

THINGS TO KNOW ABOUT

CLIMATE FUNDS UPDATE
MULTILATERAL CLIMATE FUNDS

ADAPTATION
MITIGATION
REDD+

HBS10TTKACF2023

10

10



GLOBAL STOCKTAKE EDITION

SERIES
2023



10

TEN

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

CLIMATE FINANCE

1

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- and INSTITUTION-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

2nd GST
2028

3rd GST
2033

4th GST
2038

THE GST MANDATES THAT WE LEARN FROM THE PAST TO



ENHANCE CLIMATE ACTION GOING FORWARD



2

THE GREEN CLIMATE FUND

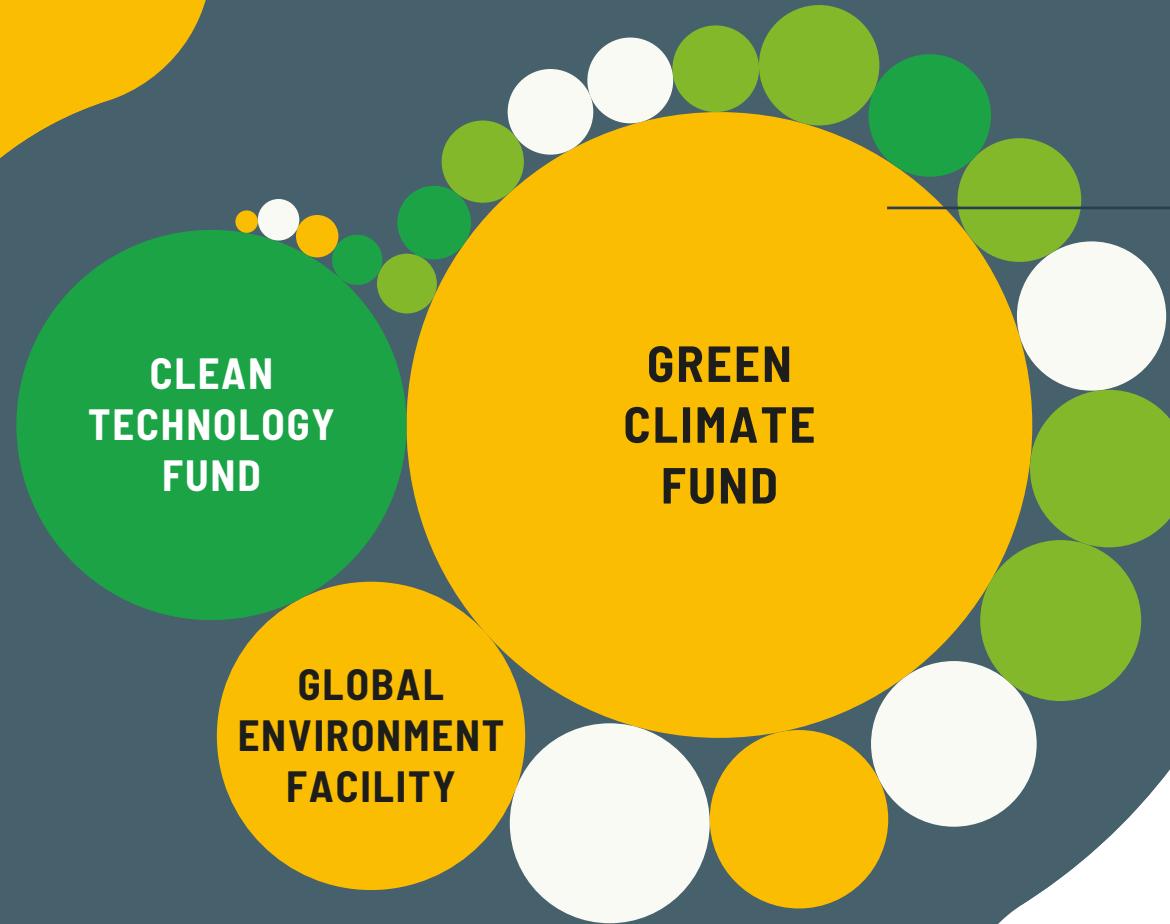
HAS GROWN TO BE THE LARGEST MULTILATERAL CLIMATE FUND

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.³

Responsible for
OVER TWO THIRDS
OF APPROVALS
of multilateral climate funds
tracked by Climate Funds Update (CFU)
in the last three years.



- Cross-cutting
- Mitigation
- REDD+
- Adaptation



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.

