

# Short Course 1: *Basics of Climate Finance in the LDC Context*

Get Started



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# Why?

This course serves to deepen understanding of the fundamentals of climate finance in the LDC context. It explores the climate negotiations and funding landscape, key mechanisms of major funds, and challenges related to fund access. This course is intended for stakeholders in LDCs (governments, technical experts, and practitioners).



# Short Course 1 – Basics of Climate Finance

## Session 1

Climate Change  
Negotiations



## Session 2

What is Climate  
Finance?



## Session 3

Climate Finance  
Flows and  
Instruments



## Session 4

Climate Finance  
Mechanisms and Access  
Challenges



# Session 1- Climate Change Negotiations

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# Historical Context

## Origins of Climate Change negotiations

1

In the 1960s and 1970s initial concerns were raised by the scientist on the relationship between global temperatures and atmospheric levels of CO<sub>2</sub>

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2

The human contribution to increasing CO<sub>2</sub> was of concern in 1970s, culminating to the first World Conference in 1979

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3

In 1988, the World Conference on the Changing Atmosphere: Implication for Global Security was held in Toronto

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4

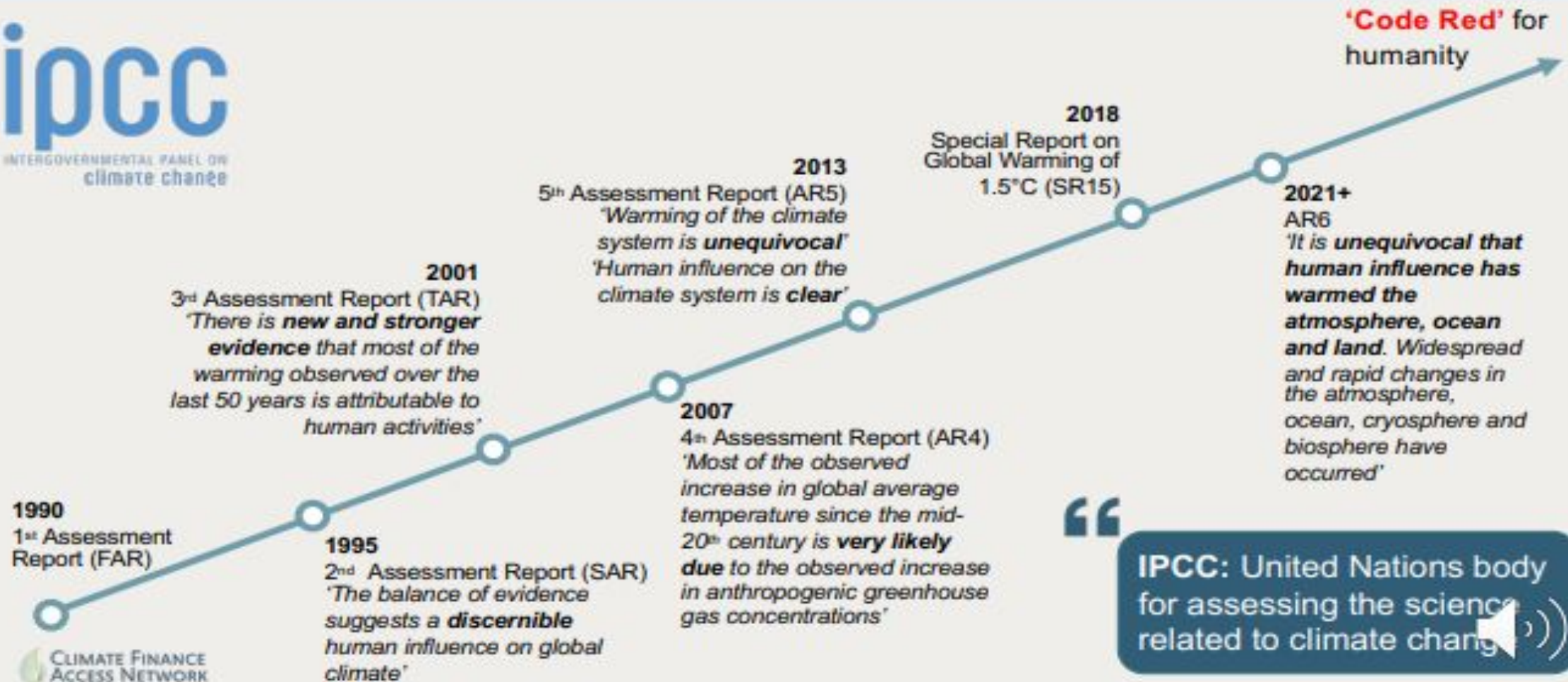
In 1988, the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) collectively established the Intergovernmental Panel on Climate Change (IPCC)



# Timeline depicting the publication of assessment reports released thus far

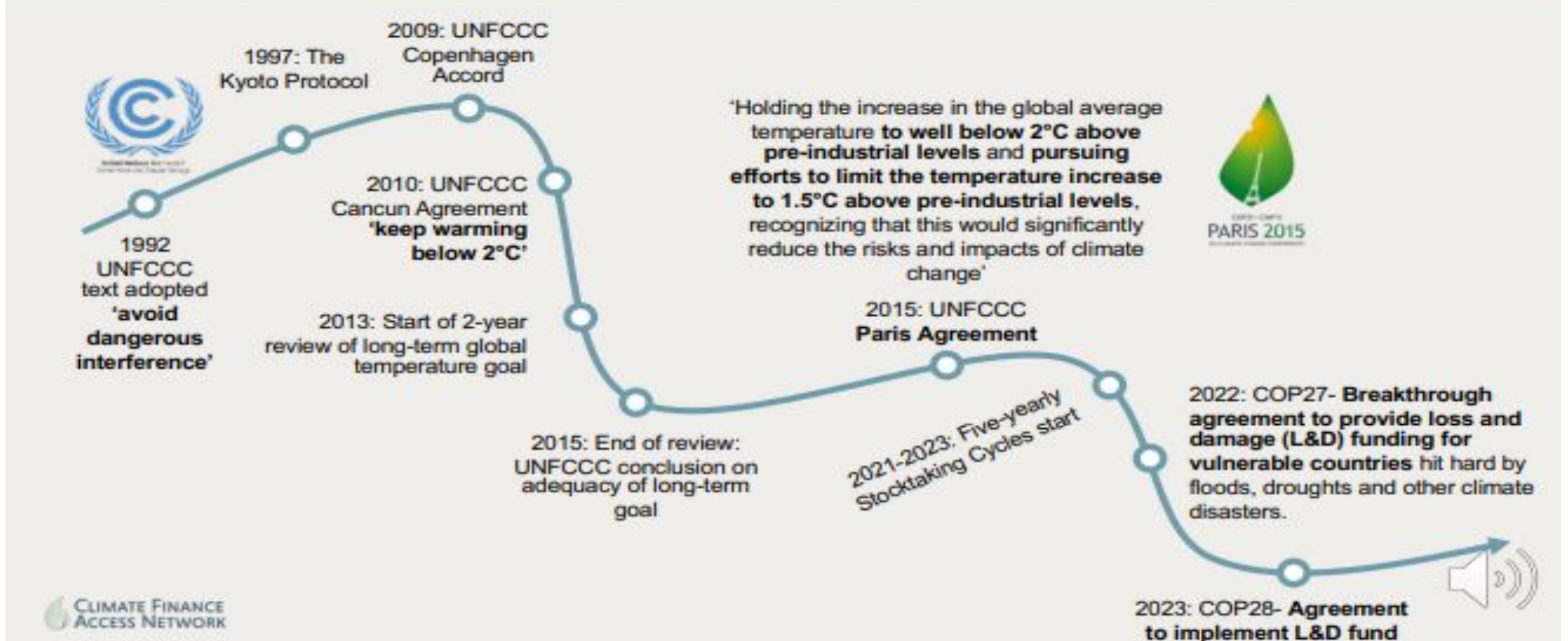
## Intergovernmental Panel on Climate Change

**ipcc**  
INTERGOVERNMENTAL PANEL ON  
climate change



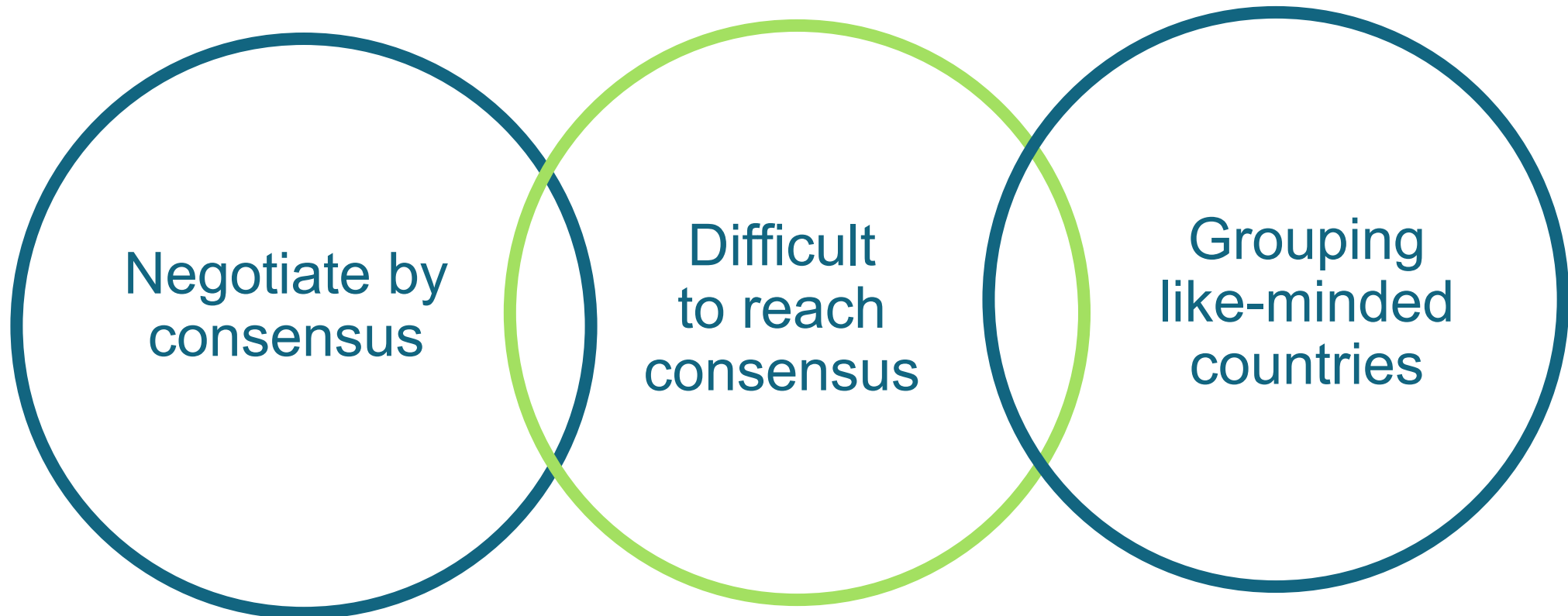
# Timeline of key events since 1995 to date

