted, data-informed policy action and regulatory reforms, strengthened institutional capacity, and strategic coordination across all sectors and levels of government.

This report explores the barriers that hinder finance flows for climate adaptation in four Asian countries: Bangladesh, Cambodia, Nepal and Thailand. It shows how policy and regulatory constraints, often worsened by insufficient capacity and governance shortcomings, weaken the efforts to mobilize and allocate climate finance, particularly in key sectors such as energy, water, agriculture and disaster risk management.

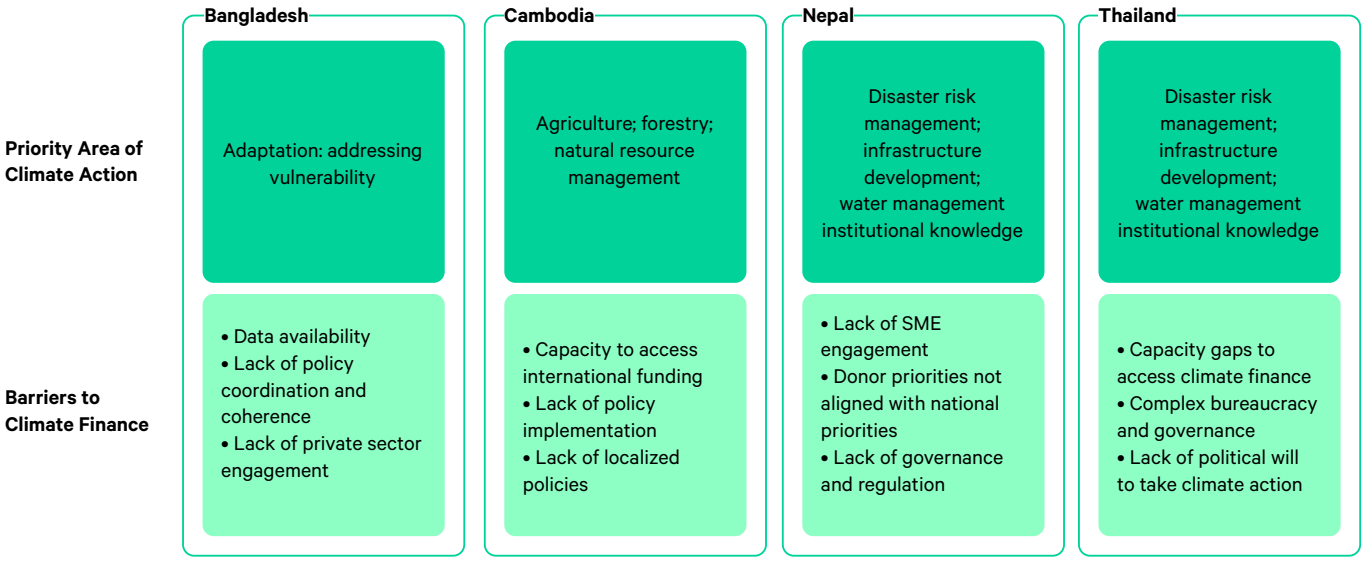
The findings of this report come from a mixed-method research approach including a literature review, expert surveys, several interviews and in-country focus group discussions. This mixed-methods strategy allowed us to gain a comprehensive view of the climate finance landscape in each country.

Key insights

- **Capacity and expertise gaps, especially in project preparation, risk assessment and accessing international funds, are widespread across all four countries in the policy but also the wider banking environment.**
- **Governance fragmentation (which we use in the sense of unclear decision-making and/or policymaking power among a multitude of actors, often uncoordinated), unclear mandates, and misaligned vertical coordination hinder policy execution and climate action planning.**
- **Regulatory uncertainty and complex procedures discourage private sector participation and restrict investment flows, especially in Thailand and Cambodia.**
- **Monitoring, evaluation and data systems are often weak or non-existent, limiting transparency, accountability and investor confidence.**
- **Despite these issues, each country shows local innovation and policy potential, evidenced by multiple success stories.**

These themes are visually summarized in Figure 1, which shows country-specific barriers and insights.

Figure 1. Country insights



To address the systemic barriers identified in this report, we propose a set of practical, cross-cutting actions:

- Build climate finance capacity, not only among policymakers at all levels of government but also within financial institutions and small businesses. This should include both technical training and broader climate awareness.
- Clarify institutional responsibilities and improve coordination across ministries by designating a clear lead agency and establishing shared mandates between the planning and finance sectors.
- Embed climate priorities into national and sector-specific development strategies, backed by consistent policies and a stable regulatory environment.
- Close the implementation gap by equipping local governments with the tools, data and authority they need to implement national climate strategies effectively.
- Reduce barriers to private sector involvement by deploying blended finance tools, offering guarantees or concessional funding, and providing clearer tax and legal guidance.
- Scale up proven local solutions by creating platforms for sharing knowledge and replicating successful pilots in other regions.

In Asia, unlocking climate finance means making serious changes to how things work. Many countries still struggle with unclear governance, unstable regulations and limited know-how. For Bangladesh, Cambodia, Nepal and Thailand, progress will depend on crafting more inclusive policies, putting technology to practical use, and finding better ways for governments and businesses to work together. Unlocking the funding needed for climate resilience and sustainable development will take more than promises; it demands real, on-the-ground action. By confronting these barriers head-on, governments and their development partners can speed up the shift to a more resilient, inclusive and climate-ready future across the region.

1. Introduction

With climate change impacts growing more severe around the world, the urgency to adapt to its effects is increasing. In Asia, where many communities face heightened risks, strengthening climate resilience is becoming increasingly essential. This includes everything from upgrading infrastructure and improving early warning systems to supporting climate-smart farming and protecting ecosystems, all of which demand consistent, long-term investment.

Yet, the flow of climate finance, especially from private investors, continues to fall short of what's needed. While technical, economic and institutional factors all play a role, policy and regulatory hurdles have become some of the biggest roadblocks (ASrIA & AIGCC, 2015; Jones, 2015). Ideally, national climate policies and regulations should guide and attract investment into resilience-focused development. Indeed, supportive policies and regulatory frameworks have been found to advance investment in renewable energy adoption (Polzin et al., 2015; Zhao et al., 2013), while fiscal instruments and policies such as carbon taxes are crucial in achieving the Paris Agreement's objectives according to the International Monetary Fund (IMF, 2019). But in reality, these tools are often disjointed, unclear or poorly enforced, making it harder for the private sector to engage and for public or international funds to be used effectively. Similarly, data gaps and other barriers exist when it comes to knowledge about the effectiveness and impacts of certain types of policies and regulatory frameworks, especially in countries that are not members of the Organisation for Economic Cooperation and Development (OECD), non-OECD countries (Bhandary et al., 2021).

Knowledge about these barriers is often fragmented and country- or sector-specific. For instance, while policies to scale renewable energies are better researched, understanding of effective climate finance policies for adaptation is lagging (Macura et al., 2021). Moreover, governance of climate finance and financial flows are embedded in a wider, polycentric (Jordan et al., 2015) "regime complex" of climate change (Abbott, 2012; Keohane & Victor, 2011) that operates on multiple levels (Jörgensen et al., 2015) and includes many more actors than governments (Newell et al., 2012). Climate finance is no exemption to this regime complex, as finance flows from international donors or multilateral commitments to subnational actors to meet local needs, using both public and private sources (Bracking & Leffel, 2021). As a result, there is limited understanding of how policy and regulatory constraints operate systematically across different contexts, or how they interact with broader governance and capacity challenges.

This report seeks to fill that gap from an Asian perspective. It presents the findings of a mixed-method research effort conducted between 2023 and 2024, which investigates the policymaking and implementation barriers to climate finance flows in four Asian countries: Bangladesh, Cambodia, Nepal and Thailand. Drawing on a systematic literature review, expert surveys, semi-structured interviews and in-country focus group discussions (FGDs), the study offers both cross-cutting insights and country-specific diagnostics.

Specifically, the report:

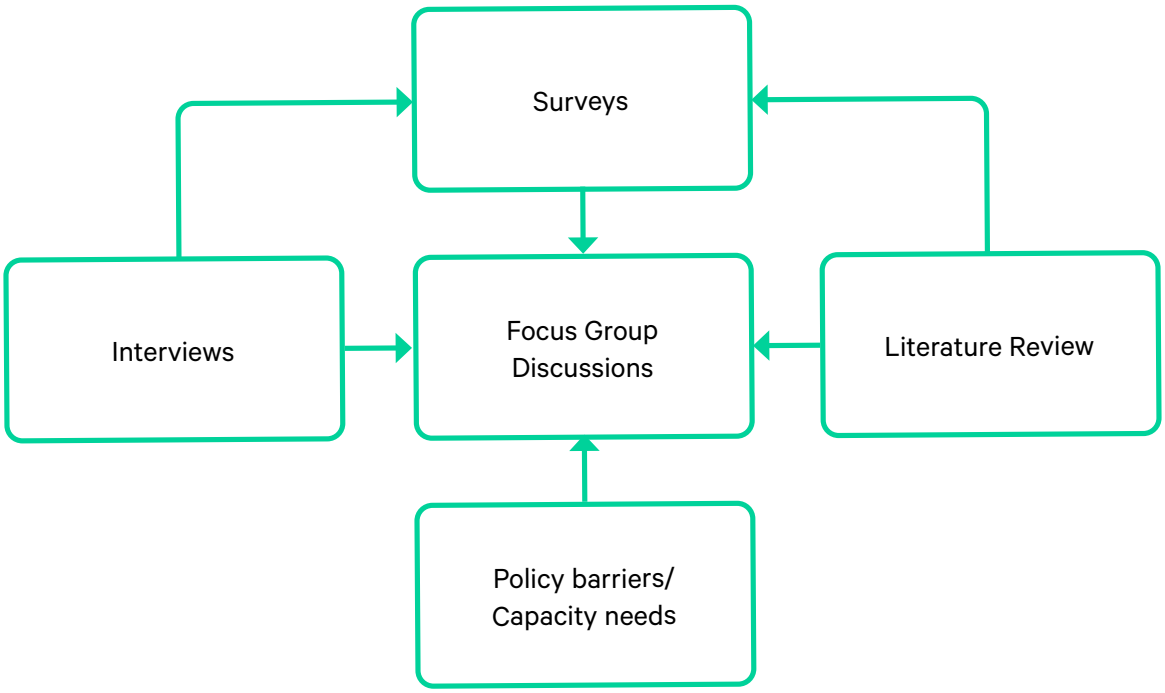
- identifies and categorizes the key policy and regulatory barriers limiting climate finance
- highlights the capacity and governance challenges that intersect with these barriers
- describes country-specific insights and success stories
- offers practical recommendations for policymakers aiming to unlock and scale up inclusive and effective climate finance.

By mapping these challenges in a comparative and structured way, the report adds to a growing evidence base designed to accelerate climate finance flows where they are most desperately needed.

2. Methods

This research uses a mixed-method approach to identify barriers to the increased flow of climate finance to the countries in question, as well as barriers to climate finance policymaking. We define policy barriers here as shortcomings and absences in the policy and regulatory environment that hinder an increased flow of climate finance to mitigation and adaptation measures in our target countries. The research presented in this report was based on a four-pronged approach: a literature review to identify common policy barriers to climate finance; a survey of country experts about barriers most applicable to their territories; a round of semi-structured interviews run in parallel to the survey (in fact, the survey played an auxiliary role to the interviews for the purpose of answering this research question); and finally the validation of findings via the FGDs in each territory of interest (Figure 2).

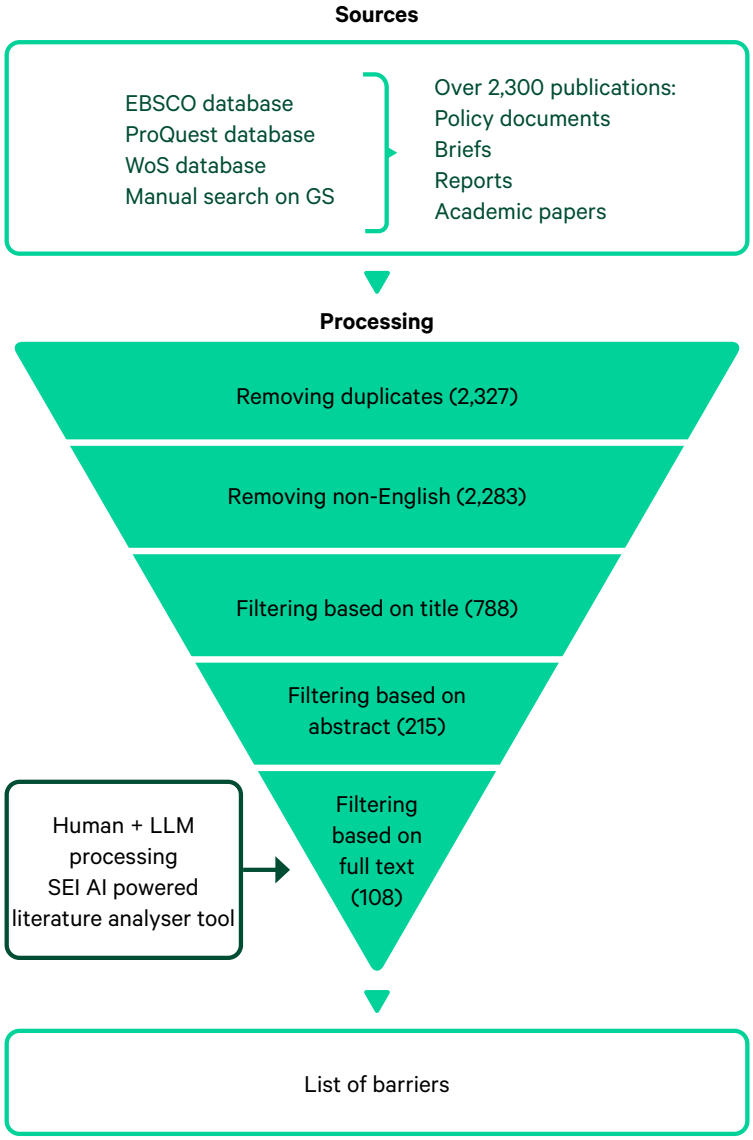
Figure 2. Pipeline to identify policy barriers to climate finance



2.1 Literature review

For the literature review, a systematic and semi-automated approach was used. We designed a systematic evidence review protocol based on specific guidelines and data collected from multiple sources, including EBSCO, ProQuest, Web of Science, and a manual Google Scholar search. The review focused on national and local-scale policies, covering peer-reviewed academic evidence; national government documents; and publications from UN agencies, the World Bank Group, multilateral development banks, OECD and the Asian Infrastructure Investment Bank (AIIB) from 2009 to 2023. Significant items selected by experts based on their judgement were manually added to the evidence database. We then performed a keyword search in the mentioned databases. An example is presented in Figure 3.

Figure 3. Systematic semi-automated literature review process



A multi-stage processing funnel refined the dataset, starting with deduplication, language filtering and title-based filtering, followed by abstract and keyword filtering, and ending with full-text filtering.

Processing funnel:

- **Initial deduplication:** After the search yielded 2955 records, duplicates were removed, leaving 2329 unique articles.
- **Language filtering:** Non-English publications were then removed, resulting in 2283 publications.
- **Title filtering:** The records were filtered based on relevance indicated by the title, leaving 788 publications.

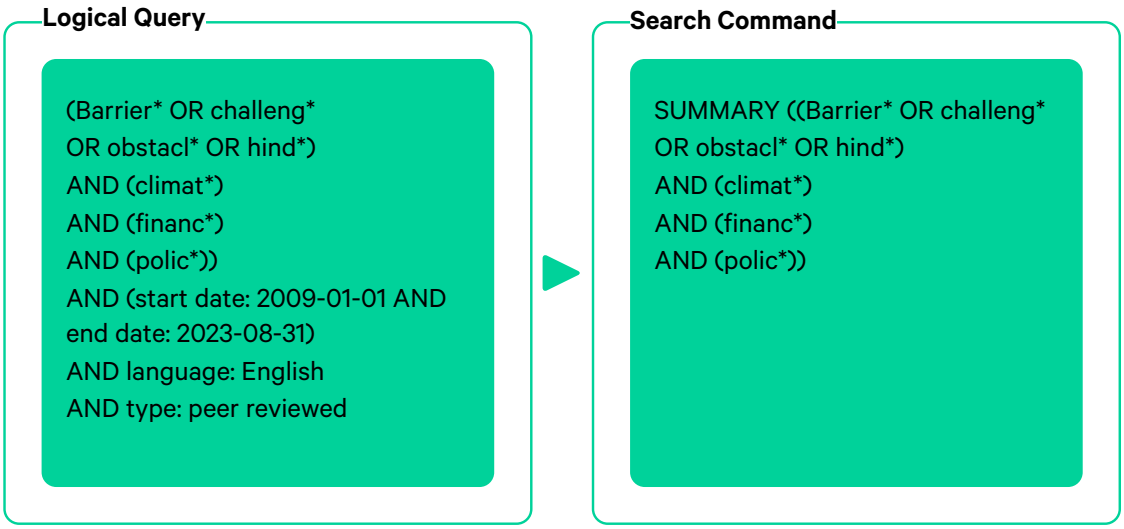
- **Abstract and keywords filtering:** The remaining documents were assessed and filtered using abstracts and keywords, which eliminated 573 publications.
- **Full-text filtering:** 108 documents remained for detailed analysis in the next step.

This process reduced the original 2955 documents to 108. Using these 108 documents as a basis, AI-based processing was implemented to analyse selected papers and support policy- and decision-making. AI was first used to extract definitions of climate finance barriers, then to categorize and organize them into a taxonomy. Initial tests involved different large language models (LLMs) – ChatGPT, Claude and Gemini – to evaluate reliability and reduce hallucinations. Google's Gemini was chosen for its balance of reliability, cost, control and context length. The analysis was automated using Google Vertex AI, with Python, and the output structure was managed with templates and a low creativity setting (temperature set to 0.2) to improve response accuracy.

To ensure safety in AI-driven analysis, a double human review was established. The first review identified discrepancies between AI and human analysis, highlighting 17 documents for further examination. Expert reanalysis confirmed AI accuracy in 4 cases and human accuracy in 13. Additionally, a random sample of 12 papers, where both AI and human analysis detected barriers, was re-evaluated by the authors independently to verify consistency across analyses. This two-tier review process aimed to maintain scientific rigour in AI-supported outputs for policy.

This meta-analysis was then used to identify and develop the final taxonomy of barriers and to assign a weight – a measure of strength or intensity – to each identified barrier.

Figure 4. High-level logical query and command



The research team also conducted a survey. Although the survey mainly aimed to address the research needs of WP2, the capacity gaps and capacity needs assessment, some questions were also relevant for our work on policy barriers. The survey was conducted online using Microsoft Forms. After testing and revisions, it was launched on 23 April 2024 and closed on 24 May 2024. A group of potential respondents was initially identified based on publicly available information, secondary literature and recommendations from climate finance experts. In cases where responses were not received, a snowball sampling approach was used to reach individuals considered capable of assessing the situation. Respondents were also encouraged to share the survey with others knowledgeable about inclusive climate finance. The survey was closed once a good representation of each country, based on respondents' work locations, was achieved. It was assumed that individuals working in a specific country, even if not currently based there, would be more qualified to assess the development needs of climate professionals in that country.

The survey focus was mainly on capacity needs and gaps, but part of it also targeted identifying and ranking policy barriers to climate finance.

2.2 Interviews

The process to identify experts for interviewing was conducted through several rounds of stakeholder engagement. First, we used our own professional network to identify potential interview participants, including contacts from our colleagues at Stockholm Environment Institute. As a next step, we used a snowballing technique based on internet research to identify appropriate interview participants. We also used contacts from our survey who agreed to be contacted for further enquiries. In total, we were able to identify 124 experts in several rounds. Once experts had been identified, the research team collectively developed a questionnaire of 13 questions aimed at furthering our understanding of climate finance and barriers to climate finance policymaking. A list of the questions can be found in the Annex A. A standardized invitation email was sent out, as well as an ethics agreement and a description of the project. To our surprise, many of our invitees either declined the interview (mostly because they did not feel competent in the field of climate finance) or never replied to our query, which prolonged the process significantly. In the end, we managed to secure a total of 37 interviews, distributed among the target countries. Actual interviews lasted between 30 and 60 minutes and took place online between March and August 2024.

