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# Improving Access to Climate Finance for Transport

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WORKING PAPER

# Access to climate finance in low- and middle-income countries: 14 case studies in the transport sector

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*Working Papers contain preliminary research, analysis, findings, and recommendations. They are circulated to stimulate timely discussion and critical feedback, and to influence ongoing debate on emerging issues.*

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## HIGHLIGHTS

- Much has been written about scaling climate finance, but less is known about its use in specific sectors such as transport.
- We examined the landscape of international climate finance for transport in Asia, Africa, and Latin America, looking at 839 transport projects and conducting 14 case studies. The international climate finance mechanisms we studied include climate funds, multilateral development banks, donor governments, and private investors.
- We found that a third of the transport projects that received climate finance involved building roads. Fewer public transport and electric vehicle projects accessed climate finance, and only 20 percent of projects explicitly aimed at improving resilience.
- The common barriers to accessing climate finance were inadequate policy frameworks, limited project preparation capacity, high upfront costs and risk perceptions, complex funding requirements, and difficulties in assessing projects' broader socioeconomic benefits.
- Countries can address these roadblocks by creating an enabling environment with sustainable policies and transport targets, attracting private investments with de-risking instruments, building capacity to design and implement bankable projects, and doing more to monitor and evaluate the impacts of transport measures.

See our new paper!

