THINGS TO KNOW ABOUT CLIMATE FINANCE

Using Climate Funds Update data collated from the major multilateral climate funds that are designed to help developing countries address the challenges of climate change.

GLOBAL STOCKTAKE EDITION

SERIES 2023
CLIMATE FUNDS ARE A CENTRAL PIECE
OF THE CLIMATE FINANCE ARCHITECTURE

MULTILATERAL CLIMATE FUNDS play a quantitatively small but important role in financing climate action in developing countries. Funds are intended to provide important signals, set best practice examples and be transformational; STIMULATING MARKETS, FOSTERING INNOVATION and taking on a DIVERSE SET OF RISKS, while also CONTRIBUTING TO CAPACITY-BUILDING and policy development.¹

2023 will be completed in 2023. Its job includes ASSESSING COLLECTIVE PROGRESS, in light of equity, towards the PARIS AGREEMENT’s purpose and LONG-TERM GOALS including through the MOBILISATION and PROVISION OF FINANCE from developed to developing countries.²

THE GST MANDATES THAT WE LEARN FROM THE PAST TO ENHANCE CLIMATE ACTION GOING FORWARD

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The Green Climate Fund (GCF) has grown to be the largest multilateral climate fund. Fully operational since 2015, pledges to the Green Climate Fund (GCF) stand at over $20 billion from countries, regions and cities. It is larger by far than any other multilateral climate fund.

The Green Climate Fund (GCF) USD 11.4 billion for 208 active projects. Approving USD 1.41 billion in new programming in 2022.

137 projects and programmes target SIDS, LDCs and African states.

In September 2023, the GCF pledging conference will help set the scale and ambition of the multilateral climate funds for the 2024-2027 period (GCF-2) with strong signals of ambition for the New Collective Quantified Goal (NCQG) on climate finance to be set by the end of 2024.

Responsible for over two thirds of approvals of multilateral climate funds tracked by Climate Funds Update (CFU) in the last three years.
A number of DEVELOPING COUNTRIES are voluntarily providing climate finance, reaching pledges close to USD 1 BILLION.

SUBNATIONAL ACTORS, including some regions and cities are also STEPPING UP with nearly USD 100 MILLION pledged to the funds.

Six developed countries account for OVER TWO-THIRDS OF PLEDGES (71%) to the multilateral climate funds between 2003-2022, collectively pledging USD 33 BILLION.

The cumulative emissions of these countries vary widely, suggesting that SOME DEVELOPED COUNTRIES lag FAR BEHIND THEIR FAIR SHARE of climate finance provision.  

1990-2020 CUMULATIVE EMISSIONS GtCO₂:

- UK: 7.6 BN
- US: 7.0 BN
- Germany: 6.3 BN
- Japan: 5.0 BN
- Norway: 3.8 BN
- France: 3.6 BN
- Other countries: 17.0 BN

Historical emitters are not pledging enough to multilateral climate funds, while a number of developing countries and subnational actors step up to the plate.
Cumulatively, MITIGATION FINANCE—including that focused on reducing emissions from avoided deforestation (REDD+)—represents OVER HALF OF TOTAL PROJECT APPROVALS from the climate funds since 2003, even though in 2022 most funding was approved for cross-cutting projects.

JUST ENERGY TRANSITION PARTNERSHIPS (JETPs)—country platforms seeking cooperation between a country government and a set of partners towards a shared objective—are emerging in four of the top ten developing countries receiving mitigation finance, which together ACCOUNT FOR OVER 40% of all mitigation approvals tracked.

The energy sector remains a priority for mitigation finance with close to THREE QUARTERS—excluding forestry—supporting the energy transition.
While 2021 and 2022 saw new pledges made to both the Adaptation Fund and Least Developed Countries Fund, ADAPTATION FINANCE APPROVALS DROPPED TO USD 281 MILLION in 2022.

This is worrying given that at COP26 in 2021, the INSUFFICIENT PROVISION of adaptation finance was noted “WITH CONCERN” and developed country Parties were URGED to “AT LEAST DOUBLE THEIR COLLECTIVE PROVISION OF CLIMATE FINANCE FOR ADAPTATION TO DEVELOPING COUNTRY PARTIES FROM 2019 LEVELS BY 2025.”

The GCF in recent years has approved the LARGEST OVERALL SHARE OF ADAPTATION FUNDING. But in 2022, it only funded USD 59 MILLION in adaptation projects, although it increased its funding amount for multi-foci projects combining adaptation and mitigation.

This drop can be attributed to FINANCING CONSTRAINTS at the GCF, despite a BRIMMING PROJECT PIPELINE.
THE GCF IS DRIVING CLIMATE ACTION
IN SMALL ISLAND DEVELOPING STATES (SIDS)

With largely ocean-based economies, often small and remote, SIDS are particularly vulnerable to, and many already suffer devastating consequences of, the adverse impacts of climate change.