## Timeline of key moments in the history of UNFCCC



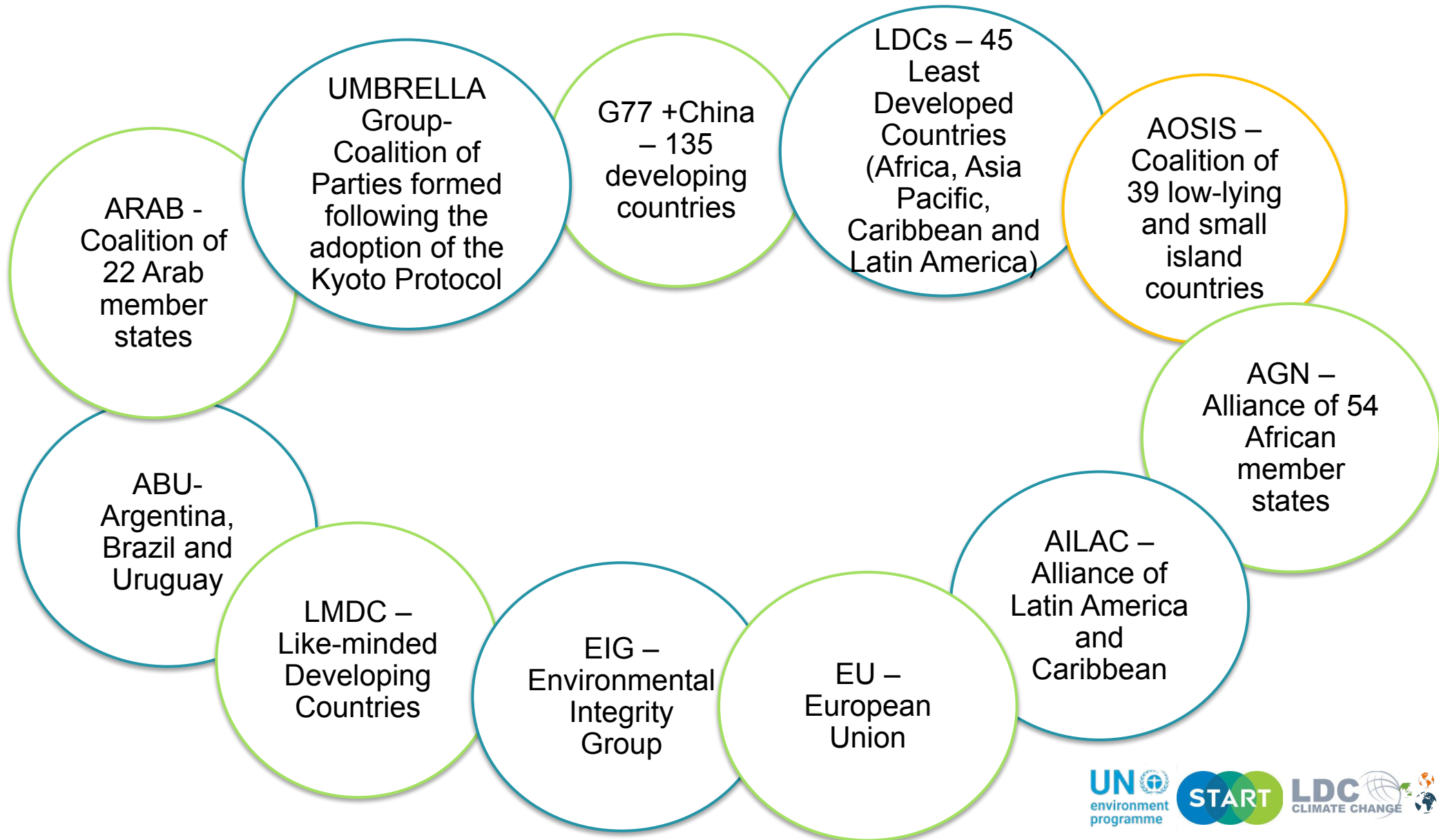
CLIMATE FINANCE  
ACCESS NETWORK

# How Countries Negotiate





# Major Negotiating Groups



# Least Developed Countries (LDC) Group



Web: [www ldc-climate.org](http://www ldc-climate.org)

Email: [ldcchairoffice@ldc-climate.org](mailto:ldcchairoffice@ldc-climate.org)

Twitter: [@LDCchairUNFCCC](https://twitter.com/LDCchairUNFCCC)

Established in 2001, the LDCs negotiate as a bloc in the intergovernmental negotiations of the UNFCCC process and play a leadership role in collective global efforts to prevent dangerous climate change.

Article 4.9 of the UNFCCC mandates its Parties to “take full account of the special needs and special situation of the LDCs...”

The LDC Chair represents LDC voices and interest by consensus and defend agreed-upon positions in all aspects of the negotiations.

The group consist of 45 countries, particularly vulnerable to the impacts of climate change, which have significant capacity constraint

# Session Two- What is Climate Finance

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# What is Climate Finance?

## What is Climate Finance?




Duration  
5:03






# What is climate finance ?

There is no universally agreed-upon definition of climate finance



“Climate finance refers to **local, national or transnational financing**—drawn from **public, private and alternative sources of financing**—that seeks to support **mitigation and adaptation actions** that will address climate change” - UNFCCC



According to the Standing Committee on Finance, the operational definition of climate finance “aims at **reducing emissions**, and **enhancing sink of greenhouse gases** and aims at **reducing vulnerability of**, and **maintaining and increasing the resilience of, human and ecological systems** to negative climate change impacts” - SCF

# Climate finance provisions in the Convention and the Paris Agreement

## UNFCCC

- Developed country Parties to provide financial resources to developing country Parties – Article 4.3
- Establish financial mechanism for the provision of financial resources on a grant or concessional basis – Article 11.1
- Special consideration to be given to LDCs– Article 4.9

## Paris Agreement

- Developed country Parties to provide financial resources to developing country Parties – Article 9.1
- Encourages voluntary contributions by other Parties – Article 9.2
- Developed country Parties to take lead in mobilizing climate finance from a variety of sources, instruments and channels progressively – Article 9.3
- Provision of scale up financial resources to achieve balance between adaptation and mitigation, taking into account country driven strategies - Article 9.4
- Financial mechanism to serve PA – Article 9.8

# Climate Finance and the \$100 billion Goal

In 2009 at Copenhagen, agreed to jointly mobilized USD 100 billion per year by 2020

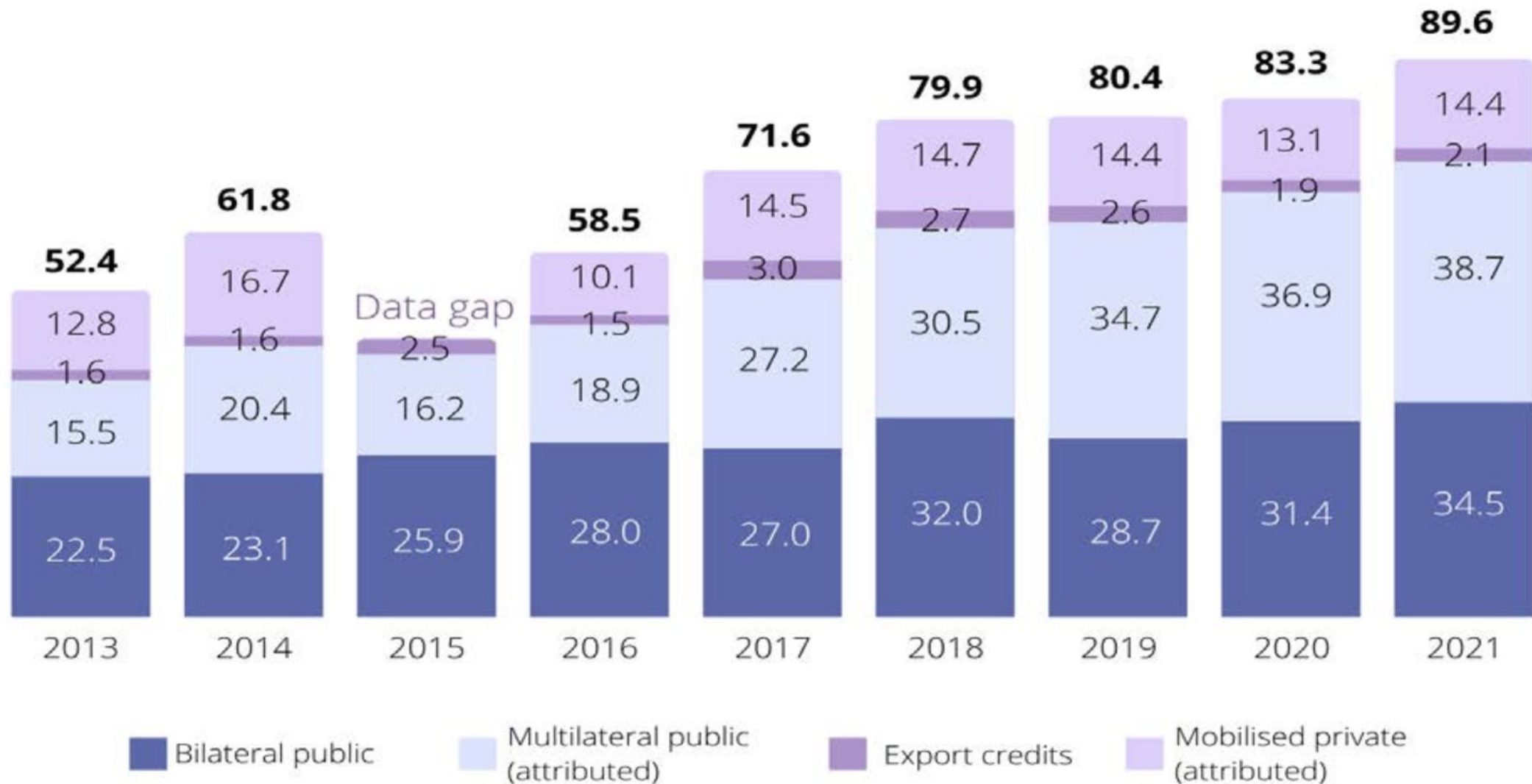
In 2015, Paris Agreement extended the USD 100 billion per year goal by 2020 through to 2025.

In 2022 at COP27, SCF published a technical report on the progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of the developing countries

In 2010 at COP16, developed country Parties commit to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries.

In 2021 at COP26, request SCF to prepare a report on progress towards achieving the goal of USD 100 billion per year to address the needs of the developing countries

# Climate Finance and the USD 100 billion goal





# Adaptation Finance and the USD 100 billion goal

Climate theme of climate finance provided and mobilised in 2016-2021 (USD billion)



Note: Figures may not add up to totals due to rounding.

Source: Based on Biennial Reports to the UNFCCC, OECD Development Assistance Committee and Export Credit Group statistics, as well as complementary reporting to the OECD.

Put a graph that shows instruments – loan, grants, equity, etc

# Adaptation Finance and the USD 100 billion goal

: Reported adaptation finance versus Oxfam's estimates of adaptation-only climate-specific net assistance (2019, 2020 and 2019–20 average)



*Oxfam report* –  
Adaptation share (\$9  
to 10.5b) in 2020

Note: The red bars show reported adaptation finance as compiled by the OECD (OECD 2022a). The orange bars show Oxfam's estimate of climate-specific net assistance for adaptation finance based on OECD grant equivalent accounting. The green bars show Oxfam's estimate of climate-specific net assistance for adaptation using a more robust methodology to estimate grant equivalence. All figures show adaptation-only finance, not including 50% of cross-cutting finance. The orange and green bars show figures rounded to the nearest 0.5. See T. Carty and J. Kowalzig (2022) in bibliography for detailed methodology.

