

Unlocking Climate Finance for Development

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Unlocking Climate Finance for Development

Kariuki Muigua*

Abstract

The paper succinctly examines the idea of climate finance. It posits that climate finance is vital in fostering Climate Justice since it recognizes the inequalities between countries with developing countries which are most vulnerable to the effects of climate change requiring financial resources to aid their mitigation and adaptation programmes. The paper discusses global, regional and national levels towards unlocking climate finance. It further points out challenges hindering effective access to climate finance. Finally, the paper offers some suggestions towards unlocking climate finance towards enhancing development.

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1.0 Introduction

Climate change has risen to the top of the policy agenda, at local, national, and international levels¹. It has been described as the most defining challenge of our time². The effects of climate change including intense droughts, water scarcity, severe wild fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity are being witnessed across the world³. Climate change hinders the attainment of Sustainable Development by affecting human health, food security, housing, safety, work and hindering access to vital natural resources due to loss of biodiversity⁴. As such, climate change is relevant to priority development objectives such as combating poverty, food security, access to basic services such as clean water, sanitary living conditions, energy and education⁵.

Responding to the threat of climate change has become both a national priority and a global responsibility⁶. It has been asserted that the world is responding to climate change through two fundamental approaches being mitigation and adaptation⁷. Climate change mitigation involves reducing greenhouse gas emissions and stopping the problem of climate change from growing⁸. Adaptation on the other hand involves learning how to live with the existing threat of climate change and protecting humanity from the future effects of climate change⁹. The United Nations Environment Programme

¹ United Nations Department of Economic and Social Affairs., 'Forum on Climate Change and Science and Technology Innovation.' Available at <https://www.un.org/en/desa/forum-climate-change-and-science-and-technology-innovation> (Accessed on 09/08/2023)

² Ibid

³ United Nations., 'What is Climate Change?' Available at <https://www.un.org/en/climatechange/what-is-climate-change> (Accessed on 09/08/2023)

⁴ Ibid

⁵ Muigua. K., 'Nurturing our Environment for Sustainable Development.' Glenwood Publishers Limited, 2016

⁶ United Nations Development Programme., 'Islamic Finance's Answer to SDGs and Climate Change.' Available at <https://www.undp.org/blog/islamic-finances-answer-sdgs-and-climate-change> (Accessed on 09/08/2023)

⁷ World Visions., 'How is the World Responding to Climate Change?' Available at https://www.worldvision.com.au/docs/default-source/school-resources/how-is-the-world-responding-to-climate-change.pdf?sfvrsn=32021b89_0 (Accessed on 08/09/2023)

⁸ Ibid

⁹ Ibid

further observes that addressing the threat of climate change can be pursued through several avenues including adaptation and building resilience to climate change; mitigation and moving towards low carbon societies; reduction of emissions from deforestation and forest degradation; and finance for new models for the green economy¹⁰.

It has been observed that finance plays a vital role in the climate agenda by enhancing the mitigation and adaptation capabilities of countries especially in the developing world¹¹. This paper explores the concept of climate finance and its role in climate change mitigation and adaptation. It defines climate finance and discusses some of the national, regional and global efforts towards embracing this idea. The paper critically examines the efficacy of climate finance as a tool of climate change mitigation and adaptation. It further examines the problems inherent in the idea of climate finance. The paper concludes by proposing reforms towards unlocking climate finance at the national, regional and global levels in order to foster development.

¹⁰ United Nations Environment Programme., 'Responding to Climate Change.' Available at <https://www.unep.org/regions/europe/regional-initiatives/responding-climate-change#:~:text=The%20UN%20Environment%20Programme%20supports,new%20models%20for%20the%20green> (Accessed on 09/08/2023)

¹¹ Steckel. J. C., 'From Climate Finance toward Sustainable Development Finance.' *WIREs Climate Change*, 2017

2.0 Climate Finance: An Overview

Climate finance has been defined as local and global financing of public and private investment that seeks to support mitigation of and adaptation to climate change¹². It has also been described as finance for activities aimed at mitigating or adapting to the impacts of climate change¹³. The United Nations Framework Convention on Climate Change defines climate finance as 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 change¹⁴. From the foregoing definitions, climate finance represents the flow of funds to all activities, programmes or projects intended to help address climate change through both mitigation and adaptation across the world. The landscape of climate finance can be considered from several dimensions among them being the source of finance which could be public, private or hybrid; the type of finance or instrument used to provide it which could be development aid, equity or debt; where finance flows from and to such as domestic flows and international flows; the sector and purpose of the activity or asset that receives finance including whether actions are directly or indirectly related to mitigation, adaptation or compensation for damages and whether finance is incremental¹⁵.

Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases, reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts¹⁶. It has been correctly observed

¹² Hong, H., Karolyi, G. A., & Scheinkman, J.A., 'Climate Finance.' *Review of Financial Studies*, Volume 33, Issue 3 (2020)

¹³ The London School of Economics and Political Science., 'What is Climate Finance?' Available at <https://www.lse.ac.uk/granthaminstitute/explainers/what-is-climate-finance-and-where-will-it-come-from/> (Accessed on 09/08/2023)

¹⁴ United Nations Framework Convention on Climate Change., 'What is Climate Finance?' Available at <https://unfccc.int/topics/introduction-to-climate-finance> (Accessed on 09/08/2023)

¹⁵ The London School of Economics and Political Science., 'What is Climate Finance?' Op Cit

¹⁶ UNFCCC Standing Committee on Finance., '2014 Biennial Assessment and Overview of Climate Finance Flows Report.' Available at https://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2014_biennial_assessment_and_overview_of_climate_finance_flows_report_web.pdf (Accessed on 09/08/2023)

that climate finance is needed for mitigation, because large-scale investments are required to significantly reduce emissions¹⁷. Climate finance is equally important for adaptation, since significant financial resources are needed to adapt to the adverse effects and reduce the impacts of a changing climate¹⁸. Climate finance is thus crucial in combating climate change since the adaptation and mitigation processes crucial in enhancing national, regional and global response to climate change require funding¹⁹.

Climate finance is very essential for developing countries. It has been asserted that efforts to address climate change can cost billions of dollars, often making them out of reach for developing countries, which have contributed far fewer greenhouse gas emissions than developed countries²⁰. Climate change has had uneven and unequal burdens across the globe with nations and communities that contribute the least to climate change suffering the most from its consequences²¹. However, many developing countries and small island nations lack the financial resources to prepare for and cope with the impacts of climate change including deeper droughts, more intense storms, greater heat extremes, bigger wildfires, and rising sea levels and to transition to clean energy²². Consequently, such countries have had to bear heavy burden due to the adverse effects of climate change as evidenced by cases of severe droughts, extreme floods resulting in deaths and damage of infrastructure, displacement of people among others²³. As a result, climate finance is seen as a vital tool in enhancing the capacity of developing countries to respond to climate

¹⁷ United Nations Framework Convention on Climate Change., 'What is Climate Finance?' Op Cit

¹⁸ Ibid

¹⁹ Climate Finance., 'Climate Finance Essential for Mitigating and Adapting to Climate Change.' Available at <https://www.iberdrola.com/sustainability/what-is-climate-finance> (Accessed on 09/08/2023)

²⁰ Hill. A., & Babin. M 'Why Climate Finance is Critical for Accelerating Global Action.' Available at <https://www.cfr.org/in-brief/why-climate-finance-critical-accelerating-global-action> (Accessed on 09/08/2023)

²¹ Sultana. F., 'Critical Climate Justice' Available at <https://www.farhanasultana.com/wpcontent/uploads/Sultana-Critical-climate-justice.pdf> (Accessed on 10/08/2023)

²² Hill. A., & Babin. M 'Why Climate Finance is Critical for Accelerating Global Action.' Op Cit

²³ Muigua. K., 'Fostering Climate Justice for Sustainable Development.' Available at <http://kmco.co.ke/wp-content/uploads/2023/07/Fostering-Climate-Justice-for-Sustainable-Development.pdf> (Accessed on 09/08/2023)

change²⁴. It has been stated that huge financial resources are needed to support countries in promoting climate change mitigation and adaptation and financing has a critical role to play in this quest²⁵.

Climate finance is vital in fostering Climate Justice since it recognizes the inequalities between countries with developing countries being the most vulnerable to the effects of climate change and thus requiring financial resources to aid their mitigation and adaptation programmes²⁶. The concept of Climate Justice recognizes the inequalities brought about by climate change with developing nations in places such as Africa, Asia, the Caribbean Islands and the Pacific Islands which due to an unfortunate mixture of economic and geographic vulnerability, continue to shoulder the brunt of the burdens of climate change despite their relative innocence in causing it²⁷. Climate Justice focuses on how climate change impacts people differently, unevenly and disproportionately and seeks to address the resultant injustices in fair and equitable ways²⁸. Climate finance fosters Climate Justice by ensuring that vulnerable countries and communities have access to financial resources required to address the injustices brought by climate change and foster mitigation and adaptation measures²⁹.