USD 2.5 BILLION has been approved over 464 PROJECTS in SIDS between 2003 and 2022, of which has been focused on ADAPTATION.

% of GCF approvals

- 28% 2015
- 83% 2015
- 43% 2015
- 72% 2015
- 41% 2020
- 73% 2020
- 74% 2020
- 57% 2020

Over half of this has been focussed on ADAPTATION.

USD 2.5 BILLION has been approved over 464 PROJECTS in SIDS between 2003 and 2022, OVER HALF of which has been focussed on ADAPTATION.

On average, since the GREEN CLIMATE FUND (GCF) became operational, it has been responsible for OVER HALF OF SIDS APPROVALS, thanks to an allocation framework that commits 50% of its resources in grant equivalent terms to go to ADAPTATION and at least half of this to support LDCs, SIDS and AFRICAN STATES.

SIDS are at the forefront of efforts to establish funding arrangements for addressing LOSS AND DAMAGE.
LEAST DEVELOPED COUNTRIES (LDCs) GET OVER 20% OF APPROVALS FROM CFU TRACKED MULTILATERAL CLIMATE FUNDS

LDCs’ economies and development trajectories are often dependent on climate-sensitive sectors such as agriculture.

Many are extremely vulnerable to climate shocks.

USD 6.7 BILLION has been approved over 992 PROJECTS in LDCs between 2003 and 2022, over half of which are adaptation focussed.

Since the Green Climate Fund (GCF) became operational, it has been the largest provider of climate finance from the CFU tracked climate funds, responsible for USD 6.7 BILLION in LDCs between 2003 and 2022, over half of which are adaptation focussed.

Sub-Saharan African LDCs account for 64% of LDC approvals cumulatively.

Since 2015, on average, annually since 2015, 43% of LDC approvals average over 500 USD million.
MULTILATERAL CLIMATE FUNDS remain complex and cumbersome. Access to the Climate Funds is progressing best practices for enhancing climate finance access through climate finance readiness support programmes, protocols to create and favour direct access entities, and simplified approval processes, particularly through the Global Environment Facility, Adaptation Fund, and Green Climate Fund. However, there remains much room for improvement to address concerns of equity in access as well as efficiency losses in climate finance delivery.
In the face of polycrisis, sovereign debt is high in many, and especially the most climate-vulnerable countries. While a range of financial instruments have a role to play, including in scaling private climate finance, providing climate finance in developing countries as debt is problematic from an equity perspective, especially in the absence of more responsible lending practices.

Often characterised as “last mile” efforts, adaptation actions provide benefits to the most marginalised people and communities, as well as knowledge management, capacity building, project pipeline development and enabling environments.

The majority of approvals from multilateral climate funds grant finance dominates.
ENSURING CLIMATE FINANCE IS EFFECTIVE AT DELIVERING MITIGATION AND ADAPTATION IS CRUCIAL TO ACHIEVE THE PARIS AGREEMENT GOALS AND THE UNFCCC OBJECTIVES.

The multilateral climate funds are increasing accountability, transparency and regular reporting through their results frameworks. Yet, differing methodologies hinder comparability of the impact of their investments.

IMPACT REMAINS FOCUSED ON QUANTIFIED OUTPUTS, in terms of emissions, installed energy capacity and number of people per intervention while measuring impacts resulting from local-level empowerment, support for human rights and transformational, systemic change is more limited.

From both recipient and provider perspective, more granular information about impacts and effectiveness is a precondition to ENHANCE THE QUALITY AND EQUITY OF CLIMATE FINANCE.
10 THINGS TO KNOW ABOUT CLIMATE FINANCE IN 2023
Charlene Watson and Liane Schalatek

ENDNOTES


3 The GCF initial resource mobilisation in 2014 resulted in over USD 10 billion in pledges. Some countries only partially honoured their pledge. Notably, after its formal withdrawal from the Paris Agreement under the Trump Administration, the US failed to confirm USD 2 billion of USD 3 billion pledged in 2014. Furthermore, as contributions were received in a multitude of currencies using a foreign exchange rate in November 2014, the actual overall funding amount available to the GCF during the IRM was closer to USD 7.2 billion (see Schalatek, 2022).

4 The New Collective Quantified Goal on climate finance will succeed the target of USD 100 billion a year from 2020, agreed in 2009. The new goal will be agreed in advance of 2025 and deliberations on this new goal started in 2021.


6 Historic territorial emissions – excluding land use change - since 1990 are included here as it was the year in which the first IPCC report was published, symbolising overwhelming scientific consensus on the nature and drivers of global heating. Data on contributions to the multilateral climate funds are included since 2003, following data available in CFU which tracks the approvals of major multilateral climate funds.

7 See the Glasgow Climate Pact at https://unfccc.int/sites/default/files/resource/cma2021_10_add1_adv.pdf


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