

THINGS TO KNOW ABOUT

CLIMATE
FUNDS
UPDATE

ADAPTATION
MITIGATION
REDD+

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10

10



TEN

SERIES
2024

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 MULTILATERAL CLIMATE FUNDS ARE AT THE HEART

OF THE NEW COLLECTIVE QUANTIFIED GOAL ON CLIMATE FINANCE



A NEW COLLECTIVE QUANTIFIED GOAL (NCOG)

on climate finance must be set by 2025 from a floor of

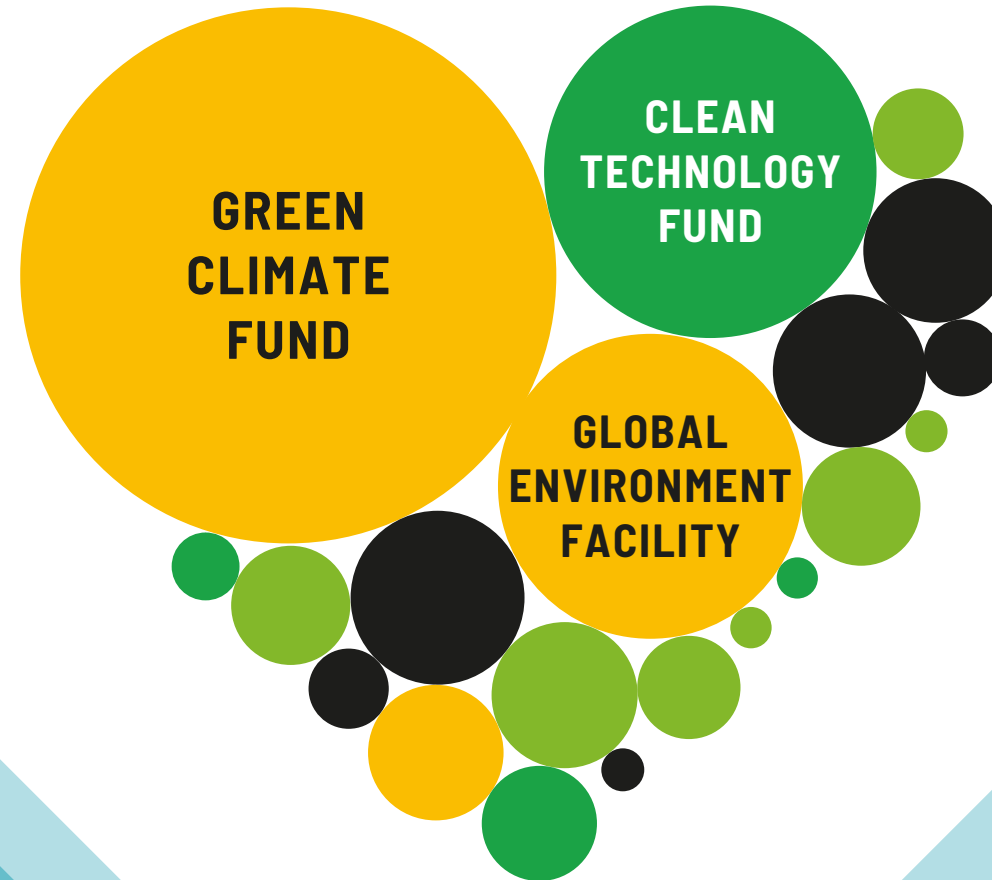
\$100BN A YEAR.

EQUITABLE and EFFECTIVE

NCOG 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.