²⁴ Hill. A., & Babin. M 'Why Climate Finance is Critical for Accelerating Global Action.' Op Cit

²⁵ Climate Finance Leadership Initiative., 'Financing Sustainable Infrastructure in Emerging Markets.' Available at https://www.bloomberg.com/cfli/mobilizing-investment/?utm_medium=cpc_search&utm_campaign=NB_ENG_DSAXX_DSAXXXXXXXXXXX_EVG_XXX_XXX_Y0469_EN_EN_X_BLOM_GO_SE_XXX_XXXXXXXXXX&gclid=Cj0KCQjwz8emBhDrARIsANjJjS4wepzVumLzWNAJWjkAvoejDfVwY4SO1nlqXklkvscSnv0stXd-4H8aAiAhEALw_wcB&gclid=aw.ds (Accessed on 09/08/2023)

²⁶ Colenbrander. S et al., 'Using Climate Finance to Advance Climate Justice: The Politics and Practice of Channeling Resources to the Local Level.' *Climate Policy*, 2017

²⁷ Giles. M., 'The Principles of Climate Justice at CoP27.' Available at <https://earth.org/principlesofclimatejustice/#:~:text=That%20response%20should%20be%20based,the%20consequences%20of%20climate%20change> (Accessed on 10/08/2023)

²⁸ Sultana. F., 'Critical Climate Justice' Op Cit

²⁹ Colenbrander. S et al., 'Using Climate Finance to Advance Climate Justice: The Politics and Practice of Channeling Resources to the Local Level.' Op Cit

The role of climate finance in climate change mitigation and adaptation is recognized in various legal instruments. The *United Nations Framework Convention on Climate Change*³⁰ enshrines the role of financing in enhancing the global response to the threat of climate change. It requires developing countries take all practicable steps to promote, facilitate and *finance*, (emphasis added) as appropriate, the transfer of, or access to, environmentally sound technologies and knowhow to other parties, particularly developing country parties, to enable them to implement the provisions of the Convention³¹. Further, the *Paris Agreement*³² encourages developed countries to continue to take the lead in mobilizing *climate finance* from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country parties³³. Further, the Agreement provides that such mobilization of climate finance should represent a progression beyond previous efforts³⁴. The Paris Agreement thus calls for capacity building to enhance the ability of developing countries including those vulnerable to the adverse effects of climate change, such as small island developing states to take effective climate change action through measures such as access to climate finance³⁵. These instruments thus acknowledge the fundamental role of climate finance in fostering climate change mitigation and adaptation especially in developing countries.

At the regional level, the *East African Community Climate Change Policy*³⁶ recognizes the importance of financial resources in implementing climate change mitigation and

³⁰ United Nations Framework Convention on Climate Change., Available at https://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveg.pdf (Accessed on 09/08/2023)

³¹ Ibid, Article 4 (5)

³² Paris Agreement., Available at https://unfccc.int/sites/default/files/english_paris_agreement.pdf (Accessed on 09/08/2023)

³³ Ibid, Article 9 (3)

³⁴ Ibid

³⁵ Ibid, Article 11 (1)

³⁶ East African Community Climate Change Policy., Available at <https://www.eac.int/environment/climate-change/eac-climate-change-policy-framework> (Accessed on 10/08/2023)

adaptation measures. It acknowledges challenges facing climate financing in East Africa and seeks to mobilize sustainable funding from development partners, including multilateral agencies, bilateral partners and intergovernmental agencies and the private sector in order to enhance climate change mitigation and adaptation in the region³⁷. It also stipulates the importance of capacity building in climate finance in order to enhance the climate resilience of the East African region³⁸.

In Kenya, the *Climate Change Act*³⁹ also envisages the role of climate finance in enhancing climate change resilience and low carbon development for the Sustainable Development of Kenya⁴⁰. The Act defines climate finance as monies available for or mobilized by government or non-government entities to finance climate change mitigation and adaptation actions and interventions⁴¹. It mandates the Climate Change Directorate to optimize the country's opportunities to mobilize *climate finance*⁴². The Act also establishes the Climate Change Fund whose purposes include to *finance* climate change actions and enhance achievement of low carbon climate resilient development⁴³. The Climate Change Act envisages use of the Climate Change Fund to *finance*, through grants and loans the implantation of climate change adaptation and mitigation actions⁴⁴. The idea of climate finance is thus well captured in Kenya.

From the foregoing, it is evident that climate finance is a pertinent idea in fostering global response to climate change through mitigation and adaptation actions. The concept of climate change faces several promises and pitfalls.

