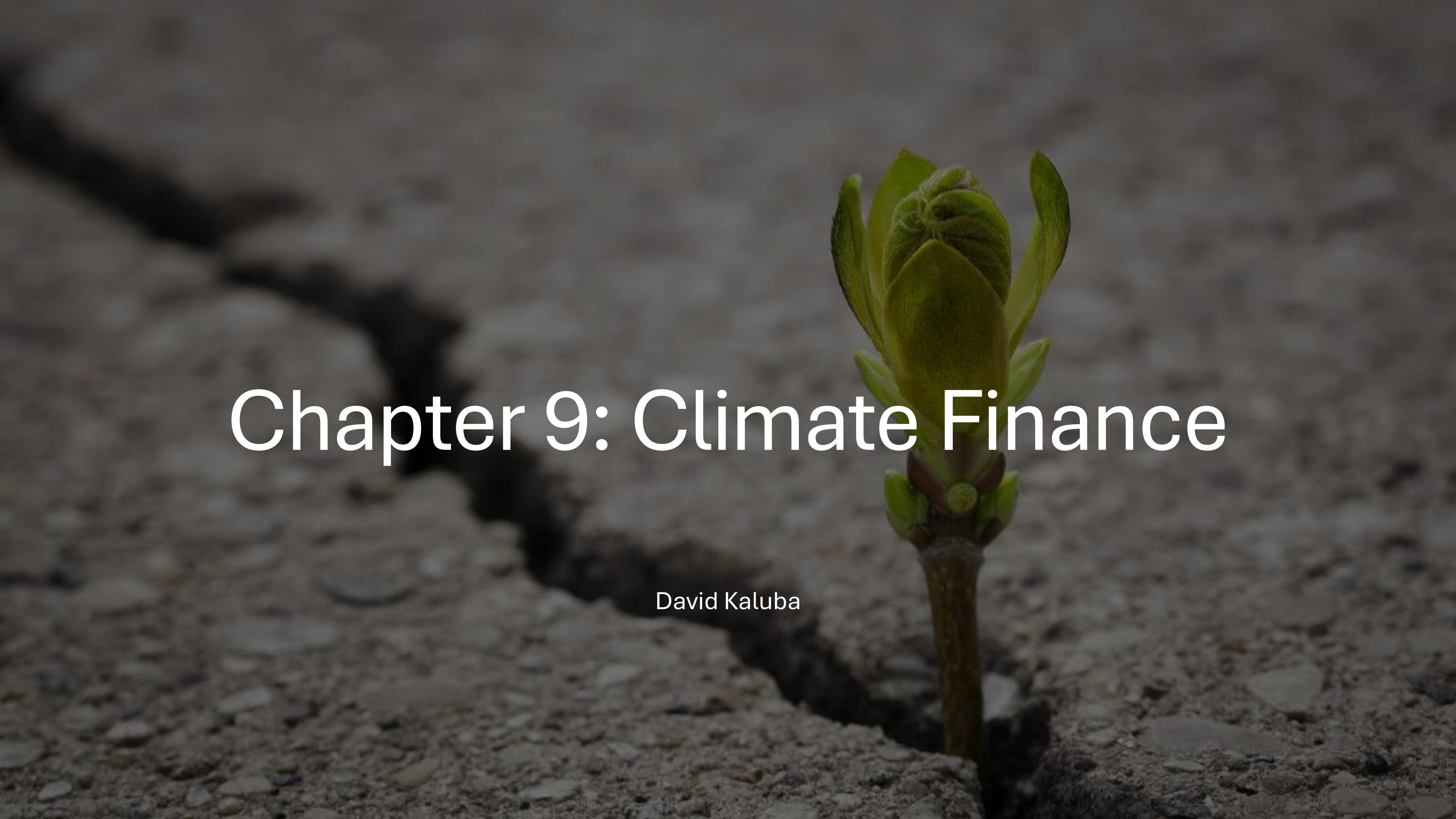


Chapter 9: Climate Finance

David Kaluba

KEY OUTCOMES

Increasing the role of operating entities of the Financial Mechanism, multilateral development banks (MDBs), and bilateral agencies including domestic and south-south arrangements

Growing gap between the needs of developing country Parties estimated at US$5.8–5.9 trillion for the pre-2030 period.

Adaptation finance needs, US$215–387 billion annually up to 2030

US$4.3 trillion per year needs to be invested in clean energy up to 2030

US$5 trillion per year to 2050, to reach net zero emissions by 2050.

African continent needs around US$2.8 trillion between 2020 and 2030,

Currently, Africa accounted for 4% (or US$ 44 billion) of the US1.3 Trillion financing.

Key Outcomes

Reform the Multilateral Financial Architecture

Scale Up Financing for climate action in developing countries to at least US$1.3 Trillion per year by 2035.