- Cross-cutting
- Mitigation
- REDD+
- Adaptation

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

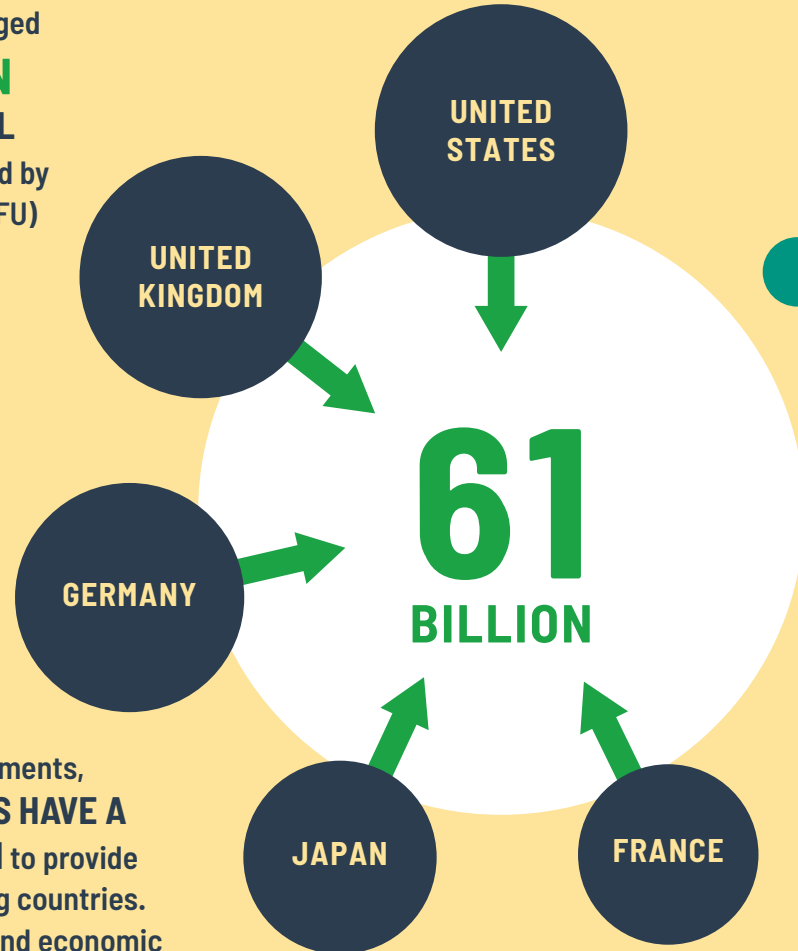


Such funds mostly break from contributor country-dominated governance structures giving developing countries at least equal voice and representation in decision-making and provide higher levels of equity, transparency and accountability.

2 WHILE DEVELOPING COUNTRIES PLEDGE IN SOLIDARITY

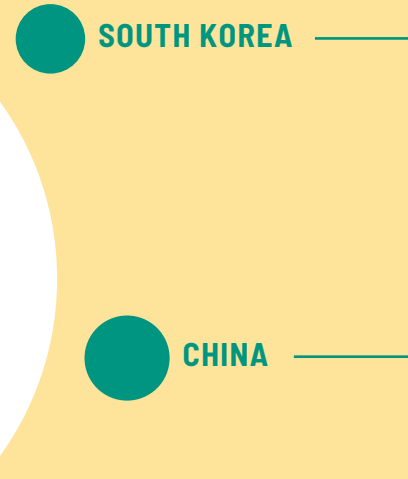
SOME DEVELOPED COUNTRIES' MANDATED PLEDGES REMAIN BEHIND THEIR FAIR SHARE

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.



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.²

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.

While by some estimates **CHINA** channelled **USD 1.2 BILLION** in public climate-related finance, much of this was bilateral or through the MDBs.³

While **DEVELOPED COUNTRY PARTIES** will continue to **TAKE THE LEAD** in **MOBILISING CLIMATE FINANCE**,

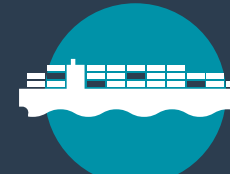
THE NCQG COULD ENCOURAGE OTHER STAKEHOLDERS TO CONTRIBUTE.