As far as the analysis is concerned, a textual analysis was used to summarize key insights of the interviews in an open coding procedure. Moreover, based on first insights from the literature review and our experience of analysing the interviews, we constructed a table with a typology of barriers to climate finance and climate finance policymaking, as shown below. This was supposed to help analyse the interviews by giving the textual analysis some structure and also to allow for rudimentary comparability.

Table 1. Typology table

Barriers to climate finance	Descriptions of barriers
Definition and research barriers	These speak of the lack of definition of what climate finance is or what climate projects are.
Market barriers	Barriers on international or national markets, such as perceived risks, low returns, etc.
Economic barriers	Barriers related to the economic situation in the country or internationally
Capacity/expertise barriers	Stakeholders don't know enough about climate finance and/or how to mobilize climate finance.
Cultural barriers	Cultural factors hinder the flow of climate finance.
Social barriers	Societal barriers hinder the flow of climate finance.
Other	If other, please describe and suggest category.
Barriers to climate finance policymaking	
Monitoring and data availability	Policy- and decision-makers lack monitoring and data about climate finance and its flows.
Awareness and understanding	Policymakers are not aware of climate finance mechanisms and supportive policies or don't understand them.
Regulatory barriers	Absence of rules and regulations; red tape
Political barriers	Lack of interest or political will of decision-makers
Governance and coordination barriers	This reflects the climate finance governance barriers, such as the lack of communication between involved ministries or the fact that climate finance doesn't have a responsible ministry, etc. This applies to climate finance in general, but not to climate finance policies, for which we have subcategories in this sheet.
Other	If other, please describe and suggest category.

This table was used to tally up mentions of barriers to both climate finance and climate finance policymaking. Researchers used their best judgement in how to categorize and code information obtained in the interviews. Tallies usually included one mark for one mention of a barrier per question/answer. However, if the interview participant mentioned the same barrier another time later (or earlier)[1] in the interview process independently of a prompt, each mention was tallied up as one additional mark. While this method is still rather subjective in nature (what counts as an independent second, third or even fourth mention?) and categorizing the barriers is a subjective approach, we aimed to get at least a vague understanding of which barriers were mentioned more often, thus indicating that they were deemed more important by interview participants. That way, some initial estimates about a barrier's importance could be made in a qualitative manner. However, it is important to note that those are only indications and more research is needed to solidify these insights, especially on the importance of barriers (it might be the case that an interview participant working in a regulatory function speaks more about regulatory barriers, thus biasing his/her assessment from a specific viewpoint).

1 Some interview participants "pre-empted" some questions, in the sense that they provided answers to a later question (without knowing the later question) in a previous question.

2.3 Focus group discussions

The methodology for FGDs was designed to validate findings from the previous work steps (literature review, interviews) of this project.

FGDs pursued the following objectives:

- Validate findings from key informant interviews and surveys, particularly regarding the policy barriers identified in previous steps of the research pipeline.
- Gather additional insights on barriers and challenges to climate finance that may have been previously overlooked.
- Engage participants in collaboratively brainstorming solutions to address the identified barriers.

A list of key questions and insights was prepared by the research team to structure the discussions, focusing on both validation of findings and exploration of new insights. FGDs were conducted with selected stakeholders – such as policymakers, government officials, climate finance practitioners and representatives from non-governmental organizations (NGOs). Each FGD followed a structured approach to ensure participatory discussion, particularly during the solution-brainstorming sessions.

Experts in climate finance and policy moderated the sessions. Each discussion was recorded with participant consent, and detailed notes were taken to capture qualitative data on participant experiences and perspectives. The FGDs were planned as half-day sessions, with the initial part dedicated to discussing barriers, followed by brainstorming on potential solutions.

Using all the methods mentioned above, we were able to gather the following insights.

3. Results

3.1 The systematic literature review and meta-analysis

Using the structured methodology outlined in the previous chapter, this study employed a LLM to analyse a curated dataset of 111 peer-reviewed academic articles. Through a two-step process, comprising document-level analysis and subsequent thematic clustering, the LLM identified a total of 84 unique constituent barriers that impede the flow of private finance towards climate adaptation. These barriers were then grouped into seven overarching barrier themes, shown in Figure 5, based on semantic similarity, frequency of occurrence and their relevance to adaptation finance dynamics.

Each barrier theme highlights specific structural, informational or institutional challenges, as outlined below:

- **Financial and market barriers.** These barriers include broad financial constraints and market inefficiencies that limit the flow of private capital into climate adaptation. Examples include limited access to suitable financial instruments, high costs of capital, and underdeveloped markets for adaptation-related investments.
- **Information asymmetry and lack of transparency barriers.** This theme addresses barriers caused by incomplete, unreliable or inaccessible information on climate risks, adaptation outcomes and project financial performance. Such information gaps hinder investors' ability to evaluate risks and make informed decisions.
- **Misaligned incentives and short-term focus barriers.** These barriers demonstrate a mismatch between the long-term benefits of adaptation and the short-term returns favoured by many investors. They also involve distorted risk signals from public subsidies and an institutional bias towards mitigation over adaptation.
- **Capacity constraints and lack of expertise barriers.** This includes technical, institutional and human resource limitations that prevent stakeholders – particularly in the private sector, financial institutions and local communities – from effectively designing, financing or implementing adaptation projects.
- **Policy and regulatory barriers.** This category involves challenges related to inadequate or unclear policy frameworks, regulatory uncertainty, weak enforcement mechanisms and inconsistent signals from public authorities that discourage private investment in adaptation.
- **Social and cultural barriers.** These refer to sociocultural factors that can indirectly restrict adaptation finance, such as low public awareness of climate risks, differing stakeholder priorities, perceived inequities in project design, or exclusion of local actors from decision-making processes.
- **Other barriers.** This category includes standalone or highly context-specific barriers that do not fit into the previous themes. Although diverse, these barriers, such as Covid-related financial uncertainties or issues with technology transfer, provide important insights into the broader challenges of adaptation finance.

Figure 5 displays the distribution of the 84 individual barriers across these themes, emphasizing their frequency and importance within the existing literature. Sub-themes within the main categories were autonomously identified by the AI and are presented in Annex B.

Figure 5. Barrier themes by number of constituent barriers

Since policy barriers are the main focus of this study, we chose to describe these obstacles in more detail. Nine barriers were identified as policy or regulatory. These include the lack of clear national climate pathways, which prevents investors from aligning with country goals, and unclear mandates for local governments, leading to inconsistent implementation. An unfavourable policy environment and fragmented regulations further discourage private sector engagement. Basel III-related constraints and the absence of green lending guidance increase capital costs, while unclear or shifting regulations raise risk. Inadequate frameworks, delayed implementation and weak political support, such as the lack of strong coalitions, reduce investor confidence and limit adaptation finance.

Figure 6. Policy and regulatory barriers

Absence of Clear National Climate Pathways	Lack of defined, actionable low-carbon or climate-resilient transition pathways hinders alignment of private investment with national goals. Investors cannot assess if their projects support climate priorities.
Lack of Clarity on Local Government's Role	In Nepal and similar settings, local governments have important roles but unclear mandates, which can lead to the exclusion of marginalized communities and inconsistencies in applying climate finance policies.
Unfavorable Policy Environment	Fragmented policies and corruption in government agencies create a non-conducive environment for private sector participation in climate adaptation.
Regulatory Constraints	Financial regulations like Basel III emphasize financial stability but do not consider climate risk. Higher capital requirements and a lack of green lending guidance disincentivize banks from financing adaptation projects.
Unclear Regulatory Environment	In many countries, frameworks for private engagement in adaptation are either unclear or missing. Lack of guidelines, implementation plans, and M&E frameworks deter investment.
Regulatory Risk	Fear of sudden policy changes (e.g., removal of subsidies, new planning procedures) creates uncertainty and makes investors cautious.
Inadequate Policy and Regulatory Frameworks	Inconsistent policies (e.g., absence of take-or-pay clauses in PPAs) increased risk and discouraged engagement. In Vietnam, there has been limited investment in renewable energy.
Limited Implementation of Government Plans	Delayed or unfulfilled implementation and reliance on unpredictable ODA signal unreliability to investors.
Lack of a Tight Coalition and Supporting Policies	Delayed or unfulfilled implementation and reliance on unpredictable ODA signal unreliability to investors.

The AI algorithm grouped both policy and regulatory barriers into a single category (Annex B; Figure 5), as the terms are often used interchangeably; however, the supporting literature indicates meaningful differences between policy and regulatory barriers in climate adaptation finance. Specifically, policy barriers refer to high-level governance issues, such as national planning, unclear institutional mandates and a lack of incentives, while regulatory barriers involve binding legal frameworks and financial standards that directly influence investment behaviour (Bisaro & Hinkel, 2018; Hafner et al., 2019; Pauw & Pegels, 2013; Vedage & Bhullar, 2024; Kidane et al., 2023).

The following five barriers, we believe, relate strictly to policy:

- **Absence of clear national climate pathways:** In many countries, there's still no clear, actionable roadmap for shifting towards low-emissions, climate-resilient development. This lack of policy direction creates uncertainty for financial institutions, making it harder for them to judge whether their investments are in line with national climate goals, and often leading to confusion or a heightened sense of risk (Ranabhat et al., 2018; Kafle et al., 2022).
- **Lack of clarity on local government's role:** This barrier is especially pronounced in countries such as Bangladesh and Nepal, where the role of local governments in applying or implementing climate finance remains limited. This leads to informational asymmetries, inconsistent policy application and exclusion of marginalized communities (ADPC, 2023; Ayers et al., 2011).
- **Unfavourable policy environment.** Fragmented or conflicting national policies, aggravated by governance weaknesses such as corruption, create a non-conducive environment for private sector involvement in adaptation finance (Islam & Mohd-Nor, 2017; Lehman et al., 2015).
- **Limited implementation of government plans.** Adaptation strategies and Nationally Determined Contribution (NDC)-related plans are often under-implemented or reliant on unstable external finance (e.g. official development assistance, ODA), which reduces their credibility in the eyes of private investors (Kissinger et al., 2019; Fiscal Policy Agency, Ministry of Finance, 2019).
- **Lack of a tight coalition and supporting policies.** Promising adaptation solutions, such as community-based models in Bangladesh, remain underfunded due to lack of political support, inter-agency coordination or financial incentives (Islam & Mohd-Nor, 2017; Ayers et al., 2011).

Four barriers out of the identified nine relate to regulatory obstacles rather than policy:

- **Regulatory constraints.** Prudential frameworks such as Basel III, while essential for financial stability, do not account for climate risks. As a result, banks face higher capital requirements when financing adaptation projects, especially those seen as higher risk or lacking strong credit ratings (see also barrier 51 (Annex B)). This reduces the attractiveness and availability of climate finance (Battiston et al., 2021; Lehman et al., 2015).
- **Unclear regulatory environment.** The lack of well-defined, enforceable regulatory pathways for adaptation investment leads to uncertainty. This is particularly urgent in countries where adaptation projects are not clearly distinguished from general development finance (Maria et al., 2023).

- **Regulatory risk.** Policy reversals, frequent and sudden changes to regulations, or removal of subsidies (e.g. energy support) create uncertainty among investors (Golub et al., 2018; Islam & Mohd-Nor, 2017).
- **Inadequate policy and regulatory frameworks.** In an Asian context, in countries such as Viet Nam, the lack of take-or-pay clauses in Power Purchase Agreements (PPAs) undermines investors' confidence. These clauses would usually ensure a return regardless of demand and are essential for de-risking adaptation investments (Kafle et al., 2022).

These barriers highlight the complex and intertwined policy and regulatory challenges that hinder the flow of private investment to climate adaptation projects. A lack of clear frameworks, unstable regulations and inadequate incentives together create an environment of uncertainty and risk, discouraging the private sector from investing in adaptation initiatives. Lifting these barriers requires coordinated policy development, robust regulatory frameworks and targeted incentives to create a favourable climate for private sector engagement in climate adaptation finance.

These barriers were later used to develop the survey questionnaires and semi-structured interview questions, and were further discussed in the focus groups for validation in the country contexts. See Box 1 for further explanation of the ranking of barriers by participants.

BOX 1: RELEVANT RESULTS FROM THE SURVEY

As mentioned above, the research team used the survey described in the methods mainly to identify capacity gaps and capacity needs for better climate finance policies and policymaking as per the requirement of WP2. However, one question included information about policy barriers to climate finance flows and climate finance policymaking that allowed survey respondents to select five important barriers out of eight barriers to climate finance and climate finance policymaking that were suggested to them. The following table shows how frequently each barrier was ranked as the number-one priority by respondents in each country. Based on how often a barrier received a first-place ranking, we then assigned an overall rank from 1 to 8 (most important to least important) to indicate its relative importance in each national context.

One can see that the lack of capacity to deliver effective and inclusive climate finance is ranked highly in all countries (the number-one barrier in Cambodia, Nepal and Thailand), while the lack of appropriate risk disclosure was mentioned most often in Bangladesh.

Respondents were also allowed to choose to answer the question in an open manner and provide their take on barriers to climate finance and climate finance policymaking. Here are some barriers mentioned by the respondents that were initially not in the predefined list of eight barriers: for Thailand, one respondent argued that the kingdom does not treat climate action as a priority, while another mentioned policy incoherence and fragmentation as the main barrier in Thailand.

Barriers	Bangladesh	Cambodia	Nepal	Thailand
Lack of capacity to deliver effective and inclusive climate finance	2	1	1	1
Lack of meaningful inclusion of vulnerable groups and communities in decision-making about climate finance policies and implementation in our country	5	2	2	2
Lack of appropriate risk disclosure, accountability and transparency policies of international climate finance sources, and unsupportive of the principles of gender equality, human rights and social inclusion	1	3	3	3
Lack of appropriate financial products and services for vulnerable groups and communities	4	5	4	4
Lack of coherent and robust climate finance policies	3	4	5	5
Lack of political will	6	6	6	6
Lack of organizational support for effective and inclusive climate finance in my country	7	7	7	7
Lack of de-risking approaches and tools (e.g. first-loss mechanisms)	8	8	8	8

Moreover, risk disclosure requirements and transparency provisions (of donors) often hinder climate finance. Also, marginalized communities are not sufficiently included in climate finance debates, another barrier according to this stakeholder. One Cambodian respondent stated that international donors often impose their own priorities rather than aligning with national systems and strategies. This can result in funding mechanisms that are not well suited to the country's specific climate finance needs. And one respondent from Nepal observed that while Nepal has introduced some innovative climate finance instruments, these mechanisms suffer from weak implementation because bureaucratic inefficiencies, lack of technical capacity and inadequate monitoring hinder their effectiveness.

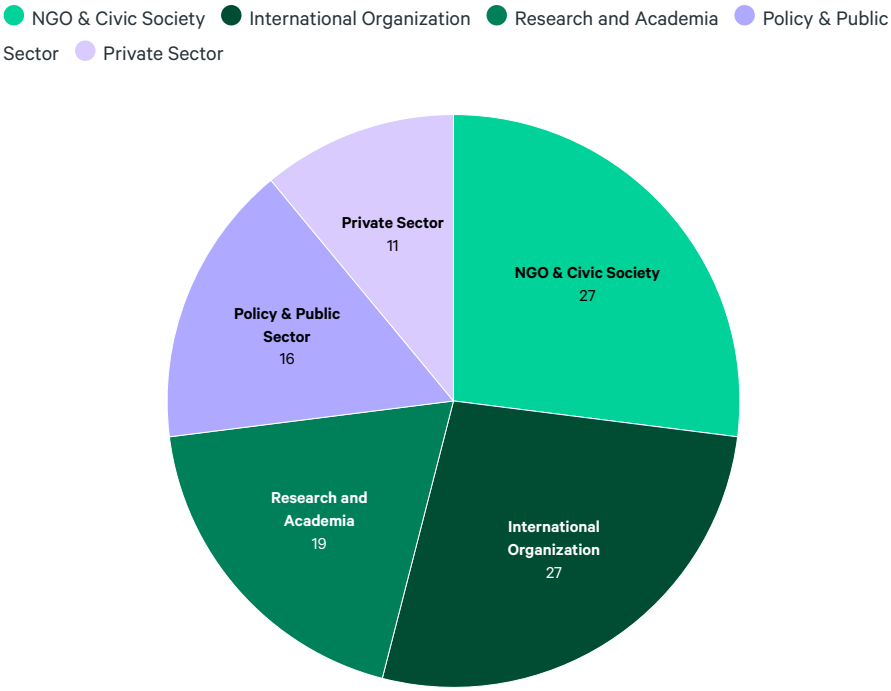
Together, the literature and survey emphasize that strengthening institutional capacity, ensuring inclusive governance, and improving the coherence and credibility of climate finance policies are essential to unlocking private sector engagement in adaptation finance.

3.2 Insights from the interviews validated by focus group discussions

In order to investigate whether barriers to climate finance and climate finance policymaking found in the global literature were also relevant to our four target countries, we conducted 37 semi-structured interviews with stakeholders in Bangladesh, Cambodia, Nepal and Thailand.[2] This was also deemed necessary since the academic as well as grey literature on climate finance barriers in the four target countries is comparatively scarce (see also Section 4).

Figure 7 provides an overview of the institutional backgrounds of interviewed stakeholders.

Figure 7. Interview participant demographics by organization



Although we aimed at having representatives from the policy sphere as interview participants, unfortunately, only three were available for interviews. The majority of our interview participants hailed from international organizations and the NGO/civic society sector. The following paragraphs describe the results per country.

2 In Nepal, four stakeholders joined during one group interview. We count those interviews as four individual contributions.

Bangladesh

For Bangladesh, the interviews covered the total of nine experts representing various areas of engagement, including government, private sector, academia and NGOs. The full interview participant demographic is presented in Table 3.

Table 2. Interview participant demographics by affiliation, Bangladesh

No.	Interview participant's (IP's) occupation	Interview participant's affiliation	Gender
IP1	Joint director	Bangladesh Bank	Male
IP2	Deputy director	International Centre for Climate Change and Development (ICCCAD)	Male
IP3	Climate finance consultant	Private	Male
IP4	Researcher	International Centre for Climate Change and Development (ICCCAD)	Female
IP5	Deputy secretary	Economic Relations Division, Government of Bangladesh	Female
IP6	Trainer	Bangladesh Public Administration Training Centre	Male
IP7	Regional adviser on climate finance	Macroeconomic Policy and Financing Division, UN ESCAP	Male
IP8	Climate activist	Civil society	Male
IP9	Climate change expert	World Bank	Male

Funding priorities and funding gaps

Interview participants identified several priority areas for funding, the most mentioned being renewable energy, disaster management, coastal protection, agriculture, water management and flood control.

The interview participants highlighted that the current funding priorities in Bangladesh are mainly focused on **adaptation** due to the country's high vulnerability to climate change impacts[3],[4]. The National Adaptation Plan (NAP), the Delta Plan 2100 and the Mujib Climate Prosperity Plan outline the key areas for investment, including infrastructure development, disaster risk management, and resilience building in sectors such as agriculture and water resources. Thus, there seems to be a lack of mitigation funding according to engaged experts.

However, there seems to be a consensus that **funding for adaptation is insufficient**,[5] with a significant gap between the estimated needs and the actual finance received.[6] The interview participants highlighted the challenges of accessing international climate finance due to complex procedures, strict requirements and a lack of capacity of bureaucrats.[7] The Bangladesh Climate Change Trust Fund was mentioned as a source of national climate finance, but its resources are limited.[8]

3 IP6
4 IP9
5 IP5
6 IP9
7 IP2; IP6; IP9
8 IP3; IP9

While **mitigation** is also recognized as important, it receives less focus in terms of funding allocation. The interview participants pointed out the need for increased investment in renewable energy, energy efficiency and electric vehicle (EV) transport to reduce greenhouse gas emissions and achieve the targets set in the NDCs.[9] The private sector's role in mitigation finance is recognized, but barriers such as lack of awareness and capacity, as well as policy inconsistencies, hinder its engagement.