³⁷ Ibid

³⁸ Ibid

³⁹ Climate Change Act, No. 11 of 2016, Laws of Kenya

⁴⁰ Ibid, S 3

⁴¹ Ibid, S 2

⁴² Ibid, S 9 (8) (d) (iii)

⁴³ Ibid, S 25 (5) (c)

⁴⁴ Ibid, S 25 (8) (c)

3.0 Unlocking Climate Finance: Promises and Pitfalls

The landscape of climate finance presents numerous opportunities. The United Nations Framework Convention on Climate Change (UNFCCC) has established the Green Climate Fund which is mandated to support countries particularly those that are vulnerable to the impacts of climate change, including least developed countries, small island developing states, and African nations⁴⁵. The Green Climate Fund is the world's largest climate fund and plays a fundamental role in helping developing countries raise and realize their Nationally Determined Contributions (NDC) ambitions towards low-emissions and climate-resilient pathways as envisaged under the Paris Agreement⁴⁶. Since 2015, the Green Climate Fund has approved over \$12 billion for projects across more than 125 developing countries to accelerate clean energy transitions, build resilience in the most vulnerable countries, and catalyze private investment⁴⁷. These projects are expected to reduce 2.5 billion tons of emissions and increase the resilience of over 900 million people⁴⁸. The Green Climate Fund therefore plays a key role in unlocking climate finance.

Furthermore, at the 2022 United Nations Climate Change Conference/Conference of the Parties of the UNFCCC (COP27), a breakthrough agreement was reached to provide loss and damage funding for vulnerable countries hit hard by floods, droughts and other climate disasters⁴⁹. This decision has been lauded as historic since it recognizes the need for finance to respond to loss and damage associated with the severe consequences of climate change⁵⁰. The decision recognizes the urgent and immediate need for new,

⁴⁵ United Nations Framework Convention on Climate Change., 'Report of the Conference of the Parties on its Sixteenth Session, held in Cancun from 29 November to 10 December 2010.' FCCC/CP/2010/7/Add.1

⁴⁶ Green Climate Fund., 'About GCF.' Available at <https://www.greenclimate.fund/about> (Accessed on 10/08/2023)

⁴⁷ Ibid

⁴⁸ Ibid

⁴⁹ UNFCCC., 'Five Key Takeaways from COP27.' Available at https://unfccc.int/process-and-meetings/conferences/sharm-el-sheikh-climate-change-conference-november-2022/five-key-takeaways-from-cop27?gclid=EAIaIQobChMI-5_C16jRgAMVDzAGAB1IkW6NEAAYASAAEgL_QfD_BwE (Accessed on 10/08/2023)

⁵⁰ Ibid

additional, predictable and adequate financial resources to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with the adverse effects of climate change⁵¹. The decision supports the UNFCCC commitment to jointly mobilise \$100 billion in climate finance per year to support developing countries⁵². Actualizing the decision of COP27 and meeting UNFCCC's commitment on climate funding is vital in unlocking climate finance for development.

In addition, developed countries have embraced climate finance by providing financial assistance to developing countries to support their climate change mitigation and adaptation activities as envisaged under the Paris Agreement⁵³. The United States of America (USA) has pledged to enhance climate support for developing countries to more than \$11 billion a year by 2024⁵⁴. In addition, the USA recently provided \$1 billion to the Green Climate Fund (GCF) to support climate change mitigation and adaptation measures in developing countries⁵⁵. Further, the United Kingdom has committed to spend £11.6 billion on International Climate Finance from financial years 2021/2022 to 2025/2026⁵⁶. The UK notes that this funding is crucial in climate action through investments in priority areas including clean energy, adaptation and resilience and

⁵¹ UNFCCC., 'Decision -/CP.27 -/CMA.4: Funding Arrangements for Responding to Loss and Damage Associated with the Adverse Effects of Climate Change, Including a Focus on Addressing Loss and Damage.' Available at https://unfccc.int/sites/default/files/resource/cma4_auv_8f.pdf (Accessed on 10/08/2023)

⁵² United Nations Framework Convention on Climate Change., 'Introduction to Climate Finance.' Available at https://unfccc.int/topics/introduction-to-climate-finance?gclid=EAIaIQobChMI18L91LDRgAMVaIpoCR2_kQzJEAAAYAiAAEgI4cfD_BwE (Accessed on 10/08/2023)

⁵³ Paris Agreement, Article 9 (3)

⁵⁴ The White House., 'FACT SHEET: President Biden to Catalyze Global Climate action through the Major Economies Forum on Energy and Climate.' Available at <https://www.whitehouse.gov/briefing-room/statements-releases/2023/04/20/fact-sheet-president-biden-to-catalyze-global-climate-action-through-the-major-economies-forum-on-energy-and-climate/> (Accessed on 10/08/2023)

⁵⁵ Ibid

⁵⁶ Government of the United Kingdom., 'UK International Climate Finance Strategy.' Available at <https://www.gov.uk/government/publications/uk-international-climate-finance-strategy> (Accessed on 10/08/2023)

sustainable cities, infrastructure and transport⁵⁷. Developing countries therefore play an important role in unlocking climate finance for development.