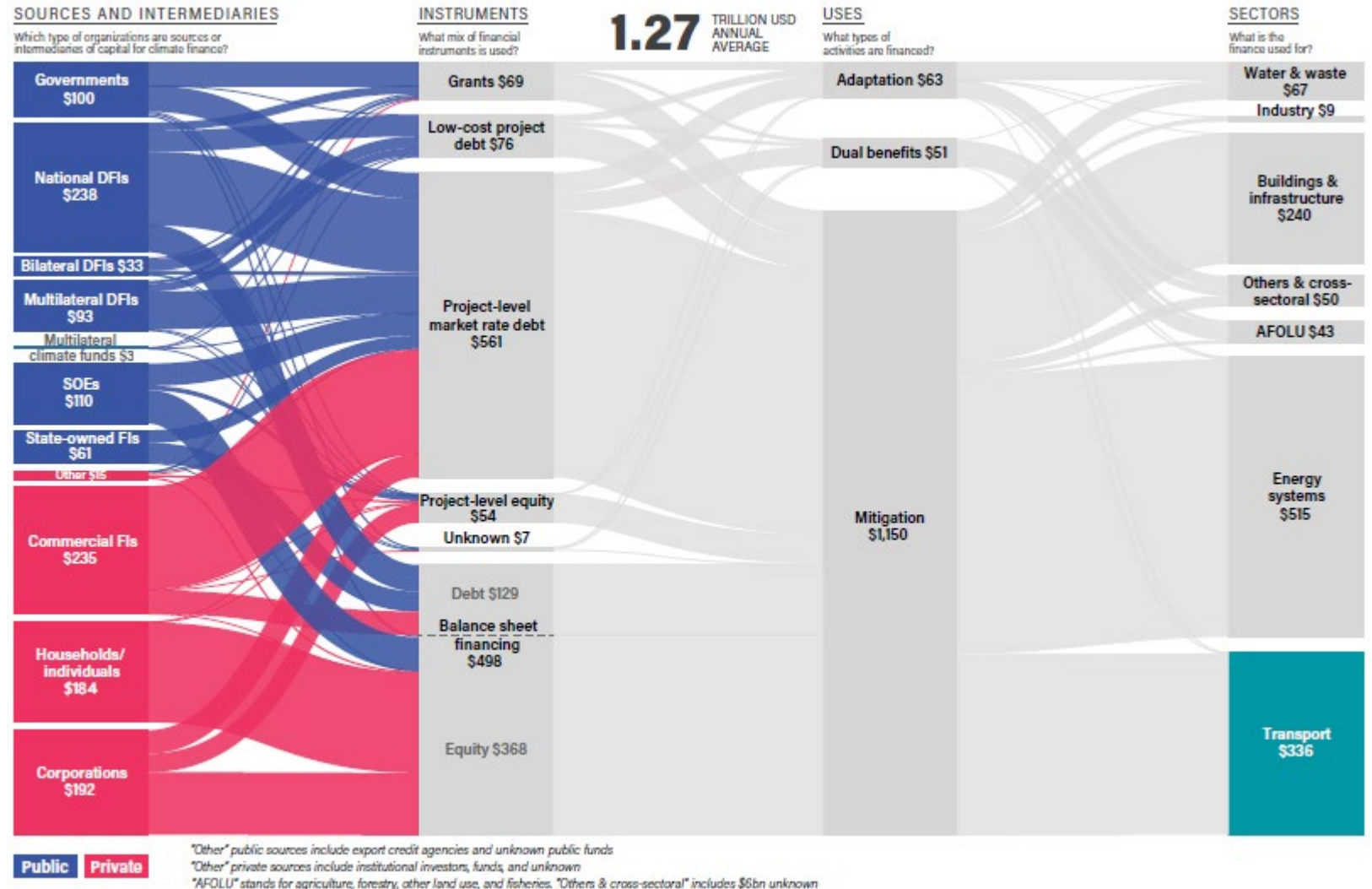
Launching at CCG Transport Day  
at COP



# Sources of climate finance

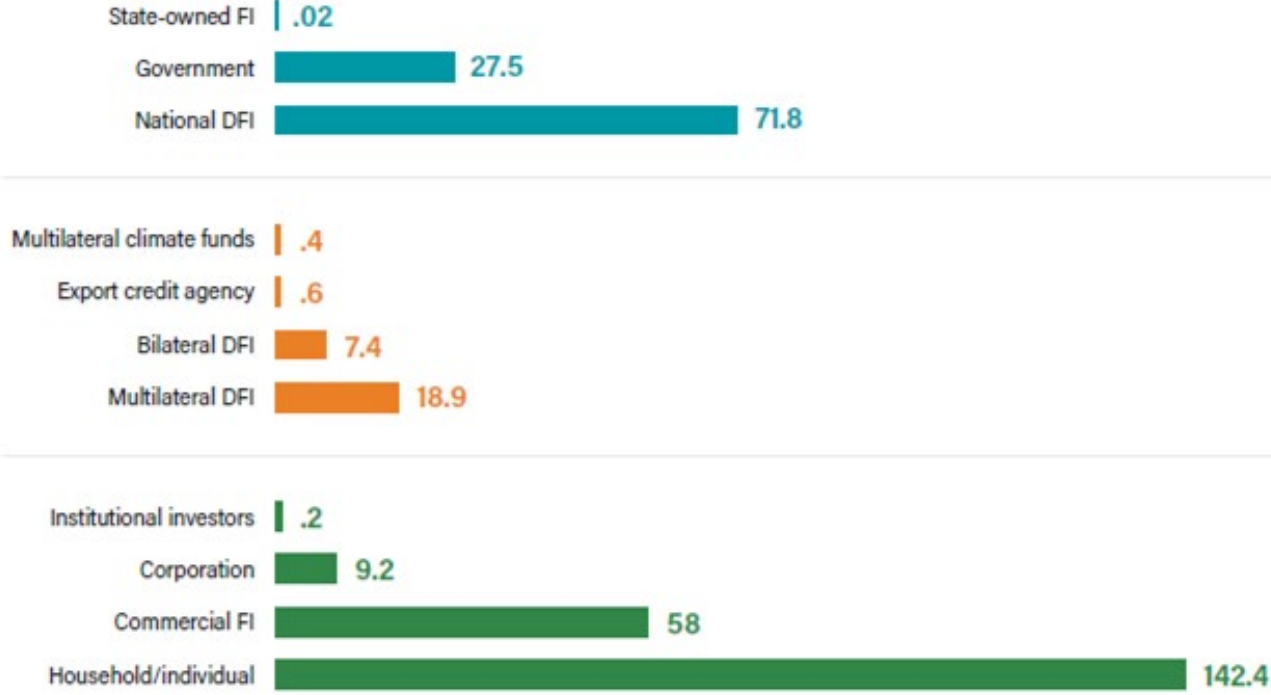
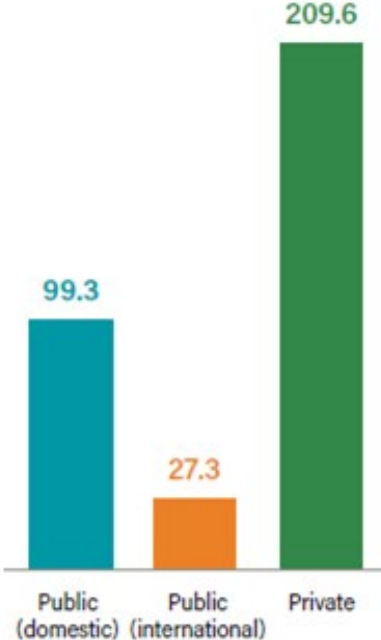
- Global climate finance reached **\$1.3 trillion**, yet insufficient and inconsistent across regions & sectors.
- **Transport received 29%** of the global mitigation climate finance with **\$336 billion**.
- Between now and 2050, we need to invest an estimated **\$2.7 trillion annually** — **seven** times what is currently being spent—to reach a low-carbon transport pathway.