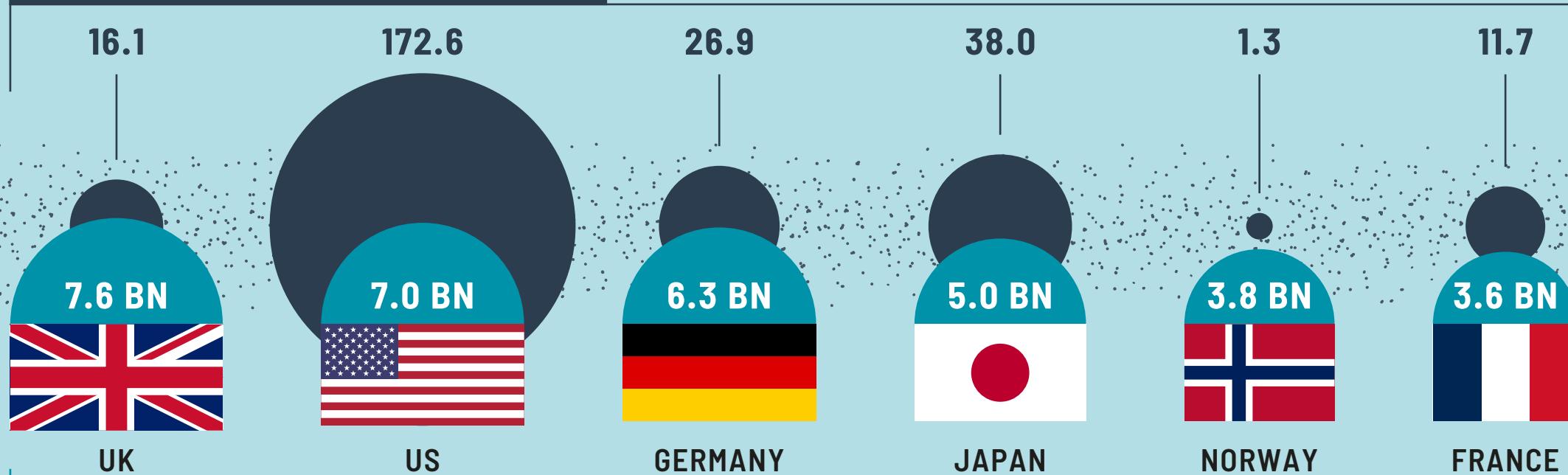
In September 2023, the GCF pledging conference will help set the scale and ambition of the multilateral climate funds for the 2024-2027 period (GCF-2) with strong signals of ambition for the New Collective Quantified Goal (NCQG) on climate finance to be set by the end of 2024.⁴

3

HISTORICAL EMITTERS ARE NOT PLEDGING ENOUGH

TO MULTILATERAL CLIMATE FUNDS, WHILE A NUMBER OF DEVELOPING COUNTRIES AND SUBNATIONAL ACTORS STEP UP TO THE PLATE

1990-2020 CUMULATIVE EMISSIONS GtCO₂⁶



PLEDGES USD BILLIONS

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.⁵

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.



OTHER COUNTRIES

4

ENERGY TRANSITION DOMINATES

MITIGATION FINANCE

Cumulatively, MITIGATION FINANCE

- including that focussed at 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)

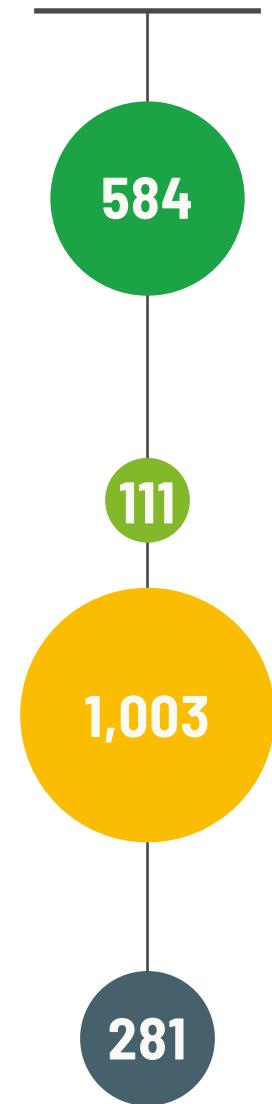
- country platforms seeking cooperation between a country government and a set of partners towards a shared objective - are emerging in four of the top ten developing countries receiving mitigation finance, which together **ACCOUNT FOR OVER 40%** of all mitigation approvals tracked.