The interview participants also identified **funding gaps in addressing the needs of vulnerable communities**, particularly women and marginalized groups.[10] They emphasized that it's important to ensure inclusivity in climate finance policies and projects, collect gender-disaggregated data, and address social and cultural barriers that prevent these communities from accessing climate finance.[11]

Overall, the interviews concluded that there is a **significant funding gap** for both adaptation and mitigation in Bangladesh, with a particular need for increased mitigation finance and greater inclusivity in reaching vulnerable communities.

Barriers to climate finance

The interviews identified several barriers that may hinder the flow of climate finance to the most crucial areas in Bangladesh, such as:

Capacity and awareness gaps: The interview participants mentioned that there is a lack of awareness and capacity among various stakeholders, including government officials, the private sector and local communities. This gap hinders the development and implementation of effective climate finance projects. The private sector needs more support in getting to know, understand and access climate finance opportunities.[12]

Data and information gaps: The interviews revealed a lack of reliable and accessible data on climate risks and vulnerabilities, which makes it difficult to design and implement targeted climate finance projects. The absence of a comprehensive climate database and gender-disaggregated data further complicates the assessment of needs and the monitoring of progress.[13]

Institutional and governance challenges: The interview participants mentioned a critical gap in the availability of reliable and accessible data on climate risks and vulnerabilities. This lack of information makes it challenging to design and implement targeted climate finance initiatives. The situation is further complicated by the absence of a centralized climate database and the limited availability of gender-disaggregated data, both of which are critical for accurately assessing needs and tracking progress.[14]

9 IP3; IP9
10 IP4; IP5; IP6
11 IP4; IP6
12 IP1; IP3; IP6; IP9
13 IP4; IP6
14 IP5; IP6; IP9

Social and cultural barriers: The interviews highlighted the influence of social and cultural norms on climate finance. These barriers include, for instance, stigma associated with mental health issues arising from climate change impacts on women, gender disparities in accessing finance, and a lack of trust in new and sustainable technologies. The interview participants stressed the importance of addressing these barriers through education, raising awareness and community engagement.[15]

Economic constraints: The interview participants acknowledged the economic challenges faced by Bangladesh as a low income country, which limit the availability of national budget financing climate efforts. The high cost of capital and the perceived risks associated with climate projects also discourage private sector investment. The interview participants suggested innovative financing mechanisms, such as blended finance and guarantees, to overcome these barriers. On the other hand, the interview participants expressed a concern that Bangladesh graduating from the category of least developed countries (LDCs) could significantly decrease the flow of ODA to the country.[16]

These barriers, combined with the policy-related challenges, create a complex landscape for climate finance in Bangladesh.

Barriers to climate finance policymaking

The interviews provided valuable insights into the policymaking-related barriers to the increased flow of climate finance in Bangladesh. These barriers are as follows:

Centralization: One of the most commonly raised concerns was the heavy centralization of decision-making and project approvals. Local governments and communities are often left out of key decisions and have limited access to climate finance. This disconnect slows things down, creates inefficiencies and results in policies that miss the mark on local priorities. Several interviewees emphasized the importance of giving more power and responsibility to local authorities, so they can lead and manage climate finance efforts that are better aligned with the needs on the ground.[17]

Lack of capacity and awareness: One issue that came up often in the interviews was that many people involved, from government staff to businesses and local communities, simply don't have the knowledge or skills needed to work with climate finance. There's still confusion about how it functions, how to turn plans into real projects, and how these investments can actually benefit people and the economy. Interviewees highlighted the need for focused capacity-building efforts to close these knowledge gaps and provide people with the skills needed to take meaningful action.[18]

Lack of enforcement and coordination: Interviewees also pointed out that government agencies working on climate finance often struggle to coordinate or

15 IP4; IP6
16 IP3; IP6; IP9
17 IP5; IP6; IP9
18 IP2; IP6

enforce policies effectively. As a result, good plans don't always turn into real action, and important opportunities are missed along the way.[19]

Limited private sector engagement: Interviewees pointed out that the private sector is still very limited when it comes to climate finance. This is mainly due to unclear regulations, weak incentives and limited capacity. Many participants stressed the importance of creating policies that make it easier and more appealing for businesses to invest in climate-friendly projects and technologies.

Lack of transparency and accountability: Some interviewees raised concerns about how climate finance is managed, especially when funds come from national sources. They pointed to a lack of transparency and accountability, which can create opportunities for misuse and reduce the overall effectiveness of these initiatives. To address this, participants called for better monitoring and evaluation systems to ensure the money is spent well and reaches the people and projects that need it most.[20]

Policy incoherence: While less frequently mentioned than other barriers, policy incoherence was also identified as a challenge. This refers to inconsistencies and conflicts between different policy frameworks, which can create confusion and hinder the effective implementation of climate finance initiatives. An example of the latter is a policy that effectively makes it impossible to register an EV with a licence plate, as EVs have no engine, thus limiting the spread of EVs in the country, in contradiction to the NDC commitments. The interview participants emphasized the need for better alignment and coordination between various policies related to climate change and development.

These policy-related barriers, along with the non-policy challenges, pose significant obstacles to the increased flow of climate finance in Bangladesh. Addressing these barriers will require a comprehensive approach involving policy reforms, institutional strengthening, capacity building and improved coordination among various stakeholders.

Vulnerable communities

The interviews present a mixed perspective on whether climate finance in Bangladesh adequately reaches vulnerable communities. While some interview participants acknowledge that many projects target vulnerable groups and that policies recognize their needs, others point out significant gaps and challenges in reaching these communities effectively. We found the following common themes as interview participants addressed the topic of vulnerable communities:

19 IP3; IP9
20 IP5; IP6

Targeted efforts but insufficient reach: One interview participant[21] highlights that most projects funded by development partners specifically target vulnerable communities, and policies such as the Mujib Climate Prosperity Plan prioritize their needs. However, another interview participant[22] argues that climate finance often leaves marginalized communities further behind.

Data and awareness gaps: The lack of gender-disaggregated data and limited awareness among vulnerable communities about available climate finance options were identified as barriers to inclusivity. One interview participant[23] emphasizes the need for better data collection and targeted capacity building to address these issues.

Implementation challenges: Even when projects target vulnerable communities, implementation challenges persist. One interview participant[24] points out that strict project requirements and monitoring mechanisms can hinder local NGOs from accessing international climate finance, limiting their ability to support vulnerable groups.

Overall, the interview participants suggested several ways to improve the inclusivity of climate finance in Bangladesh. These include:

- Relaxing standards and requirements for vulnerable communities to access international funds.
- Increasing the involvement of NGOs in project design and implementation.
- Developing innovative financing mechanisms, such as anticipatory action, to address the needs of vulnerable communities before disasters strike.
- Collecting gender-disaggregated data and addressing social and cultural barriers that prevent marginalized groups from accessing climate finance.
- Prioritizing projects that address the specific needs of vulnerable communities, such as those related to mental health, reproductive health, and accessibility for people with disabilities.

In conclusion, while there are targeted efforts to reach vulnerable communities with climate finance in Bangladesh, significant gaps and challenges still remain.[25]

Interaction with other policy areas and success stories

The interview participants generally agree that efforts are being made to align climate finance policies with other existing policy frameworks in Bangladesh. The Ministry of Environment, Forest and Climate Change collaborates with other ministries, such as the Ministry of Finance and the Ministry of Local Government, to ensure coordination and coherence. The development of the Climate Fiscal Framework and the integration of climate considerations into national plans such as the Mujib Climate Prosperity Plan and the Bangladesh Delta Plan 2100 further demonstrate this alignment.[26]

21 IP5
22 IP8
23 IP6
24 IP3
25 IP4; IP5; IP6; IP8
26 IP1; IP2

However, challenges persist in achieving complete policy coherence, which we use here and in the following to mean alignment and consistency of policies across different departments, sectors and level of government. The interview participants point out inconsistencies between different policies, such as the mismatch between renewable energy targets in the Mujib Climate Prosperity Plan and the Integrated Energy and Power Master Plan.[27] The lack of effective enforcement and coordination among government agencies can also lead to policy gaps and implementation challenges.

Success stories

The interview participants highlighted a few successful climate finance initiatives in Bangladesh:

- **Solar Home System program.** This program, supported by the World Bank and carbon finance, has enabled widespread access to electricity in rural areas through the installation of millions of solar home systems.[28]
- **Community-based adaptation projects.** Several interview participants mentioned successful community-based adaptation projects, particularly those focused on locally led adaptation and empowering vulnerable communities. The interviews cited examples such as floating gardens and saline-tolerant rice varieties.[29]
- **The Resilience and Inclusive Growth in Urban Bangladesh (LoGIC) Project.** This project, funded by the Swedish government and implemented by the UN Development Program (UNDP), the UN Capital Development Fund (UNCDF) and the EU, was recognized for its innovative approach to addressing climate vulnerabilities in urban areas.[30]
- **Gender-Responsive Coastal Adaptation (GCA) project.** This project, funded by the Green Climate Fund (GCF), focuses on providing safe drinking water and livelihood opportunities for women in coastal regions affected by salinity intrusion.[31]

Overall, the interviews suggest that while there have been some successful climate finance initiatives in Bangladesh, challenges remain, and addressing these challenges will require a concerted effort from the government, international organizations, the private sector and civil society to strengthen policy coherence, improve capacity and awareness, and promote transparency and accountability in climate finance.

27 IP2; IP9
28 IP3
29 IP5; IP6
30 IP5
31 IP4

Summary table of barriers

Table 3 gives an overview of how many times specific barriers were mentioned by interview participants in Bangladesh.

Table 3. Table of barriers, Bangladesh

Barriers to climate finance	Number of interview participants (IPs) that identified barrier (total of 9 IPs)	Number of times barrier was mentioned
Definition and research barriers	5	12
Market barriers	4	9
Economic barriers	9	32
Capacity/expertise barriers	9	31
Cultural barriers	5	10
Social barriers	8	18
Other	2	4
Barriers to climate finance policymaking		
Monitoring and data availability	7	24
Awareness and understanding	9	27
Regulatory barriers	8	25
Political barriers	8	27
Governance and coordination barriers	9	32
Other	3	8

Reflections from the focus group discussion

The FGD included 14 participants from various backgrounds, representing crucial sectors involved in climate finance. Among them, there were four participants from NGOs, including organizations such as Swisscontact Bangladesh and WaterAid Bangladesh, while four others represented private sector entities such as Truvalu Bangladesh and Bangladesh Petrochemical Company Limited (BPCL). Three participants were from government institutions, including the Infrastructure Development Company Limited (IDCOL) and the Economic Relations Division. Additionally, one participant represented the climate research sector from the Centre for Climate Change and Environmental Research (C3ER) at BRAC University. The mix of stakeholders allowed for a well-rounded discussion on policy barriers from multiple perspectives, ensuring that insights reflected experiences across governmental, private and civil society sectors.

The FGD corroborated many of the concerns raised during the interviews. Participants repeatedly pointed to inefficiencies in how climate finance is managed. A big issue was the over-centralized approach to decision-making. While the Ministry of Finance takes the lead on most climate finance matters, other ministries lack clear roles and the necessary structure to work together effectively. For example, although the Ministry of Environment is expected to lead climate finance policy, its hands are often

tied due to overlaps with the Ministry of Planning and the Ministry of Industries. These overlaps create confusion, slow things down and make it harder to roll out projects on the ground.

Participants also talked about the lack of strong business cases for climate investments, especially when it comes to adaptation. According to many, international investors are hesitant to step in because there aren't enough reliable financial tools or systems to reduce risks. One clear example they gave was the renewable energy sector; even though the government has set ambitious goals, investment has been sluggish. Smaller businesses face even more difficulties. Many lack financial literacy or entrepreneurial experience, which makes it hard for them to build solid climate-related proposals. A few people suggested that microfinance institutions could help, but existing regulations make it hard for them to expand their role in this space.

Policy was another major focus. Like the interviews, the FGDs highlighted unclear rules and poor enforcement as major roadblocks. But participants also went deeper, saying that climate action isn't a high enough priority in national planning. Some thought that the country already has good frameworks in place, pointing to things such as the Climate Fiscal Framework and the Mujib Climate Prosperity Plan. Others disagreed, saying that even with strong plans on paper, the actual steps for making them happen are vague or missing. One participant felt coordination between ministries was working fairly well, but others pushed back, saying responsibilities are still too blurry and accountability isn't clear.

Data management came up as a major concern. Participants agreed that Bangladesh lacks a unified system for tracking climate finance. Monitoring and evaluation are weak, and even when data is collected, it often doesn't get to the people who need it. One specific issue mentioned was the difficulty local governments have in knowing how much climate money they're actually receiving and how it's being spent. Without proper reporting systems, funds meant for climate adaptation can easily be redirected to other projects. Several participants also described the long, frustrating process of applying for international funding such as from the GCF, saying that bureaucracy and unclear rules often get in the way.

When it came to solutions, participants had a few concrete ideas. One major proposal was to create a national database for climate finance. This system should not only track incoming funds, but also monitor project progress and impact. Regular audits would help make sure funds are being used properly. Another suggestion was to improve communication between the government and international donors. Participants said future funding agreements should include clear processes to make sure money gets where it's supposed to go.

To fix the problem of fragmented decision-making, the group recommended appointing a climate finance coordinator within the government. This person would help different ministries work together and also engage with civil society groups and businesses. They also proposed creating a Climate Finance Task Force that brings together officials from key ministries, banks and donor agencies. This group would be in charge of making sure policies are implemented and barriers are addressed. Finally, participants stressed that applying for international climate finance should be simpler. They noted

that while there are already incentives for renewable energy, similar support should be extended to nature-based and community-led adaptation efforts.

The focus groups confirmed many of the earlier findings but also offered new ideas. The discussion brought to light the need for better data systems, clearer roles for different ministries, stronger engagement with international funders and more practical policy implementation. Examples such as slow progress in renewable energy, difficulties accessing global funds, and complex approval processes show just how urgently reform is needed. Without these changes, climate finance in Bangladesh will struggle to deliver results where they matter most.

Cambodia

Table 4. Interview participant demographics, Cambodia

Stakeholder number	Affiliation	Gender
IP2.1	Korea Development Bank	Female
IP 2.2	Asian Development Bank	Female
IP 2.3	Royal University of Phnom Penh	Male
IP 2.4	Royal University of Phnom Penh	Male
IP 2.5	University of Wisconsin–Madison	Male
IP 2.6	Mekong Strategic Capital	Female
IP 2.7	World Wildlife Fund	Male
IP 2.8	NGO Forum on Cambodia	Male
IP 2.9	National Bank of Cambodia	Male
IP 2.10	UNDP	Female

Funding priorities and funding gaps

Interview participants mentioned several key priority areas for Cambodia, including areas of adaptation and mitigation. Commonly cited sectors include energy, agriculture, forestry and land use, and natural resource management. Building climate resilience also emerged as a theme across several interviews as a priority area of the Cambodian government.[32]

Cambodia's **energy** sector aims to reduce emissions and enhance energy efficiency, as interview participants identify key policy targets such as decarbonization by 2030, overall carbon neutrality, and net zero by 2050. The expansion of renewable energies is also a part of the energy discussion, particularly solar[33] and the adoption of EVs in the transport sector in alignment with the energy transition.[34]

Agriculture was highlighted in 8 of the 10 interviews as an important sector in enhancing sustainability. Climate-resilient agriculture[35] alongside more sustainable

32 IP 2.6; IP 2.7; IP 2.8
33 IP 2.2; IP 2.6; IP 2.7
34 IP 2.3; IP 2.7
35 IP 2.7

agricultural value chains[36] were mentioned by interview participants as priority adaptation areas. The enhancement of agricultural infrastructure and management was also identified as an adaptation measure,[37] which is closely linked to natural resource management.

Natural resource management, particularly of water, was mentioned alongside policies such as the Pentagonal Strategy Phase I,[38] an overarching development strategy bridging resilience and climate change by adopting five key priority areas – People, Road, Water, Electricity and Technology – or the new Environmental and Natural Resource Code, adopted in 2023, which aims to protect forest areas and natural resources.[39]

Forestry and land use were also recognized as priority areas, including a reduction in forestry emissions by slowing logging and deforestation,[40] accelerating afforestation, enhancing forest areas by 60%[41] and sustainable forestry. Approximately 80% of communities in rural areas depend on forests for food and potable water, which has resulted in the implementation of a law to prevent illegal timber logging.[42] The NDC outlines that all sectors aim to reduce emissions by 2030, starting with Forest and Other Land Use (FOLU), which targets the highest reductions, followed by the energy and agricultural sectors.[43] Each of the interview participants identifies key funding gaps and barriers to climate finance flow and climate finance policies.

Barriers to climate finance

The two most commonly identified barriers to climate finance in Cambodia are capacity/expertise barriers and market barriers.

Capacity/expertise barriers were mentioned in all 10 interviews, indicating challenges in mobilizing climate finance funds, as stakeholders lack information about climate finance. For instance, one interview participant pointed out that the concept of *climate change* is not yet fully understood, leading to a lack of integration of climate change information and budgeting across various sectors.[44] Other interview participants argued that companies lack existing measures to record the impacts generated from their projects, which can lead to harmful social and environmental side effects. One interview participant spoke on this issue and highlighted the dangers of climate finance projects, particularly hydropower dam projects.[45] This is not necessarily a barrier to climate finance, but rather a barrier to sustainable or *just* climate finance.

Similarly, Cambodia struggles with accessing funds due to its limited capacity to evaluate climate impacts using quantifiable metrics and risk management systems

36 IP 2.8
37 IP 2.2; IP 2.10
38 IP 2.3; IP 2.6
39 IP 2.1
40 IP 2.1; IP 2.6; IP 2.7
41 IP 2.4
42 IP 2.1
43 IP 2.1
44 IP 2.4
45 IP 2.5

(unspecified).[46] There are also issues with funding flows, from international to national and to local levels.[47] This includes uncoordinated climate finance projects that enter Cambodia or projects that attempt to bypass the government, which often fail to achieve a positive long-term impact.[48] Along with more funding going towards larger projects rather than smaller ones on the ground,[49] there is a gap in understanding climate finance frameworks among stakeholders. For example, one interview participant suggested that climate finance developers lack an understanding of the international climate finance framework and climate finance policies, making it challenging to properly develop climate finance projects funded by international donors.[50]

Market barriers were mentioned in nine interviews, as there is insufficient funding from the private and public sectors when it comes to climate finance projects in Cambodia. This is partly due to a limited public finance sector, with minimal lending support offered by banks and local banks due to higher risks associated with climate mitigation and adaptation projects.