**Figure. Sources of climate finance connected to end use by sector**



# Where are we on climate finance for transport?

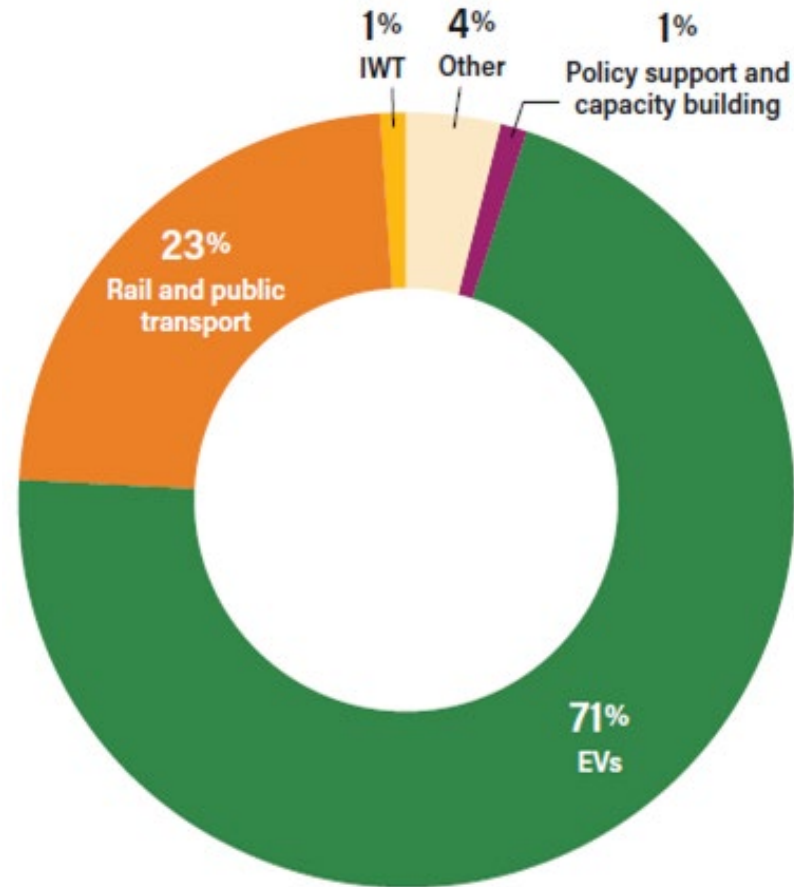
- **Private** actors provided 62% of the climate finance flows to transport, resulting primarily from household spending on EV purchases.
- Public actors contributed \$127 million, with national DFIs being the largest source.