- Mitigation
- REDD+
- Cross-cutting
- Adaptation

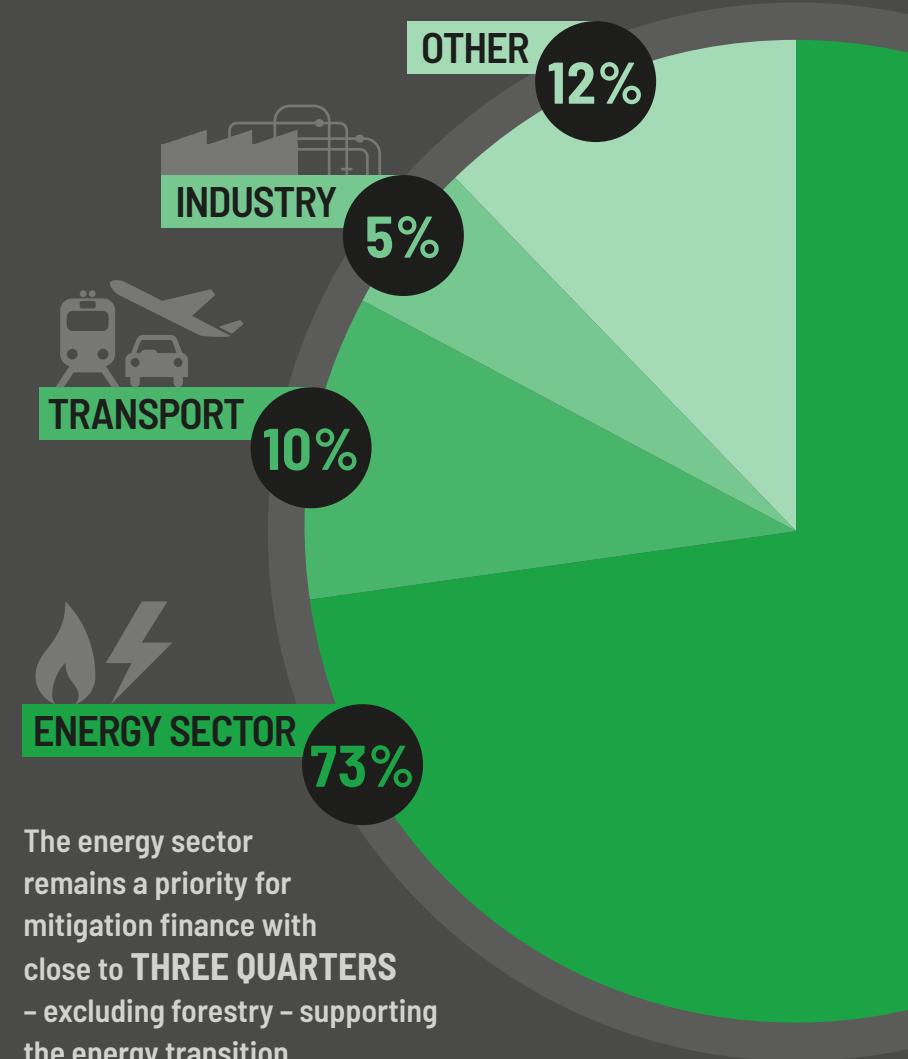
2005 2010 2015 2020



APPROVED IN 2022 (USD MILLION)



MITIGATION APPROVALS



The energy sector remains a priority for mitigation finance with close to **THREE QUARTERS** - excluding forestry - supporting the energy transition.

5

TRACKED ADAPTATION FINANCE APPROVALS

FELL DRASTICALLY IN 2022

900 mn

600 mn

300 mn

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.

■ % of GCF approvals
■ Annual approvals

USD MILLION

2005

2010

2015

2020

25%

48%

32%

63%

69%

52%

78%

21%

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"⁷

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.**⁸

6

THE GCF IS DRIVING CLIMATE ACTION

IN SMALL ISLAND DEVELOPING STATES (SIDS)

