

Challenges and Opportunities in Accessing International Climate Funds for Malaysia

Nurul Farhana Abdul Shukor



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This view was prepared by Nurul Farhana Abdul Shukor, a Visiting Researcher from the Khazanah Research Institute (KRI). The author is grateful for the valuable comments from Yin Shao Loong and Wan Amirah Wan Usamah.

Author's email address:

cra.nurulfarhana@krinstitute.org

Attribution – Please cite the work as follows: Nurul Farhana Abdul Shukor. 2025. Challenges and Opportunities in Accessing International Climate Funds for Malaysia. Kuala Lumpur: Khazanah Research Institute. License: Creative Commons Attribution CC BY 3.0.

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Introduction

Malaysia's climate-related costs are an amalgamation of several estimates based on its mitigation, adaptation, and other climate-related policies and initiatives. Under mitigation, its net-zero emission goal by 2050 is estimated to require at least RM1.3 trillion in investments¹. Nationwide adaptation against flood alone is estimated at RM392 billion². For disaster preparedness and the development of an Early Warning System, RM460 million and RM210 million are allocated, respectively, in Malaysia's 2026 national budget³.

Given the scope and price tag, accessing and mobilising climate funds under the United Nations Framework

¹ MOE (2023)

² Rahim, Carvalho, and Ibrahim (2024)

³ MOF (2025)

Convention on Climate Change (UNFCCC) may help advance some of Malaysia's climate initiatives. An understanding of the available funds can directly inform and strengthen Malaysia's climate and development strategies.

The United Nations and Climate Funds

Arguments over money resurface at every United Nations (UN) climate talk. As the leading platform for climate negotiations, the UN hosts annual conferences to address climate change issues and agreements, where financial provisions are negotiated. At the core of the finance discourse is the question of who pays and who receives, which reflects the opposing positions of developed and developing countries⁴.

The UN climate talks have acknowledged the gaps in climate finance and the urgent need for support⁵. This type of acknowledgment affects the climate funds, particularly those under the UNFCCC. The impacts include the funds' operations and access, as well as the mobilisation of resources to achieve financial targets and funding allocation mandates. These impacts highlight the heart of the finance discourse, particularly regarding how developing countries receive the money and whether they can access it.

Leveraging the Climate Funds

The UNFCCC provides financial resources to developing country Parties for climate-related initiatives and efforts by way of its Financial Mechanism⁶. It houses several funds and their operating entities, providing financial support to developing countries for climate mitigation and adaptation. As a developing country, Malaysia has access to them.

Table 1 below summarises the funds accessible to Malaysia under the UNFCCC.

⁴ Abdul Shukor and Yin (2024): The Views provides descriptions of the geopolitics surrounding the new collective quantified goal (NCQG) based on blocs, reflecting their respective political and economic considerations.

⁵ UNFCCC (2023): First Global Stocktake

⁶ UNFCCC, n.d.

Table 1: Details of climate funds according to the UNFCCC

No	Fund & Established year	Focus	Owner/Administrator	Conditionalities & Requirements	Fund Size	Malaysia Recipient Status, Amount & Purpose	Process to Apply
1	Adaptation Fund (AF) Est. 2001	To finance concrete adaptation projects and programmes in developing country Parties that are particularly vulnerable to the adverse effects of climate change.	Owner: Parties to the Convention and the Kyoto Protocol. Administrator: Adaptation Fund Board. (Functions under the guidance of the COP). Trustee: World Bank.	It is for "concrete adaptation activities" in developing countries, with a focus on ownership and resilience. Projects must be consistent with the Fund's policies and strategic priorities, including national adaptation plans and scientific guidance from recognised bodies.	Approximately \$1.5 billion committed since inception, with ongoing resource mobilisation. ⁷	Received a \$10 million grant for the "Nature-based Climate Adaptation Programme for the Urban Areas of Penang Island" (Approved 2022). Implementing entity: UN-Habitat	Proposal submitted by an Accredited Entity (AE) (National, Regional, or Multilateral Implementing Entities) on a rolling basis.
2	Fund for Responding to Loss and Damage (FRLD) Est. 2023	Provides financial assistance to developing countries that are vulnerable to respond to Loss and Damage associated with climate change impacts.	Owner: Parties to the UNFCCC/CMA. Administrator: a dedicated Board. Interim Host: World Bank.	Developing countries vulnerable to the adverse effects of climate change, with recognition of LDCs and SIDS.	Over \$788 million in initial pledges (as of June 2025) ⁸ , but only over \$431 million held in trust (as of November 2025) ⁹ .	Eligible because Malaysia is a developing country. No projects approved yet, as the fund is new.	The process is under final design. Initial calls for proposals are expected to be opened at COP30.
3	Green Climate Fund (GCF) Est. 2010	Projects balancing mitigation and adaptation in developing countries.	Owner: The Convention/ Parties. Administrator: GCF Secretariat.	Projects must be country-driven, meet a 50:50 balance between mitigation and adaptation	\$19.3 billion cumulative amount approved/committ	Received \$69.54 million through two funded projects and five readiness activities ¹¹ . Approved in	Projects are submitted through Accredited Entities (AEs), which can be