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**.⁴



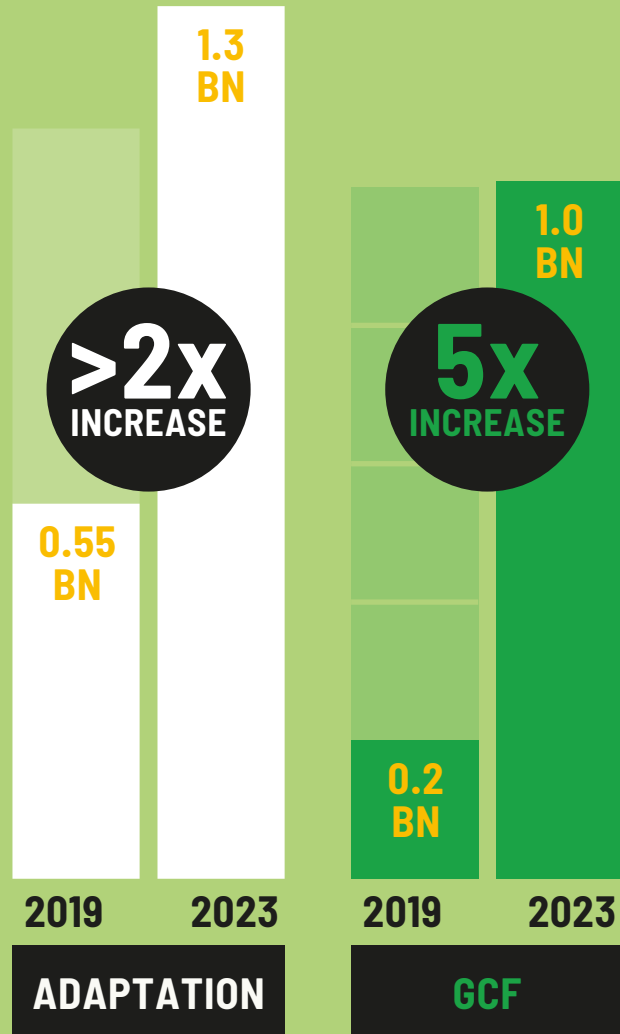
3 ADAPTATION FINANCE HAS DOUBLED

THROUGH THE MULTILATERAL CLIMATE FUNDS

DEVELOPING COUNTRIES' ADAPTATION FINANCING NEEDS GROW AS COLLECTIVE ACTION TO MITIGATE CLIMATE CHANGE REMAINS TOO SLOW.

25% of CFU-tracked MULTILATERAL CLIMATE FUND approvals are for ADAPTATION.

Despite a drop in 2022, in 2023 the climate funds have already MORE THAN DOUBLED ADAPTATION FINANCE approvals from a 2019 baseline.



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 2025,⁵ but these ambitions seem elusive.

The **GREEN CLIMATE FUND** has been **DRIVING THIS TREND**, accounting for **80%** of all adaptation approvals by climate funds in 2023.

JUST **5%** OF GLOBAL TOTAL CLIMATE FINANCE IN 2021-2022 WENT TO **ADAPTATION**⁶

THE FACT THAT ADAPTATION FINANCE FLOWS REMAIN GROSSLY INSUFFICIENT MUST BE ADDRESSED IN THE **NCQG**

4 GRANT FINANCE DOMINATES FOR ADAPTATION AND THE MOST VULNERABLE

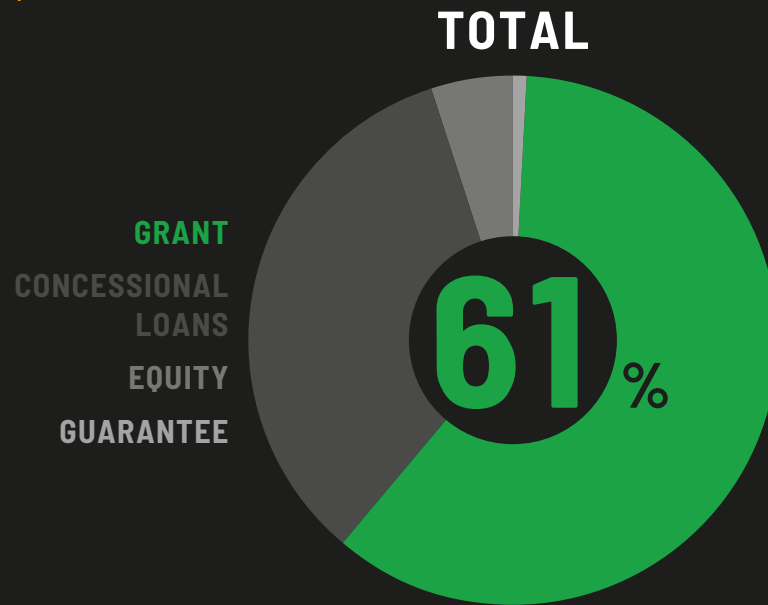


The **NCQG** is about **QUANTITY** and **QUALITY** of climate finance.⁷

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.