# Doubling of Finance for Adaptation



**UNEP Adaptation Gap report, 2023** estimated adaptation needs at \$215-387 billion annually up until 2030.



**OECD report –** Adaptation share (\$24.6b) 27% of the 89.6 billion in 2021

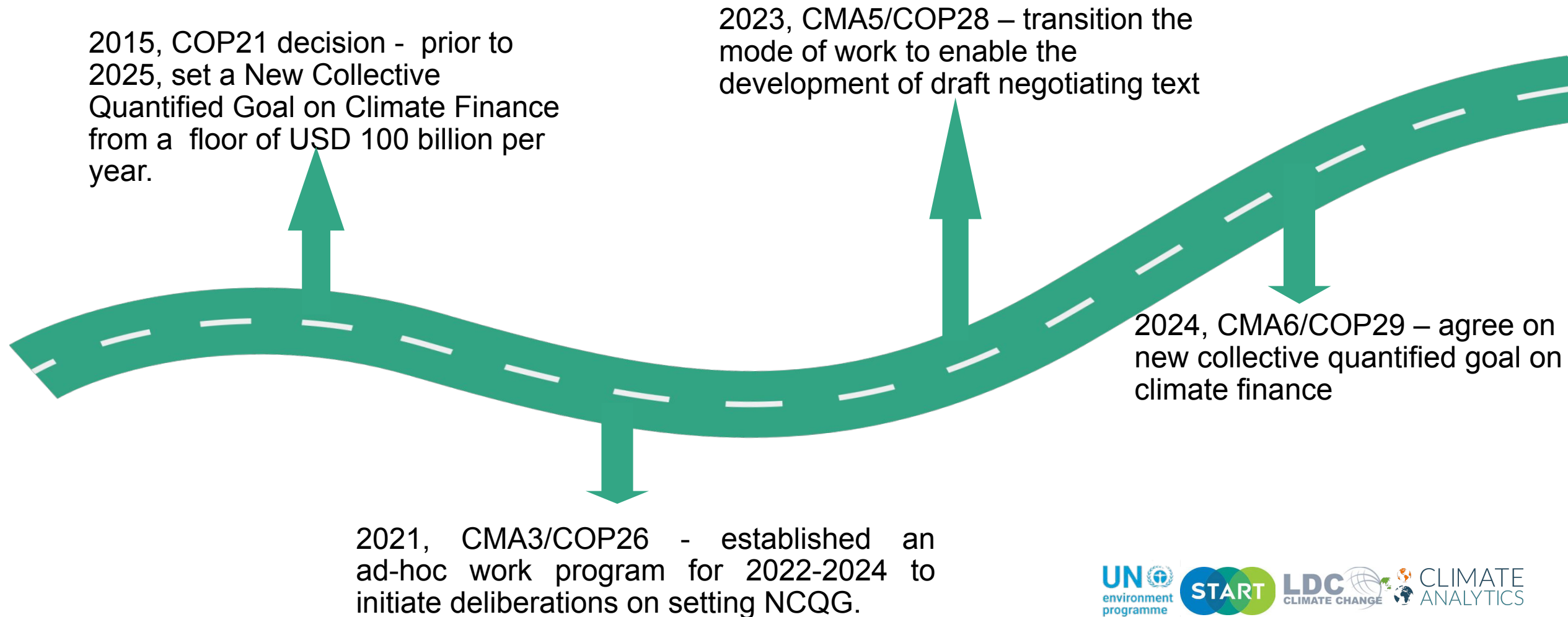


**COP26/CMA3:** At least double adaptation finance to developing country Parties from 2019 levels by 2025s



**COP27/CMA4** request SCF to prepare a report on the doubling of finance for adaptation for consideration at COP28/CMA5

# 2024, CMA6/COP29 – agree on new collective quantified goal on climate finance





# Key elements of the New Collective Quantified Goal on Climate Finance (NCQG)

01

**Quantum:** approaches to determining the quantum of the goal

02

**Timeframe:** 2030/ 2035/ 2050/ and combinations. Review/ adjustment of the goal?

03

**Structure:** Onion structure/thematic structure with sub-goals of mitigation/adaptation/loss and damage?

**Source of funding:** Potential sources of finance?. Developed countries push for new contributors and sources.

04

**Quality and access:** how to address qualitative issues, including concessional funding, access and debt sustainability. How the needs of developing countries will be considered?

05

**Transparency:** reporting and accounting arrangements, definition of climate finance?

06

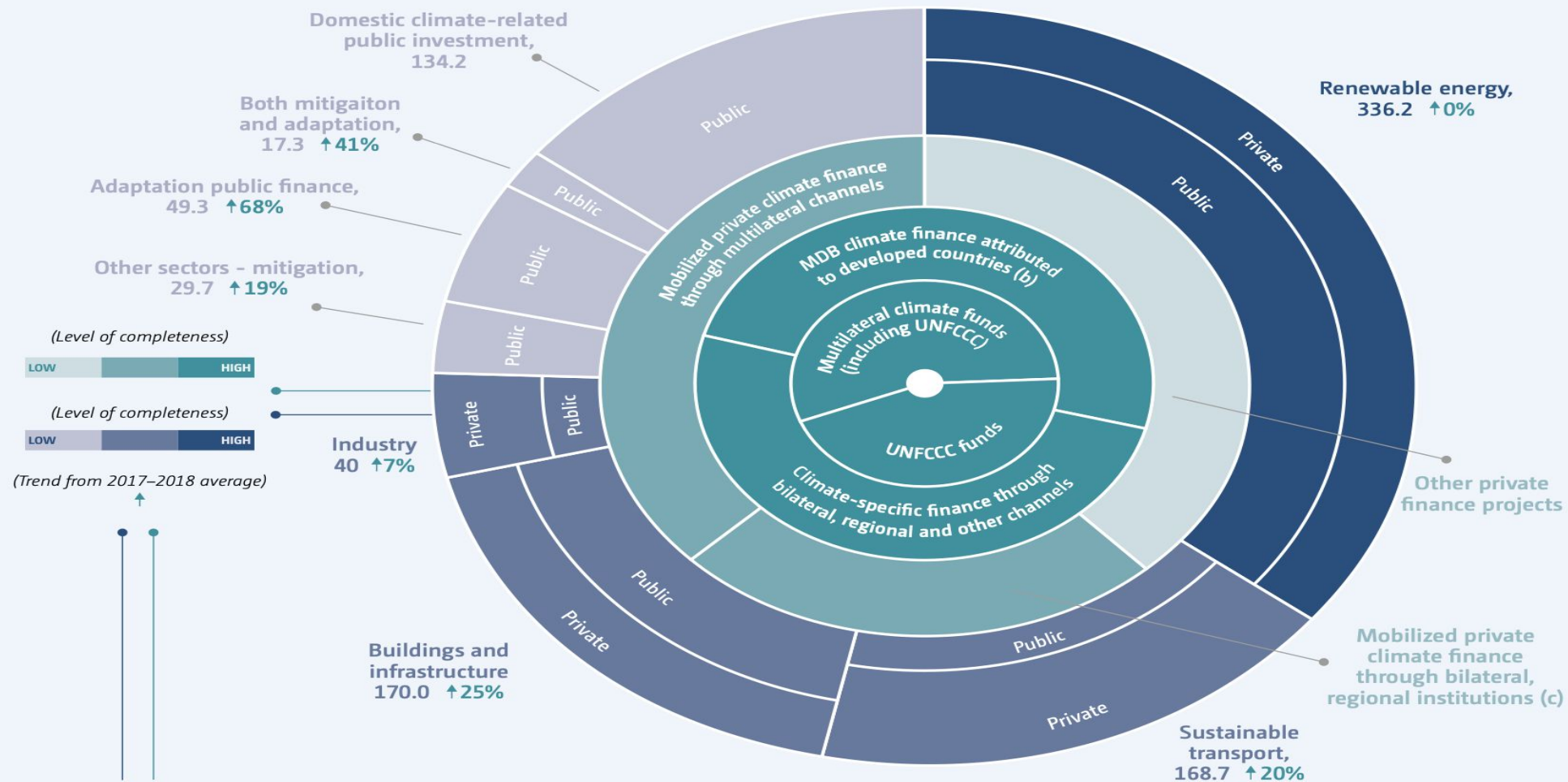
# Session 3 – Global Climate finance flows and instruments

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# Climate Finance flows in 2019-2020

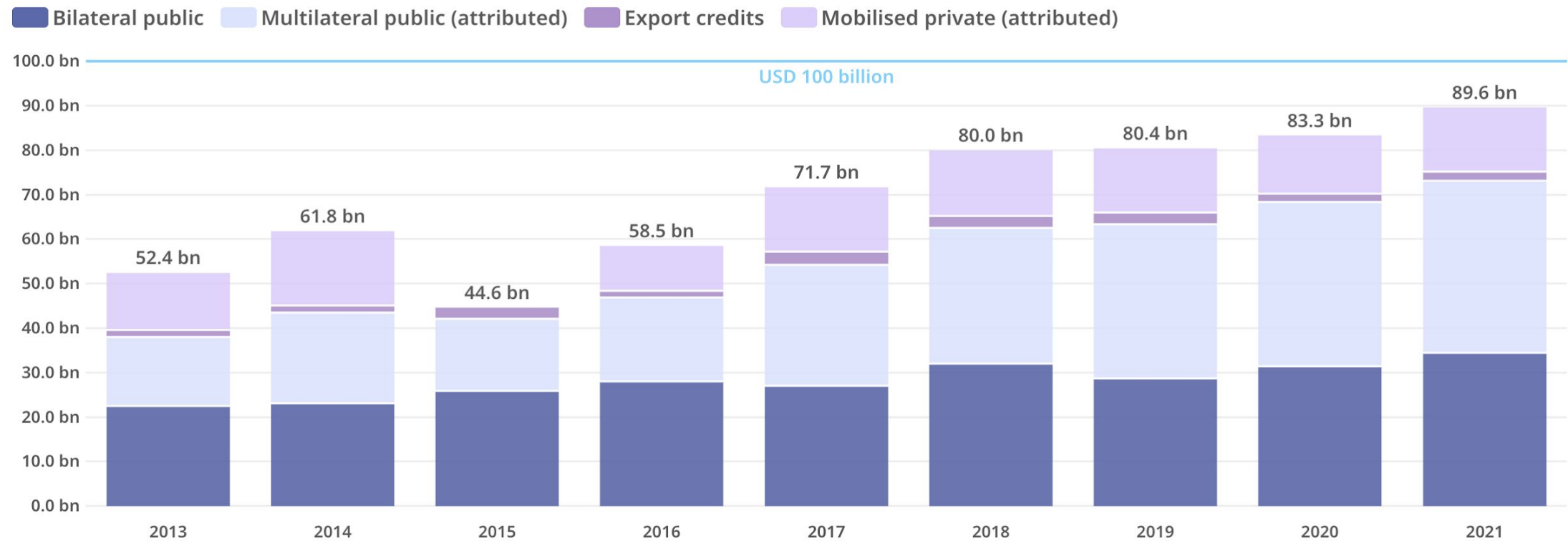
**Climate finance flows in 2019–2020**  
(Billions of United States dollars, annualized)