Several factors contribute to these increased risks for local institutions involved in climate finance: there are challenges in accommodating higher interest rates of climate finance projects; local financial institutions have lower capabilities for risk assessments and limited capacity to design, implement and monitor climate finance; local banks are not used to making the type of loans used in climate finance and they are not incentivized (by the government) to do so.[51] In general, climate finance projects need to be implemented over longer time frames and have higher interest rates, which makes it difficult to get funding.[52] Climate finance projects also often lack investment readiness, characterized by insufficient project development capacity, limited project feasibility and viability, and limited project management capacity, which can hinder investment.[53]

Certain green projects have minimal economic returns and high risks,[54] while the capital market lacks transparent information for funding and financial instruments, such as blended finance or de-risking instruments.[55] In the national context, unstable market conditions in Cambodia – such as limited policy and regulatory frameworks, and unclear investment guidelines – impede the flow of climate finance. Additionally, the lack of a sovereign credit rating makes it challenging for domestic companies to secure international finance.[56]

The carbon market was given as an example of an unstable market,[57] where carbon credits are extremely low in Cambodia and certain projects (e.g. hydropower dam) do not apply for climate finance.[58] Insufficient access to funds also includes minimal

46 IP 2.6
47 IP 2.3
48 IP 2.7
49 IP 2.5; IP 2.10
50 IP 2.1
51 IP 2.6; IP 2.7
52 IP 2.6
53 IP 2.6
54 IP 2.2; IP 2.10
55 IP 2.1; 2.10
56 IP 2.10
57 IP 2.5; IP 2.7
58 IP 2.5

regulation to support private sector engagement in climate finance, although policies are moving more towards public–private partnership.[59]

The next most cited barriers were **economic barriers**, which are tied to insufficient resources and funding, related partly to Cambodia's economic status (as a lower middle income country).[60] Since Covid-19, tourism has not picked up to what it once was, making it challenging to invest in other sectors, such as energy efficiency or renewable energy.[61] For climate finance projects, the country depends more on external finance, having limited internal finance to allocate towards such projects.[62] That being said, there are still barriers that limit Cambodia's access to external funds, such as meeting criteria requirements, which will be discussed in the regulatory barrier section.

Societal barriers were not often mentioned but some interesting points were made, particularly concerning climate change. One interview participant noted that there is limited awareness and understanding of climate change among the general population,[63] while another interview participant emphasized the need for the civic education system to encourage citizens to play a critical role in climate mitigation and adaptation plans.[64] Lastly, Cambodia's problem with corruption was mentioned as a barrier to accessing climate finance funding, particularly when it comes to international investment.[65]

The barriers that were mentioned the least are **definition and research barriers**, **cultural barriers** and **other barriers**. Rather than a lack of understanding of what climate finance *is*, there is more of a lack of understanding of climate finance *impacts*. One interview participant argued that many climate finance projects have "no additionality", i.e. money sometimes flows towards a project that was going to be carried out regardless. Thus, these projects do not contribute to reducing greenhouse gas emissions and the incentive to assess their impacts is lost.[66] Another interview participant pointed out that a project-based approach to climate finance is a barrier because it often lacks holistic and multi-stakeholder elements.[67] Regarding cultural barriers, one interview participant discussed how language barriers and mistrust between local communities and climate finance projects can impede community engagement and participation.[68] The **other** category identified war and global conflict as a barrier to climate finance, as funding is diverted to these priority areas.[69]

59 IP 2.2
60 IP 2.1; IP 2.3; IP 2.5; IP 2.8
61 IP 2.7
62 IP 2.1; IP 2.2; IP 2.8
63 IP 2.6
64 IP 2.8
65 IP 2.1
66 IP 2.5
67 IP 2.8
68 IP 2.6
69 IP 2.8

Barriers to climate finance policymaking

The two most commonly identified barriers to climate finance policymaking in Cambodia, which are found across all 10 interviews, were regulatory barriers, and governance and coordination barriers.

Regulatory barriers encompass a wide range of challenges that obstruct climate finance policymaking. Three main themes emerged from the interviews: a lack of implementation of policies (beyond just adoption), a lack of policy frameworks, and difficulties meeting international funding criteria.

Firstly, implementation gaps can be found on domestic and international levels. In Cambodia, policies are developed on a national scale but often "stay" at this level due to budget issues and difficulty translating policy into implementation.[70] Policies that make it to the provincial levels (managed by a governor) often face issues with power delegation and leave many responsibilities (between national and local policymakers) unclear.[71] Moreover, after the policy development phase, there are challenges in implementing those policies due to limited resources, capacity and capital.[72] With regard to the international level, those policies around climate finance fail to account for Cambodian contexts and for what is happening on the ground.[73]

Four interview participants mentioned how there is a general lack of a policy or regulatory framework around climate finance.[74] For example, international climate finance policy frameworks are more developed than national policies in Cambodia.[75] Lastly, certain criteria to receive international climate finance funding are resource-intensive to comply with and demand significant coordination and alignment, such as quantifiable measures to evaluate the social and environmental impacts of the project. Interview participants noted how challenging it can be for Cambodia to meet these criteria, especially as funding pools can be competitive.[76] Interestingly, one interview participant was of the opposite opinion, arguing that those criteria should be set higher for all countries to receive climate finance funding, in the sense that international climate finance should involve more assessment of the social and environmental implications of projects.[77]

Governance and coordination barriers often include miscommunication between ministries, misalignment between climate finance and other sectors, absence of a leading government agency for climate finance, budget allocation issues and limited institutional capacities. The most cited governance and coordination sub-barrier is budget allocation issues,[78] such as inadequate budgeting across different sectors, misalignment between planning and budgeting, limited budget allocation at the local level, exclusion of mitigation and adaptation projects from major development plans

70 IP 2.2
71 IP 2.4
72 IP 2.8
73 IP 2.4; IP 2.9
74 IP 2.2; IP 2.6; IP 2.7; IP 2.8
75 IP 2.1
76 IP 2.3; IP 2.6; IP 2.9; IP 2.10
77 IP 2.5
78 IP 2.1; IP 2.2; IP 2.4; IP 2.6; IP 2.7; IP 2.8; IP 2.9; IP 2.10

and annual or medium-term budgets, and the absence of a clear national budget for climate finance.

Another interview participant mentioned power dynamics as a barrier linked to budget and coordination issues, where no one single ministry has authority over climate finance and there is not a special unit for climate change.[79] One interview participant identified the Ministry of Economy and Finance and the National Bank of Cambodia as needing to have a clear climate action plan, otherwise other ministries will not follow.[80] Another interview participant pointed out that the Ministry of Environment has the responsibility for connecting with key sectors and ministries to report progress on certain policies, but these coordination mechanisms are not yet in place. This prevailing "business as usual" approach makes it difficult for one ministry to have power, creating coordination issues between different ministries regarding the development and implementation of policies.[81]

This is seen with the lack of horizontal coordination and the misalignment between planning and budgeting, as projects don't often end up in major planning documents.[82] Although the government is trying to balance economic developments in response to climate change, Cambodia has a minimal climate-related expenditure, where the lack of climate change information in the budget makes it difficult to provide sufficient funding for priority areas.[83] The lack of a mediator role (between the public and private sectors),[84] fragmented coordination between different stakeholders[85] and a lack of government capacity (e.g. salary, robust proposal development)[86] make it challenging for climate finance to be integrated into policies. Minimal integration of climate finance policies with other sectors in Cambodia can lead to sector silos and disjointed communication across government bodies.[87] Not only does intra-coordination between ministries present a barrier but also inter-coordination between development partners.[88] For example, some climate finance projects are brought into Cambodia in an uncoordinated fashion, where various organizations and institutions are responsible for different aspects of one project, making it difficult to implement.

Monitoring and data availability barriers is the next category that was commonly mentioned among interview participants. In Cambodia, there is no unified platform to share information or data about policies, which leads to more administrative costs.[89] As previously mentioned, the limited availability of quality data on climate change impacts can hinder decision-making and process development, and limit the access to climate finance for projects. As information systems are not yet mainstreamed into governance procedures and there is limited data availability, the government does not know how much money to allocate towards climate actions.[90] Not only does this lack of data lead to budgeting issues, but it can also lead to harmful climate projects as

79 IP 2.2; IP 2.4
80 IP 2.4
81 IP 2.2
82 IP 2.10
83 IP 2.1
84 IP 2.4
85 IP 2.6
86 IP 2.6; IP 2.7
87 IP 2.6
88 IP 2.8
89 IP 2.1
90 IP 2.4

there is little to no monitoring of projects and their impacts. A complaint system is also lacking, which fails to provide an outlet for public input on projects and how they are affecting local communities.[91]

A common theme found across **political barriers** is the allocation of public funds, where the government does not put as much fiscal support towards climate finance policies or projects.[92] This is partly due to budget constraints but also climate change not being a priority for the government.[93] As a nuance, one interview participant notes that political commitments for climate finance exist but that funding remained the key barrier.[94] A different interview participant perspective emphasized the political system's lack of checks and balances, which contributes to a reduced political mandate for assessing the impacts of climate finance projects and impedes the free flow of information.[95] This follows the idea that the selection process of projects is flawed, as ministries often generally select projects with "unknown" impacts, where climate criteria is not a "selector".[96]

Barriers that were not mentioned as often but were still addressed in six of the interviews were **awareness and understanding barriers.** One of the overarching themes found in these barriers is that policymakers may not fully understand climate finance and how to translate it into implementation.[97] One interview participant mentions that a lot of time is spent on strategic lending governance (e.g. discussions on carbon markets) but not as much time on implementation, especially at the community level.[98] Another interview participant stated how in Cambodia it is unclear how climate finance will connect to the NDC and how those climate actions will be funded.[99] This leads to possible misunderstandings about climate finance mechanisms and how countries can draw from global funding. On a global level, international trends and policies sometimes fail to consider the national context Cambodia is embedded in, pointing to a mismatch between what international investors/donors think works for Cambodia versus what is actually needed on the ground.[100]

One theme that fits into the **other** category of barriers is the lack of consideration of public input. This includes input from the public on which projects should or should not receive funding, and civic participation in the process of mobilizing, monitoring and implementing climate finance.[101] This can lead to projects that produce negative impacts or fail to consider how they affect local communities.

91 IP 2.5
92 IP 2.2; IP 2.3; IP 2.7; IP 2.8
93 IP 2.2; IP 2.7
94 IP 2.9
95 IP 2.5; IP 2.7
96 IP 2.10
97 IP 2.1; IP 2.2; IP 2.4; IP 2.7; IP 2.9
98 IP 2.8
99 IP 2.7
100 IP 2.4; IP 2.9
101 IP 2.5; IP 2.6; IP 2.8

Vulnerable communities

When asked about the inclusion of vulnerable communities within climate finance projects and policies, most of the interview participants stated that these communities face several different barriers in accessing climate finance or their uneven implications of climate finance projects. Similarly, national budgets might not adequately consider local needs, which in turn affects local and vulnerable communities[102] by creating funding bottlenecks.[103] Implementors on the ground receive fewer resources compared to the institutional level (government), which leads to further issues with building capacity and mobilizing resources.[104]

Another issue is the lack of information systems in place that are bi-directional, i.e. between those carrying out the projects and those impacted by the projects. There is limited space and few systems in place for public engagement in climate finance, let alone for marginalized communities, particularly Indigenous groups and women, to provide input on projects.[105] At the other end, information about projects or the outcome of projects is seldom shared with the communities that are most affected by these projects.[106] The lack of feedback loops makes it difficult for vulnerable communities to participate in any stage of climate finance projects. This results in a knowledge gap regarding the beneficiaries of climate finance projects, as is evident with the limited inclusion aspect of projects.

Also, international projects often include a perspective of inclusion, while national projects are not there yet.[107] That being said, one interview participant noted that vulnerable communities are included by the Cambodian government in sustainable development and policy development. However, when integrating gender, social and environmental aspects into climate finance projects and policies, there is often a gap in understanding the impacts and a limited capacity for effective project development.[108]

Lastly, there is not yet a gender or environmentally inclusive policy approach in Cambodia.[109] The lack of environmental impact assessments (EIAs), environmental and social assessments (ENS) and gender assessments makes it difficult to properly include vulnerable groups in climate finance. These concepts of environmental or gender standards and assessments are mentioned across half of the interviews. One interview participant noted that EIAs are paid for by the same companies who are developing the projects and the government lacks funds to properly investigate EIAs. This interview participant advocated for more barriers to climate finance, as these climate finance projects often cause harm to vulnerable communities, where limited dividends and sustainable revenues are provided for local people who are affected by climate finance projects.[110]

102 IP 2.3; IP 2.5; IP 2.6; IP 2.7; IP 2.9
103 IP 2.5
104 IP 2.8
105 IP 2.5; IP 2.8
106 IP 2.8
107 IP 2.4
108 IP 2.9
109 IP 2.8
110 IP 2.5

Interaction with other policy areas and success stories

Although the integration of climate finance with other sectors was identified as a challenge under the governance and coordination barrier section, Cambodia is trying to integrate *climate* and social policies, especially regarding resilience and adaptation measures.[111] According to interview participants, climate finance interacts with other policy areas in a multitude of ways, such as the Pentagonal Strategy that aims to build resilience to climate change,[112] or the government proposing that the NDC can only be delivered on with the support of climate finance projects.[113] Other specific policies mentioned by the interview participants include the National Environmental Strategy and Action Plan (NESAP) 2016–2023, the National Agricultural Development Policy 2022–2030, and Cambodia's net zero ambitions. The Ministry of Finance, the Ministry of Environment and the National Bank of Cambodia are identified as important government agencies that work on topics interrelated to climate finance. Although fragmented coordination between ministries and sectors is recognized as a barrier, climate finance can be found across different sectors, such as industry, energy, agriculture, forestry and so forth. One interview participant draws a correlation between ecosystem service programs and climate finance, along with the alignment of REDD+ programs and climate finance.[114] The REDD+ programs are mentioned in four interviews as effective mediators that have successfully implemented climate finance-related projects.

Summary table of barriers

The following table gives an overview of how many times specific barriers were mentioned by Cambodian interview participants.

Table 5. Main barriers, Cambodia

Barriers to climate finance	Number of IPs that identified barrier (total of 10 IPs)	Number of times barrier was mentioned
Definition and research barriers	2	4
Market barriers	9	18
Economic barriers	7	9
Capacity/expertise barriers	10	19
Cultural barriers	1	1
Social barriers	4	4
Other	1	1
Barriers to climate finance policymaking		
Monitoring and data availability	9	15
Awareness and understanding	6	9
Regulatory barriers	10	25
Political barriers	6	10
Governance and coordination barriers	10	27
Other	2	2

111 IP 2.10
112 IP 2.6
113 IP 2.7
114 IP 2.5

Reflections from the focus group discussion

Participants of the FGD were presented with the results from our interviews. We grouped the feedback session about barriers to climate finance into four rounds of discussions. The first two rounds dealt with barriers to climate finance flows as well as with barriers to climate finance policymaking. The third round of discussion investigated potential solutions to increase the flow of climate finance (i.e. overcoming barriers), while the fourth discussion focused on vulnerable communities and how those communities could be better served by climate finance. The FGD was conducted under the Chatham House Rule. Therefore, statements are not attributed to any individual participant.

Overall, FGD participants agreed with the barriers to **climate finance flows** in Cambodia. The silo thinking mentality of Cambodian policymakers and their departments was confirmed, but even NGOs do not cooperate much, as pointed out by one participant. Some participants agreed that the Ministry of Agriculture, Forestry and Fisheries (MAFF) should play a coordinating and leading rule for climate finance. In the adaptation field in particular, participants noticed the absence of business cases in Cambodia, which makes the flow of climate finance difficult. In addition to identified barriers from the interviews, FGD participants also argued that there is no targeted finance available for small and medium-sized enterprises (SMEs), which would be important for Cambodia and would also help business cases. However, some participants spoke of a lack of bankable projects due to a lack of "business mindset", as well as language barriers, which sometimes makes it difficult to attract and implement international projects. In the same vein, public and private partnerships are missing in Cambodia and thus a barrier to climate finance.

In a second round of discussions, we asked participants to give feedback on our findings concerning **climate finance policies**. Similar to the barriers to climate finance flows, our barriers to climate finance policymaking were also confirmed by the participants. However, the group also added some barriers that did not fully emerge from the interviews, such as the lack of prioritization of climate action by the Cambodian government. Interestingly, one participant disagreed with the statement that a lack of coordination between ministries hinders climate finance flows and policymaking, arguing that the Ministry of Environment was the clear lead on those issues. However, others in the group argued that some policymakers do not understand how to coordinate and collaborate effectively across ministries. As a further nuance to the "silo thinking and acting" barrier mentioned in the interviews, participants also argued that the mandates of some ministries to lead the climate action effort overlap, thus creating uncertainty.

A general lack of data was confirmed by the FGD, while at the same time, participants pointed to a lack of monitoring and evaluation, which renders policymaking addressing climate change less effective. In the same vein, where data was available, participants argued that it is usually not shared across government agencies, and knowledge of the impacts of climate mitigation and adaptation projects is deemed low in Cambodia. Similarly, participants argued that one reason for regulatory and policy barriers was

the fact that there were no clear guidelines on procedural aspects of accessing international finance. Often, NGOs and civil society organizations do not know how to access funding opportunities, and the government does not have transparent guidelines on how to do that.

After discussing barriers, the group then spent some time trying to come up with a list of measures to **overcome those barriers** and to facilitate the flow of climate finance into the country.

One of the big themes emerging from this discussion was the need for better data on climate impacts, but also on business models and best practices to mitigate climate change. This data should be stored centrally so that all of this data would be in one place, possibly under the control of a specific ministry, which could also set up a tracking system of finance flows and climate projects.

In addition, a better dialogue between Cambodian authorities and international donors would be needed to discuss ways of how Cambodia could access more international climate finance. These discussions should also better reflect the actual needs of Cambodia.

When it comes to the problem of silo thinking and acting, FGD participants argued for a coordinator or mediator role, possibly assumed by a government entity to coordinate action more efficiently. This coordinator should also bring NGOs and other non-government stakeholders to the table and incorporate those entities' ideas. In the same vein, participants argued for specific capacity building programs for policymakers to enact better regulatory frameworks or to be more knowledgeable about how to access international finance.

The last round of discussions investigated how climate finance could reach **vulnerable communities** better and more effectively.

Here, capacity building was seen as key, since even if vulnerable communities participated in meetings on climate-relevant projects, their capacity to meaningfully engage was deemed as limited by the focus group. Technology such mobile phone apps might play an important role in strengthening vulnerable communities' access to information (and possible climate finance) as illiteracy is still seen as a problem. Participants also pointed out the need to have appropriate engagement at the right level. For instance, NGOs could play an important role in capacity building at the community and local level, while the government was seen more as a facilitator on the national level. Similarly, local committees of government entities such as the committee of agriculture or the committee of fisheries (both overseen by the Ministry of Environment) could play an important role in connecting with vulnerable communities because of their highly localized work. The resources of these committees could be strengthened.

Nepal

Table 6. Interview participant demographics, Nepal

Stakeholder number	Affiliation	Gender
IP 3.1	UNCDF	Male
IP 3.2	Feminist Dalit Organization (FEDO)	Female
IP 3.3	Governance Lab	Female
IP 3.4	Retired government employee and COP delegate	Male
IP 3.5	UNDP Nepal	Male
IP 3.6	Action Aid	Male
IP 3.7	Prakriti Resources Centre	Male

Funding priorities and funding gaps

Ten interview participants identified several key adaptation and mitigation priority areas in Nepal. The most frequently cited ones across the interviews include disaster risk management, infrastructure development, water resource management, energy and agriculture. Some interview participants identified several other priority areas such as agriculture and food security, water security, energy, disaster risk reduction, forestry, public health and urban settlement. Various interview participants mention that priority areas are cross-cutting[115] and can be found within key policy documents, such as the NDC or NAP.

Disaster risk management in Nepal was deemed as a crucial priority, particularly concerning landslides and floods.[116] Due to its geographical position, Nepal is highly vulnerable to natural disasters, with remote communities often residing in disaster-prone areas.[117] The government is working towards aligning disaster risk reduction with climate change adaptation and mitigation plans. **Infrastructure development** has been a focus area of investment and a primary sector for directing development funds.[118] However, one interview participant stated that these infrastructure projects are often implemented without conducting an EIA, which can cause issues down the road.[119] **Water resource management** was highlighted in numerous interviews as a priority area, more specifically water resource adaptation efforts, water security, water and sanitation, and glacial melting mitigation efforts.[120] The **energy sector** was mentioned by interview participants as a focus area of mitigation efforts, namely renewable energy uptake, hydropower construction, the nexus of energy and other sectors (e.g. water, agriculture), increasing EV uptake, replacing fossil fuels with renewable energy (e.g. solar panels, cooking with electric stoves), as well as net-zero emission strategies.[121] Lastly, interview participants emphasized **agriculture** as a key priority area through the

115 IP 3.4; IP 3.6
116 IP 3.1; IP 3.2; IP 3.3; IP 3.4; IP 3.7
117 IP 3.2
118 IP 3.1; IP 3.2; IP 3.3
119 IP 3.2
120 IP 3.1; IP 3.2; IP 3.3; IP 3.4; IP 3.7
121 IP 3.1; IP 3.3; IP 3.4; IP 3.5; IP 3.6; IP 3.7

introduction of measures on climate-resilient agricultural practices and food security.[122] The NDC and NAP were recognized as two major documents addressing these priority areas. However, there have been notable shortcomings in the implementation of these policies, with interview participants identifying key barriers to the funding of climate finance and policymaking in Nepal.