International and regional financial institutions have also been key catalysts in unlocking climate finance. The World Bank acknowledges that financing transformative climate action is vital for development and to support the poorest people who are most affected by climate change⁵⁸. The World Bank delivered a record \$ 31.7 Billion in fiscal year 2022 to help countries address climate change representing a 19% increase from the \$ 26.6 Billion reached in the fiscal year 2021⁵⁹. The World Bank continues to be the largest multilateral financier of climate action in developing countries⁶⁰. In Africa, the African Development Bank is committed to action on climate change and green growth, and to ensuring that development across the continent drives growth that is not only economically empowering but also decarbonized, climate-friendly, environmentally sustainable, and socially inclusive⁶¹. In its Climate Action Plan, the African Development Bank recognizes the importance of leveraging climate finance and mobilizing resources for climate action and green growth⁶². The Bank's climate finance investments increased from \$2.1 billion in 2020 to \$2.4 billion in 2021 and \$3.6 billion in 2022⁶³. International and regional financial institutions are therefore promoting access to climate finance.

Countries have also furthered their own efforts to unlock climate finance. The Government of Kenya estimates that \$ 62 Billion is required to implement the country's

⁵⁷ Ibid

⁵⁸ The World Bank., '10 Things You Should Know About the World Bank Group's Climate Finance.' Available at

<https://www.worldbank.org/en/news/factsheet/2022/09/30/10-things-you-should-know-about-the-world-bank-group-s-climate-finance> (Accessed on 10/08/2023)

⁵⁹ Ibid

⁶⁰ Ibid

⁶¹ African Development Bank Group., 'Climate Change.' Available at <https://www.afdb.org/en/topics-and-sectors/sectors/climate-change> (Accessed on 10/08/2023)

⁶² African Development Bank., 'African Development Bank Climate Change and Green Growth Strategic Framework: Action Plan 2021-2025.' Available at <https://www.afdb.org/en/documents/climate-change-and-green-growth-strategic-framework-operationalising-africas-voice-action-plan-2021-2025> (Accessed on 10/08/2023)

⁶³ African Development Bank Group., 'Climate Change.' Op Cit

National Determined Contributions (NDCs) between 2020-2030⁶⁴. Kenya has made progress in realizing climate finance through public climate finance, bilateral and multilateral external funding and private climate finance involving both foreign investors and Kenyan investors⁶⁵. The country has also established budget programmes for biodiversity protection as part of its mitigation and adaptation measures⁶⁶. Kenya has also adopted a green bond programme to promote financial sector innovation by developing a domestic green bond market⁶⁷. The programme is vital in enhancing the climate resilience of the country by fostering green investments⁶⁸. In addition, Kenya has pioneered climate finance for pastoralist and vulnerable communities to reduce their vulnerability to climate change⁶⁹. This has enabled pastoralist communities to build community resilience and carry out climate-resilient development in a manner that fosters participation and community inclusion⁷⁰. It has further been observed that county governments in the drylands of Kenya have established local-level climate adaptation funds with technical support from government and non-government organisations⁷¹. These funds are essential in supporting community-prioritised investments to build climate resilience⁷². The landscape of climate finance in Kenya looks promising due to the

⁶⁴ Republic of Kenya., 'Kenya's Submission on the Objective of the New Collective Quantified Goal On Climate Finance with Respect Article two of the Paris Agreement.' Available at <https://acrobat.adobe.com/link/review?uri=urn%3Aaaid%3Aascds%3AUS%3Aa62dd186-0d91-3d24-b799-ebe0b32b939a> (Accessed on 10/08/2023)

⁶⁵ Nicholson. K., 'Kenya Climate and Nature Financing Options Analysis Final Report.' Available at <https://acrobat.adobe.com/link/review?uri=urn%3Aaaid%3Aascds%3AUS%3A5f6c09bf-c917-3b18-9c63-4c2c03af8151> (Accessed on 10/08/2023)

⁶⁶ Ibid

⁶⁷ Green Finance Platform., 'The Kenya Green Bond Programme.' Available at <https://www.greenfinanceplatform.org/policies-and-regulations/kenya-green-bond-programme> (Accessed on 10/08/2023)

⁶⁸ Ibid

⁶⁹ Global Center on Adaptation., 'Kenya Pioneers Climate Finance for Pastoralist and Vulnerable Communities.' Available at <https://gca.org/kenya-pioneers-climate-finance-for-pastoralist-and-vulnerable-communities/> (Accessed on 10/08/2023)

⁷⁰ Ibid

⁷¹ International Institute for Environment and Development., 'Local Climate Finance Mechanism Helping to Fund Community-Prioritised Adaptation.' Available at <https://www.iied.org/local-climate-finance-mechanism-helping-fund-community-prioritised-adaptation> (Accessed on 10/08/2023)

⁷² Ibid

availability of public finance, private climate and nature finance and innovative options for climate and nature finance such as green bonds⁷³.