# Climate Finance flows from developed to developing countries

## Climate finance for developing countries

Climate finance provided and mobilised by developed countries, in USD billions



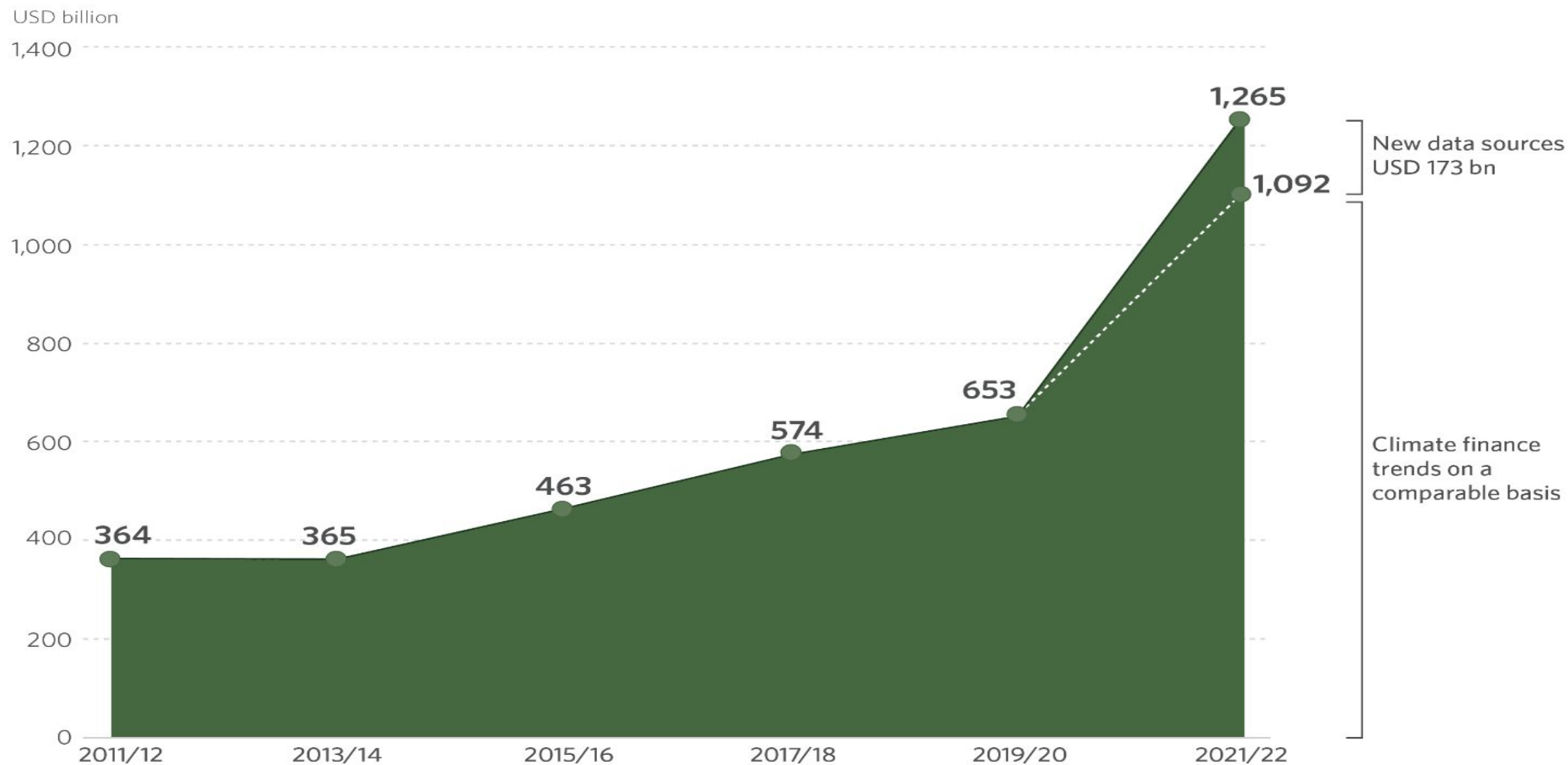
The gap in the private finance series in 2015 is due to the implementation of enhanced measurement methodologies. As a result, private flows for 2015-18 cannot be directly compared with private flows for 2013-14.  
Source: OECD (2023), [Climate Finance Provided and Mobilised by Developed Countries in 2013-2021](#).

Maps



# Global Trend of Climate Finance Flows

**Figure ES2:** Global climate finance in 2011-2022, biennial averages



Source: Climate Policy Initiative

# Global Trend of Climate Finance Flows

## Needs of the developing countries

- Estimated cost of NDCs and NAPs USD 5.8-5.9 trillions for the pre-2030 period (SCF)

01

## Adaptation Gap Report 2023

- Adaptation finance needs at USD 215-387 billion annually up until 2030 (UNEP)

02

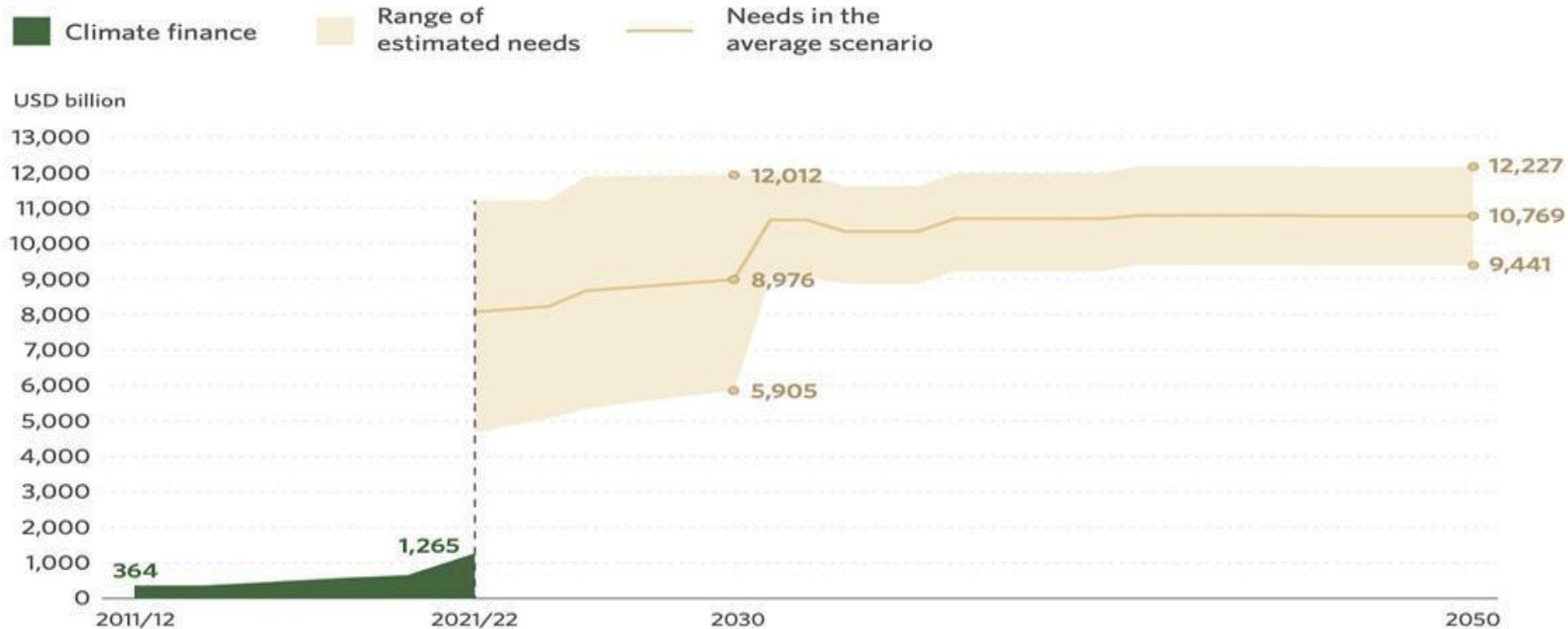
## World Energy Transition Outlook 2023

- USD 4.3 trillion per year needs in clean energy up until 2030, USD 5 trillion per year up until 2050, to be able to reach net zero emissions by 2050 (IEA)

03

# Climate Finance Needs Estimates for 2023-2050

Global tracked climate finance and average estimated annual needs through 2050<sup>3</sup>



*Note: Climate finance needs estimates for 2023-2050 include direct investments in climate-specific physical assets and excludes transition-related unabated fossil fuel finance. Estimates are based on secondary data collected from over 15 sectoral scenarios (see [Methodology document](#) for detail). Climate finance needs for 2023-2050 are expressed in 2022 USD to ensure comparability of estimates from several different scenarios.*

# Landscape of climate finance and instruments

Figure ES1: Global climate finance flows in 2021/2022

## LANDSCAPE OF CLIMATE FINANCE IN 2021/2022

Global climate finance flows along their life cycle in 2021 and 2022. Values are averages of two years' data to smooth out fluctuations, in USD billions.

### SOURCES AND INTERMEDIARIES

Which type of organizations are sources or intermediaries of capital for climate finance?

Governments \$100
National DFIs \$238
Bilateral DFIs \$33
Multilateral DFIs \$93
Multilateral climate funds \$3
SOEs \$110
State-owned FIs \$61
Other \$15
Commercial FIs \$235
Households/ individuals \$184
Corporations \$192

### INSTRUMENTS

What mix of financial instruments is used?

Grants \$69
Low-cost project debt \$76
Project-level market rate debt \$561
Project-level equity \$54
Unknown \$7
Debt \$129
Balance sheet financing \$498
Equity \$368

1.27 TRILLION USD ANNUAL AVERAGE

### USES

What types of activities are financed?

Adaptation \$63
Dual benefits \$51
Mitigation \$1,150



CLIMATE POLICY INITIATIVE

### SECTORS

What is the finance used for?

