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.
A NEW COLLECTIVE QUANTIFIED GOAL (NCQG) on climate finance must be set by 2025 from a floor of $100BN A YEAR.

EQUITABLE and EFFECTIVE NCQG design and operationalisation is critical to URGENTLY IMPLEMENT the Paris Agreement.¹

The last two years have seen participatory technical expert dialogues, ministerial events, annual reports and submissions from Parties and stakeholders to work out WHAT THIS MIGHT LOOK LIKE.

The Paris Agreement highlights the significant role of public funds in financing climate action in developing countries.

Multilateral climate funds are at the HEART of these public finance flows and so must be the core of the NCQG.

Such funds mostly break from contributor country-dominated governance structures giving developing countries at least equal voice and representation in decision-making and provide higher levels of equity, transparency and accountability.
Country governments, sub-national governments and private actors, have pledged **USD 61 BILLION** to the **MULTILATERAL CLIMATE FUNDS** tracked by Climate Funds Update (CFU) since 2003.

In contrast, several **DEVELOPING COUNTRIES VOLUNTARILY PROVIDE** climate finance, but their contributions often go **UNRECOGNISED** as they are not required to report on this provision.

- **SOUTH KOREA** contributed **USD 0.8 BILLION**, including to the GCF.
- **CHINA** channelled **USD 1.2 BILLION** in public climate-related finance, much of this was bilateral or through the MDBs.

Under UN climate agreements, **DEVELOPED COUNTRIES HAVE A CONTINUED OBLIGATION** to provide climate finance to developing countries. Despite historical emissions and economic capability to pay, a number of developed countries are falling short of their fair share.

While by some estimates **CHINA** channelled **USD 1.2 BILLION** in public climate-related finance, much of this was bilateral or through the MDBs.

While **DEVELOPED COUNTRY PARTIES** will continue to **TAKE THE LEAD** in **MOBILISING CLIMATE FINANCE**, **THE NCQG COULD ENCOURAGE OTHER STAKEHOLDERS TO CONTRIBUTE**.

Including innovative approaches to **MAKING POLLUTERS PAY**, such as...

- **TAXING FOSSIL FUEL INDUSTRY’s USD4 TRILLION** record profits in 2022
- putting **LEVIES** on the **SHIPPING INDUSTRY**
- **SURCHARGES** for business and first-class **FLIGHTS**.
The Paris Agreement calls for a balance in the provision of mitigation and adaptation finance. In 2021, developed country parties promised to at least double their collective provision of adaptation finance from 2019 levels by 2025, but these ambitions seem elusive.

Developing countries' adaptation financing needs grow as collective action to mitigate climate change remains too slow.

Despite a drop in 2022, in 2023 the climate funds have already more than doubled adaptation finance approvals from a 2019 baseline.

The Green Climate Fund has been driving this trend, accounting for 80% of all adaptation approvals by climate funds in 2023.

The fact that adaptation finance flows remain grossly insufficient must be addressed in the NCOC.
The NCQG is about QUANTITY and QUALITY of climate finance. The multilateral climate fund approvals for adaptation finance are majority grant based as are approvals for SMALL ISLAND DEVELOPING STATES (SIDS) and LEAST DEVELOPED COUNTRIES (LDCs) that remain highly vulnerable to climate change impacts.

The NCQG must balance the need to CATALYSE PRIVATE FINANCE FLOWS at scale with DIRECTLY PROVIDING GRANT-BASED FINANCE to activities that support public goods, redress historic injustices or generate no or insufficient market returns.

MORE SUSTAINABLE FUNDING PRACTICES AND NEW OR BETTER TERMS AND CONDITIONS ON CLIMATE FINANCE SHOULD BE EXPLORED.

One element of quality is ensuring that financial instruments DO NOT POSE AN ADDITIONAL BURDEN on those with lower levels of responsibility for climate change and less capability.

This illustrates their CRITICAL ROLE in the climate finance architecture in the face of mounting indebtedness and limited fiscal space of many developing countries.

While just 5% of global total climate finance is grant based, the MULTILATERAL CLIMATE CHANGE FUNDS have a HIGH PROPORTION of GRANT-BASED FINANCING across all themes.

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HUMAN RIGHTS AND GENDER INTEGRATION ARE BEING TACKLED BY THE MULTILATERAL CLIMATE FUNDS

QUALITY IN THE NCQG MEANS ALSO THE RESPECT, PROMOTION AND CONSIDERATION OF HUMAN RIGHTS OBLIGATIONS.

Climate finance must support the rights of Indigenous Peoples, local communities, migrants, children, persons with disabilities, as well as gender equality and intergenerational justice.

FOR EXAMPLE, MULTILATERAL CLIMATE FUNDS HAVE:

STRENGTHENED INDIGENOUS PEOPLES’ VOICES
The GCF has a best practice Indigenous Peoples Policy and an Indigenous Peoples Advisory Group to enhance implementation. The CIF’s Forest Investment Program runs a Dedicated Grant Mechanism for Indigenous Peoples and Local Communities.

INTEGRATED GENDER CONSIDERATIONS
with policies and fund-wide action plans, targeted readiness funding and capacity-building support for their implementation. The Adaptation Fund now has a gender scorecard pilot for measuring portfolio gender equality outcomes.

While most climate funds are considering human rights and gender at project entry, MORE CAN BE DONE TO SECURE EQUALITY AND RIGHTS in project outcomes.