⁷ Adaptation Fund, n.d.

⁸ FRLD, n.d.

⁹ World Bank Group, n.d.

¹¹ Ibid.

		Intended to be the main climate finance fund, supporting the Paris Agreement goal.		funding, and prioritise the most vulnerable developing countries (LDCs, SIDS, African States).	ed since inception ¹⁰ .	2025, Malaysia received approximately \$3 million for the preparation of its National Adaptation Plan (MyNAP) project ¹² . Implementing entity: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) for the MyNAP Project preparation.	national, regional, or international bodies. Direct Access modality is available for national entities.
4	Global Environment Facility (GEF) Trust Fund Est. 1992	An operational entity of the Financial Mechanism. Funds projects across several environmental focal areas.	Owner: The Convention/ Parties. Administrator: GEF Council. Trustee: World Bank.	Developing countries Party to the environmental conventions. Follows the System for Transparent Allocation of Resources (STAR).	\$5.33 billion (GEF-8 Replenishment, 2022-2026). ¹³	Received funding across multiple GEF phases, primarily for Mitigation and Biodiversity projects. Implementing entity: United Nations Development Programme (UNDP) for the Small Grants Programme.	Proposals developed by a country and submitted through a GEF Agency (e.g., UNDP, UNEP, World Bank). Requires endorsement from the country's Operational Focal Point (OFP).
5	Special Climate Change Fund (SCCF) Est. 2001	Supports activities complementary to the GEF, adaptation-focused (especially water management, land, energy, health) and technology transfer.	Owner: The Convention/ Parties. Administrator: Operating entity is the Global Environment Facility (GEF).	Open to developing countries. Focuses on adaptation and technology transfer that are complementary to other funding mechanisms.	\$401.7 million (funds generally bundled within GEF adaptation envelopes. GEF-8 Replenishment, 2022-2026). ¹⁴	Eligible because Malaysia is a developing country. No large, singular project data specifically tied to the SCCF was found for Malaysia.	Through a GEF Agency, requiring endorsement from the country's Operational Focal Point (OFP).

Source: Adaptation Fund (n.d.), Fund for Responding to Loss and Damage (n.d.), Global Environment Facility (n.d.), Green Climate Fund (n.d.), Special Climate Change Fund (n.d.), UNFCCC (n.d.).

¹⁰ GCF, n.d.

¹² Bernama (2023)

¹³ GEF, n.d.

¹⁴ Ibid.

Challenges to Efficient Fund Access

Despite pools of available funding for developing countries to support their climate ambitions, developing countries still face challenges in efficiently accessing the funds¹⁵. The lengthy processes for accreditation and funding applications are made more challenging when taking into account the technical capacities needed throughout. The complexity of the process and its requirements have affected developing countries' access to the funds¹⁶.

The burden of process and complexity

To access the climate funds, developing countries must establish formal links with them. These formal links are known as accreditation procedures, which are termed differently depending on the funds - for instance, the AF utilises Accredited Institutions while the GCF coins the term Accredited Entities (AE), which can be recognised at multiple levels.