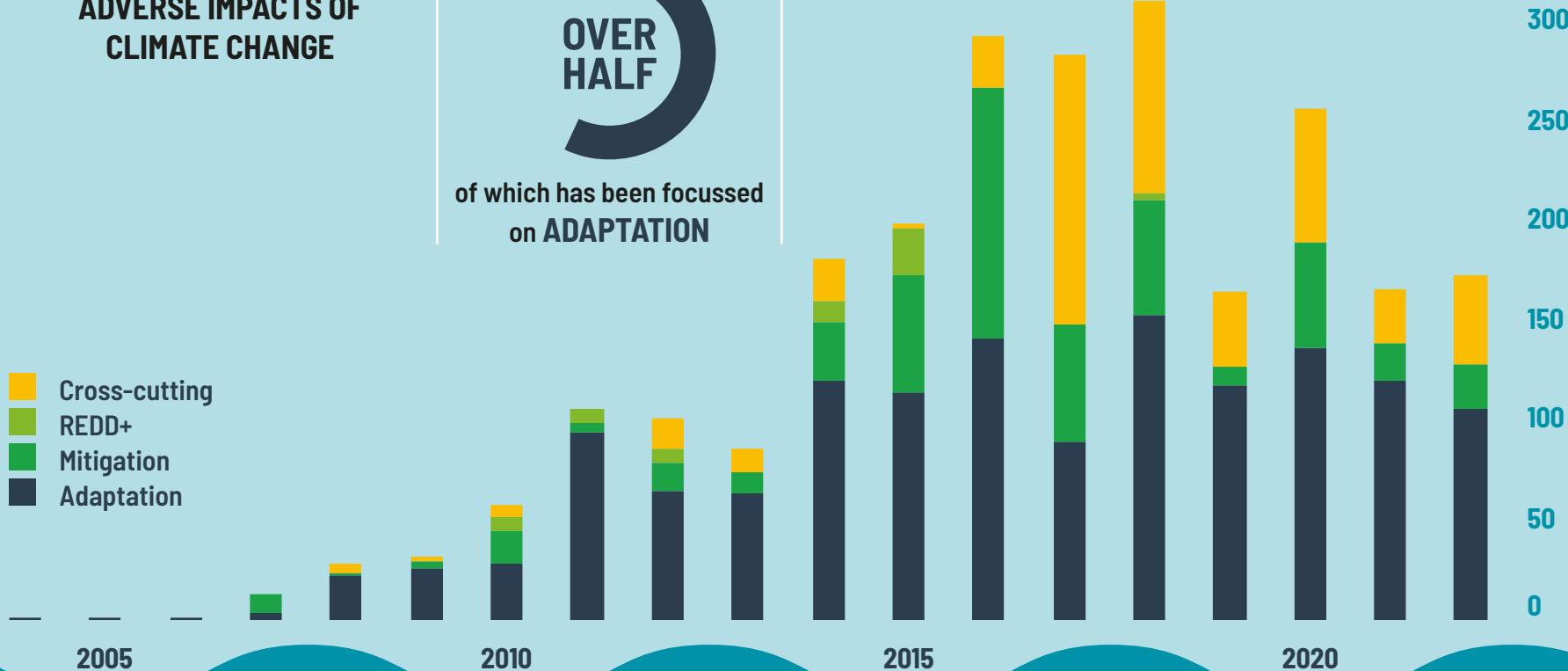
With largely ocean-based economies, often small and remote, **SIDS** are particularly **VULNERABLE** to, and many already suffer devastating consequences of, the **ADVERSE IMPACTS OF CLIMATE CHANGE**

USD 2.5 BILLION has been approved over **464 PROJECTS** in **SIDS** between 2003 and 2022,



of which has been focussed on **ADAPTATION**

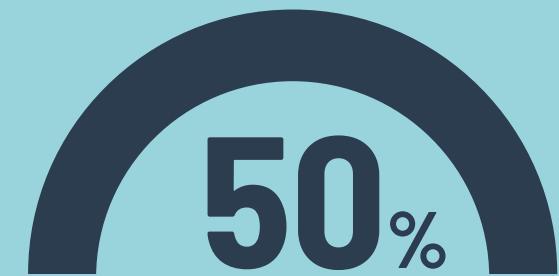
% of GCF approvals



USD MILLION

SIDS are at the forefront of efforts to establish funding arrangements for addressing **LOSS AND DAMAGE**

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



of its resources in grant equivalent terms to go to **ADAPTATION**

and at least half of this to support **LDCS, SIDS** and **AFRICAN STATES**.

7 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.