Extend the US$100 billion to US$300 billion per year by 2035

Sources:

Public	Private	Bilateral	Multilateral	Alternative sources

Methodological Framework

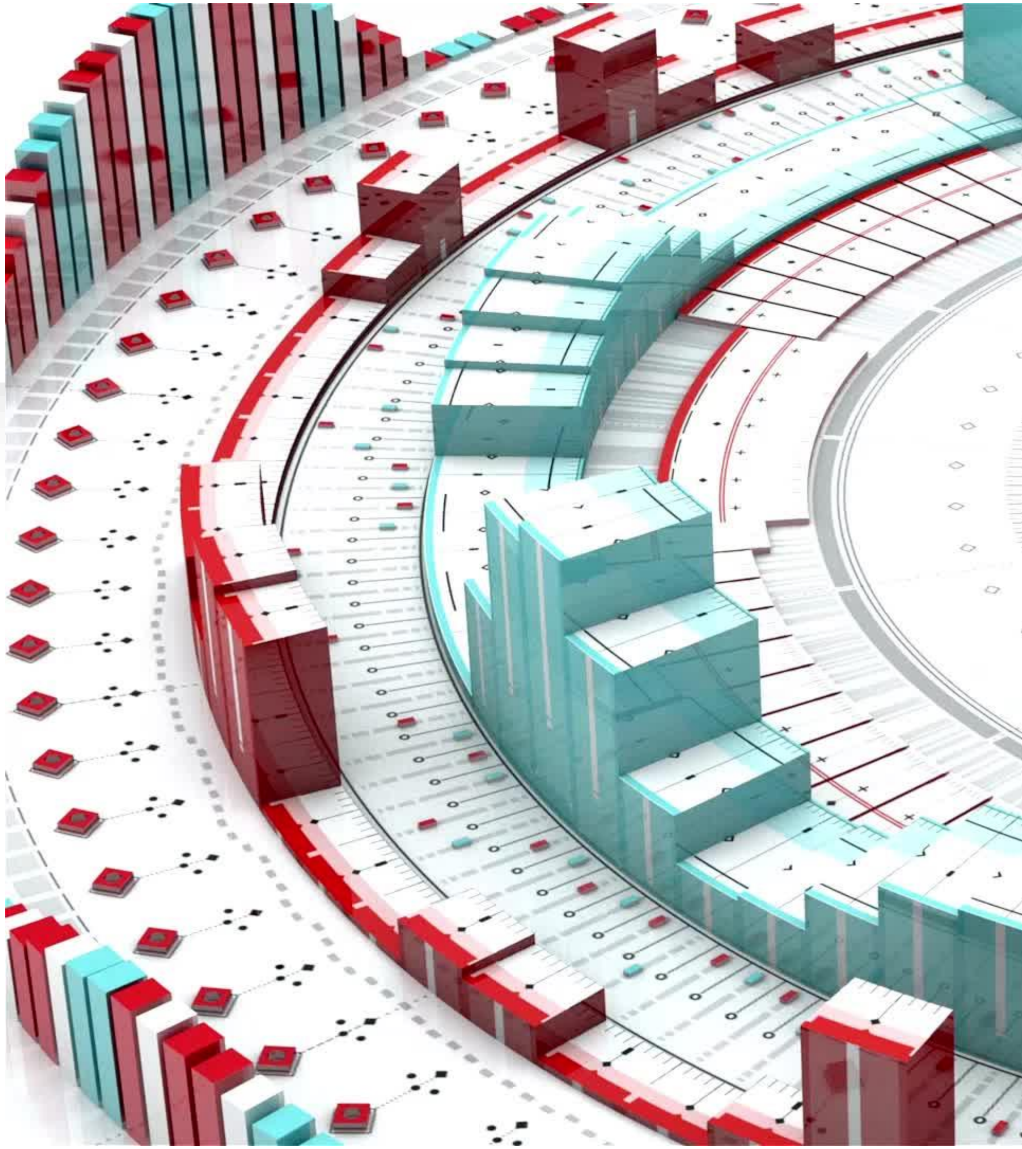
Step 1- Identify Funding Needs

Determining the funding required to implement the NDCs, NAPs, NC and other Strategies:

- Identify their most critical needs, informed by robust data and evidence.
- Prioritise needs based on their potential for impact on achieving developmental aspirations and on reducing greenhouse gas emissions and enhancing climate resilience.
- Develop frameworks that re-visit existing assumptions, sources, modes, and enabling conditions for scaled adaptation financing

Step 2 - Explore International Finance Options

- Prioritising options that offer concrete access to affordable finance through various instruments.
- Explore instruments offered by Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund (AF), Fund for Responding to Loss and Damage (FRLD), Climate Investment Funds, MDB windows and bilateral agencies.
- Other avenues could include private-public partnerships offering long-term but low-cost financing options that do not exacerbate existing and future debt burdens.