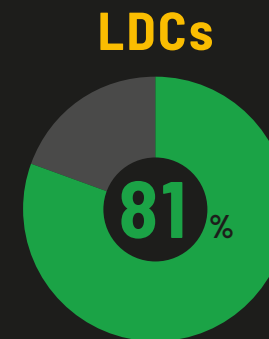
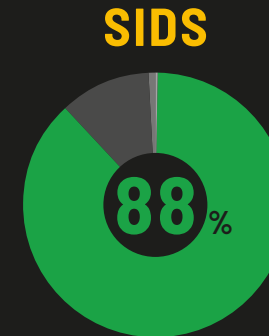


While just **5%** of global total climate finance is grant based,⁸ the **MULTILATERAL CLIMATE CHANGE FUNDS** have a **HIGH PROPORTION** of **GRANT-BASED FINANCING** across all themes.



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

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.



5

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.⁹

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.



6

CLIMATE FINANCE ORPHANS REMAIN

DESPITE BROAD ELIGIBILITY

THE **NCQG** MUST SERVE THE NEEDS AND PRIORITIES OF A DIVERSITY OF DEVELOPING COUNTRIES.

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

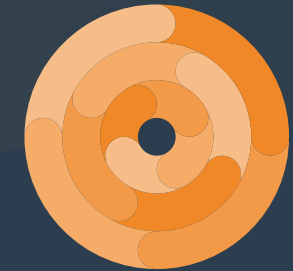
They programme a higher share of their funding to SIDS and LDCs than other providers.

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 collectively¹⁰



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



7 MITIGATION FINANCE PRIORITISES THE ENERGY SECTOR BUT SEEKS MULTIPLE BENEFITS

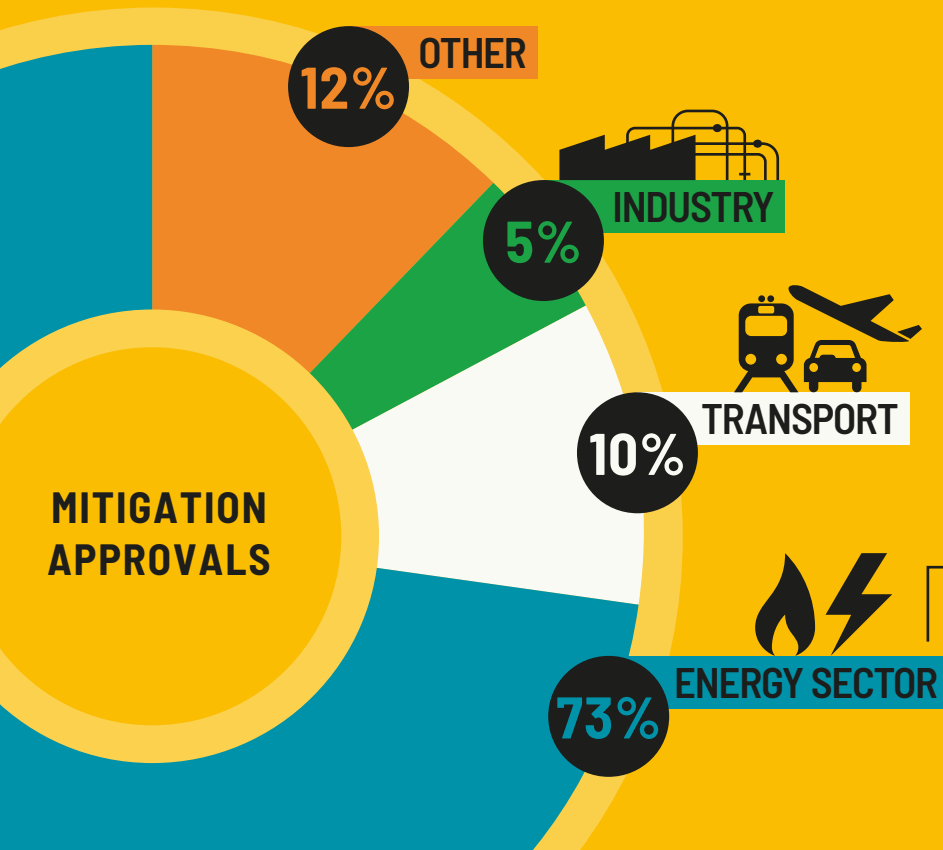
MITIGATION FINANCE, including that for reducing emissions from deforestation (REDD+), represents **52% OF TOTAL PROJECT APPROVALS** from the multilateral climate funds.