Note: FI = finance institution; DFI = development finance institution.  
 Source: Adapted from CPI 2023c.

# Where are we on climate finance for transport?

- Climate finance flows are unevenly distributed across transport modes and sub-sectors.
- Finance for **EVs** dominated transport investment (71%), followed by **rail and public transport with 23 %**.
- Inland water transport received only 1% of the climate finance flowing into transport.



*Notes:* IWT = inland water transport; EV = electric vehicle; 'Other' includes aviation, transport-oriented development, and infrastructure, as per Climate Policy Initiative methodology.

*Source:* Adapted from CPI 2023c



# State of Knowledge Research Report

01

## Landscape of climate finance for transport

- Reviewed global databases on 14 climate funds, multilateral development banks, bonds and private finance
- Collated data of ~840 transport projects that accessed climate finance (2015-2023)

02

## Case studies on barriers, lessons learned

Explored 14 cases to identify key barriers, constraints and lessons learned focused on Asia, Africa and Latin America and the Caribbean

03

## Stakeholder consultation

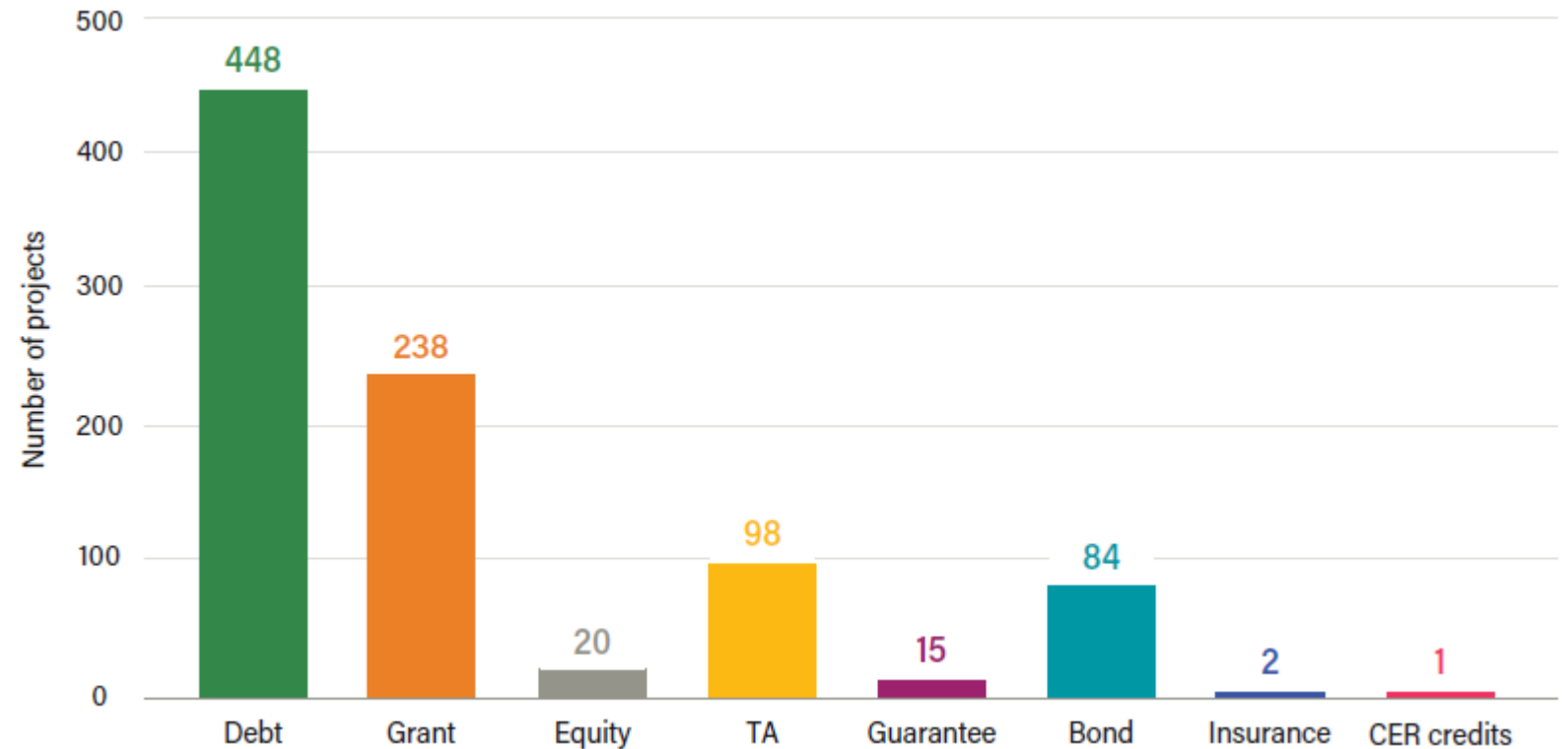
Consulted climate, transport, and financing experts from MDBs, DFIs, and other NGOs and verified findings