Barriers to climate finance

The most frequently mentioned barriers, which were identified by all 10 interview participants, are **capacity/expertise barriers.** One interview participant broke down capacity barriers according to different actors, such as the private sector, public sector and local-level stakeholders.[123] According to this person, the private sector is not fully cognizant of climate finance opportunities and how to properly prepare proposals to access funding. Preparing funding proposals is deemed very time-consuming and resource-intensive, sometimes taking three to five years for the proposal to come to fruition.[124] Micro-, small- and medium enterprises (MSMEs), making up 97% of private companies in Nepal,[125] may have difficulties participating in climate finance due to a limited capacity to access financial resources and support.[126] Meanwhile, the public sector lacks the capacity to navigate (unclear) regulations on how to access and effectively utilize international climate finance. At the local level, there is a gap in knowledge among marginalized groups when it comes to addressing climate change issues, as it is still a new topic in the country.[127] There is also limited capacity to navigate the application process that is required by municipalities to access funding.[128] Other interview participants noted how local governments lack the capacity to thoroughly understand and implement climate finance plans.[129]

There are several different identified reasons that contribute to capacity issues on the local governance level. The frequent transfer of government officials between departments often results in a loss of expertise, exacerbating existing technical capacity gaps within local governments. This situation contributes to a limited understanding of how to effectively harness and access climate finance.[130] Limited capacity for negotiating and securing climate finance funds was also identified as a barrier in two interviews.[131] One interview participant held the perspective that climate finance should be a right; however, current climate finance mechanisms are set up for negotiating loans rather than grants.[132] Nepal's limited negotiation capacities are exacerbated by insufficient human resources in government delegations to international climate events. This issue was highlighted by another interview

122 IP 3.1; IP 3.4; IP 3.6; IP 3.7
123 IP 3.1
124 IP 3.4; IP 3.7
125 IP 3.1
126 IP 3.7
127 IP 3.1; IP 3.2; IP 3.7
128 IP 3.1
129 IP 3.3; IP 3.4; IP 3.5; IP 3.6; IP 3.7
130 IP 3.5
131 IP 3.4; IP 3.6
132 IP 3.6

participant, who notes that while Korea and Japan sent over 200 participants to a climate change negotiation, Nepal only had three to five delegates.[133]

The next most mentioned climate finance barriers were **economic barriers.** Nepal's limited budget emerged as a large barrier, where there is little room for climate-related budget programming.[134] The country depends on international donors and funders for climate funding,[135] and the national budget is constrained by a lack of international money flowing in to help address priority areas.[136] One interview participant noted that Nepal was expecting USD 23–24 million for climate finance but has only received one-eighth of that.[137] Other interview participants commented on funding shortcomings for the NAP, which would require USD 45 million – the equivalent of Nepal's GDP.[138] Several interview participants also highlighted different reasons why it can be challenging for Nepal to access international funding. Firstly, one interview participant mentioned how economic challenges in Nepal often stem from its reliance on vulnerable sectors such as agriculture and tourism.[139] Secondly, accessing climate finance loans from international banks can prove to be a challenge due to difficulties in responding to the priorities of the (donor) country and international banks, such as the World Bank or Asian Development Bank (ADB).[140] Often countries have a mix of co-financing of grants and loans, but Nepal is more wary of taking out loans as they are currently paying off their international debt.[141]

Market barriers and other barriers were also mentioned by interview participants when assessing climate finance flow. A common theme found across **market barriers** is minimal involvement of the private sector, notably due to the lack of clear economic return/incentive pathways and the risk factors that accompany climate finance projects.[142] One interview participant noted how donors turn their attention to other (non-climate-relevant) sectors because they perceive climate projects as risky, especially in the absence of de-risking or guarantee mechanisms such as blended finance mechanisms. Another interview participant highlighted how the private sector is hesitant to invest in high-risk projects due to potential climate impacts on the projects, which potentially increases costs. This in turn leaves banks and other private entities hesitant when investing in climate finance.[143] Without government backed subsidies to help cushion and absorb the risk of climate finance projects, more pressure is put on public finance and private banks, leaving projects more high-risk.[144] Although international funding is available, it remains limited.[145] Nepal is very reliant on international governments and where those international donors choose to allocate their funds,[146] all while competing with other developing countries over limited resources.[147] Lastly, some investors perceive investment in Nepal's smaller

133 IP 3.4
134 IP 3.1
135 IP 3.2
136 IP 3.1; IP 3.2; IP 3.4; IP 3.5; IP 3.6; IP 3.7
137 IP 3.6
138 IP 3.4; IP 3.5
139 IP 3.1
140 IP 3.7
141 IP 3.7
142 IP 3.1; IP 3.4; IP 3.6; IP 3.7
143 IP 3.4
144 IP 3.7
145 IP 3.4
146 IP 3.2
147 IP 3.7

and more unstable market as less appealing compared to larger countries such as China or India.[148]

A variety of different sub-barriers emerged under the category of **other barriers.** Several interview participants pointed out geopolitical spaces as a barrier. For instance, interview participants remarked on how economic crises, conflicts and war (for example in Ukraine and Gaza) have diverted resources to these regions; they referred to this as "politicized funding" and the influence of global political dynamics was seen as important.[149] A misalignment between the priorities of Nepal and international funders (e.g. regional banks, multilateral development institutions) also presents a barrier to the flow of climate finance.[150] Although international and vertical funds are available, the process to access them is often lengthy.[151] In the case of Nepal, funds flowing into the country are often not additional ones but development funds repackaged as climate finance.[152]. At the same time, developed countries are not keeping their commitments from international meetings, where there is already limited space for less developed countries to sit at the table and participate in negotiations (e.g. COP meetings).[153]

Regarding **social barriers**, two main themes emerged: a lack of public awareness, and geographical diversity. As local communities have fewer channels to access financial services and information,[154] their overall awareness of climate finance options and climate adaptation or mitigation practices is limited.[155] Marginalized and vulnerable groups are often not informed about their rights regarding climate finance. Combined with weaker local governance, this lack of awareness can result in reduced resources and hinder their access to benefits.[156] Geographical diversity also presents itself as a challenge, as it creates a variety of different climates and landscapes requiring varying project and implementation plans.[157] Limited science-based research exists to fully understand the geographical diversity of Nepal and the effective formation of climate finance projects and policies.[158] Another interview participant noted how social issues, particularly water scarcity, can result in social conflicts that can affect different sectors and climate finance policies.[159]

Lastly, **cultural barriers** were briefly mentioned in three interviews, whereas **definition and research barriers** were not identified by interview participants. Communication forms and language are the main cultural barriers noted by three interview participants.[160] As Nepal is home to more than 100 different languages, linguistic diversity creates an uneven landscape for accessing climate finance.[161] Communication methods and delivery formats that are not familiar to local communities or have not

148 IP 3.7
149 IP 3.2
150 IP 3.7
151 IP 3.4; IP 3.5
152 IP 3.3
153 IP 3.4
154 IP 3.1; IP 3.2
155 IP 3.1; IP 3.4; IP 3.6; IP 3.7
156 IP 3.6
157 IP 3.1; IP 3.2; IP 3.4
158 IP 3.4
159 IP 3.4
160 IP 3.1; IP 3.2; IP 3.3
161 IP 3.2

taken cultural context into account also contribute to the challenges in climate finance reaching vulnerable communities.[162]

Barriers to climate finance policymaking

The two most frequently mentioned barriers to climate finance policymaking in Nepal, as highlighted across all seven interviews, are regulatory barriers and governance and coordination barriers.

A recurring theme found within **regulatory barriers** is the challenge of effective policy implementation.[163] One interview participant noted that strategies and plans exist; however, implementation is lacking due to budget constraints and poor coordination between levels of governance.[164] Most funds are spent on developing policies and strategies, while less capital is directed towards implementation and on-the-ground actions.[165] Several interview participants noted the absence of implementation and regulatory frameworks, and how they are not yet streamlined across government processes (e.g. budgeting or auditing processes) or aligned with government priorities.[166] This barrier, combined with gaps in enforcement mechanisms and binding laws, complicates the implementation of projects and the channelling of funds.[167] Another interview participant stated that the project implementation rate is quite low, with many projects reaching less than 10% completion due to policy and regulation barriers related to procurement and execution.[168] Without proper frameworks, there is a significant gap in monitoring projects and holding them accountable for their impacts.[169] This can result in non-compliance with environmental protocols, notably the misallocation of climate finance towards infrastructure projects that can have negative implications, such as deforestation, destruction of biodiversity, and an increase in landslides in impacted areas.[170] Another regulatory barrier that is highlighted is the absence of a mechanism to multiply finance in Nepal, where climate finance from international sources can be used to unlock domestic funding and sources, particularly pension funds.[171]

Regarding the role of the international community, several regulatory barriers influence climate finance policymaking in Nepal. For one, there are certain requirements and global standards, such as environmental and social safeguards, for the application of climate finance, which establish an initial hurdle for applicants.[172] Secondly, support mechanisms and sources of funding, such as developed countries and bilateral or multilateral institutions, often do not align with policies in Nepal.[173] This circles back to Nepal's negotiation challenges, particularly with larger international bodies such as the ADB, Global Environment Facility or the GCF. Thirdly, international agencies,

162 IP 3.1
163 IP 3.2; IP 3.4; IP 3.5; IP 3.6; IP 3.7
164 IP 3.2
165 IP 3.4
166 IP 3.3; IP 3.4; IP 3.5; IP 3.6
167 IP 3.6
168 IP 3.5
169 IP 3.3
170 IP 3.2
171 IP 3.1
172 IP 3.1; IP 3.7
173 IP 3.4

such as the World Bank or the United Nations Framework Convention on Climate Change (UNFCCC) provide mechanisms that make it easier to acquire loans rather than grants for funding.[174] This mechanism creates a series of challenges, including augmenting Nepal's foreign debt and further limiting local governments, as they only manage grants while the national government is responsible for loans.[175] International partners could do more to provide support to local governments who help implement projects on the ground. Lastly, there is a lack of incentives and clear regulations to attract public and private investors.[176] In terms of internal investment, one interview participant provided a cautionary example of carbon trading and how the lack of proper governmental regulations and monitoring systems has led to the exploitation of Clean Development Mechanisms (CDMs), where private entities benefit more than local communities.[177]

Within **governance and coordination barriers**, the lack of coordination between federal, provincial and local government levels presents itself as a common theme.[178] One interview participant noted that the government has faced historical coordination problems.[179] At the same time, other interview participants highlighted how interministerial coordination is a major issue, since there is competition among ministries for climate funds and confusion about the responsibilities of centralized ministries.[180] Climate finance is mostly handled by the federal government, but local governments, especially in mountainous regions, are most heavily impacted by climate change (particularly water-related issues).[181] In order to effectively implement climate policies, one interview participant stated that the government should allocate 80% of funds to the local levels and 20% to the provincial and federal levels.[182] However, governance coordination and implementation have been hampered due to a lack of communication and the failure to connect financial software systems (that track spending) between various tiers of government.[183] This can be seen between the local municipalities and local governments or with the federal government, where policy is developed but not effectively passed down to provincial and local levels.[184] These coordination issues have been known to delay projects and hinder project implementation.[185] Technical gaps and capacity shortages among officials create challenges in accessing vertical funds using government mechanisms.[186] For example, local governments have limited capacity and resources to conduct need assessments and develop program proposals necessary to access funding from the federal government. Two interview participants mentioned how Local Adaptation Plans of Action (LAPAs) have faced obstacles, including insufficient consultation with affected communities about climate finance projects, the diversion of funds from LAPAs to other sectors, and confusion at the local level regarding the planning process that occurs at the municipal level.[187] Another interview participant stated how the

174 IP 3.6
175 IP 3.7
176 IP 3.1; IP 3.4
177 IP 3.6
178 IP 3.1; IP 3.2; IP 3.3; IP 3.4; IP 3.5; IP 3.6; IP 3.7
179 IP 3.1
180 IP 3.3; IP 3.6
181 IP 3.4
182 IP 3.5
183 IP 3.5
184 IP 3.7
185 IP 3.1
186 IP 3.5
187 IP 3.2; IP 3.3

recent government collapse had swayed the international community's confidence, especially when it comes to investments from the private sector.[188] On the same note, international organizations often implement projects independently without proper coordination with the government, leading to gaps in implementation and climate finance policymaking.[189]

Awareness and understanding barriers were the next mentioned barriers in interviews. Interview participants pinpointed gaps in knowledge and understanding of climate finance among three main stakeholder groups: the private sector, international donors and government bodies. Regarding the private sector, they often face challenges due to a gap in knowledge about available climate finance opportunities.[190] Concerning international donors, there is often a disconnect between them and the government, which leads to implementation that fails to consider the local context.[191] Similarly, at important international meetings and consultations (e.g. UNFCCC), high income countries are often speaking with limited input from lower income countries, where participation becomes merely symbolic according to one interview participant.[192] Gaps in capacity and understanding by different levels of government are referenced across interviews. Different levels of governance have varying scopes of knowledge on climate finance, and local governments often do not fully understand and implement plans.[193] Local and provincial governments also tend to lack an understanding of climate change and how to effectively integrate it into development plans,[194] as their efforts are directed more towards disaster management.[195] Lastly, there is a deficit in the development of technical proposals by the government and how to harness climate finance.[196]

The following most mentioned barriers were **political barriers.** Within a national context, Nepal has limited funding dedicated to climate change efforts.[197] The limited funds, along with the failure to invest in awareness-based activities and align projects with climate adaptation goals, can lead to environmental degradation.[198] One interview participant noted that Nepal also has a slower budgeting and planning process, impacting its absorption capacity of international resources and ability to implement plans.[199] As previously mentioned, the political instability has also impacted governance capabilities and policy implementation.[200] Within an international context, Nepal has received a limited amount of climate finance resources because it is not a priority for donor communities and investors[201] (for several reasons such as having a smaller market, -risk projects, political instability, lack of capacity to negotiate, etc.). Additionally, the social and cultural impacts of climate change are often not accounted for in funding streams, both nationally and internationally, which can be seen as a budget oversight.[202]

188 IP 3.7
189 IP 3.4
190 IP 3.1
191 IP 3.2
192 IP 3.4
193 IP 3.3
194 IP 3.7
195 IP 3.4
196 IP 3.4; IP 3.5
197 IP 3.4
198 IP 3.2
199 IP 3.7
200 IP 3.1; IP 3.7
201 IP 3.7
202 IP 3.3

Monitoring and data availability barriers were the next most frequently mentioned barriers by the interview participants. Two main themes emerged from these barriers: the lack of data to track investments and the lack of monitoring frameworks to evaluate the impact of projects. Firstly, there is minimal data available to identify gaps in investment regarding climate change adaptation.[203] Similarly, climate finance usually comes from various sources, making it challenging to log the fragmented flow of climate finance in Nepal.[204] Another interview participant noted how climate support funding and ODA are sometimes mixed together and enter Nepal under one package, thus making it difficult to track if money is coming in from ODA or for climate finance.[205] Secondly, Nepal lacks a monitoring framework and a mechanism that helps facilitate the flow of funds. That being said, the UNCDF is developing a program that aims to channel finance at the local level across various countries, including Nepal, using the Climate Action Framework (CAF), which tracks the transparency and effectiveness of programs and projects.[206] With limited damage and vulnerability assessments, there is limited capacity to evaluate projects to ensure that beneficiaries are receiving the benefits that were promised and to raise concerns about impacts on the ground.[207] Along the same lines, little research has been done to evaluate how policies affect local communities.[208]

To conclude, **other barriers** appeared across two interviews in multiple contexts. One interview participant noted that engaging youth has been essential in enhancing local government capacity; however, young people in Nepal often aspire to leave.[209] The government's perception of climate finance is identified as a barrier by another interview participant, who argued that the government views climate finance as an international obligation, since climate change is an international problem (especially since Nepal is a lower carbon emitter), leading to more reliance and waiting on international support.[210]

Vulnerable communities

Each interview participant spoke to the fact that vulnerable communities do not receive sufficient funding for climate finance in Nepal. There are several main barriers identified as to why climate finance seldom reaches grassroots levels: marginalized groups have limited knowledge of climate finance opportunities,[211] communities face discrimination when accessing climate finance funds,[212] limited involvement and engagement of local communities in decision-making processes,[213] and the lack of investment in these communities.[214]

203 IP 3.1
204 IP 3.5
205 IP 3.7
206 IP 3.1
207 IP 3.2; IP 3.3; IP 3.4
208 IP 3.6
209 IP 3.3
210 IP 3.7
211 IP 3.1; IP 3.6
212 IP 3.2
213 IP 3.3
214 IP 3.5

These barriers can be unpacked to further examine the relationship between climate finance and vulnerable communities. Starting with the knowledge gap of climate finance opportunities, there is often a lack of access to information, financial services and the capacity to navigate the climate finance application process that is required by municipalities.[215] Also, the lack of awareness among marginalized communities concerning mitigation and adaptation measures presents a significant barrier.[216] Limited access to technology and information systems, such as early warning systems, heightens the vulnerability of these communities.[217] For example, the BIPAD portal – an online portal developed by the government that provides real-time information on disasters and alert systems – is only accessible digitally, thus excluding people without online access. Regarding discrimination in accessing funds, this is often felt by marginalized groups (e.g. women or the Dalit community).[218] Documentation issues, such as the lack of land certificates and proof of identity, present a significant barrier to accessing government services, let alone climate finance. Similarly, marginalized groups are not often made aware of climate finance opportunities, making it more difficult to demand or access funds.[219] Grassroots and local communities often lack access to digital banking and private investment, which presents a barrier in channelling funds.[220] When it comes to minimal involvement of vulnerable communities in the decision-making process, this includes the development of climate change plans and the consultation process of projects. Although there has been an increase in representation in Nepal, there are still gaps in decision-making processes. Ministries are not always open to listening to the perspectives or grievances of vulnerable communities.[221] One interview participant noted that sometimes there is consultation with communities in the conceptualization of projects, but most climate finance projects do not reach out to communities on the ground.[222] Another interview participant argued that some carbon projects claim to provide community benefits through expected financial returns from carbon credits; however, these benefits have not been realized on a local level.[223] Overall, there is a lack of investment and funds being funnelled into local communities and local governments.

That being said, there are some areas in which Nepal has improved inclusion. The Climate Change Policy of 2019 advocates for the consideration of local communities and channelling funds to these areas; however, there is still an absence of mechanisms to facilitate this policy effectively.[224] The government has also published a comprehensive vulnerability assessment book that identifies vulnerable populations and areas and designs projects that include these communities.[225] Nepal has made some progress in addressing inclusion and gender equality issues through representation, although engagement and tangible benefits for local communities have not yet materialized.[226]

215 IP 3.1
216 IP 3.6
217 IP 3.2
218 IP 3.2
219 IP 3.6
220 IP 3.5
221 IP 3.3
222 IP 3.7
223 IP 3.3
224 IP 3.1
225 IP 3.5
226 IP 3.3

Interaction with other policy areas and success stories

Several interview participants mentioned how climate policies are well-aligned with national policies,[227] notably through documents such as the National Environment Policy, NAP, NDC and LAPAs. However, in some cases, funds that were supposed to go towards LAPAs climate change adaptation and disaster risk reduction efforts have been diverted to transportation or infrastructure projects.[228] Other interview participants observed that while there are efforts to better align the budget with climate finance, the process remains fragmented. There is some alignment at the federal level, but that is not the case at the provincial and local levels.[229] Documents may be well prioritized; however, the implementation of those policies continues to be a challenge.