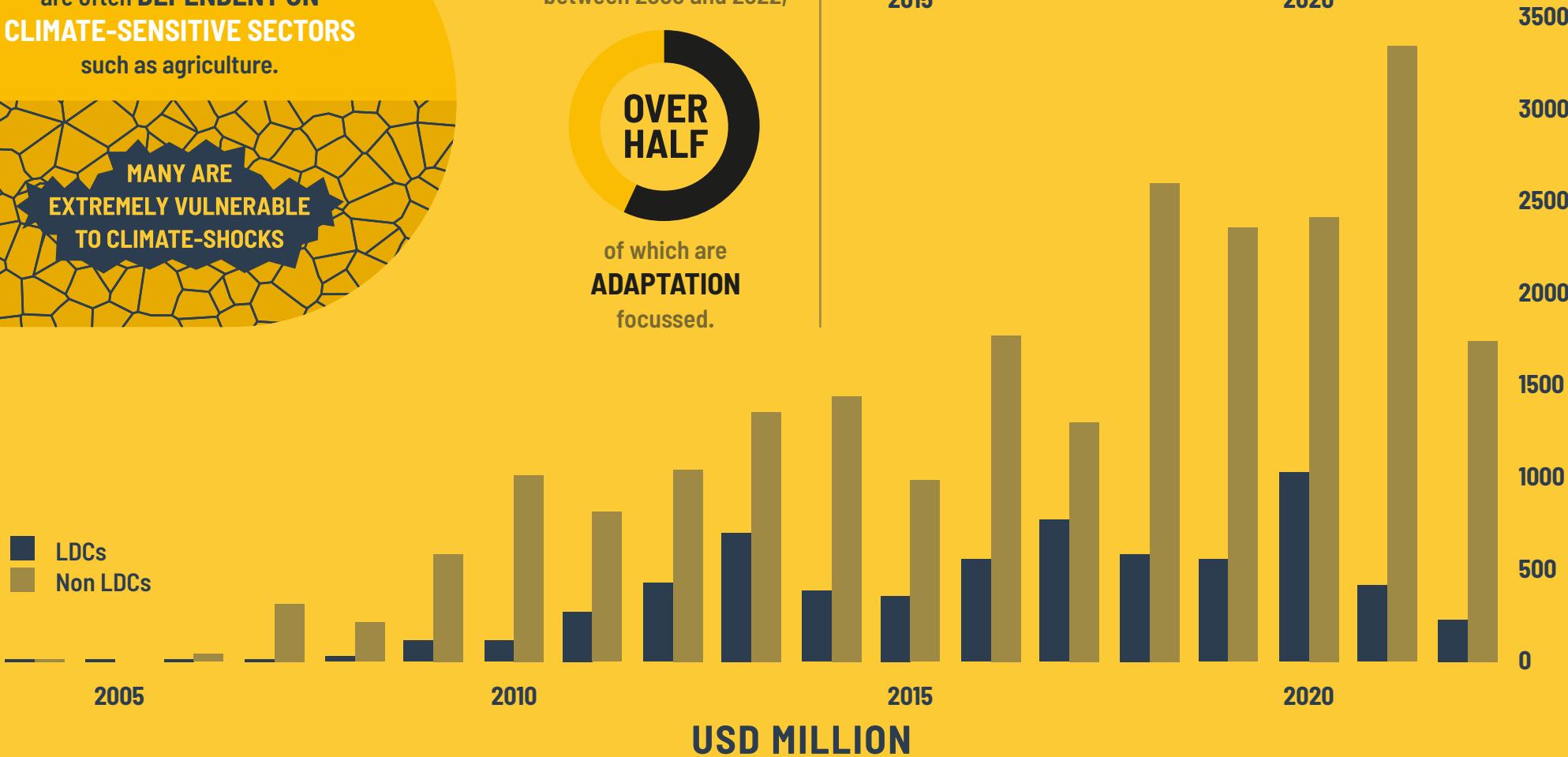
MANY ARE EXTREMELY VULNERABLE TO CLIMATE-SHOCKS

USD 6.7 BILLION has been approved over **992 PROJECTS** in LDCs between 2003 and 2022,



of which are **ADAPTATION** focussed.