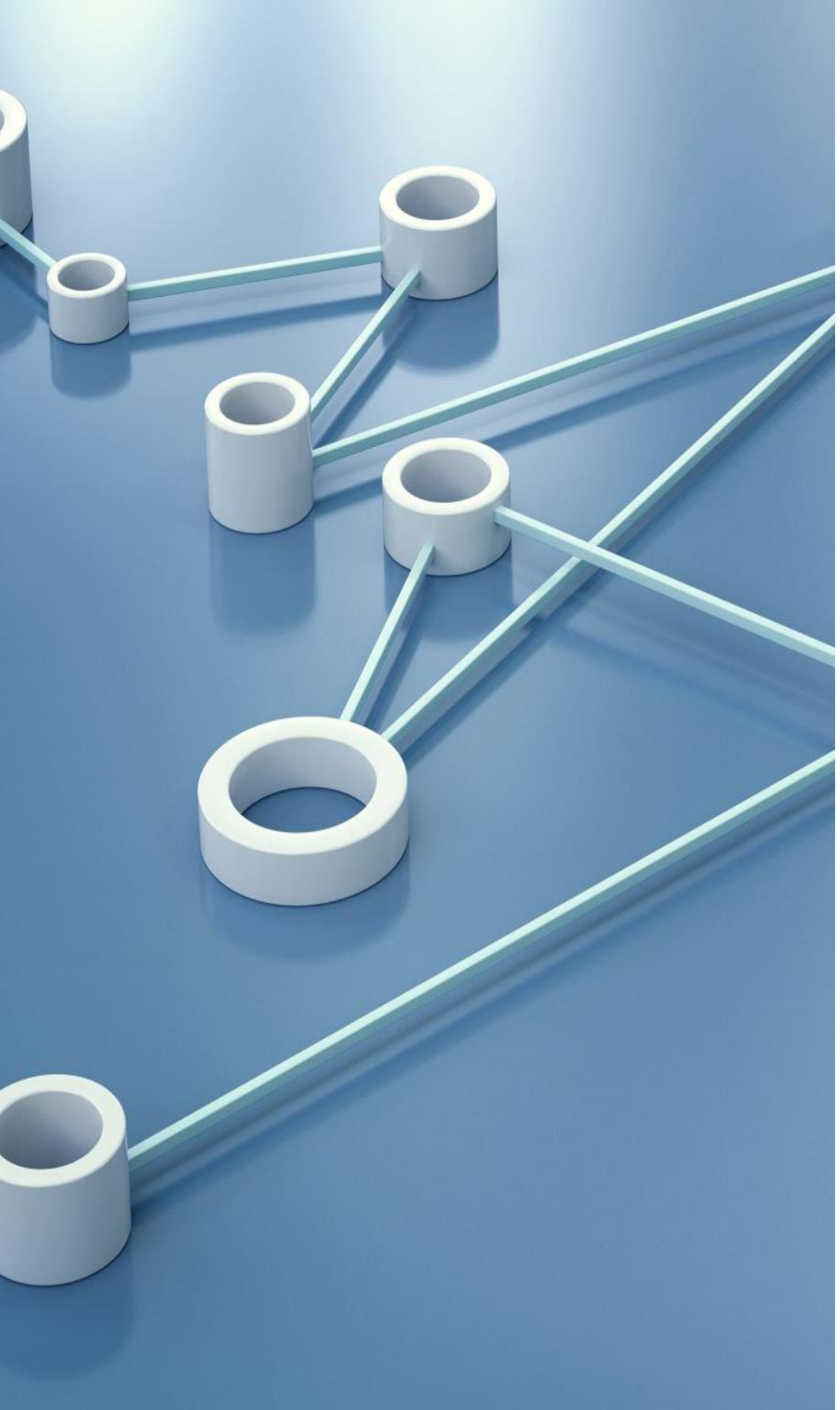


Step 3 - Account for New Transition Risks and Domestic Resource Mobilisation Efforts:

- Consider the possibilities and limitations of domestic resource mobilisation to complement international sources.

Step 4 - Develop a Coherent Funding Strategy

- Institutional and human capacity building is required to develop an adequate strategy.
- The strategy should leverage priorities contained in the NDCs and NAPs such as implementation frameworks, plans and investment frameworks that outline the funding sources, amounts, targets and timelines.



- **Step 5 - Align Funding with National Development Blueprints and Low Emissions Strategies**
  - Ensure multi-stakeholder participation and inclusive consultations.
  - Establish funding coordination mechanism to ensure that funding from different sources is coordinated and aligned with the country's national development blueprint and long-term low emission development.
  - Coordination mechanism must build upon partnerships with international finance institutions, bilateral and multilateral agencies, and private sector entities to facilitate funding and technical assistance.
- **Step 6 - Match the ambition of the NDC 3.0. to predictable financing**
  - NDCs should be consider realistic and predictable financing as a basis for unconditional commitments.
  - Conditional commitments could be adapted based for example on flows (rather than pledges) of ODA.
  - Monitoring and evaluation systems are invaluable additions to concretizing the steps to develop NDC 3.0 and ensure measuring, verification and reporting mechanisms are captured to provide learning feedback loops.

Policy Findings and Recommendations

- Match ambition levels to predictable financing
- Incentivise Carbon investments and reduce the cost of capital
- Build an internal continental financial architecture
- Mitigating transition risks to support domestic resource mobilisation
- Mobilise trade and technology levers
- Support reforms to the international financial architecture
- Develop a framework for supportive philanthropic financing