Water & waste \$67
Industry \$9
Buildings & infrastructure \$240
Others & cross-sectoral \$50
AFOLU \$43
Energy systems \$515
Transport \$336

Public Private

"Other" public sources include export credit agencies and unknown public funds

"Other" private sources include institutional investors, funds, and unknown

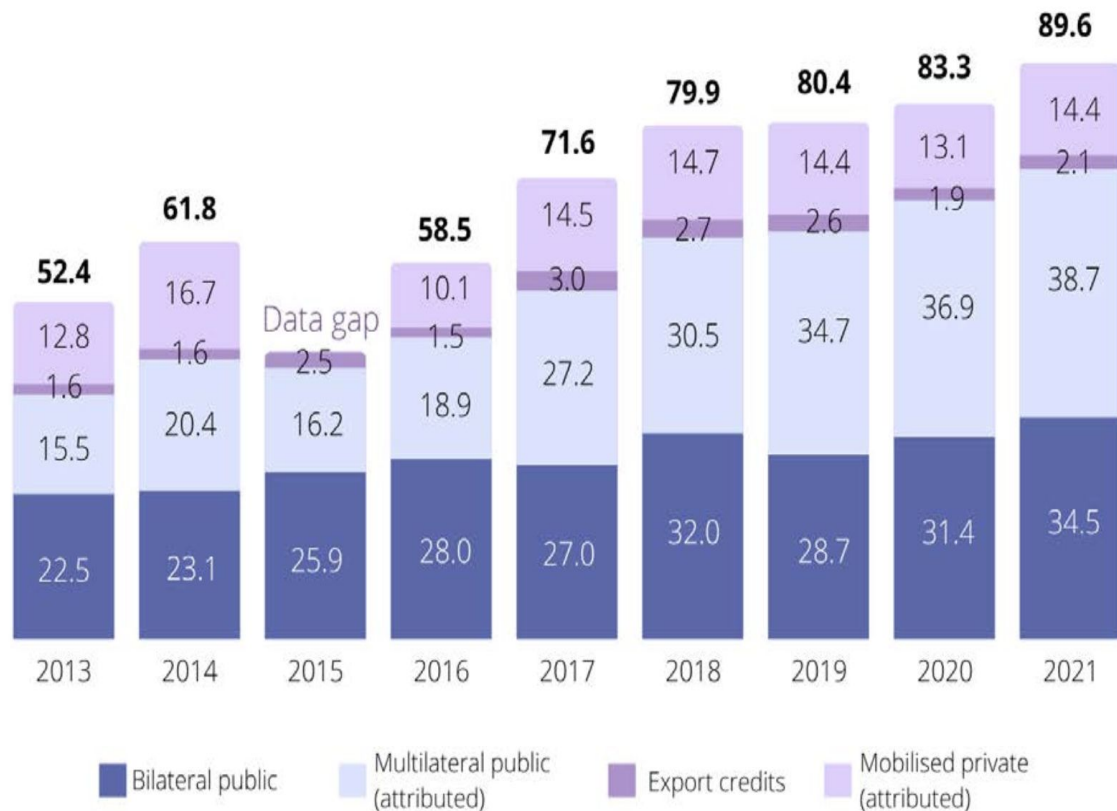
"AFOLU" stands for agriculture, forestry, other land use, and fisheries. "Others & cross-sectoral" includes \$6bn unknown

Source: Climate Policy Initiative

Source: CPI

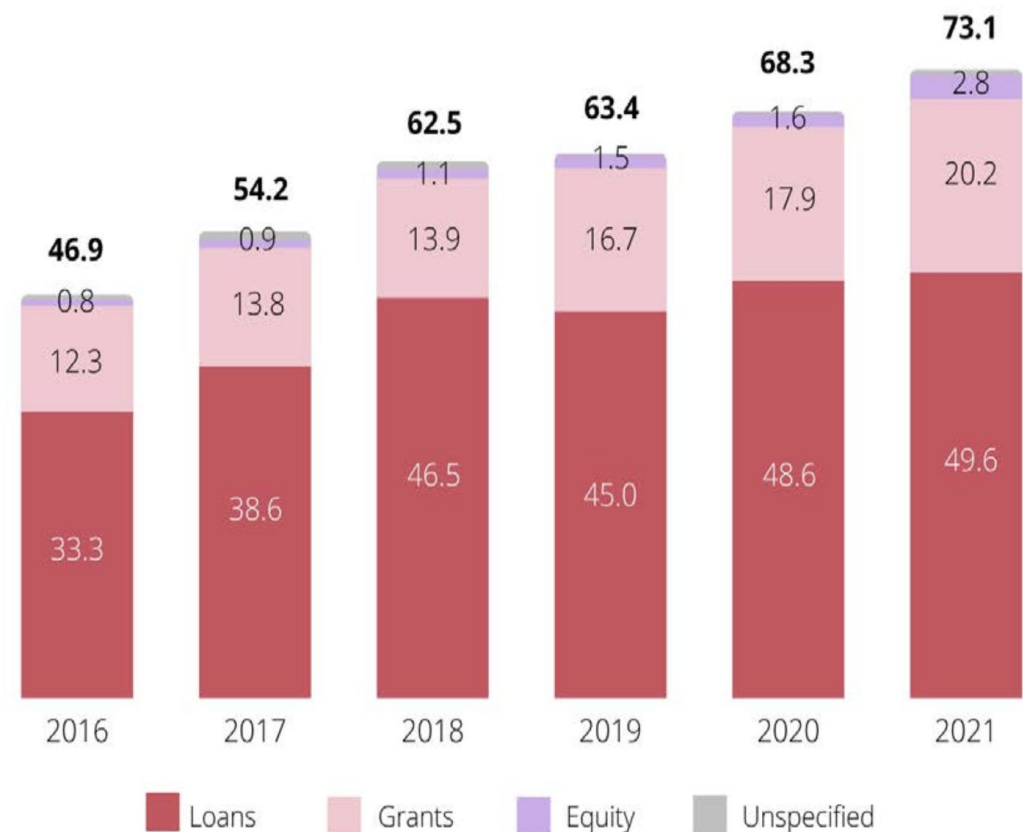
# Climate Finance Instruments and the USD 100 billion goal

Figure 1. Climate finance provided and mobilised in 2013-2021 (USD billion)



Source: Based on biennial report to the UNFCCC, OECD DAC and Export Credit Group Statistics, as well as complimentary reporting to OECD

Figure 3. Instrument split of public climate finance in 2016-2021 (USD billion)

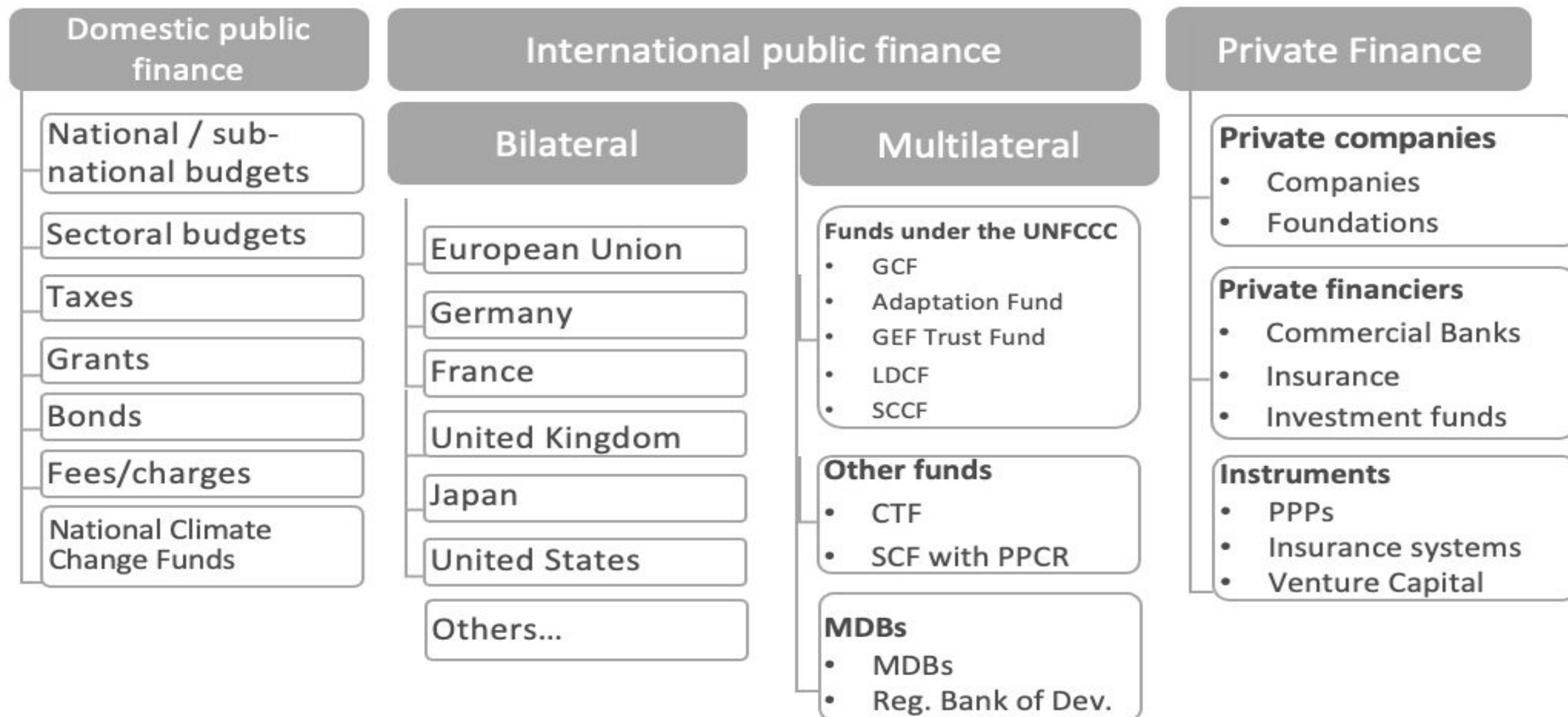


Note: Figures may not add up to totals due to rounding.

Source: Based on Biennial Reports to the UNFCCC and OECD Development Assistance Committee, as well as complementary reporting to the OECD.



# Climate Finance Landscape



# Session 4 – Climate Finance Mechanisms and Key challenges

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# Context for this session: *Key issues, challenges and barriers for LDCs*

LDCs face significant challenge in accessing climate finance due to lack of expertise, experience and knowledge of complex project processes and requirements

System of accessing fund is complex, onerous and slow, with high transaction cost

Severe capacity constraints in developing funding proposals

Structural barriers to building capacities in the LDCs

Lack of predictability, at scale and accessibility

Private sector engagement in adaptation is limited due to scale of economy and weak private sector

Many LDCs are heavily indebted and cannot access concessional finance - need for debt relief

# Timeline for establishment of financial mechanisms

- 1992 – Global Environment Facility to serve several international environmental conventions
- 2001 – Adaptation Fund, COP7, Marrakech – source finance from share of proceed from CDM under Kyoto Protocol
- 2001 – LDCF, COP7, Marrakesh – support exclusively to LDCs
- 2001 – Special Climate Change Fund (SCCF) – COP7, Marrakesh – new funding window to pilot technology transfer in adaptation
- 2010 – Green Climate Fund at COP16 in Cancun–low emission climate resilient development pathway
- 2022 – Loss and damage fund and funding arrangement at COP27 in Egypt
- 2023 – Loss and Damage fund operationalized

# Global Environment Facility (GEF)

## History:

Established on the eve of the 1992 Rio Summit and became a Financial Mechanism for several international environmental conventions

## Objectives:

Help developing countries and countries with emerging economies in transition address the world's most pressing environmental problems and achieve the objectives of international environmental conventions and agreements

## Members:

186 states, referred to as "Participants"