The government is developing the Nepal Green Finance Taxonomy, which is an important financial mechanism for leveraging climate finance and investment strategies.[230] The Climate Change Budget Code of 2013 and budget tagging were also highlighted as successful policies in two interviews.[231] They were integrated into Nepal's national budgeting system and became a model for integrating climate considerations into the national budget. It was an initiative that was widely recognized and adopted by many countries. This is a part of the success stories told by interview participants, along with participatory budget processes at the municipal level.[232] Success is also found within policies, such as the Climate Change Financing Framework, which features certain pillars such as access to finance, monitoring mechanisms, transparency, accountability and the monitoring, reporting and verification system.[233] Additionally, there have been successful community forest initiatives, community initiatives where groups design a constitution, management plans and operational strategies while the government provides technical support.[234] The key message echoed by many interview participants is that the policy frameworks exist and are well-aligned, on paper. The challenge going forward is the implementation of these frameworks into concrete strategies, policies, programs and actions in a well-coordinated and timely manner.

227 IP 3.4; IP 3.5; IP 3.7
228 IP 3.2
229 IP 3.3
230 IP 3.4; IP 3.5
231 IP 3.4; IP 3.7
232 IP 3.3
233 IP 3.5
234 IP 3.2

Summary table of barriers

Table 7 provides an overview of which barriers were mentioned the most during the interview process.

Table 7. Main barriers, Nepal

Barriers to climate finance	Number of IPs that identified barrier (total of 10 IPs)	Number of times barrier was mentioned
Definition and research barriers	0	0
Market barriers	5	9
Economic barriers	6	10
Capacity/expertise barriers	7	13
Cultural barriers	3	3
Social barriers	5	8
Other	**5**	**9**
Barriers to climate finance policymaking		
Monitoring and data availability	7	8
Awareness and understanding	6	12
Regulatory barriers	7	17
Political barriers	5	10
Governance and coordination barriers	7	17
Other	3	3

Reflections from the focus group discussion

Participants of the FGD were presented with the results from our interviews. We grouped the feedback session about barriers to climate finance into three rounds of discussions. The two first rounds dealt with barriers to climate finance flows as well as with barriers to climate finance policymaking. The third round of discussion investigated potential solutions to increase the flow of climate finance (i.e. overcoming barriers). The FGD was conducted under the Chatham House Rule. Therefore, statements are not attributed to any individual participant.

Overall, participants agreed with the barriers identified in the interviews when it comes to **climate finance flows**. The capacity barrier, in particular, was confirmed not only with regards to the access of (international) climate finance sources but also internally in the country. One participant opined that within the government, climate experts lack financial knowledge while financial experts lack climate knowledge. Moreover, SMEs lack the awareness of climate finance opportunities as well as the knowledge of how to apply for them. Participants also confirmed the external market factors that play a role in insufficient climate finance flows, citing India's decision to change interest rates as affecting the Nepalese economy and its climate finance tools such as green bonds.

As far as **climate finance policymaking** is concerned, FGD participants agreed that government capacity was limited in adopting effective climate finance policies. For instance, a coordination gap between the focal points of several international agreements and the government (UNFCCC, Ministry of Finance, etc.) was mentioned by participants, which hinders effective climate finance policymaking. Moreover, robust policy frameworks that address climate action were deemed as lacking, especially on the local, subnational level, let alone specific legislation to attract climate finance. Furthermore, participants mentioned an implementation gap in already enacted policies, i.e. the lack of translation of policies into tangible outcomes.

Another point argued by participants was a general lack of data, on the impacts of climate change and progress on mitigation and adaptation efforts, and on climate finance flows. Similarly, participants argued that existing data was not disaggregated enough and did not reflect the cultural and topographical diversity of the country. Lastly, one main barrier to more robust policymaking was the fact that bureaucrats and policymakers change their position frequently within the government (due to frequent governance restructuring processes), and that institutional knowledge about both climate action and climate finance would be lost once a responsible policymaker changes department.

As far as **solutions to those barriers** were concerned, participants argued that a dedicated Climate Change Act that stipulate specific mitigation and adaptation goals might help to facilitate the flow of climate finance due to its signalling function. Similarly, adopting a dedicated green taxonomy would help Nepal to attract more climate finance. Dedicated capacity building programs for policy- and -makers that target especially the provincial level were also mentioned as measures to increase the mobilization of climate finance and to help policymakers adopt more targeted climate finance policies.

In addition, systematically collecting data not only about climate change and its impacts but also about the effectiveness of certain climate mitigation and adaptation measures was deemed an important solution to overcoming climate finance bottlenecks. In the same vein, participants argued that the government should facilitate the increase of pilot projects that would showcase the latest mitigation and adaptation technologies and practices to disseminate knowledge about climate solutions. In addition to those flagship projects, there is a need to work together with local NGOs that could form a bridge between the government and/or international climate finance entities (ADB, international donors, GCF, etc.) and local communities.

The last part of the discussions investigated how **vulnerable and marginalized communities** could be better served by climate finance. On the one hand, capacity building efforts were deemed as being key, since many of those communities might have an insufficient understanding of climate change and how to mitigate it or adapt. The same holds true for small and medium-sized or family-run enterprises, although here the focus should lie on how to apply for national and international climate funding. However, this capacity development should be tailored to communities' needs (which vary according to geography and socio-economic status) and one--fits-all approaches should be avoided, according to participants. On the other hand, the need for better and more disaggregated data (on gender, socio-economic status, etc.)

on vulnerabilities was mentioned as being important but currently lacking. Similarly, disseminating materials and information in local languages was seen as key.

Thailand

In Thailand, eight interviews were carried out with stakeholders hailing from seven different institutions. The following table provides an overview of their affiliations (in non-chronological order, i.e. number 3.1. was not necessarily the first person to be interviewed).

Table 8. Interview participant demographics, Thailand

Stakeholder number	Affiliation	Gender
Interview participant (IP) 4.1	Thailand Environment Institute	Female
IP 4.2	UN ESCAP	Female
IP 4.3	Rangsit University	Male
IP 4.4	Ricult (private sector)	Male
IP 4.5	GIZ	Female
IP 4.6	GIZ	Female
IP 4.7	South Pole (private sector)	Male
IP 4.8	Global Green Growth Institute	Male

Funding priorities and funding gaps

The first two sets of questions were intended to set the scene and give the participants the opportunity to speak about climate finance priorities in Thailand and whether those priority areas received sufficient funding.

The general consensus among interview participants was that Thailand was focused more on mitigation than on adaptation. When it comes to mitigation, priorities of the government are often set in accordance with international climate frameworks such as the Paris Agreement (NDCs) or international pathways to net zero, with several interview participants mentioning this alignment of Thai and international priorities.[235] However, progress on those identified priorities was deemed slow overall by several,with one pointing to the fact that government priorities were not fully known, since the government itself did not know what it wanted, and that there was a great gap between announcements of action and actual implementation.[236] Nevertheless, energy transitions, (low-carbon) transport and agriculture, sustainable food systems, industrial decarbonization and waste management were identified as priority areas with a clear focus on mitigation. In the adaptation field, agriculture, and particularly rice production, mentioned as a priority area of the Thai government to tackle climate change.[237]

235 IP 4.4; IP 4.5; IP 4.6
236 IP 4.3
237 IP 4.7

Most of the participants argued that those sectors would not receive sufficient funding and identified several barriers as to why climate finance did not flow in sufficient quantities.

Barriers to climate finance

The barriers to climate finance mentioned most often (12 times) that would hinder the flow of climate finance to Thailand were **capacity and expertise barriers.** According to interview participants, this lack of capacity and expertise when it comes to climate finance concerned several stakeholder groups. For instance, policymakers simply do not know how to access international climate finance, and particularly the administrative and bureaucratic procedures to access finance were identified as a barrier.[238] Similarly, language capacity was seen as a barrier as most documentation to access international finance is in English (which Thai policymakers and bureaucrats often did not speak sufficiently, according to interview participants).[239] In the same vein, stakeholders who usually implement projects (bureaucrats, project developers) lack project management and proposal-writing skills (which increases the risk aversion of funders).[240] However, one interview participant mentioned that the reliance on external experts is also a barrier to climate finance, since those international experts usually jump in and out of projects without building the capacity of local experts.[241] But even banks in Thailand have some capacity gaps, namely the ability to understand what certain mitigation and adaptation projects were supposed to achieve or the ability to assess those projects' risks.[242] As far as policymaking is concerned (see section below, p. 72 on information about barriers specifically to policymaking), interview participants also opined that current policies are not precise enough or go deep enough to really attract climate finance, as those policies would often be vague.[243]

The second most mentioned barrier (nine times) to climate finance in Thailand fell in what we categorized as "**other**" barriers. Here, interview participants mentioned that politicians often act in their own self-interest (to be re-elected) or in the perceived interest of the people and not necessarily in the interest of the climate,[244] with another interview participants arguing that climate action is simply not a priority.[245] The cumbersome bureaucracy in Thailand, as well as the difficulty to get permits (for mitigation projects in the energy sector, for instance), was identified as another reason for the lack of climate finance flows.[246] However, bureaucracy was also deemed an issue internationally, where (unspecified) conditions of international lenders to obtain climate finance were also deemed an important "other" barrier.[247] Thailand and its upper middle income status (therefore losing priority for ODA) was also identified as a barrier to climate finance.[248] Interestingly, the lack of proof of the impact (related to data availability issues) of many climate projects was put forward

238 IP 4.1
239 IP 4.3
240 IP 4.7
241 IP 4.3
242 IP 4.8
243 IP 4.4
244 IP 4.2
245 IP 4.4
246 IP 4.2
247 IP 4.5; IP 4.6
248 IP 4.5; IP 4.6; IP 4.8

by one interview participant, in the sense that if projects can't prove positive climate impacts, investors might be reluctant to invest.[249] In the same vein, a lack of climate ambition (by policymakers but also the wider society) hinders the flow of climate finance since ambition would usually translate into climate finance flows according to interviewed participants.[250]

Market barriers were also deemed important, but less so compared to the categories "capacity" and "other", with six mentions. For instance, the risk-to-return rate was deemed unfavourable in Thailand (high risk for low return) for climate projects,[251] with a general low return on investment[252] in the country, which makes investors weary of putting money into projects in Thailand. Barriers related to currency and foreign exchange rates were also mentioned, since most development and climate projects are paid for in US dollars and not in Thai baht.[253] Another market barrier was the lack of access to finance by SMEs, who encounter difficulties because of their size (and their capacity) compared to bigger companies, which are often prioritized not only by national funding but also international funding.[254]

When it comes to **social** and **cultural barriers**, both were mentioned three times. A common denominator in both categories was that Thai stakeholders did not care sufficiently about climate change action, which hinders the flow of finance to mitigation and adaptation actions. That was perceived as being the case for the wider civic population in the sense that people prioritize economic growth and not care so much about climate change.[255] Policymakers were also seen as prioritizing other issue areas.[256] Interestingly, one interview participant mentioned the power of influential political and/or private sector players that simply did not want the system to change or did not support any measures and projects that would run counter to their interest. Incumbent energy players who benefit from a centralized fossil fuel system were mentioned,[257] as well as big agricultural players who would prioritize commodity production growth over sustainability concerns.[258]

Other barriers to climate finance flows included **definition and research barriers** (two mentions) such as lack of definition of what climate finance is supposed to be,[259] or **economic barriers** (two mentions) such as the fact that companies who voluntarily implement emission reduction and sustainability measures would face higher costs given the general absence of mandatory policies in Thailand.[260]

249 IP 4.7
250 IP 4.7
251 IP 4.4
252 IP 4.7
253 IP 4.2
254 IP 4.1
255 IP 4.5; IP 4.6
256 IP 4.3
257 IP 4.7
258 IP 4.7
259 IP 4.2
260 IP 4.2

Barriers to climate finance policies and policymaking

Looking now at climate finance policies and barriers to effective policymaking, the most important barriers, mentioned 17 times by experts, fell into the category of **governance and coordination**. Under this category, the lack of coordination between ministries and other policymaking bodies and the silo thinking within the government were mentioned by almost all interview participants as important barriers.[261] Similarly, a lack of coordination not only between ministries but also between different climate mitigation or adaptation projects was mentioned, with one interviewed expert arguing that no one within the government was coordinating climate finance activities.[262] Thailand, interview participants also pointed out, also has a rather complex system of governance and a web of political interests, which would make it very difficult for foreign investors to understand the Thai political system, thus hindering climate finance flows.[263] Another interview participant pointed out the conflict of priorities between elected politicians and their bureaucratic staff (who change less often), which sometimes lead to inefficient and even contradictory policymaking. For instance, an elected politician might prioritize fossil fuels development because of a perceived energy security and/or price advantage, while at the same time unelected bureaucrats (following policy plans) might want to increase the share of renewable energies in the power mix.[264] Another interview participant opined that there was no "middle man" between large international finance flows and local SMEs, which often lack capacity to access large international funds (see above), another barrier in the governance and coordination category.[265]

The second most mentioned barrier to climate finance policymaking was **political** in nature. One interview participant spoke of corruption issues in Thailand[266] and how politicians usually have their re-election in mind without caring much about climate change.[267] Similarly, even if regulations or laws were in place (to tackle issues such as air pollution), enforceability of the laws was lacking due to the lack of political will.[268] Interestingly, one interview participant argued that this low prioritization of climate change was, however, in line with the larger population, since the wider citizenry also has climate action low on their priority list.[269] Similarly, other interview participants argued that climate change action was simply not high on the political agenda[270] in Thailand, or was comparatively low on the agenda compared to economic development, especially after the Covid-19 pandemic. This points to the fact that political barriers are linked to social barriers, where both policymakers and their constituencies would not consider climate action as a priority.

Also mentioned 10 times were barriers in the category "**awareness and understanding**". While the above-mentioned category "capacity and expertise" grouped barriers to climate finance more in general, this barrier category showcases gaps in the awareness and understanding of policymakers specifically. Besides the

261 IP 4.3; IP 4.4; IP 4.5; IP 4.6; IP 4.7; IP 4.8
262 IP 4.5
263 IP 4.6
264 IP 4.7
265 IP 4.4
266 IP 4.4
267 IP 4.2; IP 4.4
268 IP 4.5
269 IP 4.2
270 IP 4.5; IP 4.6

general lack of awareness (and understanding) of what policy support would be needed to increase the flow of climate finance,[271] interview participants also suggested that policymakers often do not understand the mitigation and adaptation measures and actions they should support with policies.[272] This was deemed especially the case in the agricultural[273] and adaptation sectors[274] and concerned both a technical understanding and an understanding of how much finance is needed[275] or what kind of financial instruments are the most appropriate in the Thai context.[276]

From a policy perspective**, regulatory barriers** were mentioned nine times. Here, interviewed partners argued that red tape and over-regulation are barriers to climate finance in Thailand,[277] but at the same time, interview participants argued that the absence of mandatory regulations created an uneven playing field. For instance, if first movers in the private sector decided to act (by adopting climate action strategies), their actions would likely be more costly than business as usual activities, thus putting them at a disadvantage.[278] Here, policymakers might need to walk the fine line between doing away with cumbersome red tape while at the same time ensuring that climate action is not penalized. Similarly, interview participants argued that harmful practices were still incentivized by regulation (fossil fuel subsidies, for instance),[279] while regulation that might stimulate investment in low-carbon practices – for instance by adopting climate action standards – was deemed lacking.[280] Moreover, SMEs, a very important constituency in Thailand, lack access to climate funding because regulatory frameworks do not incentivize lending to SMEs in Thailand.[281]

In the category **"other"** barriers to climate finance policymaking, mentioned eight times, cumbersome bureaucracy was mentioned as a hindering factor by several interview participants.[282] Moreover, the vagueness of some policies that don't go deep enough[283] – as well as the lack of targeted policies, especially to help vulnerable communities (see below) – was identified as a barrier.[284] Indeed, the need to adopt policies that are context specific was mentioned by one interview participant.[285] In the same vein, climate change mitigation and adaptation is not yet mainstreamed into policymaking and thinking, according to one interview participant.[286] One interview participant mentioned a barrier of scale, in the sense that current climate finance caters to larger-scale projects, while smaller-scale projects usually do not have access to funding.[287]

Lastly, **data availability and monitoring** barriers were identified by some experts but were mentioned relatively fewer times (five). interview participants argued that especially in adaptation, data on the impacts of measures taken and projects

271 IP 4.4
272 IP 4.4
273 IP 4.4
274 IP 4.5
275 IP 4.5
276 IP 4.6
277 IP 4.2
278 IP 4.2
279 IP 4.7
280 IP 4.2
281 IP 4.8
282 IP 4.3; IP 4.4
283 IP 4.4
284 IP 4.7
285 IP 4.1
286 IP 4.8
287 IP 4.4

implemented was lacking,[288] but also on the profit potential of projects from a private sector perspective.[289] After project implementation, monitoring, evaluation and verification (MEV) also constitutes a barrier as monitoring policies were deemed lacking,[290] thus making impact assessment difficult.

Vulnerable communities

When it comes to vulnerable communities and the question of why climate finance would not reach those groups, interview participants unanimously agreed that climate finance does not reach those communities in sufficient quantities. Barriers identified ranged from capacity gaps and a lack of awareness, as those communities (fishers, for instance) would not know how to apply for credits or funding,[291] and that the only money those communities usually received was wages and limited social protection payments.[292] Interestingly, one interview participant argued that even between experts and climate professionals engaging with vulnerable communities, there is too large a gap (in understanding and expertise, but also world view) and that this "removedness" of climate professionals from vulnerable communities hinders climate finance flows.[293] Other barriers included the gap between risk and return in projects targeting vulnerable communities[294] (from a private sector perspective) and the lack of understanding of the concept of climate finance by vulnerable communities.[295]

Interaction with other policy areas and success stories

Lastly, interviews also investigated the relationship between climate finance, climate finance policies and other policy fields that might impact climate finance in Thailand.

In line with responses summarized above, responses to this question also mentioned the silo thinking of involved ministries and government entities as a barrier to effective climate finance, but also mentioned the importance of global commitments to drive climate finance in Thailand, such as net-zero pledges or NDCs.[296] Energy, transport and environment policies were identified as important policy areas that might interact with climate finance flows.[297] However, interview participants generally observed that climate action or climate concerns were simply not mainstreamed into other policy areas, especially not in areas such as agriculture,[298] and that information on climate finance was dispersed and mainstreaming efforts were ad-hoc (thus echoing viewpoints described above).[299]

288 IP 4.5; IP 4.6
289 IP 4.2
290 IP 4.8
291 IP 4.1
292 IP 4.2
293 IP 4.3
294 IP 4.4
295 IP 4.6
296 IP 4.1; IP 4.2; IP 4.4
297 IP 4.2; IP 4.5; IP 4.6
298 IP 4.7
299 IP 4.8

Summary table of barriers

The following table provides a summary of identified barriers in Thailand.

Table 9. Identified barriers to climate finance in Thailand

Barriers to climate finance	Number of IPs that identified barrier (total of 10 IPs)	Number of times barrier was mentioned
Definition and research barriers	1	2
Market barriers	5	6
Economic barriers	2	2
Capacity/expertise barriers	7	12
Cultural barriers	4	3
Social barriers	2	3
Other	1	9
Barriers to climate finance policymaking		
Monitoring and data availability	4	5
Awareness and understanding	5	10
Regulatory barriers	5	9
Political barriers	6	10
Governance and coordination barriers	7	17
Other	4	8

Reflections from the focus group discussion

An FGD was held on 20 February 2025 at the offices of the Stockholm Environment Institute. We welcomed 18 participants for an FGD between 09.00 and 16.00. In the morning session, two breakout groups were held to reflect on our findings, to discuss barriers to climate finance and climate finance policymaking, and discuss how to overcome those barriers. One group discussion was conducted in Thai, while the other was held in English.