Generally, accreditation involves multiple steps and offers two access options: direct and indirect¹⁷. The type of access determines who handles the money and who oversees the project.

Direct access, facilitated through Direct Access Entities (DAEs)¹⁸, refer to a country nominating domestic institutions to receive funds directly and manage project execution internally. These institutions can range from government ministries to state-linked organisations. This process requires consultation with the country's national designated authority (NDA)¹⁹ to ensure country ownership and alignment.

Taking the GCF as an example, a few ASEAN countries have nominated DAEs, including Indonesia, the Philippines, and Cambodia. Indonesia has two accredited DAEs, namely PT Sarana Multi Infrastruktur and Kemitraan bagi Pembaruan Tata Pemerintahan (Partnership for Governance Reform). These entities coordinate with a department under the Ministry of Finance, which serves as Indonesia's NDA²⁰. The Philippines nominated the LandBank of the Philippines as its DAE, operating under the oversight of its Department of Finance, as the NDA²¹. Cambodia nominated the National Committee for Sub-National Democratic Development, with its Ministry of Environment acting as its NDA²².

¹⁵ Rodriguez Osuna (2022)

¹⁶ Ibid.

¹⁷ Adaptation Fund, n.d.; GCF, n.d.

¹⁸ Direct Access Entities (DAE) are accredited national, regional, or sub-national organisations that are authorised to receive and manage climate finance directly from institutions such as the Green Climate Fund (GCF) and the Adaptation Fund, primarily operating to develop funding proposals, manage project implementation, and deploy financial tools for climate adaptation and mitigation projects within their respective countries.

¹⁹ National Designated Authority (NDA) is the government institution that acts as the main point of contact between a country and international climate funds. They serve as an intermediary, a legal signatory on behalf of the government for fund-related matters and provide broad strategic oversight. They also communicate the country's priorities for projects that support low-emission and climate-resilient development.

²⁰ GCF, n.d.

²¹ Ibid.

²² Ibid.

Indirect access is facilitated through International Accredited Entities (IAEs)²³, which include multinational and international organisations. This process provides an alternative for developing countries without direct access.

Regardless of whether an organisation is a DAE or an IAE, any AE must have the legal authority to enter into agreements and be able to manage international funds independently²⁴. This accreditation is not limited to public bodies. Private sector firms or non-profit organisations that meet these criteria may also apply for accreditation at some funds²⁵.

Based on Table 1, Malaysia has received funding from three out of the five funds listed in the form of grants²⁶, proving it has some capability to access these funds. Malaysia received this funding through indirect access from implementing entities (IAEs), namely UN-Habitat, GIZ, and UNDP. There is no public information on whether Malaysia has direct access to the funds.

Project development and implementation capacity gaps

Another factor for receiving funding is proposing projects that meet the objectives of the respective funds. This requires thoughtful and technically sound project proposals, which highlight the much-needed capacities in project development and implementation²⁷.

The project proposal process largely involves developing a project concept note, preparing a funding proposal that aligns with the fund's objectives and criteria, and submitting the proposal through an AE, which will then go through a review process by the fund's secretariat and technical advisory panel before seeking approval from the fund's board²⁸. All in all, this lengthy process is resource-consuming as it requires a combination of human, technical, and financial resources to produce a fully developed proposal. To meet these demands, international intermediaries offer developing countries their expertise and resources²⁹.

Furthermore, project proposals must demonstrate a strong understanding of climate issues by showing how applicants plan to address climate change in their respective areas. Climate knowledge includes distinguishing between mitigation and adaptation projects because each fund has a specific requirement. For example, the Adaptation Fund emphasises adaptation initiatives in developing countries, while the GCF requires applicants to reach a balance between mitigation and adaptation (see Table 1). Likewise, identifying strategic partners to help implement the project is vital to ensure the project's viability. Thus, multidisciplinary skills are necessary to both develop the projects and justify the funding needs.

For context on how appropriate capacity can help secure funding, consider the approved project by the Adaptation Fund (see Table 1). The Penang Nature-based Climate Adaptation Programme

²³ International Accredited Entities (IAEs) are organisations, such as United Nations agencies and multilateral development banks, that are assessed as having the capacity to manage funds and are accredited to implement GCF-funded projects; they are responsible for developing proposals and overseeing the execution of programmes, often across numerous countries, giving them a broader, global reach.