Observations regarding the climate  
finance providers' databases, and  
financial instruments deployed

## Observations regarding the climate finance providers' databases

- **Loans** are the most common financial instrument used for financing transport projects in LMICs via international public sources.
- **Concessional loans** far outstrip other financial instruments.
- **Grants** are commonly deployed.
- **Blended finance** has been used for more than **30** transport projects. Our database includes **84** transport-related **green bonds**.

Figure. Number of projects by instrument deployed in our database



*Note:* In this study, definitions for the types of instruments come from the providers of climate finance included in our database. TA, or technical assistance, refers to nonfinancial support provided to projects which is often aimed at enhancing their capacities to effectively implement and manage financial instruments and can be deployed at different stages throughout the life cycle of an investment. One project might deploy multiple financial instruments. CER = certified emission reduction.

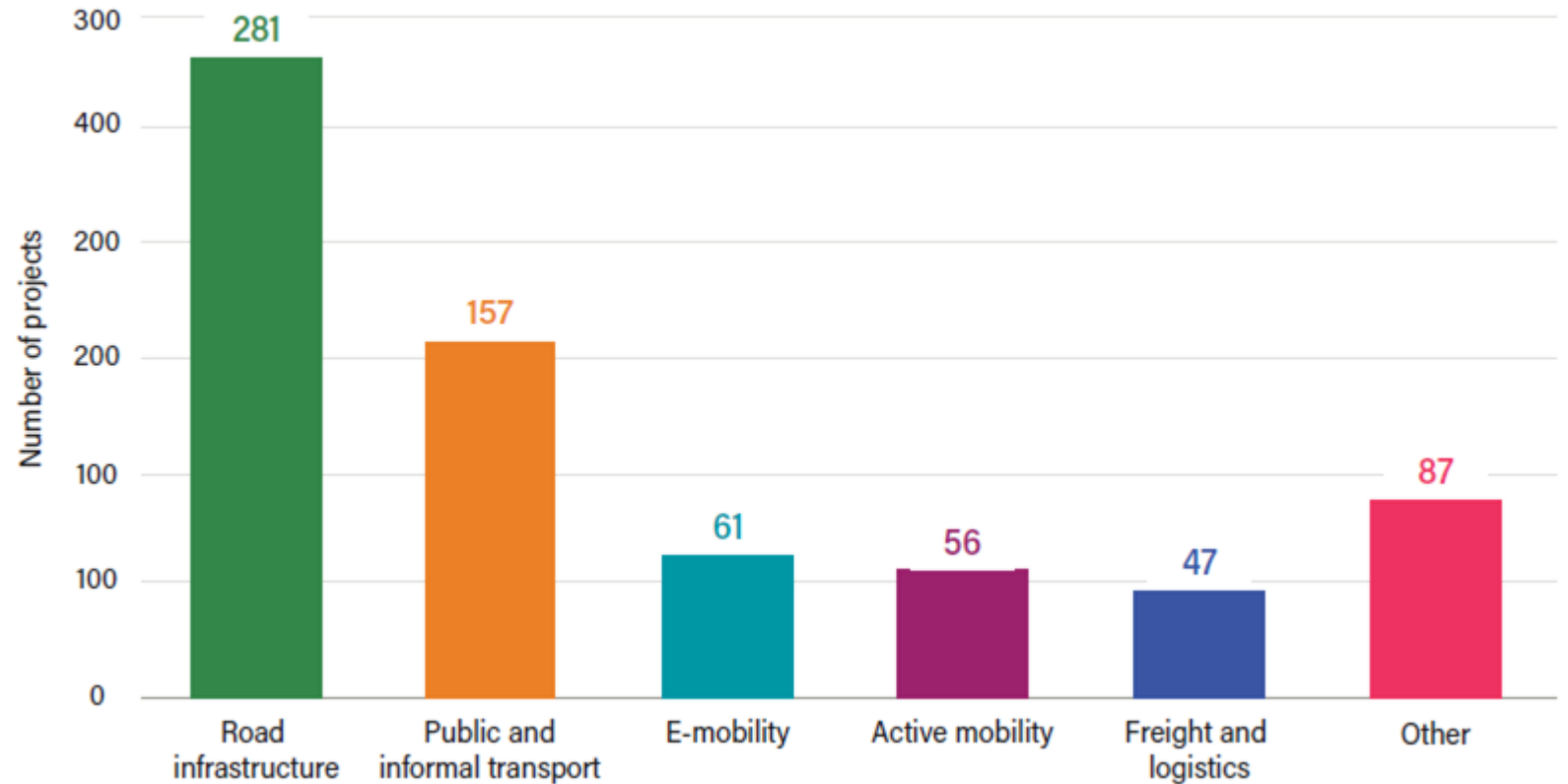
*Source:* Authors



## Observations regarding the climate finance providers' databases

- **Land transport** projects account for **75%** of the total projects.
- **One-third** of these projects are related to **constructing, rehabilitating & maintaining roads, highways, and bridges and enhancing connectivity**.
- There are significant adaptation needs in the sector for all-weather roads and other improvements.
- Only **20%** of projects explicitly aimed at **improving resilience**.