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.

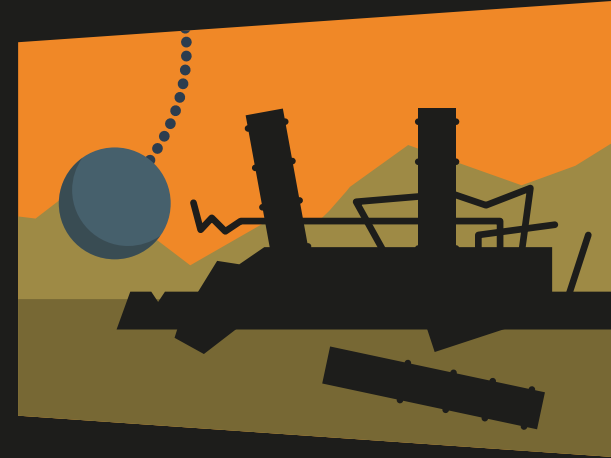
It will have to address a tension between scaling private investments for **LARGE EMISSION REDUCTIONS** and delivering investments that meet with countries' **SUSTAINABLE DEVELOPMENT AGENDAS**.

Much existing mitigation finance in multilateral climate funds already provides multiple development benefits, for example **INCREASING CLEAN ENERGY ACCESS FOR THE POOREST**.



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.



8

A NEW LOSS AND DAMAGE FUND

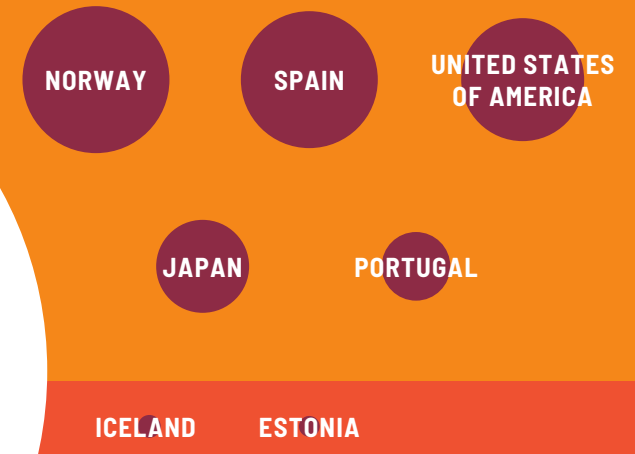
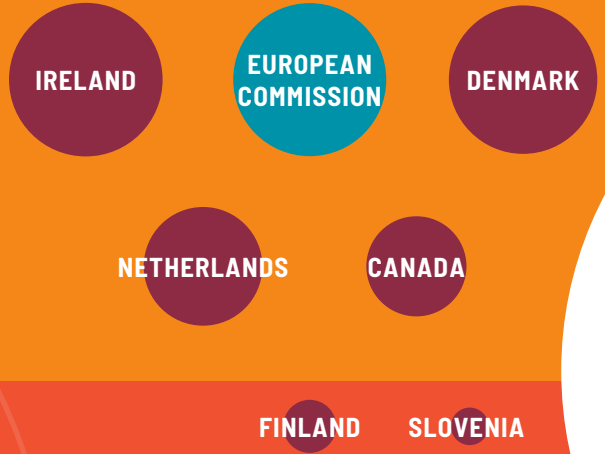
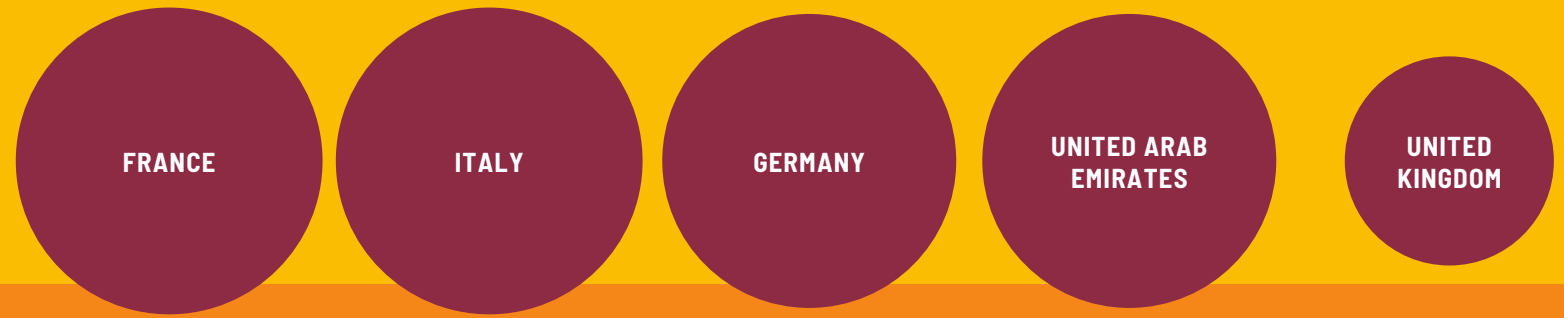
CAN STRIVE FOR BEST PRACTICE MODALITIES