From the above discussion, it emerges that there are huge promises for climate finance at the global, regional and national levels. However, several problems hinder effective realization of the ideal of climate finance for development. It has been observed that despite developed economies committing to provide climate financing to developing countries, some of them have not followed through on their commitments⁷⁴. Developed countries have failed to deliver on an agreed climate finance target of \$100 billion annually by 2020⁷⁵. This results in inadequacy, imbalance and unpredictability of climate finance flows to developing countries⁷⁶. This has affected implementation of mitigation and adaptation measures in developing countries⁷⁷.

Africa also faces several problems in unlocking climate finance. African governments pledged \$ 264 Billion in domestic public resources to combat climate change a figure that falls short of the estimated \$ 2.8 trillion required to implement Africa's Nationally Determined Contributions (NDCs) between 2020 and 2030⁷⁸. It has also been observed that the debt crisis in Africa hinders the Continent's ability to unlock climate finance⁷⁹. This has affected investor confidence and the ability of African countries to access

⁷³ Nicholson. K., 'Kenya Climate and Nature Financing Options Analysis Final Report.' Op Cit

⁷⁴ Magoma. C., 'A Huge Financing Gap for Climate Action with Public Debt Sustainability Risks Looms in East Africa beyond COP27.' Available at <https://www.acepis.org/a-huge-financing-gap-for-climate-action-with-public-debt-sustainability-risks-looms-in-east-africa-beyond-cop27/> (Accessed on 10/08/2023)

⁷⁵ Kone. T., 'For Africa to meet its Climate Goals, Finance is Essential.' Available at <https://climatepromise.undp.org/news-and-stories/africa-meet-its-climate-goals-finance-essential> (Accessed on 10/08/2023)

⁷⁶ United Nations., 'Assessing Climate Finance: Challenges and opportunities for Small Island Developing States.' Available at https://www.un.org/ohrlls/sites/www.un.org.ohrlls/files/accessing_climate_finance_challenges_sids_report.pdf (Accessed on 10/08/2023)

⁷⁷ Magoma. C., 'A Huge Financing Gap for Climate Action with Public Debt Sustainability Risks Looms in East Africa beyond COP27.' Op Cit

⁷⁸ Ibid

⁷⁹ Agyir. K., 'African Countries Must Act Strategically to Unlock Climate Finance in the Face of a Debt Crisis.' Available at <https://blogs.lse.ac.uk/africaatlse/2023/06/15/african-countries-must-act-strategically-to-unlock-climate-finance-in-the-face-of-a-debt-crisis/> (Accessed on 10/08/2023)

international markets⁸⁰. Further, it is argued that governance problems limit the potential of Africa to unlock climate concerns due to concerns about transparency, accountability, and efficient allocation of funds aimed towards climate action⁸¹. It has also been asserted that limited capacity, expertise and human resources can hinder the potential of developing countries to unlock climate finance due to concerns over ability to implement projects aimed at climate change mitigation and adaptation⁸². It is imperative to address these concerns in order to unlock climate finance in Africa and other developing countries.

Further, whereas the decision of COP 27 to establish and operationalize a loss and damage fund, particularly for nations most vulnerable to the climate crisis is commendable, there are still concerns about who should pay into the fund, where this money will come from and which countries will benefit⁸³. There is need to address these concerns in order to unlock climate finance.

⁸⁰ Ibid

⁸¹ Ibid

⁸² United Nations., 'Accessing Climate Finance: Challenges and opportunities for Small Island Developing States.' Op Cit

⁸³ United Nations Environment Programme., 'COP27 Ends with Announcement of Historic Loss and Damage Fund.' Available at <https://www.unep.org/news-and-stories/story/cop27-ends-announcement-historic-loss-and-damage-fund> (Accessed on 10/08/2023)

4.0 Way Forward

In order to unlock climate finance, it is imperative for countries to identify and mobilize effective and appropriate financing for climate action⁸⁴. This can be achieved by finding ways to build public-private partnerships to attract financing for climate change, addressing the need for better access and mobilization of climate finance, promoting more simplified procedures, including direct access to international climate finance, and address challenges in accessing funds⁸⁵. Such measures are vital in unlocking climate finance.