²⁴ GCF, n.d.

²⁵ Ibid.

²⁶ Adaptation Fund, n.d.; GCF, n.d.; GEF, n.d.

²⁷ Rodriguez Osuna (2022)

²⁸ Adaptation Fund, n.d.; GCF (2021)

²⁹ Masullo et al. (2015)

(PNBCAP) for the Urban Areas of Penang Island aims to address the environmental and social components of climate change at the state level³⁰. On the environmental component, the Programme identified issues relating to the urban heat island effect, as well as increased rainfall and flooding, which are to be addressed through urban greening and stormwater management, respectively³¹. The social component aims to build community-based social resilience, particularly with vulnerable groups³².

The Programme's strategic partners include Majlis Bandaraya Pulau Pinang (MBPP), Jabatan Pengairan Dan Saliran (JPS), Think City, Ministry of Environment and Water (KASA)³³, emphasising its multi-disciplinary team and jurisdictional areas. The Programme demonstrates the application of climate knowledge and provides actionable approaches to address its identified climate issues by leveraging the strategic partners' corresponding expertise.

The PNBCAP is designed as a pilot initiative to develop a state-level framework on climate adaptation with the potential to scale nationwide³⁴. This intentional approach can help determine state-level capacity and capability to implement climate interventions and monitor its progress, particularly with the Programme's knowledge management platform, which is part of its design³⁵.

The processes and procedures in accessing international climate funds are not linear, and the factors listed above are interdependent, requiring country coordination and collaboration.

A Strategic Approach to Fund Access

In order to translate the existing funds' potential into tangible national outcomes, a two-pronged strategy should be considered. First, Malaysia should proactively pursue fund matching and diversification by identifying and securing funding sources based on project needs and funder priorities. It is also important to ensure that projects are spread equitably between mitigation and adaptation. This measured approach is needed due to the varied rules and procedures required to access the different UNFCCC-linked funds.

Second, Malaysia should consider establishing direct access via DAEs. Thus far, Malaysia has primarily accessed the funds through indirect access, relying on international intermediaries rather than receiving funding directly. The move towards direct access needs a balanced assessment of its advantages and disadvantages. Direct access would promote country ownership by keeping the project's design, implementation, and decision-making in-house. The internal control helps ensure that projects are aligned with national priorities and local needs, reflecting on-the-ground political and social dynamics. This, in turn, leads to more targeted and relevant interventions.

³⁰ Adaptation Fund (2022); Think City, n.d.

³¹ Think City, n.d.: Programme Components

³² Ibid: Social Resilience

³³ The former Ministry of Natural Resources and Environmental Sustainability (NRES).

³⁴ Think City, n.d.

³⁵ Ibid.: Institutional Capacity

Conversely, establishing direct access can be a complex and lengthy process, as it must meet the stringent accreditation requirements set by the respective funds (see Table 1). As previously noted, the accreditation process is time- and resource-consuming, further appealing the use of international intermediaries. However, this indirect pathway comes at a cost, as international intermediaries charge fees for their services³⁶. These charges are drawn from the approved project funding, subject to percentages by the respective funds³⁷.

Conclusion

The climate, climate finance, and geopolitical landscapes have changed drastically over the past three decades. Aside from the UN climate talks, these factors influence the resources raised and disbursed by the UNFCCC-linked funds. Thus, developing countries, including Malaysia, ought to be strategic in mobilising climate funds if they can successfully access and utilise these resources.

Malaysia's success in meeting its climate goals is not solely contingent on receiving support from climate funds. Rather, a comprehensive financial plan is needed to finance Malaysia's climate-related costs estimated at billions of Ringgit. Although the climate funds total in hundreds of millions of USD, they are distributed selectively among 155 developing countries. Nonetheless, Malaysia should proactively and strategically engage with them. Climate funds such as the AF, FRLD, GCF, GEF, and SCCF should be viewed as a catalytic layer rather than a sole funding source.

³⁶ Chaudhury (2020)

³⁷ Adaptation Fund (2012); GCF (2018)

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