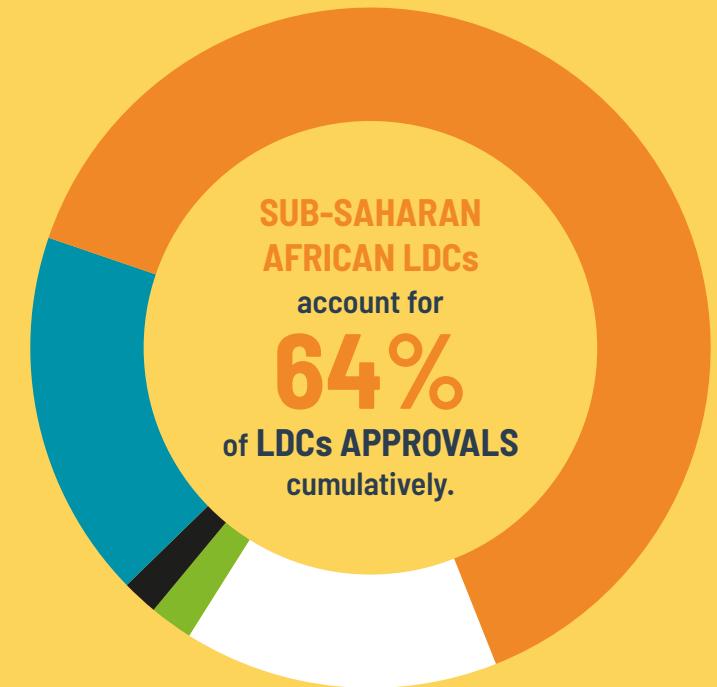
% of approvals made by GCF



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



of LDC **APPROVALS** on average, annually since 2015.



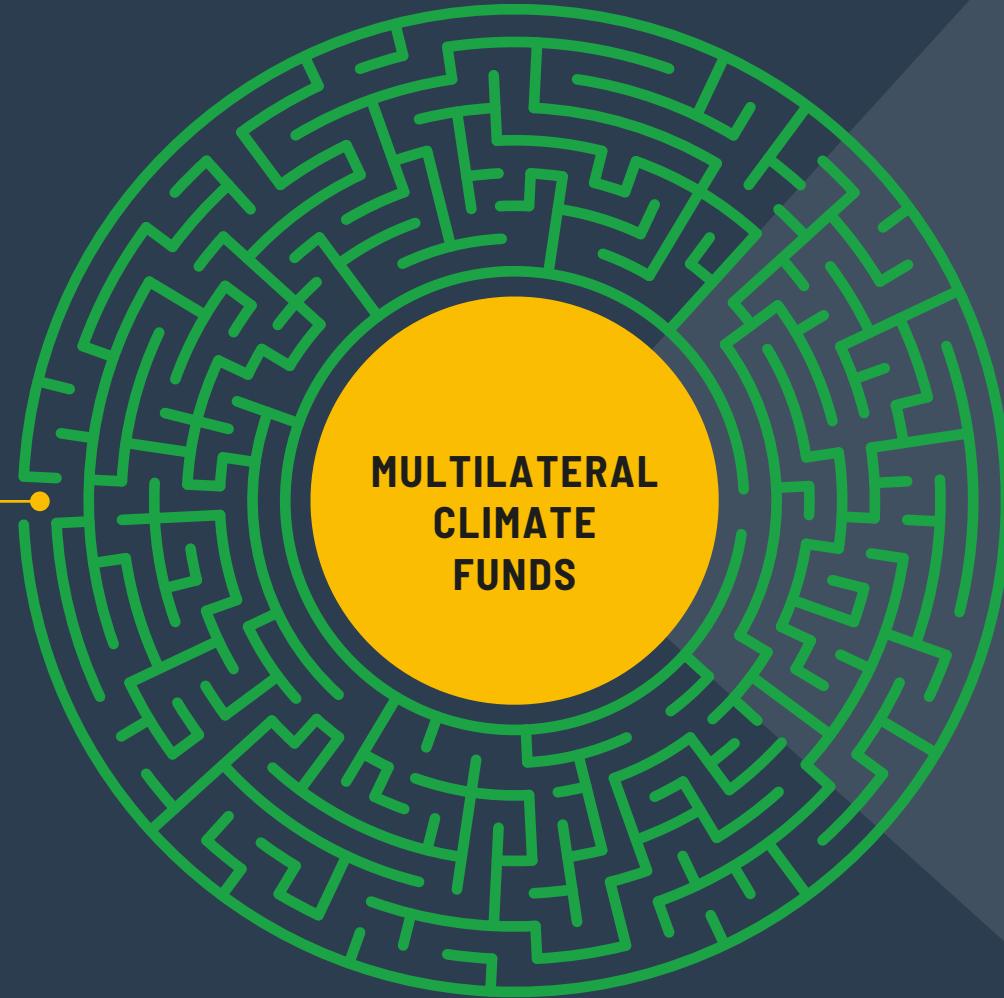
East Asia & Pacific
Latin America & Caribbean
Middle East & North Africa
South Asia