## Trustee:

The World Bank serves as the GEF Trustee, in charge of managing GEF funds

## Access Modalities:

Access Modalities: 18  
Accredited entities as operational arm of the GEF

## GEF Focal Points:

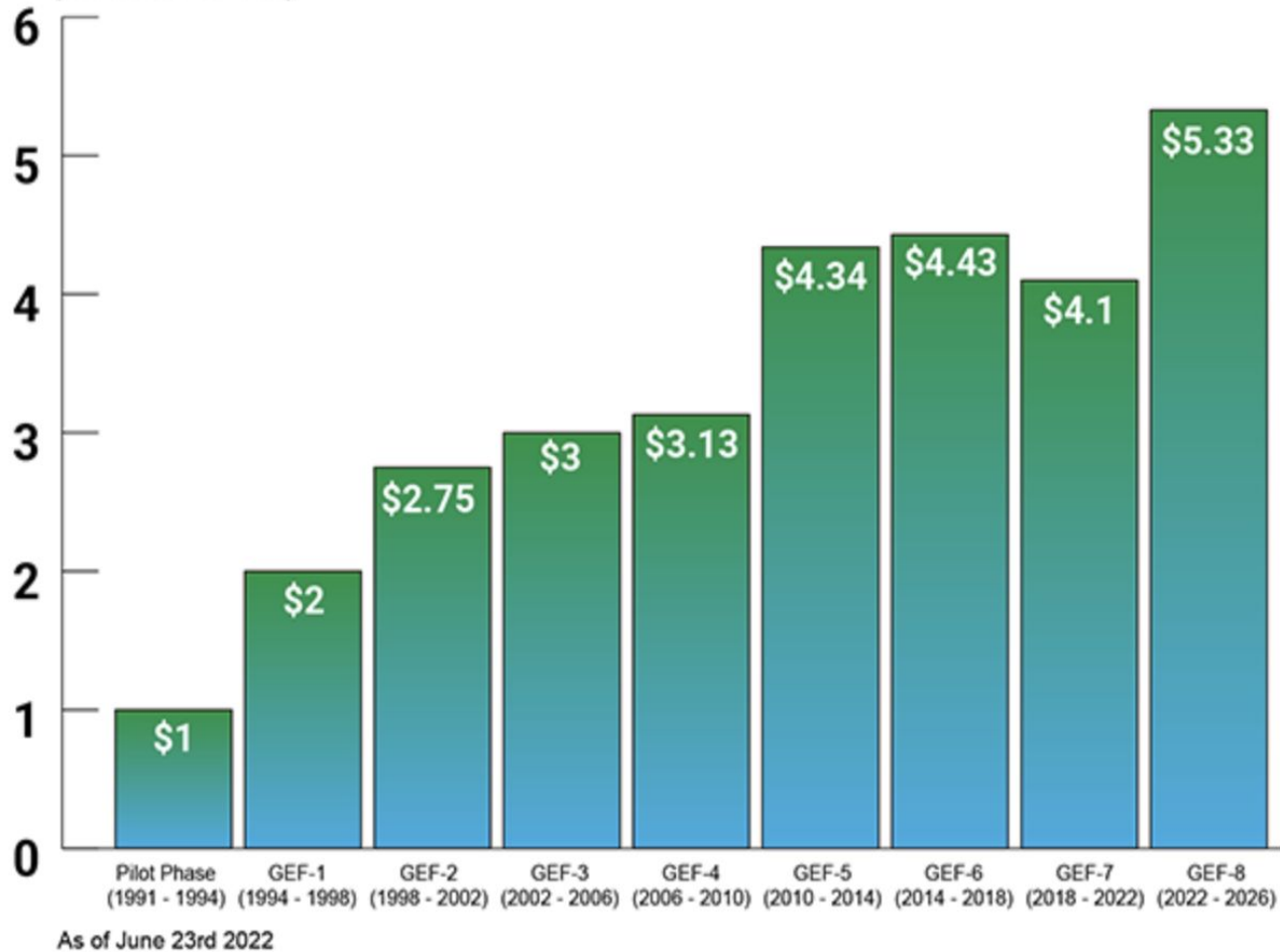
GEF Focal Points: Political and operational

The GEF serves as the administrator of several trust funds (LDC Fund, Special Climate Change Fund, Capacity Building Initiative for Transparency – CBIT, Nagoya Protocol Implementation Fund, and Adaptation Fund)



# GCF Trust Fund

## GEF Replenishment Cycles (in billions of USD)



- ❖ Replenishment every four years of programming cycle
- ❖ Donors includes both developed and developing countries
- ❖ GEF 8 (2022-2026) – 29 donors pledged \$5.33 billion

# GEF 8<sup>th</sup> Programming Priorities

Focus Area	Biodiversity	Climate Change	Land Degradation	International Water	Chemical & Waste
Cross-cutting themes	Circular Economy; Nature-based solution; Transboundary and Freshwater Environmental security; Gender responsive approaches; Behaviour change; Resilience; Private Sector engagement				
Global Programs	Mobilizing the financial sector for environmental goals through blended finance; Community action for global transformation; and Small grants programme and beyond				
Integrated Programming	Food systems; Sustainable cities; Amazon, Congo, and critical forest biomes; Wildlife conservation for development; Net-zero nature-positive accelerator; Greening transportation infrastructure development; Ecosystem restoration; Clean and healthy ocean; Circular solution to plastic pollution; Blue and green island; Elimination of hazardous chemicals from supply chain.				

# GEF: How Projects work

## GEF Agency:

- 18 Accredited Entities/partner organizations
- Operational Focal Points

## Types of Projects:

- Full-sizes project – more than \$2 million
- Medium-sizes project – less than or equivalent to \$ 2 million
- Enabling Activity – preparation of plans, strategies, reports under the Convention
- Program – longer term and strategic arrangement

## Instruments:

- Grants

## Eligibility Criteria:



# GEF/Least Developed Countries Fund (LDCF)

## Creation

- Established in 2001 by the COP7, Marrakech
- Only global fund that offer support exclusively to LDCs

## Objectives

- Support implementation of NAPAs, NAPs and other work program under UNFCCC

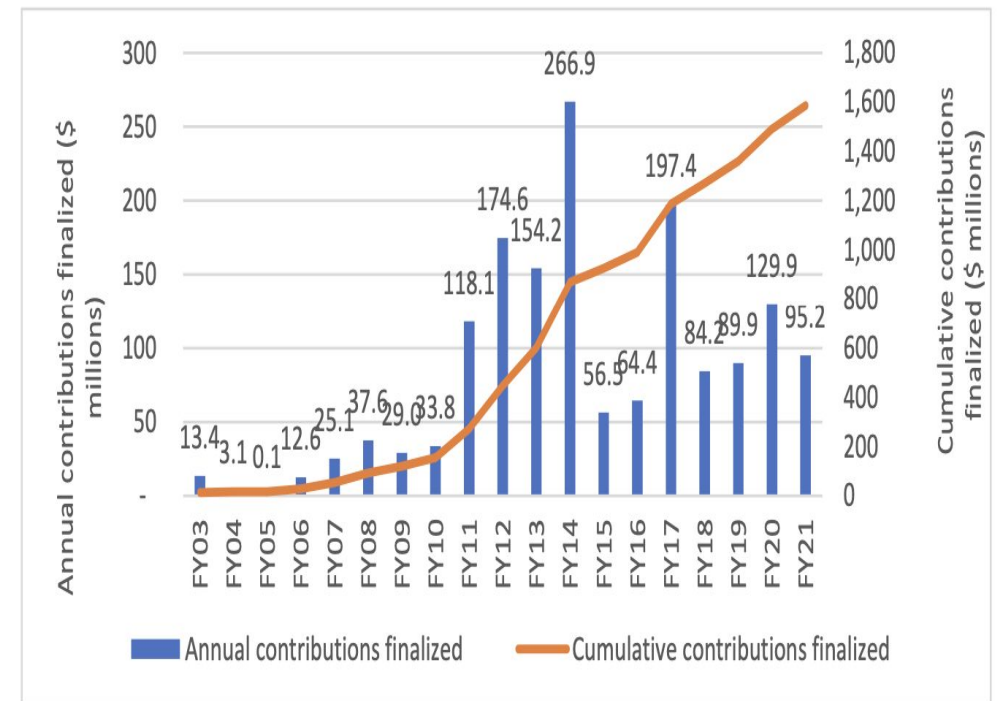
## Implementation Status

- Since inception of fund to February 2024, LDCs had accessed 408 projects and programmes with total value of \$ 2 billion grants.

## Funding Sources

- Voluntary contribution from the donors
- LDC Chair leads the pledging conference

Figure 3: Annual and Cumulative LDCF Contributions Finalized as of September 30, 2021 (USDeq million)





# GEF / Least Developed Countries Fund (LDCF)

Programming Strategy on Adaptation to climate change for the LDCF/SCCF (GEF 8)

## Focus on 4 Themes:

- ❖ Agriculture, food security and health;
- ❖ Water;
- ❖ Nature-based solution;
- ❖ Early warning and climate information system

## Priority Areas:

- ❖ Scaling up finance
- ❖ Strengthening innovation and private sector engagement
- ❖ Fostering partnership for inclusion and whole-of-society approach

## Additional key features

- ❖ LDCF cap enhanced to \$20 million per country (\$10m GEF 7).
- ❖ Enhance support to upstream upscale project development workshop, joint investment plan with GCF, integration of TA in the project design to address long-term institutional and human capacity needs



# GEF/Special Climate Change Fund (SCCF)

## Creation

- Established in 2001 by the COP7, Marrakech

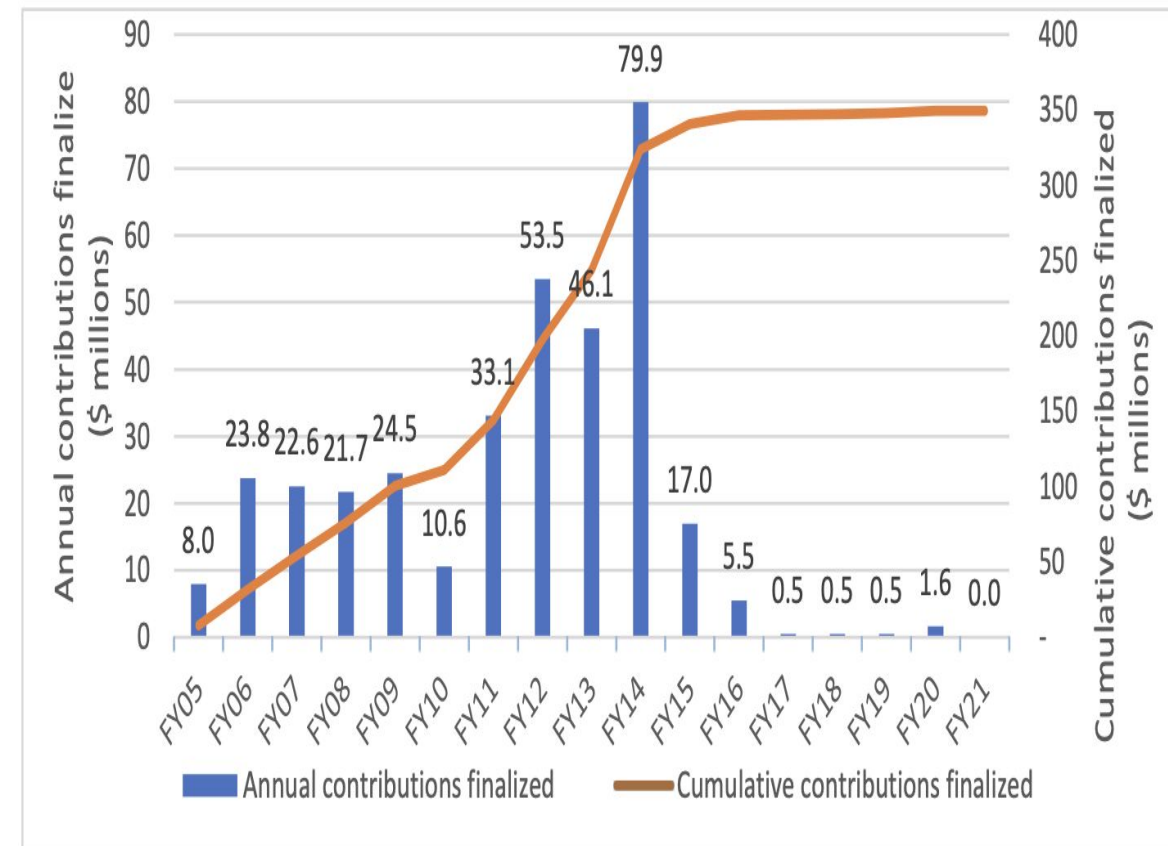
## Funding windows:

- Adaptation, technology transfer, Energy, Transportation, Industry, Agriculture and Waste Management

## Implementation Status

- Only adaptation and technology transfer windows were active
- 97 projects approved with total value of \$ 368 million on climate information services and adaptation innovation

Figure 4: Annual and Cumulative SCCF Contributions Finalized as of September 30, 2021  
(USDeq million)



# GEF / Special Climate Change Fund (SCCF)

GEF programming strategy on Adaptation to climate change for the LDCF/SCCF (GEF 8)

## Focus on 4 Themes:

- ❖ Agriculture, food security and health;
- ❖ Water;
- ❖ Nature-based solution; and
- ❖ Early warning and climate information system

## Priority Areas:

- ❖ Supporting the adaptation needs of the SIDS
- ❖ Strengthening technology transfer, innovation and private sector engagement

## Additional key features

- ❖ Enhance support to upstream upscale project development workshop, joint investment plan with GCF, integration of TA in the project design to address long-term institutional and human capacity needs

# Adaptation Fund

## History

Established in 2001 at the COP7, Marrakech, under the Kyoto Protocol and operationalized in 2007

## Objectives

Fund concrete adaptation projects and programs that aim to help vulnerable communities and sectors in developing countries that are parties to the Kyoto Protocol.

## Members

The World Bank serves as the interim Trustee. Also sells the Certified Emission Reduction Certificate (CERs)

## Trustee:

Direct Access - National, regional and multilateral Implementing Entities (32 NIEs)

## Funding Access

The AF is financed from share of proceeds from the Clean Development Mechanism (CDM) project activities and voluntary contributions. The share of proceed amounts to 2% of certified emission reductions (CERs) issued for a CDM project activity.

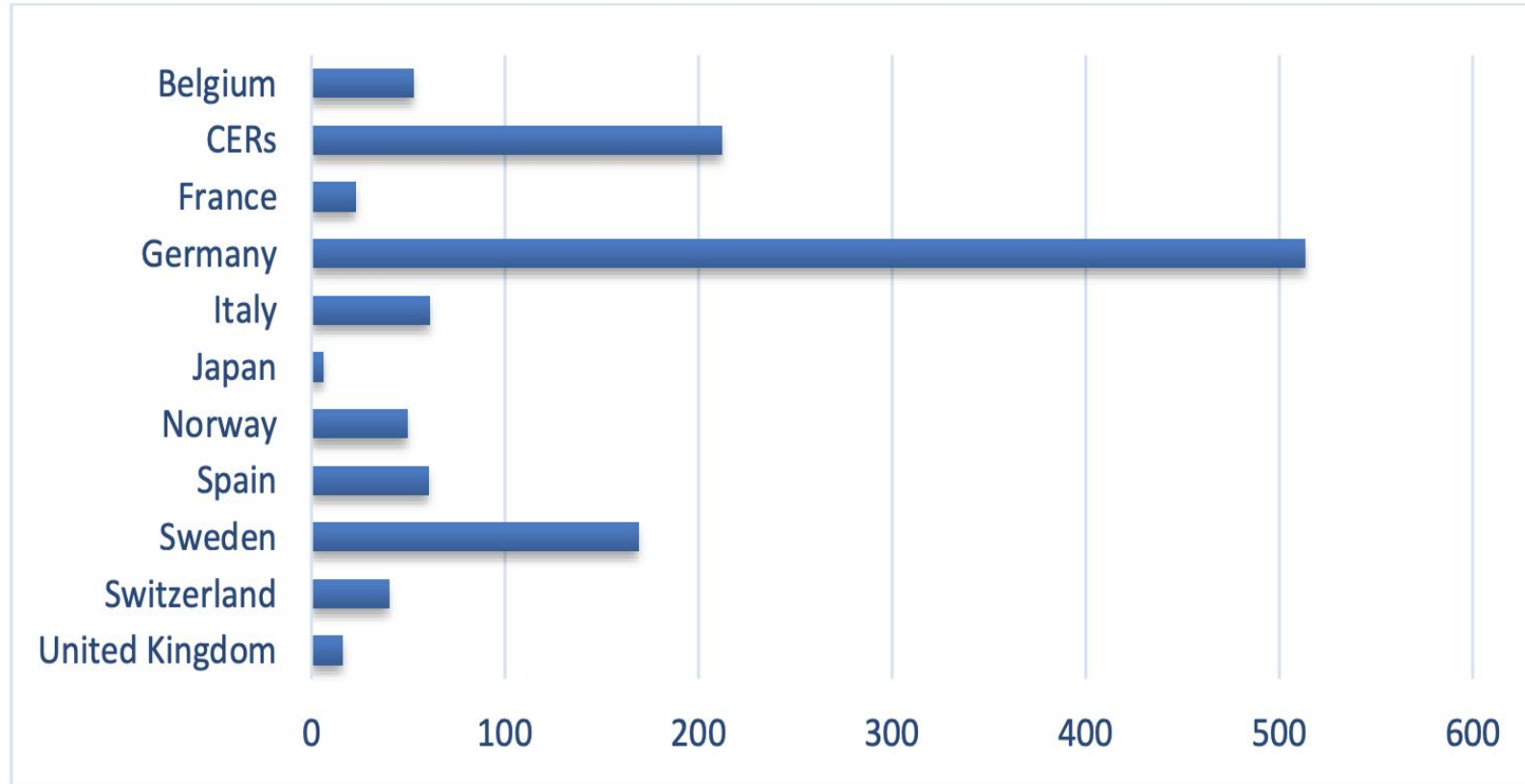
Also offers **Readiness Grants** for south-south cooperation, capacity building, technical assistance, project formulation, accreditation, project scale up, knowledge sharing

AF- shall exclusively serve Paris Agreement once share of proceeds under Article 6.4 becomes available.

# Adaptation Fund

## Sources of finance for the Adaptation Fund, cumulative, as at 30 June 2022

(Millions of United States dollars)



Source: World Bank. Available at <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/adapt>.

## Financial Status

Total fund – \$1,193.8m  
(\$211.8m from CERs & \$982m voluntary contribution)

# AF:Medium Term Strategy (2023-2027)

## Outcomes: Strategic Pillars

Action	Innovation	Learning & Sharing
Developing countries are supported in undertaking and accelerate high-quality, local-level & scalable adaptation projects/programmes that are aligned with national adaptation strategies and processes.	Modalities for funding the development and diffusion of innovative adaptive practices, tools & technologies are expanded & risk-taking is encouraged	Knowledge & evidence on effective and innovative adaptation action and indigenous knowledge, is generated and disseminated with stakeholders for applications.

## Cross-cutting Themes

- ❖ Promote locally based or locally led adaptation;
- ❖ Enhance access to climate finance and long-term institutional capacity
- ❖ Empower and benefit the most vulnerable people and communities as agent of change
- ❖ Advance gender equality
- ❖ Enable the scaling and replication of results
- ❖ Strengthen complementarity, coherence and synergies with other adaptation funders & actors



# Green Climate Fund (GCF)

## History

Established in 2010 at COP16 in Cancun

## Governance

Governed by the Governing Instrument adopted in 2011 at COP17 in Durban.

## GCF Board:

24 members – equal number of representation from developed and developing countries. Each member has alternate board member. 3 years terms. 2 co-chairs (developed and developing constituency)

## Trustee:

The World Bank serves as the interim Trustee.

## Access Modalities:

International Accredited Entities (IAEs) and Direct Access Entities (DAEs)

## Funding Sources:

Replenishment cycle of every four years

## Instruments:

Grants, Loans, equity, result based payment and guarantees

# Green Climate Fund's Mission

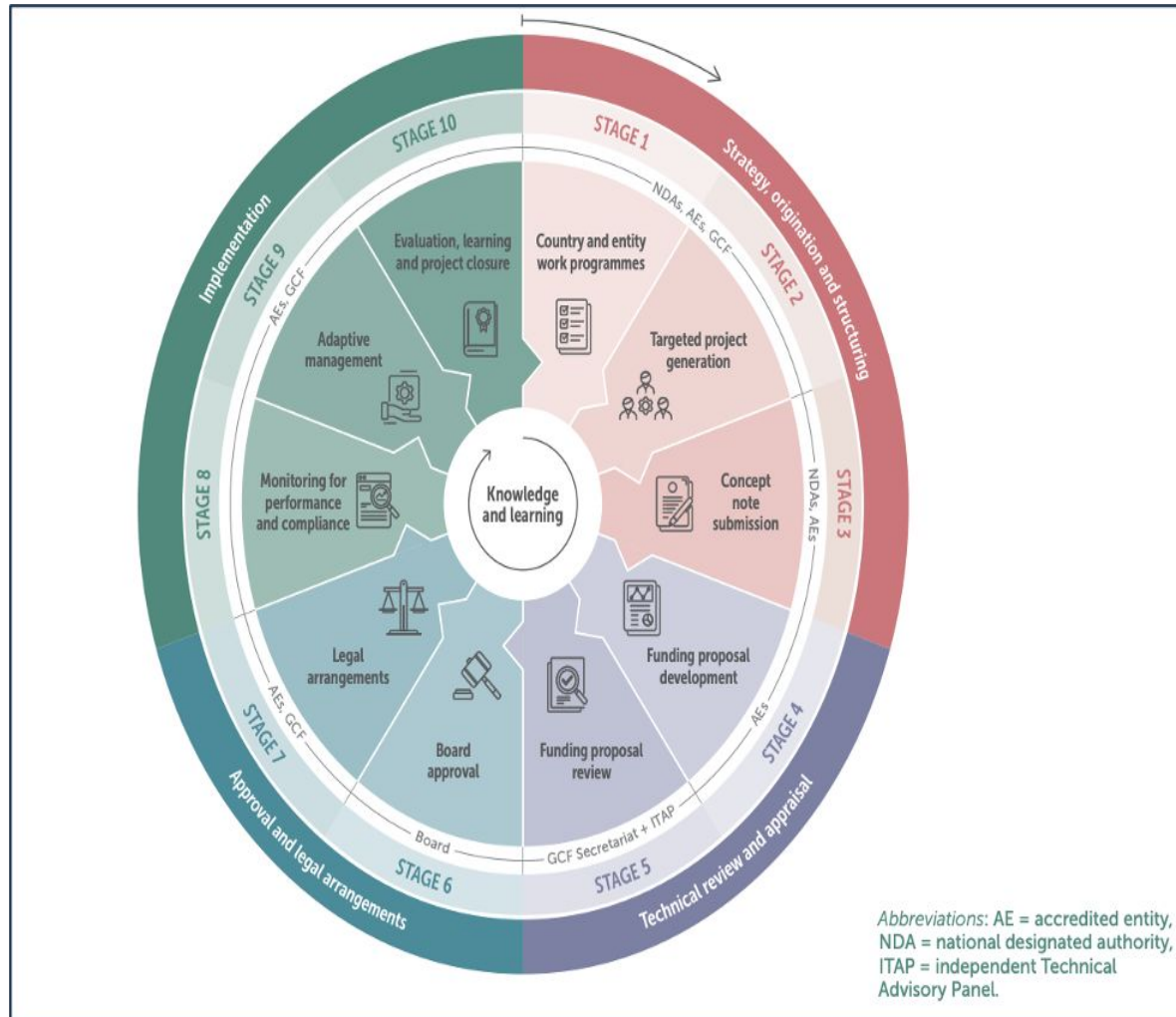
As an operating entity of the UNFCCC financial mechanism



Helping developing countries adopt a paradigm shift towards low-emission, climate-resilient development pathway



By catalyzing innovation and reducing investment risks.