Financial institutions can also foster climate finance by investing in green products including green bonds and green infrastructure⁸⁶. It has been argued that the Environmental, Social, and Governance (ESG) revolution has created the need for an ethical and responsible finance industry⁸⁷. Complying with ESG tenets requires financial institutions such as banks to embrace a sustainable, responsible and ethical investment environment including supporting investments geared towards climate change mitigation and adaptation⁸⁸. Global and regional financial institutions such as the World Bank and the African Development Bank have been at the forefront in fostering climate finance through financial support and investments in developing countries⁸⁹. However, it has been observed that while financial institutions have responded proactively to the challenge imposed by climate change and that there is a tendency in the banking sector to develop green products aimed at achieving sustainability results, it is considered that they are still isolated initiatives, not systemic or integrated ones, that fail to trigger

⁸⁴ United Nations Framework Convention on Climate Change., 'Climate Finance Access and Mobilization Strategy for The Least Developed Countries In Asia: 2022-2030.' Available at https://unfccc.int/sites/default/files/resource/UNFCCC_NBF_SD_AsianLDCA_final.pdf (Accessed on 10/08/2023)

⁸⁵ Ibid

⁸⁶ Asian Development Bank., 'Unlocking Islamic Climate Finance.' Available at <https://www.adb.org/sites/default/files/publication/838201/unlocking-islamic-climate-finance.pdf> (Accessed on 10/08/2023)

⁸⁷ Stuart. L.G et al., 'Firms and social responsibility: A review of ESG and CSR Research in Corporate Finance.' *Journal of Corporate Finance* 66 (2021): 101889

⁸⁸ Ibid

⁸⁹ See for example, the World Bank., '10 Things You Should Know About the World Bank Group's Climate Finance.' Op Cit and African Development Bank Group., 'Climate Change.' Op Cit

significant climate outcomes at national or regional levels⁹⁰. These processes undertaken individually by banking or financial entities could be strengthened through a national and regional approach that identifies barriers and opportunities for the climate financial business, while generating exchange of successful experiences, as well as mechanisms for monitoring and following up impacts⁹¹. Financial institutions thus have a vital role in unlocking climate finance.

Developed countries should also enhance financial support for developing countries especially those that are most vulnerable to the effects of climate change⁹². Despite efforts by some developed countries such as the USA and UK to provide funds to developing countries in form of climate finance, it has been observed that developed countries have failed to deliver on an agreed climate finance target of \$100 billion annually by 2020⁹³. It is therefore important for developed countries to increase climate funding to developing countries which face the greatest risks from climate change and require adequate funding to finance adaptation and mitigation measures⁹⁴.

The United Nations Framework Convention on Climate Change (UNFCCC) also has an important role to play in unlocking climate finance through its entities and programmes such as the Conference of the Parties (COP) and the Green Climate Fund⁹⁵. The UNFCCC should thus spearhead its role in unlocking climate finance through increased financial

⁹⁰ Green Climate Fund., 'Enhancing Climate Finance and Investment in LAC Banking Sector.' Available at <https://www.greenclimate.fund/document/enhancing-climate-finance-and-investment-lac-banking-sector#:~:text=These%20processes%20undertaken%20individually%20by,monitoring%20and%20following%20up%20impacts%2C> (Accessed on 10/08/2023)

⁹¹ Ibid

⁹² Magoma. C., 'A Huge Financing Gap for Climate Action with Public Debt Sustainability Risks Looms in East Africa beyond COP27.' Op Cit

⁹³ Kone. T., 'For Africa to meet its Climate Goals, Finance is Essential.' Available at <https://climatepromise.undp.org/news-and-stories/africa-meet-its-climate-goals-finance-essential> (Accessed on 10/08/2023)

⁹⁴ Georgieva. K et al., 'Poor and Vulnerable Countries Need Support to Adapt to Climate Change.' Available at <https://www.imf.org/en/Blogs/Articles/2022/03/23/blog032322-poor-and-vulnerable-countris-need-support-to-adapt-to-climate-change> (Accessed on 10/08/2023)

⁹⁵ United Nations Framework Convention on Climate Change., 'Climate Change.' Available at <https://unfccc.int/topics/climate-finance/the-big-picture/climate-finance-in-the-negotiations/climate-finance> (Accessed on 10/08/2023)

support and investments to developing countries via the Green Climate Fund⁹⁶. It is also imperative to implement the decision of COP 27 and operationalize the loss and damage climate fund in order to unlock climate finance in vulnerable countries hit hard by floods, droughts and other climate disasters⁹⁷.