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 2023¹¹ 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 COMMISSION¹²

TOTAL
661
MILLION

It remains to be seen if loss and damage will be considered a **THIRD PILLAR** of climate finance in the **NCQG**



9

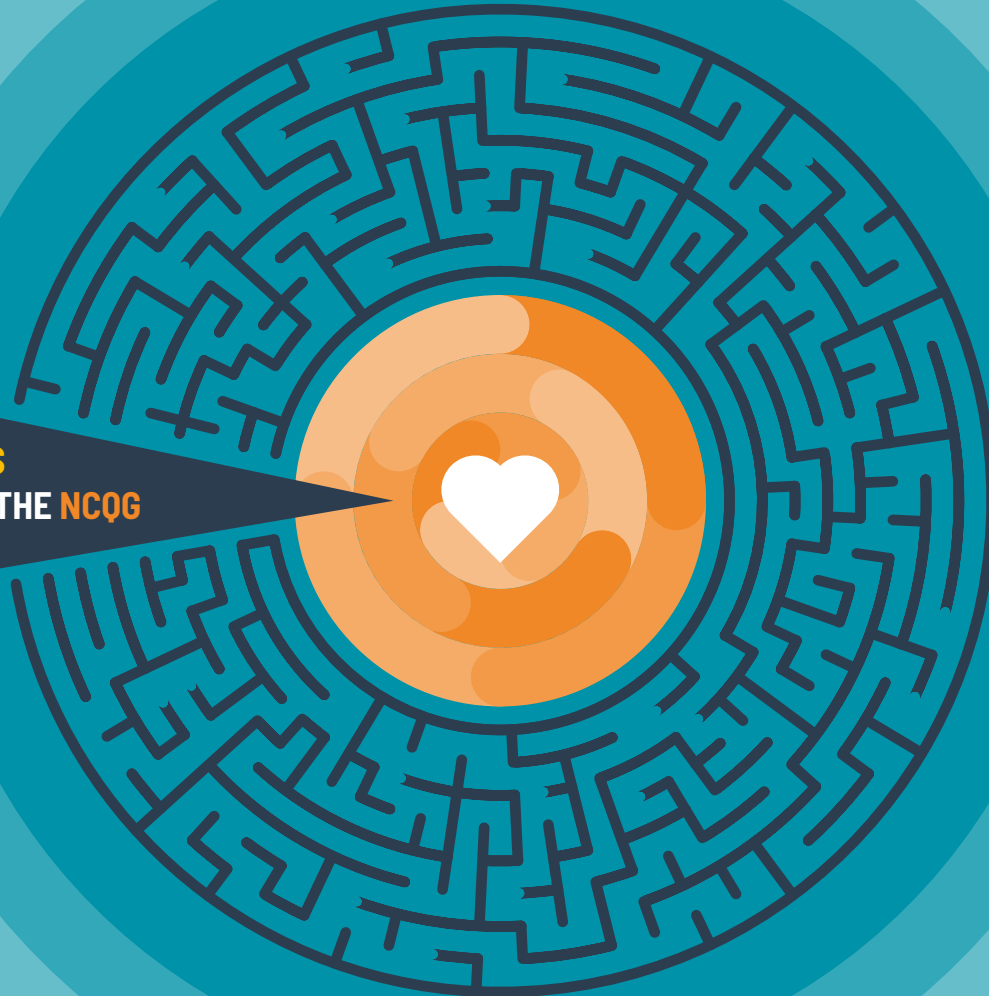
CLIMATE FINANCE ACCESS IS BEING ENHANCED

BUT WITH ROOM FOR IMPROVEMENT

SIMPLIFYING AND FACILITATING ACCESS
to climate finance is a qualitative **MUST FOR 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.