8

ACCESS TO THE CLIMATE FUNDS

REMAINS COMPLEX AND CUMBERSOME

Their heterogeneity, complexity and differing access criteria **PUTS LIMITS ON THE ABILITY OF DEVELOPING COUNTRY INSTITUTIONS** to tap into available **MULTILATERAL CLIMATE FUNDS**⁹



MULTILATERAL CLIMATE FUNDS

are **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.¹⁰

9

GRANT FINANCE DOMINATES

THE MAJORITY OF APPROVALS FROM MULTILATERAL CLIMATE FUNDS



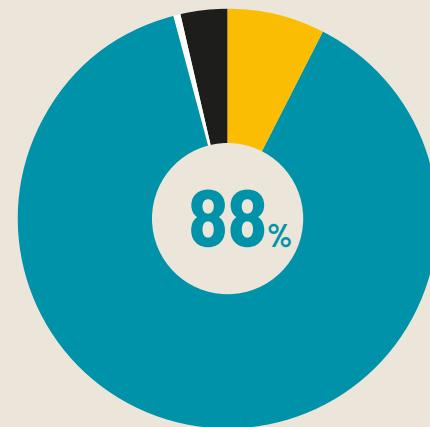
In the face of **POLYCRISIS**, **SOVEREIGN DEBT IS HIGH** in many, and especially the most climate-vulnerable countries.

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.¹¹

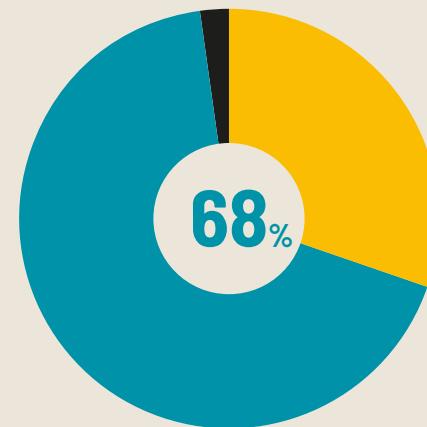


GRANTS
- for which no repayment is required - are particularly **IMPORTANT FOR CLIMATE ACTIONS** that do not generate a cash flow

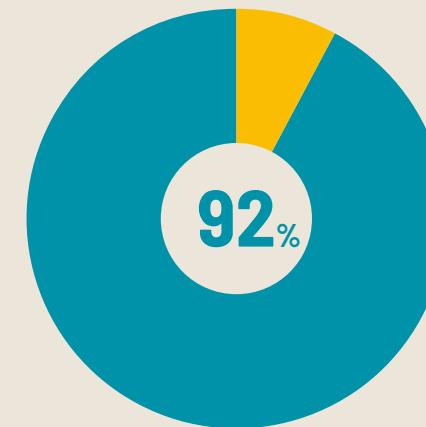
2003-2022 CFU TRACKED CLIMATE FUNDS



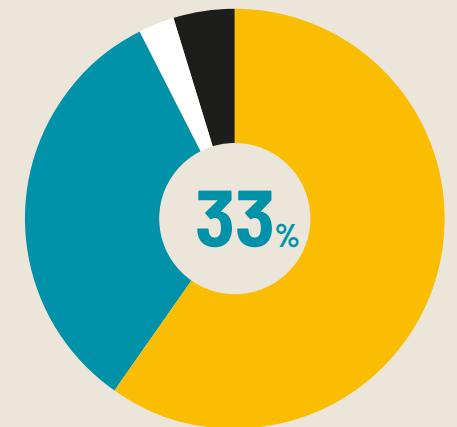
ADAPTATION



CROSS CUTTING



REDD+



MITIGATION

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.