When it comes to **barriers to climate finance flows**, FGD participants agreed with our findings overall. As a general consensus, participants argued that while progress has been made in Thailand about mitigation, adaptation was still lagging behind.

Slow economic growth in the past years in Thailand makes climate action less of a priority, and participants agreed that the capacity to access international climate funding from an administrative perspective (human resources, but also knowing how to prepare a proposal for funding) was lacking. Similar to our interview findings, participants agreed that silo thinking and piecemeal approaches were hindering the flow of climate finance. Participants also pointed out the important role that SMEs play in the Thai economy, but that they have a very low capacity and understanding of how to access climate finance. Another barrier that was confirmed by participants was the lack of data on both the climate change impacts of certain mitigation and adaptation projects, and on the economic viability of proposed projects, which hinders the flow of climate finance. Similarly, people in the FGD spoke of a lack of evidenced-based

decision-making in Thailand, which they thought stems from a dearth of available data. Participants also spoke of the lack of private sector engagement and how incentive structures, such as tax breaks, were not in place to incentivize private players to invest in climate solutions.

Asked specifically about **climate finance policymaking**, FGD participants also agreed overall with the barriers presented to them. As some nuanced reflections, participants argued that, especially on the local level, regulatory frameworks and policies lack implementation. Also, participants opined that there was sometimes a lack of understanding about some climate finance policies and regulatory frameworks, such as those around carbon markets, which are still not well understood by stakeholders.

Data and research gaps were confirmed during the group discussions, and participants spoke of the fact that research findings are often not translated into policymaking. Similar to the interview findings, FGD discussants agreed that Thai policy and regulatory frameworks were often overly complex and sometimes even outdated, which presents a barrier to attracting climate finance or to stringent climate action. This was mentioned both vis-à-vis the international level (i.e. it's difficult for international investors and/or project developers to navigate the Thai legal system) but also vis-à-vis the national system. For instance, in the absence of a one-stop shop for local companies, many private sector actors are discouraged from investing in mitigation and adaptation solutions.

Moreover, the discussions about policies confirmed a general lack of prioritization on the part of Thai policymakers when it comes to climate change. For instance, as of end of 2025, the Clean Air Bill was still held up in parliament and the Climate Change Act has yet to be considered by the Cabinet, despite being in the making for quite some time now.

The groups then discussed potential solutions to **overcoming those barriers** mentioned in plenary.

Capacity building efforts, tailor-made to national and local policymakers, were deemed as important in overcoming barriers to climate finance flows and policymaking. Participants also stated a need for more research and for gathering better data on both impacts by climate projects and what priority areas Thailand should focus on.

FGD discussants also agreed that new incentive systems should be put into place that incentivize the private sector to take action. These incentives could include streamlined bureaucratic procedures when it comes to implementing a climate project or tax incentives. Some participants spoke to the need to implement eco taxes (taxes on polluting practices) to fill the coffers of the government to spend on climate action, and a potential national climate fund (according to one participant, an instrument that was currently debated by Thai policymakers) that channels money to mitigation and adaptation projects was discussed as an option to do away with barriers. Participants also stressed the need to work more with local communities on the subnational level, as local stakeholders there would know best what communities need and what actions would work. Low-interest loans or soft loans were discussed to help those local populations to get money for making them more resilient to climate change. Another

suggestion was to use existing channels but to "green" them, without forgetting the dangers of greenwashing. For instance, SMEs already had access to a dedicated government support fund, but this fund would as of yet not take climate concerns into consideration. Therefore, using existing infrastructure to enhance climate finance instead of reinventing the wheel or of doubling infrastructure was seen as key.

Lastly, the FGD discussed how climate finance could be brought **to vulnerable communities** and how climate finance could cater to those people's needs. Participants mentioned the role of local universities or NGOs that could reach out to vulnerable communities and act as a bridge between local policymakers, the private sector and local communities. Moreover, the group discussed the need to build up local champions, i.e. respected local community leaders or other similar stakeholders, that could play a key role in informing communities about not only more sustainable practices but also where to get climate finance such as small loans. However, dealing with the "financial illiteracy" of some local communities was needed first, similar to the need to inform those communities about climate change impacts. From the perspective of the government, Subdistrict Administrative Organizations (SAOs) and Provincial Administrative Organizations (PAOs) were deemed important bridges between local communities and the public and private sectors, even though both players operated separately.

Summary of interviews and focus group discussions of all countries

Overall, our interviews as well as the FGDs revealed that climate finance flows and climate finance policymaking face several barriers in our target countries. The following section describes the barriers in a summarizing fashion, while the last section tries to compare the barriers across countries.

Barriers across countries

The two main barrier categories, identified most often by interview participants across all countries and confirmed by all FGDs, were barriers of **capacity and expertise gaps** and barriers of **lacking governance and coordination**.

When it comes to **capacity and expertise barriers**, all countries reported lacking administrative capacities to access, in particular, international climate funds. This ranged from a lack of understanding about where to "find" climate finance opportunities (i.e. which international financing opportunities were "out there") to the lack of accessing those funds administratively, for instance because of language barriers or lack of project management capacity. Also, bureaucrats were deemed as being less well-versed in negotiating climate finance internationally than needed, a point made particularly for Cambodia. Another capacity and expertise barrier observed across countries but especially pronounced in Cambodia and Thailand was the lack of capacity to assess the impact of climate actions (thus making investment in those actions riskier). Interestingly, and also observed across countries, those capacity barriers were not only found in the government sphere but also in the private sector and in local banks – especially SMEs and smaller national banks,

according to interview participants. Indeed, the fact that SMEs lack knowledge of climate finance opportunities or the skills to access funds was observed in all four countries, and their lack of access to finance was particularly emphasized in the Thai context. Similarly, banks not knowing about climate actions and the impacts that mitigation and adaptation projects would have (or what risks those actions might entail) makes them reluctant to hand out loans, which in turn hinders climate mitigation and adaptation projects being implemented. In addition, some interview participants argued that project management capacity to implement effective climate mitigation and adaptation projects was be lacking, as observed in Cambodia both in the private and the public sectors.

When it comes to **governance barriers**, one recurring theme concerning this category was the lack of coordination between government entities such as ministries, working groups and committees. This was observed by interview participants in all countries and has been validated by the FGDs. These barriers include siloed approaches to climate finance, absence of leadership of one particular government entity (and the related issue of unclear responsibilities between government institutions), and lack of horizontal and vertical integration of climate planning. In Cambodia, power plays between ministries (for money and influence) were mentioned as inconducive to climate finance, as well as in Nepal, where interview participants mentioned that the competition for the little funding that is available would make ministries less willing to cooperate. In Thailand, participants opined that opaque political networks and interests would make for a rather cumbersome bureaucracy which in turn constitutes a barrier to climate finance flows. That was especially so in the case of foreign investment flowing into Thailand, as foreign stakeholders seemed to find Thai legal and bureaucratic requirements difficult to navigate. An interesting nuance comes from Bangladesh, where excessive centralization was mentioned as a governance barrier, thus illustrating that policymakers should find a delicate balance between coordination and avoiding siloed approaches or too much centralization.

Market and economic barriers were the next most mentioned barriers and have been found across countries. The main issue in all countries was the lack of available funds to address climate change, as those limited funds would compete with other investments such as in infrastructure investments or social policies. Similarly, all countries experience a lack of private sector engagement when it comes to climate finance, partly due to the unclear return on investment pathways, as observed in Nepal, or the high-risk, low-return environment of climate projects, as observed in Thailand. The high cost of capital was perceived as an issue in all countries, but particularly in Bangladesh. In Thailand, interview participants mentioned currency fluctuation as one of the main market barriers, while in Nepal, experts opined that the divergence of priorities between international lenders and national priorities hinders climate finance flows.

Another important barrier, albeit mentioned less often in interviews compared to the aforementioned barriers, was the **lack of data and information**, also observed across countries but particularly important in Bangladesh. Those data issues mainly pertained to two aspects. On the one hand, they concerned the impacts of climate change on climate projects and the impact that mitigation and adaptation projects would have on the climate (and the environment) in the studied countries. This in turn would

increase the risk aversion of investors and hinder policymakers from adopting stringent climate finance policies, as they would have to navigate rather blindly. On the other hand, some countries would also lack data on climate finance volumes, as observed in Cambodia, Nepal and Thailand, where interview participants mentioned that there was no centralized system to collect data on finance flows. In addition, several participants shared that monitoring, evaluation and learning frameworks would not be sufficiently in place to assess past projects in studied countries, which in turn would make additional private sector investment less likely.

In all countries, we also observed a variety of **social, cultural and political barriers**. In this category, the knowledge about climate change and its impact was one main obstacle to climate finance both in the public and private sectors. This lack of knowledge hinders the implementation of climate mitigation and adaptation projects, and without projects to be financed, climate finance logically cannot flow. This lack of "climate knowledge" was found across societal strata. Similarly, knowledge about climate finance and what it actually is was also mentioned as a barrier in all countries. Another important political barrier was the lack of political will, as observed in all countries. Interview participants also argued that climate change was not a priority, particularly in Thailand and Cambodia. Similarly, several interview participants, especially on Thailand, argued that powerful vested interests of the political but also the private elite would hinder reform (to become more climate friendly), as those elites would have no incentives for the current (fossil-fuel-based, unsustainable) socio-economic system to change. Therefore, this cultural and structural barrier makes climate action and climate finance flows more difficult to achieve.

In addition to those barriers to climate finance flows in general, several barriers to **climate finance policymaking** in particular were mentioned during the interviews.

All countries in our sample encountered **regulatory barriers** as far as climate finance and climate finance policies were concerned. In Bangladesh, policy incoherence was identified as a major obstacle. As an example, vehicle registration policies were said to not recognize EVs as vehicles, thus hindering registration of those EVs. In Cambodia, implementation of existing policies was deemed as an issue, especially on the local level, where national policies would leave responsibilities between the national and subnational levels unclear, thus hindering effective implementation locally. This problem was also observed in Thailand. Similarly, implementing existing policies and frameworks (or enforcing them) was assessed as being an issue, due to the lack of governance and bureaucratic capacity. This was in addition to the aforementioned lack of coordination among government institutions (ministries, working groups, committees, etc.). In Nepal, interview participants noted a low project implementation and completion rate (around 10%) due to lacking support mechanisms and due to lacking procurement regulations. Interestingly, Nepalese stakeholders also argued that international climate finance would often require following stringent environmental and other standards, which national and local governments often find difficult to follow, due to a lack of training on such issues. In Thailand, interviewed experts argued that over-regulation and red tape was an issue which hinders investment, especially for foreign stakeholders. Interestingly, other interview participants in the context of Thailand argued that the absence of regulation would create an uneven playing field, which penalizes companies that move first on climate issues, due to their higher costs as

compared to climate laggards. In Thailand, experts also pointed out the fact that fossil fuel subsidies and other harmful support instruments would further tilt the playing field, thus pointing to the need of policy reform in this field.

Country comparison

Looking more comparatively at the four countries, we can make several observations. First, barriers related to the capacity of all stakeholders (policymakers, banks, bureaucrats, SMEs, etc.) to access international finance and to assess the impacts of and the risks associated with climate projects were common in all countries. This also goes for governance and coordination issues in the sense that silo thinking among policy stakeholders was observed in all countries. Nevertheless, there were some nuances across countries.

Bangladesh

In Bangladesh, data availability seems to be a more pressing issue compared to other countries. This relates not only to gender-disaggregated data but also to data on the impacts of climate change or on climate vulnerability. Similarly, interviewed experts identified a lack of data that tracks climate finance flows as an issue. In the same vein, issues of transparency seem to be more pronounced in Bangladesh than in other countries. Bangladesh also seems to lend more weight to adaptation (compared to mitigation) as compared to other countries in our sample. From a policy and governance perspective, Bangladesh seems to be more affected by a centralization of decision-making, which would hinder the emergence and adoption of solutions that correspond to local needs on the subnational level. To that, one can add difficulties in coordinating climate action and financial flows, because in addition to the Ministry of Finance not having a clearly defined role in coordinating climate finance, other ministries also suffer from unclearly defined roles, thus illustrating a lack of coordination and a lack of policy coherence. Also, the lack of private sector engagement was particularly emphasized in Bangladesh, even though this barrier exists in other countries too.

Cambodia

In Cambodia, the issue of accessing international climate finance sources, especially, was deemed a major barrier due to a lack of capacity and skills of local stakeholders such as bureaucrats and local banks, the latter lacking capacity to design climate finance instruments. This capacity gap was also mentioned in the context of international climate negotiations, and that Cambodian negotiators find it difficult to get what they wanted and needed. And while this barrier exists in other countries too, expert interviews and FGDs emphasized this point particularly. Cambodia also seems to be hit heavily by a post-Covid-19 recession, which makes the limited public funds available compete with action areas other than climate change. In addition, Cambodian stakeholders seem to sometimes not fully understand the impacts of climate change, which would make it difficult to design projects, also from a finance perspective.

Another barrier was the perceived lack of policy implementation, particularly on the local level, and the fact that national policies were often not "translated" to local realities. Similarly, climate change mitigation and adaptation actions were not be mainstreamed in national policy planning, which would hinder effective action (and the flow of climate finance) according to interviewed experts. In addition, like in all other countries, issues of policy coordination were deemed an important barrier and the fact that also, political decisions are sometimes taken not because they are good for the climate but because they are good politically, thus illustrating the challenges of the political system in Cambodia. Lasty, lack of reliable data was deemed problematic in the country, as well as the lack of robust business cases due to market volatility in the country.

Nepal

One of the major barriers to climate finance in Nepal as identified by our research was the lack of capacity of SMEs (around 97% of the country's private sector base) to access climate finance. This important role of SMEs emerged as a key factor in Nepal, even though SMEs were also mentioned as important stakeholders in Thailand. In Nepal, experts also mentioned heightened market risks as a major barrier to why climate finance did not reach the country, as domestic markets were perceived as risky by international investors. In contrast to the other countries, bilateral donors and aid agencies were seen as important providers for climate finance in the country, but those donors and agencies were subject to changing geopolitical dynamics. For instance, Nepalese experts argued that shifting priorities of donors (due to the Russian war in Ukraine for instance) would have left a hole in Nepali government coffers. In the same vein, donor priorities sometimes do not align with national priorities, a barrier that was only mentioned in Nepal. Lack of coordination between government entities was mentioned, like in all our target countries, but also a lack of clear and effective regulation to facilitate the flow of climate finance. The lack of capacity to access funding or to adopt conducive regulatory frameworks was deemed especially important on the local level, and geographic and cultural barriers were pointed out more often compared to the other countries (Nepal has a mountainous terrain with many remote areas that are difficult to access, and where 100 or more languages and regional dialects are spoken). In addition, political instability was mentioned as a factor that hinders the flow of climate finance.

Thailand

Similarly to the other countries, and as mentioned above, capacity gaps were also the most prominent barriers to climate finance in Thailand, meaning the incapacity of stakeholders to access (international) climate finance. Similar to Cambodia, Thai banks are said to have difficulties assessing climate risks which in turn prevents them from providing tailor-made loans and other instruments for the Thai economy to decarbonize. Interestingly, complex bureaucracy and red tape were mentioned more often by experts in Thailand compared to the other countries. These complex governance processes and regulatory frameworks make it particularly difficult for foreign investors to invest in Thailand. Here, interviewed Thai experts mentioned

the fact that not only do over-regulation and red tape exist, but on the other hand, regulatory frameworks that would level the playing field between low-carbon and conventional technologies and practices were too few, which disincentivizes first movers. Interestingly, the lack of political will and the impression that policymakers sometimes act more in their own interest (to the detriment of climate action) were mentioned more often in Thailand compared to the other countries. Indeed, interviewed experts argued that climate action was not high on the political agenda. Quite similarly to Nepal, SMEs were deemed crucial for the fight against climate change, but their capacity to access funds was deemed lacking and specific climate finance instruments to support their decarbonization pathways were non-existent in Thailand.

Table 10 provides a summary of the main barriers per country.

Table 10. Summary of main barriers per country

Country	Bangladesh	Cambodia	Nepal	Thailand
Priority area of climate action	Adaptation; addressing vulnerability	Agriculture; forestry; natural resource management	Disaster risk management; infrastructure development; water management	Mitigation; energy transition; low-carbon transport; rice production
Barriers to climate finance	Data availability	Capacity to access international funding	Lack of SME engagement	Capacity gaps to access climate finance (how to?)
	Lack of policy coordination and coherence	Lack of policy implementation	Donor priorities not aligned with national priorities	Complex bureaucracy and governance
	Lack of private sector engagement	Lack of policy implementation; lack of localized policies	Lack of governance and regulation	Lack of political will to take climate action

4. Conclusions

This study provides a comprehensive, multi-country analysis of the barriers that impede climate finance flows and policy effectiveness in Bangladesh, Cambodia, Nepal and Thailand. It reveals a complex interplay of institutional, economic, political and knowledge-related constraints to accelerated flows of climate finance in these countries.

Across all countries studied, **a severe shortage of administrative, technical and financial expertise** persists within both public and private sectors. Government officials, especially at subnational levels, often lack the skills to design bankable projects, navigate international funding mechanisms or monitor outcomes. Similarly, local financial institutions and SMEs struggle to engage due to limited climate knowledge, weak risk-assessment capabilities and burdensome application procedures. These capacity barriers are not inherently policy-related or regulatory in nature, but they directly affect how well both policies and regulations function in practice.

The most frequently cited policy barrier is the **lack of effective governance and institutional coordination**. Siloed ministerial structures, fragmented mandates, and poor vertical integration between national and subnational authorities all contribute to inconsistent and inefficient policy implementation. In countries such as Bangladesh, excessive centralization stifles local innovation, while in Cambodia and Nepal, competition among ministries for scarce funding undermines collaboration. These are essential policy barriers; they reflect flaws in strategic planning, leadership allocation and institutional design.

Separate from high-level policy design, many countries also face **regulatory barriers** that disrupt the operational environment for climate finance. These include over-regulation, conflicting land use rules, fossil fuel subsidies, and the absence of standards or mandates that would de-risk climate projects. In Thailand, for instance, red tape and vague regulatory language discourage foreign investment. In Nepal, weak enforcement of procurement rules leads to low project completion rates. These legal and procedural hurdles deter private finance, delay implementation and create uncertainty about returns on investment.

Another major obstacle is the lack of reliable, detailed data, both on climate risks and the results of mitigation or adaptation efforts. Without evidence of climate impacts or project feasibility, governments find it difficult to make informed choices, and investors face too much uncertainty. Additionally, few countries have centralized monitoring systems or strong reporting protocols, especially for local-level implementation.

Vulnerable communities, especially women, Indigenous groups and rural populations, face systematic exclusion from climate finance processes. Reasons include language barriers, lack of documentation, limited representation in decision-making, and weak access to technology or financial services. At the same time, powerful lobbies (e.g. fossil fuel industries) and low public awareness help create a political environment where climate action is often deprioritized, especially in Thailand and Cambodia.

To address these barriers effectively, countries must act across multiple fronts. Drawing on our findings, the following seven actions are recommended:

- Build capacity not only in administration but also in climate literacy, so stakeholders can evaluate project impacts and access funding.
- Strengthen coordination across ministries, but assign clear leadership to prevent paralysis and overlapping mandates.
- Integrate climate considerations into national development plans with consistent signals to the public and private sectors about long-term priorities.
- Close the implementation gap by clarifying roles between national and subnational actors and investing in local delivery systems.
- Level the playing field by removing harmful subsidies, streamlining permitting processes and introducing supportive tools (e.g. tax incentives, green lending rules).
- Increase climate awareness among policymakers, financiers and the public to build political will and promote inclusive governance.
- De-risk climate investments, especially in fragile or low-capacity environments, through blended finance, guarantees or concessional terms.

By recognizing the difference between strategic policy reform and technical regulatory change, and addressing both simultaneously, Bangladesh, Cambodia, Nepal and Thailand can greatly speed up climate finance flows and create more inclusive, effective and resilient development pathways.