Figure. Number of projects by transport mode in our database

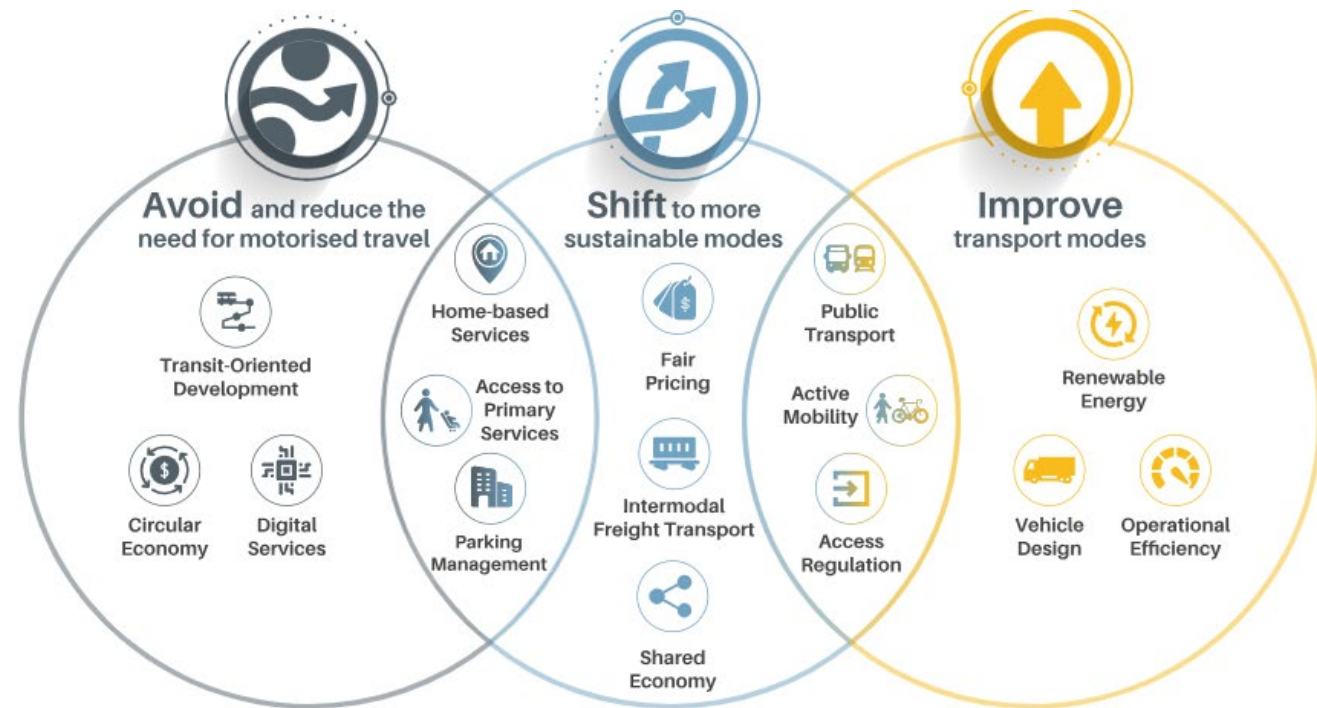


*Note:* The 'other' category includes projects dedicated to technical assistance, support for policy formulation, project preparation, and feasibility studies. Mode categories may include projects that span more than one mode.

*Source:* Authors

# Observations regarding the climate finance providers' databases

- Climate finance for transport should be high quality, aligned with the avoid-shift-improve approach.
- Need for transparency within development finance to ensure measurable impact and contribution to adaptation and/or mitigation.
- **More climate finance is needed across all sectors and activities, regardless of the percentage breakdowns by mode.**