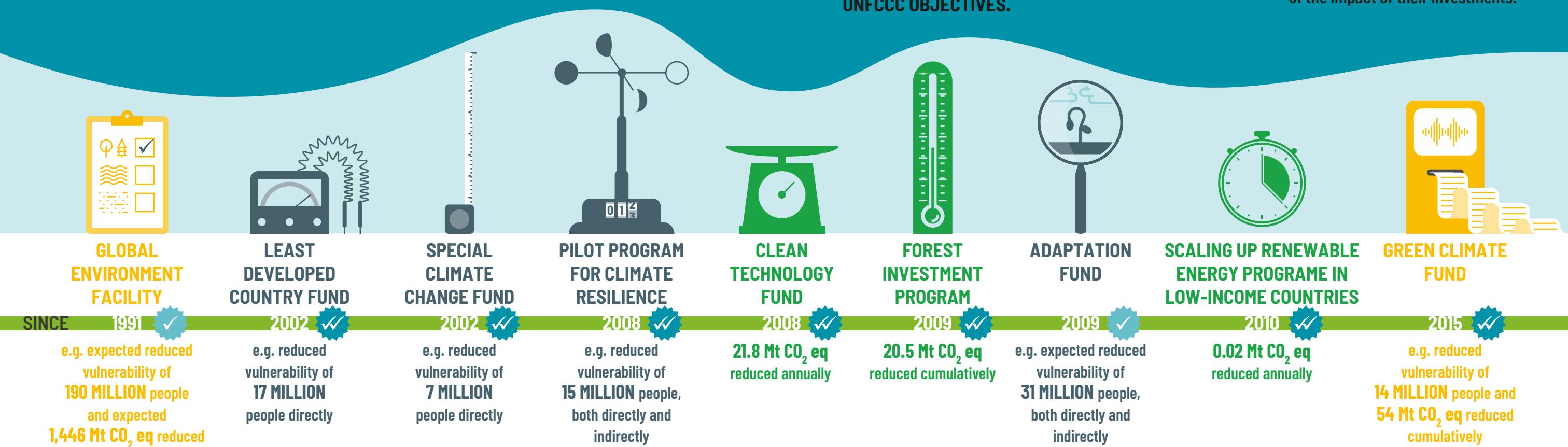
- Concessional loan
- Grant
- Guarantee
- Equity

10 IMPACT REPORTING BY CLIMATE FUNDS

MAKES PROGRESS WITH ROOM FOR IMPROVEMENT

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 FOCUSSED 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.**

- Expected impacts reported
- Expected and actual impacts reported
- Cross-cutting
- Mitigation
- Adaptation

Exemplary data on impact sourced from the Fifth Biennial Assessment and Overview of Climate Finance¹² see the full table for full results reporting of the funds.

10 THINGS TO KNOW ABOUT CLIMATE FINANCE IN 2023

Charlene Watson and Liane Schalatek

ENDNOTES

- 1 Rodriguez Osuna, A. (2022) "Accessing UNFCCC-linked multilateral climate funds: lived experiences". Part of the Financing Climate Action: iGST Discussion Series. London: ODI and independent Global Stocktake. <https://www.climateworks.org/independent-global-stocktake/finance-working-group/>
- 2 Watson, C. and Roberts, L. (2019) "Understanding finance in the Global Stocktake". London: ODI and Independent Global Stocktake. https://www.climateworks.org/wp-content/uploads/2020/05/Understanding-Finance-in-the-Global-Stocktake_iGST_ODI.pdf
- 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.
- 5 Colenbrander, S., Pettinotti, L. and Cao, Y. (2022) "A fair share of climate finance? An appraisal of past performance, future pledges and prospective contributions" Working Paper. London: ODI. https://cdn.odi.org/media/documents/A_fair_share_of_climate_finance.pdf
- 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
- 8 Schalatek, L. (2022) "The Green Climate Fund". Part of the Climate Finance Fundamentals. Washington DC: hbs. <https://climatefundsupdate.org/about-climate-finance/climate-finance-fundamentals/>
- 9 UNFCCC (2022) "Biennial Assessment and Overview of Climate Finance Flows". Bonn: UNFCCC, Standing Committee on Finance. https://unfccc.int/sites/default/files/resource/J0156_UNFCCC%20BA5_2022_Report_v4%5B52%5D.pdf
- 10 Rodriguez Osuna, A. (2022) "Accessing UNFCCC-linked multilateral climate funds: lived experiences". Part of the Financing Climate Action: iGST Discussion Series. London: ODI and independent Global Stocktake. <https://www.climateworks.org/independent-global-stocktake/finance-working-group/>
- 11 Mustapha, S. (2022) "Using the right mix of financial instruments to provide and mobilise climate finance: lessons for the Global Stocktake." Part of the Financing Climate Action: iGST Discussion Series. London: ODI and independent Global Stocktake. https://www.climateworks.org/wp-content/uploads/2022/11/Using-the-Right-Mix-of-Financial-Instruments-to-Provide-and-Mobilize-Climate-Finance_iGSTFinance_Nov2022.pdf
- 12 UNFCCC (2022) "Biennial Assessment and Overview of Climate Finance Flows". Bonn: UNFCCC, Standing Committee on Finance. https://unfccc.int/sites/default/files/resource/J0156_UNFCCC%20BA5_2022_Report_v4%5B52%5D.pdf

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