EFFECTIVE REPORTING will be needed to ensure NCQG compliance with human rights obligations.
THE NCQG MUST SERVE THE NEEDS AND PRIORITIES OF A DIVERSITY OF DEVELOPING COUNTRIES.

MORE CAN BE DONE, however, for the developing countries that are BARELY BEING SERVED by this flow of international public climate finance.

Approvals to the TOP 20 country recipients since Climate Funds Update started collecting data, have BEEN LARGER than to the REMAINING 133 countries collectively.

THE NCQG WILL NEED TO MAKE SURE THE DEVELOPING COUNTRIES MOST VULNERABLE TO CLIMATE CHANGE IMPACTS ARE NOT LEFT BEHIND.

CLIMATE FINANCE ORPHANS REMAIN DESPITE BROAD ELIGIBILITY

The multilateral climate change funds already FUND MORE DEVELOPING COUNTRIES than any single bilateral or development finance institution is often able to.

They programme a higher share of their funding to SIDS and LDCs than other providers.
MITIGATION FINANCE PRIORITISES THE ENERGY SECTOR BUT SEeks MULTIPLE BENEFITS

MITIGATION FINANCE, including that for reducing emissions from deforestation (REDD+), represents 52% of total project approvals from the multilateral climate funds. This excludes projects that are CROSS-CUTTING in nature, which continue to grow over time, reaching 24% of total funding.

As renewable energy and other MITIGATION TECHNOLOGIES approach commercial viability, the NCQG will need to use public climate finance wisely, in the context of SUSTAINABLE DEVELOPMENT and efforts to ERADICATE POVERTY, as mandated in the Paris Agreement.

The ENERGY SECTOR remains a priority, capturing 73% of mitigation finance. A scaling of mitigation finance into harder-to-abate sectors like industry is needed.

It will have to address a tension between scaling private investments for LARGE EMISSION REDUCTIONS and delivering investments that meet with countries’ SUSTAINABLE DEVELOPMENT AGENDAS.

Much existing mitigation finance in multilateral climate funds already provides multiple development benefits, for example INCREASING CLEAN ENERGY ACCESS FOR THE POOREST.
At COP27, Parties decided to establish NEW funding arrangements for addressing loss and damage, including a

The new fund's core modalities were negotiated throughout 2023 and its governing instrument was approved at COP28.

The new fund must now be operationalised with BEST PRACTICE MODALITIES regarding simplified access, quality of finance and speed of delivery.

The fund will assist developing countries that are PARTICULARLY VULNERABLE to the adverse effects of climate change in responding to economic and non-economic LOSS AND DAMAGE, including extreme weather events and slow onset events.

AN INITIAL USD 661 MILLION WAS PLEDGED TO THE FUND BY 18 COUNTRIES AND THE EUROPEAN COMMISSION.

It remains to be seen if loss and damage will be considered a THIRD PILLAR of climate finance in the NCQG.
Climate finance providers have differing eligibility criteria and approval processes that place administrative burden on developing country stakeholders. Putting climate finance out of reach for local communities.

Simplifying and facilitating access to climate finance is a qualitative must for the NCQG.

There remains room for further improvements and innovations so that the NCQG could deliver more meaningful harmonisation between funds.
While many multilateral climate funds have grown over the last decade, the GREEN CLIMATE FUND (GCF) is by far the LARGEST in terms of both PLEDGES and APPROVALS.

At the end of 2023, the GCF's second replenishment for the next four years of programming saw 31 COUNTRIES PLEDGING USD 12.9 BILLION raising TOTAL PLEDGES over the fund's lifetime to over USD 33 BILLION.

As of February 2023, the GCF has APPROVED USD 13.5 BILLION for 243 PROJECTS and DISBURSED USD 4.1 BILLION through 797 AGREEMENTS in 144 COUNTRIES.

The GCF has an important SIGNALING FUNCTION in the global climate finance architecture given the diverse set of 120+ accredited entities its works with - from multilateral development banks, UN agencies and large commercial banks, to regional and bilateral development banks, national government agencies, local private sector institutions, and civil society organisations as implementing partners.

THE NCQG CAN BUILD FROM THE LESSONS OF THE MULTILATERAL CLIMATE FUNDS, INCLUDING THE GCF. IT MUST SECURE THEIR INCREASED CAPITALISATION AND DRIVE FOR EFFECTIVE CLIMATE FINANCE PROGRAMMING.
10 THINGS TO KNOW ABOUT CLIMATE FINANCE IN 2024
Charlene Watson and Liane Schaltek

ENDNOTES
5 as per decision 1/CMA.3, paragraph 18
7 See for example the 2023 work plan of the Ad hoc work programme of the NCQG, available at: https://unfccc.int/sites/default/files/resource/NCGWP_WP_2023_final.pdf
9 The full preambular section of the Paris Agreement calls for an acknowledgement ‘that climate change is a common concern of humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity’.
10 This figure excludes projects that are global, regional and multi-country in nature. This is because Climate Funds Update is not able to attribute a portion of funding to each country within such projects.
13 The failure by the US to fulfil USD 1 billion of its USD 3 billion pledge, in addition to exchange rate fluctuations, means that only USD 0.3 billion were ultimately available under the IRM of the GCF, despite this being recorded as USD 10.3 billion by CFU.

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