MULTILATERAL CLIMATE FUNDS

ARE PROGRESSING BEST PRACTICES

for enhancing climate finance access via



**CLIMATE FINANCE
READINESS**

support for activities such as capacity building, strategic planning, knowledge sharing and learning

Adaptation Fund
GCF GEF CIF



MORE EFFICIENT AND EQUITABLE ACCESS AND ACCREDITATION

**ENHANCED
DIRECT
ACCESS**
develoves funding decisions

Adaptation Fund
GCF GEF



**SIMPLIFIED
APPROVAL
PROCESSES**
to speed up access to funding small-scale low-risk projects and programmes

GCF



**STREAMLINED
ACCREDITATION
PROCESSES**
to help accredit national entities and partner for one-off projects

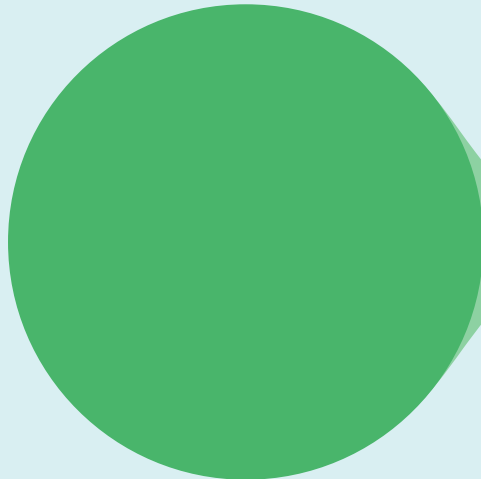
Adaptation Fund
GCF

There remains room for **FURTHER IMPROVEMENTS** and **INNOVATIONS** so that the **NCQG** could deliver more meaningful harmonisation between funds.