<https://www.greenclimate.fund/project-cycle>

## GCF project and programme cycle

- ❖ Country, regional and/or accredited entity programmes
- ❖ Generation of programme or project funding proposal ideas
- ❖ Concept note (voluntary)
- ❖ Funding proposals
- ❖ Funding proposals review - secretariat and iTAP
- ❖ Board decisions
- ❖ Legal arrangements for approved proposals
- ❖ Monitoring for performance and compliance
- ❖ Adaptive management
- ❖ Evaluation, learning and project closure

# GCF: Investment Criteria

Impact Potential	Potential of the programme/project to contribute to the Fund's objectives to shift towards low emission and climate-resilient sustainable development.
Paradigm Shift Potential	Degree to which the proposed activity can catalyze impact beyond a one-off project or programme investment. How scaleable, innovative or transformative is it?
Sustainable Development Potential	Wider benefits and priorities. Will the project/programme deliver meaningful environmental, social, and economic co-benefits and have a gender-sensitive development impact?
Country Ownership	Beneficiary country ownership of and capacity to implement a funded project. How well does the project fit within the beneficiary country's existing policies, climate strategies and institutions?
Efficiency & Effectiveness	Economic and, if appropriate, financial soundness of the project. For mitigation-specific projects, how cost-effective is it and how much co-financing will it bring? (Minimum concessionality test)
Needs of the Recipient	Vulnerability and financing needs of the beneficiary country. To what extent does the project address vulnerable groups, barriers to financing and level of exposure to climate risks within the country?



# GCF: Thematic Areas

What does GCF support ?



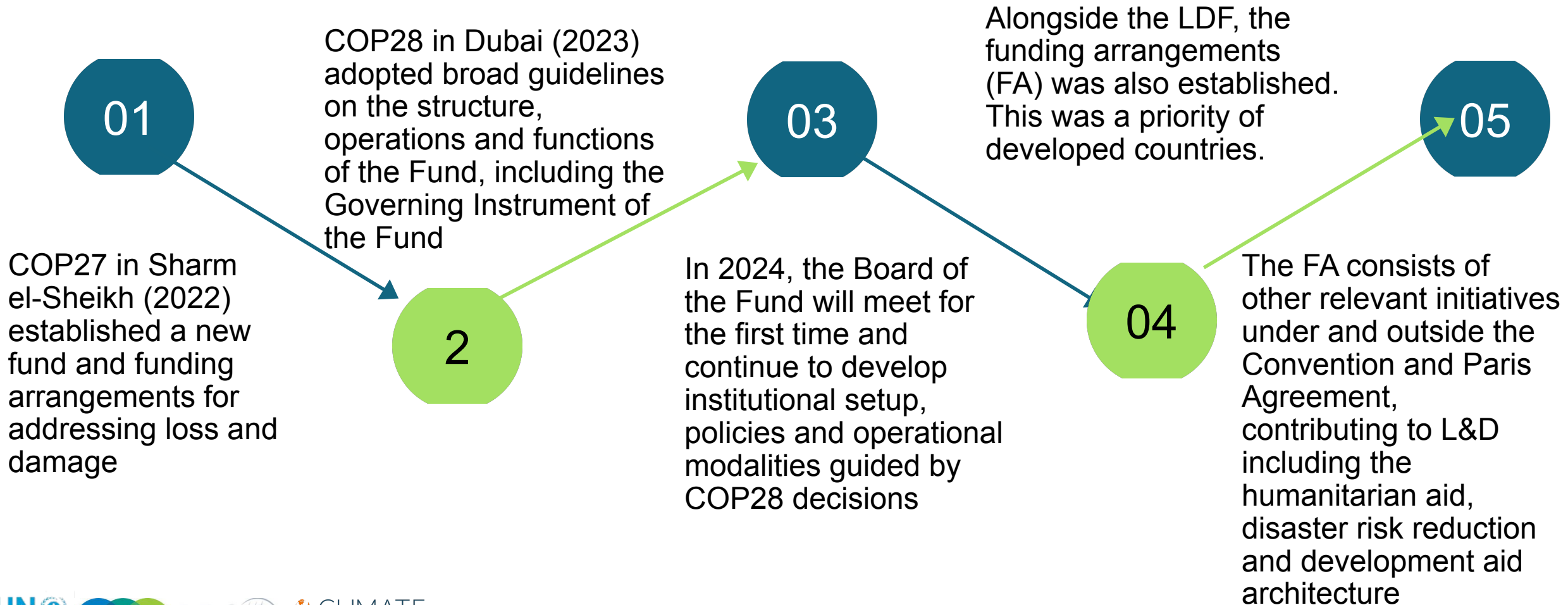


# GCF Strategic Plan for 2024-2027 (GCF-2)

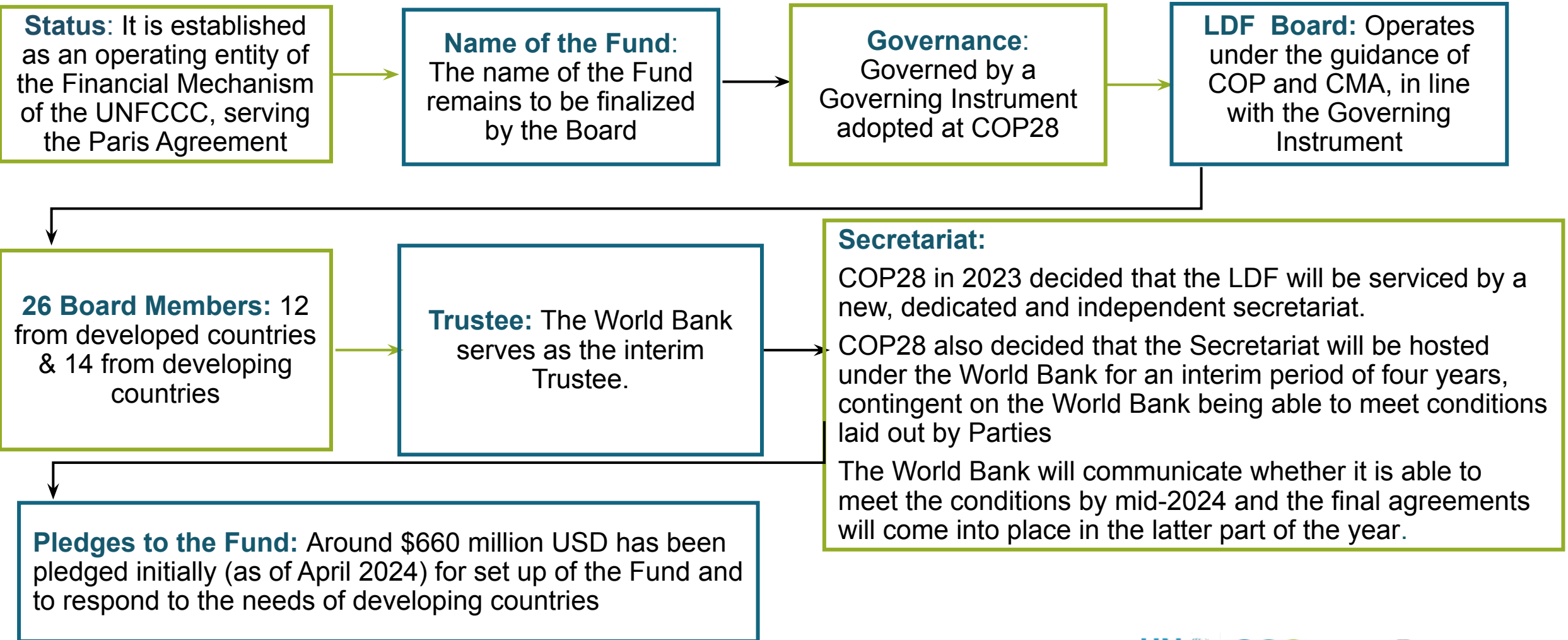
<p><b>GCF Strategic Vision</b></p>	<ul style="list-style-type: none"> <li>• Promote paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development;</li> <li>• Support developing countries in the implementation of the UNFCCC and Paris Agreement within the evolving climate finance landscape</li> </ul>
<p><b>GCF Programming Priorities</b></p>	<ul style="list-style-type: none"> <li>• Readiness and Preparatory Support: Enhanced focus on climate programming and direct access</li> <li>• Mitigation and Adaptation: Supporting paradigm shifts across sectors</li> <li>• Adaptation: Addressing urgent and immediate adaptation and resilience needs</li> <li>• Private sector: Promoting innovation and catalyzing green financing</li> </ul>

# Fund for responding to Loss and Damage (LDF)

## Recent history and progress



# Fund for responding to Loss and Damage (LDF)



# Fund for responding to loss and damage(LDF)

## **Key LDC priorities:**

Must deliver grants to support recovery, reconstruction and rehabilitation following extreme climate change events, and to address ongoing loss and damage from slow-onset effects of climate change

Must have access modalities for quick disbursement, to be able to respond to extreme events

Must have direct access modalities that are low-burden and do not create capacity barriers

Must provide direct budget support to designated national ministries

Must have dedicated allocation for LDCs and SIDs, recognizing their needs and special circumstances

Must be significantly and predictably capitalized at scale to meet the costs of loss and damage

# Adaptation Project Proposals approved under GCF – (examples, for reference and further learning)

- FP 206 – Resilient homestead and livelihood support to the vulnerable coastal people of Bangladesh by PKSf (DAE):  
<https://www.greenclimate.fund/sites/default/files/document/gcf-b36-02-add01.pdf>
- FP 199 – Public-social-private partnership for ecologically sound agriculture and resilient livelihoods in northern Tonle Sap Basin, Cambodia by FAO:  
<https://www.greenclimate.fund/sites/default/files/document/gcf-b35-02-add01-rev01.pdf>
- FP 188 – Climate resilient fishery initiative for livelihood improvement in the Gambia by FAO:  
<https://www.greenclimate.fund/sites/default/files/document/gcf-b33-02-add02.pdf>



# THANK YOU!

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