Finally, in order to enhance climate finance in Africa, there is need for the Continent to rise above its governance and debt challenges and reposition itself to unlock the needed financing to boost climate resilience and inclusive socio-economic development⁹⁸. It has been argued that there is need for African countries to establish robust governance structures including creating or enhancing the capacity of existing national bodies aimed at coordinating climate finance efforts in a manner that enhances transparency, accountability, and efficient allocation of funds⁹⁹. In addition, there is need for African countries to remain vigilant and actively engage in global discussions on climate finance including COP meetings and other international conferences in order to safeguard their interests, secure necessary financial, technological, and capacity building resources, and contribute to shaping a more inclusive and equitable global financial landscape that puts the needs of the most vulnerable front and foremost¹⁰⁰. Further, it has been observed that aligning climate action with national development priorities is crucial for accessing climate finance¹⁰¹. African countries need to integrate climate change considerations into their national development plans thereby demonstrating their commitment to addressing climate risks while pursuing sustainable economic growth¹⁰². By incorporating climate

⁹⁶ Roberts. J et al., 'Rebooting a Failed Promise of Climate Finance.' Available at https://www.researchgate.net/profile/Romain-Weikmans/publication/349426191_Rebooting_a_failed_promise_of_climate_finance/links/60924fbda6fdccaebd093ff2/Rebooting-a-failed-promise-of-climate-finance.pdf (Accessed on 10/08/2023)

⁹⁷ United Nations Environment Programme., 'COP27 Ends with Announcement of Historic Loss and Damage Fund.' Op Cit

⁹⁸ Agyir. K., 'African Countries Must Act Strategically to Unlock Climate Finance in the Face of a Debt Crisis.' Op Cit

⁹⁹ Ibid

¹⁰⁰ Kone. T., 'For Africa to meet its Climate Goals, Finance is Essential.' Op Cit

¹⁰¹ Samuwai. J., & Hills. J., 'Assessing Climate Finance Readiness in the Asia-Pacific Region.' *Sustainability*, Volume 10, No. 4 (2018)

¹⁰² Agyir. K., 'African Countries Must Act Strategically to Unlock Climate Finance in the Face of a Debt Crisis.' Op Cit

targets, strategies, and indicators into their development frameworks, African countries can showcase the coherence of their climate and development agendas, thereby increasing their attractiveness to climate financiers and thus unlocking climate finance for development¹⁰³.

Adopting the above suggestions is vital in unlocking climate finance especially in developing countries which are most vulnerable to the effects of climate change.

5.0 Conclusion

Climate finance plays a vital role in the climate agenda by enhancing the mitigation and adaptation capabilities of countries especially in the developing world¹⁰⁴. Climate finance is also vital in fostering Climate Justice since it recognizes the inequalities between countries with developing countries which are most vulnerable to the effects of climate change requiring financial resources to aid their mitigation and adaptation programmes¹⁰⁵. There have been efforts towards unlocking climate finance at the global, regional and national levels through initiatives by the United Nations Framework Convention for Climate Change, funding from developed countries and international financial institutions such as the World Bank and the African Development Bank and national initiatives including public and private funding¹⁰⁶. However, despite these efforts, several problems affect effect access to climate finance. These include failure by developed countries to deliver their promise on climate funding and problems in

¹⁰³ Ibid

¹⁰⁴ Steckel. J. C., 'From Climate Finance toward Sustainable Development Finance.' Op Cit

¹⁰⁵ Colenbrander. S et al., 'Using Climate Finance to Advance Climate Justice: The Politics and Practice of Channeling Resources to the Local Level.' Op Cit

¹⁰⁶ See for example UNFCCC., 'Decision -/CP.27 -/CMA.4: Funding Arrangements for Responding to Loss and Damage Associated with the Adverse Effects of Climate Change, Including a Focus on Addressing Loss and Damage.' Op Cit; The White House., 'FACT SHEET: President Biden to Catalyze Global Climate action through the Major Economies Forum on Energy and Climate.' Op Cit; and African Development Bank., 'African Development Bank Climate Change and Green Growth Strategic Framework: Action Plan 2021-2025.' Op Cit

developing countries including debt crises and unfavourable investment environment¹⁰⁷
The landscape of climate finance can be enhanced through several measures including countries identifying and mobilizing effective and appropriate financing for climate action; financial institutions enhancing climate finance by investing in green products including green bonds; developed countries increasing financial support for developing countries especially those that are most vulnerable to the effects of climate change; the UNFCCC upscaling its mandate in climate finance through the Green Climate Fund and actualizing the loss and damage climate fund; and African countries creating a viable environment for climate finance¹⁰⁸. Unlocking climate finance for development can thus be realized.

¹⁰⁷ Agyir. K., 'African Countries Must Act Strategically to Unlock Climate Finance in the Face of a Debt Crisis.'

¹⁰⁸ Roberts. J et al., 'Rebooting a Failed Promise of Climate Finance.' Op Cit

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