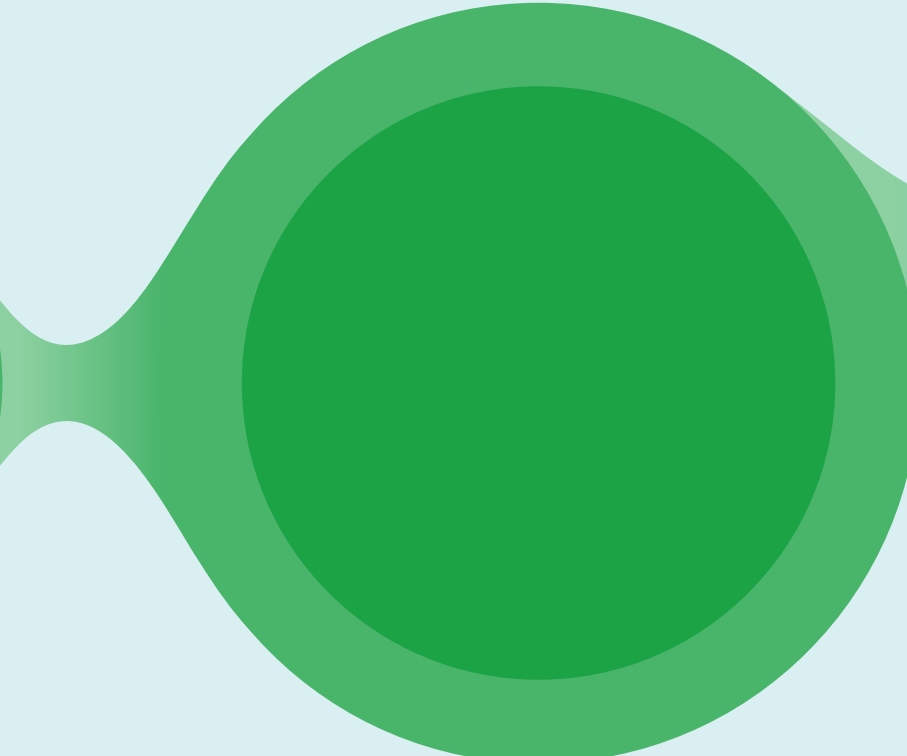
10 A REPLENISHED GREEN CLIMATE FUND

CEMENTS ITS LEAD AS THE LARGEST MULTILATERAL CLIMATE FUND

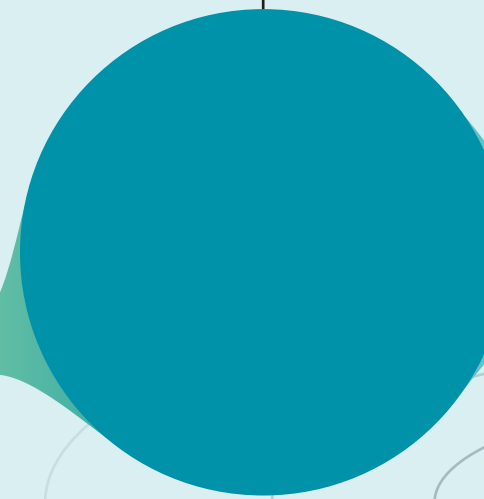
While many multilateral climate funds have grown over the last decade, the **GREEN CLIMATE FUND (GCF)** is by far **THE LARGEST** in terms of both **PLEDGES** and **APPROVALS**.



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**

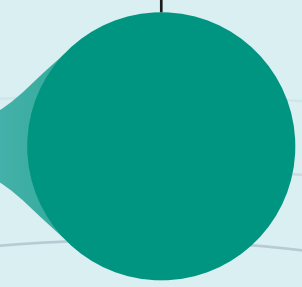


raising **TOTAL PLEDGES** over the fund's lifetime to over **USD 33 BILLION**¹³



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 Schalatek

ENDNOTES

- 1 Alayza, N. (2023) Untangling the finance goal: An introduction to the new collective quantified goal. WRI, available at: <https://files.wri.org/d8/s3fs-public/2023-11/untangling-finance-goal.pdf?VersionId=wV9llczfJlflypzCfbrjivo2rqkPG72>
- 2 A fair share of climate finance? The adaptation edition. ODI, available at: <https://odi.org/en/publications/a-fair-share-of-climate-finance-the-adaptation-edition/>
- 3 Colenbrander, S., Pettinotti, L., Cao, Y., Robertson, M., Hedger, M., and Gonzalez, L. (2023). The new Collective Quantified Goal and its sources of funding: operationalising a collective effort. ODI, available at: <https://odi.org/en/publications/the-new-collective-quantified-goal-and-its-sources-of-funding-operationalising-a-collective-effort/>
- 4 Thwaites, J. and Ryfish, D. (2024). High stakes for climate finance in 2024. Climate Home, available at: <https://www.climatechangenews.com/2024/01/15/high-stakes-for-climate-finance-in-2024/>
- 5 as per decision 1/CMA.3, paragraph 18
- 6 CPI (2023) Global Landscape of Climate Finance 2023. CPI, available at: <https://www.climatepolicyinitiative.org/wp-content/uploads/2023/11/Global-Landscape-of-Climate-Finance-2023.pdf>
- 7 See for example the 2023 work plan of the Ad hoc work programme of the NCOG, available at: https://unfccc.int/sites/default/files/resource/NCOGWP_WP_2023_final.pdf
- 8 CPI (2023) Global Landscape of Climate Finance 2023. CPI, available at: <https://www.climatepolicyinitiative.org/wp-content/uploads/2023/11/Global-Landscape-of-Climate-Finance-2023.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.
- 11 Schalatek, L. (2023) Compromise Transitional Committee Outcome Falls Short of Expectations and Climate Justice. Heinrich Böll Stiftung, available at: <https://us.boell.org/en/2023/11/15/compromise-transitional-committee-outcome-falls-short-expectations-and-climate-justice>
- 12 UNFCCC (2024). The Loss and Damage Fund. UNFCCC, available at: <https://unfccc.int/process-and-meetings/bodies/funds-and-financial-entities/loss-and-damage-fund-joint-interim-secretariat/pledges-to-the-loss-and-damage-fund>
- 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 8.1 billion were ultimately available under the IRM of the GCF, despite this being recorded as USD 10.3 billion by CFU.

ACKNOWLEDGEMENTS

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