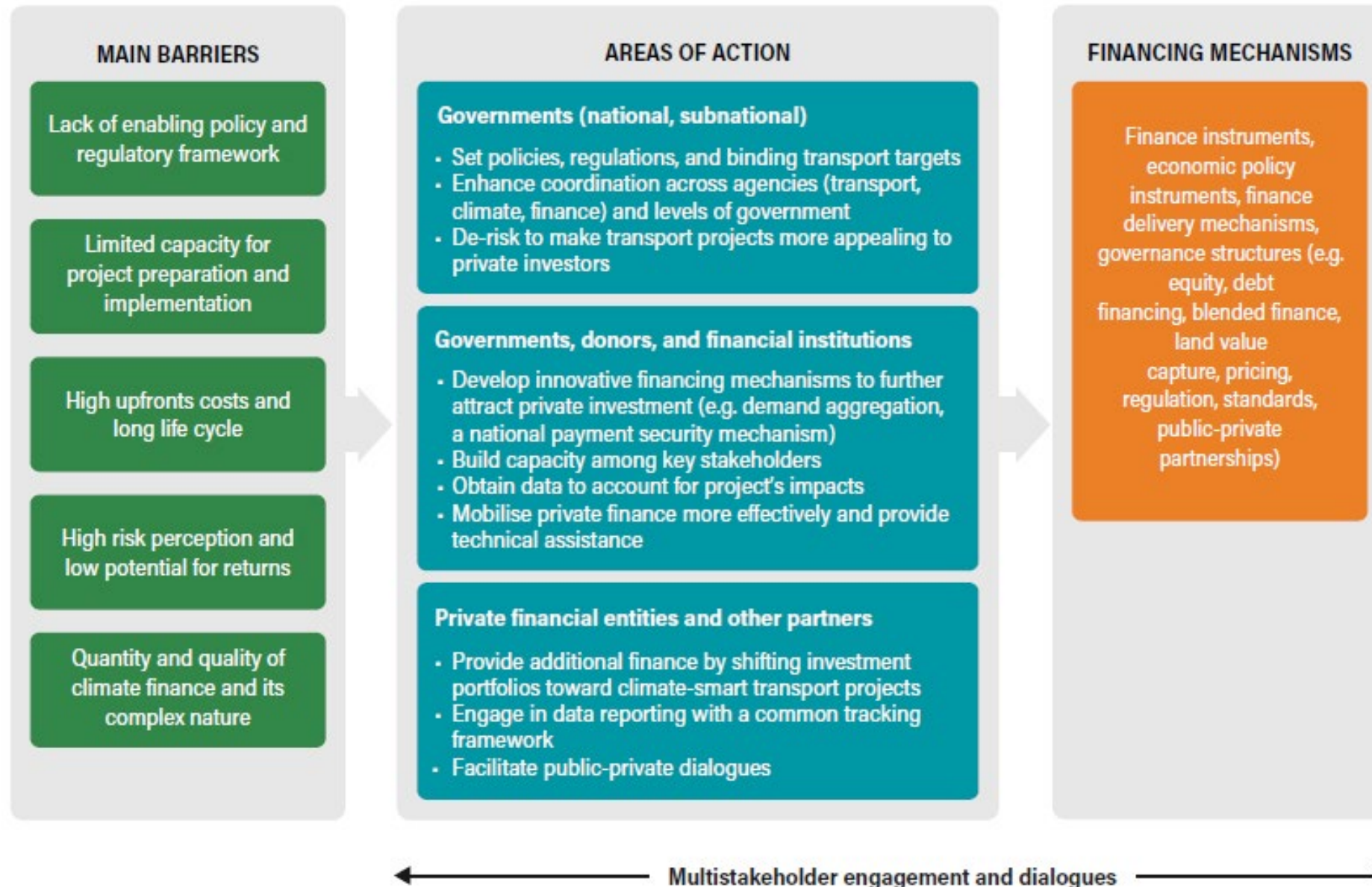


*Note:* The ASI diagramme presents a non-exhaustive list of measures.

*Source:* SLOCAT n.d.

# How to Improve Access to Climate Finance for Transport?

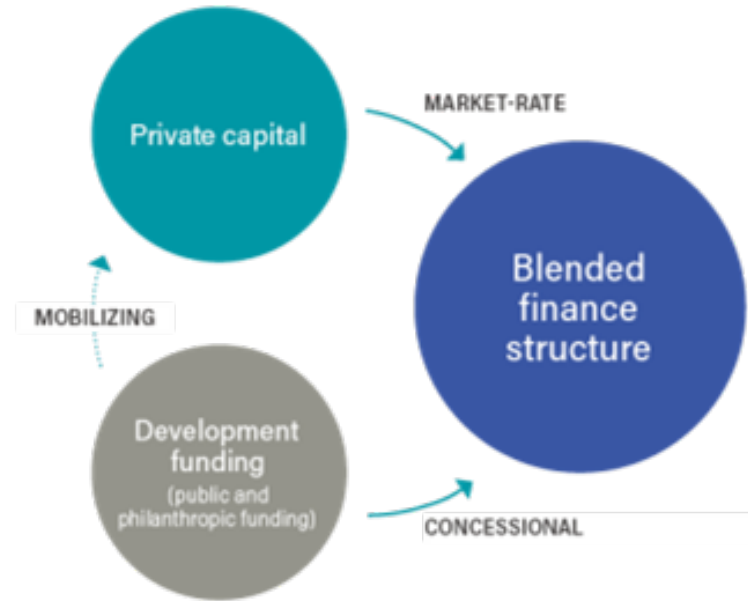
# Areas of action to scale up financing for low-carbon and resilient transport projects



# Blended finance

Mobilizing the private sector is not easy – and a track record goes a long way. Blended finance is a valuable tool for building markets.

- Blended finance combines concessional finance with non-concessional, often private, capital.



Blended finance mechanisms



learn more at

[transport-links.com](http://transport-links.com)

# Thank you!

For any questions or clarifications:

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