5. Limitations and future research

While this study provides valuable insights into policy barriers to climate finance, it has certain limitations. The findings are based on stakeholder perceptions and survey responses, which, while informative, may not fully capture the breadth of challenges across diverse policy and financial landscapes. Additionally, the survey sample, although meaningful, could be expanded in future studies to improve representativeness through a larger-scale survey with more rigorous sampling methods.

A similar study could also benefit from a comprehensive review of policy documents to provide a deeper understanding of the legal and regulatory frameworks governing climate finance. This would allow for a more robust assessment of how policy barriers manifest in practice and how they compare across different national contexts. Future research could further explore the role of emerging financial mechanisms, such as blended finance and sovereign green bonds, in overcoming policy constraints, as well as the impact of subnational policies and private sector engagement in unlocking climate finance at multiple governance levels.

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Annexes

Annex A: Interview schedule

Interview Schedule for the Semi-Structured Interviews

Objective: Identify what experts argue are the main barriers to better climate finance policies. Good or effective policies are here defined as those that channel money to appropriate stakeholders in line with mitigation and adaptation actions needed to meet the targets of the Paris Agreement.

Name: _____

Gender: _____

Organization interviewee works at: _____

Role in Organization:

1. What are the current climate mitigation and adaptation-related priority areas in your country?
2. Do those priority areas receive sufficient funding? If not, what are the largest funding gaps and what barriers to funding can you think of?
3. What are the main barriers in the current policies and regulations that hinder an **increased flow** of climate finance to your country? (especially that of private climate-related development finance flows)
4. Can you think of some other barriers (social, economic, political) related to climate finance policies?
5. Do you think there is a difference between barriers to national climate finance and international climate finance (i.e. climate finance provided by national actors and CF provided by international actors (multinational companies, international funds, etc.)?
6. Would you have a suggestion about how to overcome this or these barrier(s)?
7. Who would be the main actors to help overcome those barriers? Who can drive change?
8. Talking specifically about vulnerable communities, particularly women and marginalized groups (such as those from ethnic minorities and/or economically and socially disadvantaged groups). Do you think climate finance sufficiently reaches those groups in your country? If not, what are the main barriers?
9. Would you have some suggestions on how to overcome these barriers to achieve inclusive and gender-responsive climate finance?
10. In your country, how aligned are climate finance policies with other existing policy frameworks? Do you know of any important connections between climate finance policies and other types of policies in your country?
11. Are there any challenges in executing existing policies effectively across different government levels, from national to local authorities? Or across different governmental institutions?
12. Do you have any cautionary tales of policies not reaching their objective in your country when it comes to climate finance policies? What was the reason they did not reach their objective?
13. Do you have any success stories in your country when it comes to climate finance? If this is too early to tell, could you share your vision of what successful climate finance policies, flows, and distributions would you like for your country?

Annex B: Barrier groupings and descriptions (from literature)

B.1.1 Financial and market barriers		
Barrier ID	**Barrier name**	**Description**
6	Financial viability and high upfront costs	Blue carbon projects often require significant upfront investment and expensive measurement and verification methods. The financial viability of these projects solely based on carbon crediting can be uncertain, especially in developed economies. This uncertainty makes it challenging to attract private finance without additional revenue streams or blended finance approaches.
7	Uncertainties in land tenure and carbon ownership	The ownership of blue carbon ecosystems, particularly in areas with complex land tenure or transboundary issues, creates uncertainty regarding who has the right to generate and trade carbon credits. This ambiguity discourages private investment as investors seek clear ownership and legal frameworks to ensure returns on their investments.
11	Inflexible subsidy scheme	The fixed 60% subsidy scheme, without periodic revision of SIP market prices, fails to reflect the decreasing cost of SIPs and creates opportunities for vendors to inflate prices. This limits the program's reach and prevents a larger number of farmers from benefiting from the subsidy.
18	Insufficient financial support	Developed countries have consistently fallen short of their climate finance commitments, hindering the flow of private finance for adaptation projects in low income countries. This shortfall creates uncertainty and makes it difficult for private investors to assess the viability of adaptation projects.
19	Lack of clear effort-sharing mechanism	The absence of a clear framework for burden-sharing among developed countries creates uncertainty regarding the scale and predictability of future climate finance flows. This lack of clarity makes it difficult for private investors to assess the long-term viability of adaptation projects and discourages investment.
21	Voluntary nature of climate finance contributions	The current voluntary system for climate finance contributions from developed countries leads to uncertainty and unpredictability in funding flows. This lack of a binding commitment makes it difficult for private investors to rely on consistent and sufficient funding for adaptation projects, hindering their willingness to invest.
27	Market failures and economic uncertainties	Nature-based solutions (NBS) projects often face market failures, such as freeriding. Economic uncertainties, including price volatility and opportunity costs associated with land use, can make NBS investments less attractive compared to other opportunities.
41	Unavailable and costly adaptation finance and technology	Businesses face difficulties accessing adaptation finance, and the available adaptation technologies are often expensive, especially for smaller companies. This financial barrier discourages investment in climate resilience projects and limits the adoption of necessary technologies.
43	Limited access to finance for SMEs	Most SMEs in the Association of Southeast Asian Nations (ASEAN) region struggle to access finance due to the dominance of bank financing, hindering their ability to invest in climate adaptation measures. This limited access to capital prevents SMEs from contributing effectively to climate resilience efforts.
49	Mispriced climate risks	Financial markets currently do not accurately price climate risks, leading to the mispricing of assets and potentially distorting capital allocation, making climate-focused projects appear less financially viable.
50	Higher perceived risk for climate projects	Climate-focused projects are often associated with early-stage technologies and untested business models, leading to a perception of higher risk by lenders and investors. This results in higher-risk premiums and a greater cost of capital compared to conventional investments, discouraging private finance.
51	Credit rating challenges	Current credit rating methodologies do not adequately incorporate climate-related risks, leading to lower credit ratings for climate projects. This results in higher capital requirements for banks financing these projects, further increasing the cost of capital and hindering investment.
54	Insufficient financing	A sevenfold increase in annual spending on industrial decarbonization is needed globally by 2030. The lack of sufficient financing poses a significant barrier to the flow of private finance for climate adaptation, particularly in low income countries.
72	Underdeveloped power markets and financial systems	The dominance of bank-dominated financial systems in Southeast Asia, and underdeveloped capital markets, limit the availability of appropriate financing instruments for private investors in clean energy.
79	High risk perception in emerging markets	Real and perceived risks, including policy uncertainty, regulatory complexities and lack of familiarity with emerging markets, contribute to a high risk perception for private investors. This perception leads to elevated costs of capital and discourages private investment in adaptation projects.

B.1.2 Information asymmetry and lack of transparency

Barrier ID	Barrier name	Description
1	Unsuitability for slow-onset events and non-economic loss and damage (NELD)	Traditional insurance schemes struggle to address slow-onset events such as sea-level rise or desertification, and NELD, as these lack a clearly quantifiable economic value, making it difficult to establish insurable criteria and determine payouts.
17	Lack of transparency	Lack of standardized reporting frameworks creates uncertainty for investors, making it challenging to assess the viability and impact of climate-related investments.
22	Lack of transparency of information and quality of data	Poor data quality and limited availability hinder investor ability to assess risks and opportunities in adaptation finance.
33	Lack of clear definitions	In Nepal, unclear definitions of climate finance make it difficult to track and account for funds, reducing investor confidence.
35	Lack of data availability	Lack of forecasts and sectoral data (e.g. agriculture, energy efficiency) hinders investment predictions and reduces private finance inflow.
39	Lack of transparency and standardized metrics	Opaque blended finance structures and lack of evaluation methodologies make it difficult to measure outcomes, discouraging private finance.
47	Lack of clarity in defining adaptation	Difficulty distinguishing “adaptation” from “development” projects complicates GCF funding eligibility and causes delays or rejection.
61	Limited transparency and accountability	GCF local-level budget data is missing; verification of “local spending” is difficult, undermining trust and discouraging investment.
65	Incomplete information on climate risks and vulnerability	MNCs and SMEs lack full risk profiles, making adaptation return-on-investment (ROI) hard to calculate.
69	Information problems and behavioural failures	Uncertainty about climate impact and adaptation effectiveness leads to investor inertia and reluctance.
74	Information gaps	High costs and complexity of data gathering, coupled with poor sustainability metrics and comparability, limit finance decision-making in ASEAN-5.
76	Lack of relevant information	Local academic capacity is weak, and information is scattered; this deters investors seeking evidence-based decisions.
83	Limited transparency and accountability (GCF)	Lack of local-level reporting mechanisms at the GCF erodes investor confidence and limits finance flows.

B.1.3 Misaligned incentives and short-term focus

Barrier ID	Barrier name	Description
2	Misalignment with CBDR-RC	Insurance schemes requiring low income countries to pay premiums ignore historical responsibilities and discourage investment in vulnerable contexts.
16	Short-term investment focus	12-month performance targets in finance discourage long-term adaptation investments.
20	Prioritization of mitigation over adaptation	Historical emphasis on mitigation leaves adaptation underfunded and deprioritized, making investment unattractive.
37	Dominance of debt-based financing	Profit-seeking logic of debt finance sidelines lower-return adaptation initiatives and burdens recipients with repayments.
38	Focus on mitigation over adaptation	Small adaptation share in global finance flows signals poor ROI and deters private finance.
46	Profit-oriented approach	Financial institutions prioritize return over environmental impact, sidelining adaptation.
53	Short-term focus of financial markets	Markets favour quick returns; long-term climate projects are neglected.
63	Distorted incentives for relocation	Disaster recovery subsidies discourage relocation from high-risk areas and increase exposure.
64	Underinvestment in mitigation	Expectation of post-disaster government support discourages households from investing in advance.
67	Market imperfections	Adaptation as a public good and unclear returns make private investment risky and unattractive.
68	Mismatch between business models and adaptation timeframes	SMEs focus on short-term gains, conflicting with long-term adaptation goals.
78	Limited private sector appetite for adaptation projects	Lack of revenue certainty and ROI predictability makes adaptation unattractive compared to mitigation.

B.1.4 Capacity constraints and lack of expertise

Barrier ID	Barrier name	Description
4	Lack of capacity in financial institutions	Many financial institutions in low income countries cannot develop transition plans or meet IFI requirements, deterring climate investment.
10	Inadequate after-sale services	Lack of maintenance for technologies such as SIPs discourages farmers due to unreliability and service access gaps.
23	Limited participation and access among market players	Narrow investor pools limit innovation and scale; broader participation is needed.
24	Need for capacity building among stakeholders	Stakeholders lack technical expertise and climate finance knowledge.
44	Capacity-building gaps	ASEAN members need support to navigate financial instruments, project prep and approval processes.
56	Limited financial resources	Especially in Cambodia, government bodies lack funds for climate adaptation activities.
57	Weak cooperation and coordination	Lack of trust, funding competition and unclear roles hinder collaboration between institutions.
59	Low awareness and inadequate risk management	Businesses and governments lack flood/climate risk planning, discouraging investor confidence.
62	Limited accredited entity capacity	GCF-accredited organizations often lack skills to work with local actors, hampering effective delivery.
73	Limited investment opportunities	Institutions in Indonesia and the Philippines perceive few investable green projects due to weak technical skills and pipeline.
77	Social and cultural barriers (policy disconnect)	Policymakers are unfamiliar with data/evidence-based adaptation and are not engaging with researchers; this weakens policy relevance and private investment potential.

B.1.5 Policy and regulatory barriers

Barrier ID	Barrier name	Description
5	Absence of clear national climate pathways	Lack of defined, actionable low-carbon or climate-resilient transition pathways hinders alignment of private investment with national goals. Investors cannot assess if their projects support climate priorities.
9	Lack of clarity on local government's role	In Nepal and similar settings, local governments have important roles but unclear mandates, which can lead to the exclusion of marginalized communities and inconsistencies in applying climate finance policies.
42	Unfavourable policy environment	Fragmented policies and corruption in government agencies create a non-conducive environment for private sector participation in climate adaptation.
52	Regulatory constraints	Financial regulations such as Basel III emphasize financial stability but do not consider climate risk. Higher capital requirements and lack of green lending guidance disincentivize banks from financing adaptation projects.
66	Unclear regulatory environment	In many countries, frameworks for private engagement in adaptation are either unclear or missing. Lack of guidelines, implementation plans and monitoring and evaluation frameworks deter investment.
70	Regulatory risk	Fear of sudden policy changes (e.g. removal of subsidies, new planning procedures) creates uncertainty and makes investors cautious.
71	Inadequate policy and regulatory frameworks	Inconsistent policies (e.g. absence of take-or-pay clauses in PPAs) increase risk and discourage engagement. In Viet Nam, this has limited renewable investment.
75	Limited implementation of government plans	Delayed or unfulfilled implementation and reliance on unpredictable ODA signal unreliability to investors.
80	Lack of a tight coalition and supporting policies	In countries such as Bangladesh, promising adaptation policies fail to scale due to lack of political support and economic backing. Without coalitions of support, private investors lack confidence.

B.1.6 Social and cultural barriers

Barrier ID	Barrier name	Description
3	Perpetuation of economic and gender inequality	Risk-based pricing in insurance disproportionately affects vulnerable groups. Land and property ownership inequality, especially affecting women, limits payouts and access to climate protection.
8	Unrepresentative applicant pool	Application processes often favour socially connected, wealthier farmers, excluding marginalized communities.
28	Social acceptance and equity concerns	Models transferring public services to private hands may raise fears of privatization and gentrification, leading to resistance.
40	Lack of awareness and misperceptions	Businesses in Bangladesh often underestimate climate risks or opportunities, limiting motivation to invest in resilience.
45	Lack of customer awareness	General public lacks knowledge of green banking and its value. This stunts demand for green finance products.
60	Lack of a unified framework for defining "local"	GCF and other entities have vague definitions of "local", making it difficult to ensure funding genuinely targets local actors.
81	Divergent views hampering private sector engagement	Conflicting stakeholder perspectives delay adaptation project rollouts and investor confidence in Bangladesh and Ethiopia.
82	Lack of a unified framework for defining "local" (again)	Ambiguity in defining "local" limits transparent tracking of funds and undermines investor trust in adaptation legitimacy.

B.1.7 Other barriers

Barrier ID	Barrier name	Description
12	Lack of private sector engagement	Except for a few industries (e.g. tourism, agriculture), the private sector shows limited interest in adaptation, largely due to unclear benefits and poor awareness.
13	Uncertainty regarding Covid-19 impacts	Pandemic-related fiscal strains are likely to reduce long-term adaptation finance allocations, especially in low income countries.
14	High implementation costs	Implementing carbon pricing and other mechanisms requires heavy administrative and technical investments, which can be burdensome.
15	Political resistance	Resistance from elites and affected populations can derail adaptation policies such as carbon pricing unless designed with safeguards.
25	Valuation and monetization of NBS benefits	Lack of standard methods to value nature-based solutions makes returns hard to quantify and limits investor confidence.
26	Monitoring challenges and costs	Verifying adaptation outcomes, especially for NBS, is expensive and complex, raising transaction costs and discouraging investment.
29	Institutional inertia and regulatory complexity	Bureaucratic resistance and lack of legal clarity make it hard to deploy innovative financing mechanisms.
30	Technical and financial risks under EERF	Lack of performance-based contracts shifts risk to consumers, deterring uptake.
31	ESCO Fund's risk burden on government	The 3.5% interest model pushes risk of project failure onto governments, making it unattractive for private financiers.
32	Limited technology scope in DSM bidding	Focus on familiar tech (LEDs, A/C) in efficiency programs excludes innovative solutions that might attract new investors.
34	Complex financial mechanisms	In Nepal, overlapping finance mechanisms (UNFCCC, bilateral, regional) confuse coordination and discourage private participation.
36	Uncertainty in dividing investment opportunities	Lack of metrics to divide public vs private roles in investment creates ambiguity and hesitancy.
48	Complicated application process	GCF accreditation and proposal systems favour large international entities and limit access for local stakeholders.
55	Limited technology transfer	Low income countries lack access to needed low-carbon tech, particularly in heavy industry sectors.
58	Lack of disaster risk financing strategy	Countries such as Serbia rely on post-disaster aid, lacking proactive financing strategies, which increases risk perceptions for private investors.
84	Capacity gaps of accredited entities	Many GCF-accredited entities prioritize financial management over local engagement skills, which erodes confidence among investors focused on bottom-up climate solutions.

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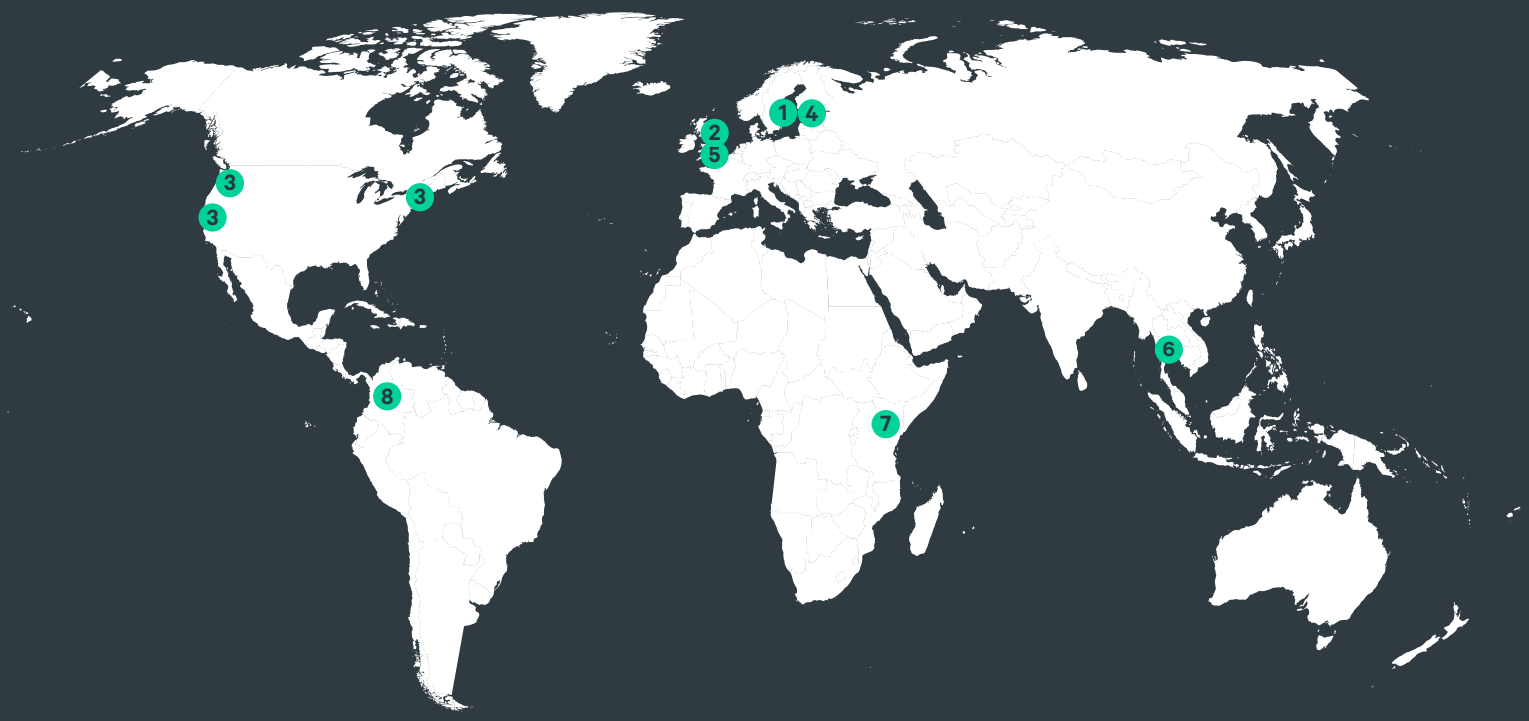

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