

Financing Alternative Working Group

Climate Finance Systems and Advocacy for Non-Exploitative Economies in The Global South



REYNA TRUST, ZIMBABWE

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Executive Summary

This report explores the dynamics of global climate finance, with a focus on the barriers and opportunities for the Global South Countries (GSC) in accessing climate funds. Climate finance has become an essential component of addressing climate change, but current international mechanisms often remain dominated by the Global North, especially during important climate conversations. Informed by literature reviews, focus group discussion and engagements with climate finance informants, the report explores how more equitable and alternative finance systems can be developed to address disparities in the global finance system

The need for reform in global climate finance

The findings of this report highlight the critical need for reform in global climate finance systems, particularly in terms of the mechanisms available for the Global South to access the resources necessary to address climate change. Despite repeated pledges by developed countries to provide financial assistance, the reality remains that the Global South is often left with inadequate support to cope with the escalating climate crisis. While significant financial pledges have been made, such as the \$800 million for the Loss and Damage Fund, these are inadequate relative to the scale of the crisis and are just small fraction of what is actually required to support developing countries in their climate mitigation and adaptation efforts

Overreliance on loans and issues with competition based funds

Climate finance is largely dominated by loans from the Global North to the Global South, with 68% of public funds disbursed

as loans in 2021, leaving only 32% as grants. This imbalance exacerbates the financial burden on countries in the Global South, which face increasing energy demand and climate challenges. Only 25% of global climate finance flows to these countries, and key issues include inadequate funding, complex access processes, burdensome loan terms, and a focus on mitigation over adaptation. Developed nations, historically the largest polluters, are also criticized for not contributing their fair share

Multilateral climate funds are growing in importance, aiming to support vulnerable countries in line with the Paris Agreement. However, competition for these funds is fierce, with countries vying for support based on their adaptation proposals. Many vulnerable nations struggle to attract and manage climate finance due to weak institutions and limited resources. Additionally, tracking adaptation finance is challenging, as the distinction between adaptation and development aid remains unclear, complicating accounting and fueling debates over climate project classifications.

Countries' contributions to emissions and climate finance

Wealthy nations, which have historically profited from fossil fuels, are the main contributors to global climate change, disproportionately affecting the Global South. In 2019, the wealthiest 1% caused as much pollution as the poorest 50%. The top 10 emitting countries account for two-thirds of global emissions, while low-income countries, already in debt distress, spend five times more on debt servicing than on climate adaptation. Urgent debt relief is needed, alongside a multilateral

debt solution. Major contributors to climate finance include the EU, Japan, Germany, and France, though there are still significant shortfalls, particularly from the U.S. and UK to paying their 'fair share'. While funding for mitigation is increasing, adaptation finance remains insufficient.

Inadequate and skewed philanthropic contributions to climate finance

Philanthropies play a critical role in fostering climate action by addressing barriers and driving early-stage innovation. Despite this, less than 2% of philanthropic funding is directed toward climate change, with only \$6 billion allocated in 2022. In the Global South, philanthropies are increasingly collaborating to prioritize climate justice and resilience. While most philanthropic climate finance has focused on mitigation, there is a growing interest in adaptation and resilience, particularly in sectors like clean electricity, agriculture, and forests. However, the majority of funds remain concentrated in the Global North, with only 12% reaching regions like Africa, India, and Latin America.

Global corporates need to take more meaningful climate action

Major corporate emitters are responsible for a significant portion of global emissions, presenting an opportunity for investors to drive their transition to sustainability. Many still engage in greenwashing, offering superficial claims without real change. Current corporate responses, including net-zero commitments, are inconsistent and inadequate.

To address climate change more effectively, the private sector can collaborate with NGOs, improve sustainability reporting, establish industry standards, and invest in sustainable supply chains. By setting clear climate targets and advocating for stronger policies,

businesses can play a critical role in driving meaningful climate action.

Climate Conversations –less talk and more action needed

Important finance

The carbon footprint associated with international climate negotiations presents a contradiction in the global effort to mitigate climate change. While negotiators and policymakers travel the world to discuss solutions to the climate crisis, the emissions generated by these events undermine the very goals they are striving to achieve.

While significant discussions and resolutions have been made at global climate meetings, it is clear that more action is urgently needed to meet the challenges. Without more decisive action, the gap between commitment and fulfillment will continue to hinder global climate efforts, leaving the most affected regions at greater risk.

Key Findings and recommendations for alternative finance systems

Key findings from Focus Group Discussions and key informant interviews revealed that public sectors in Global South companies face significant capacity constraints, and the lack of tailored financial mechanisms exacerbates their difficulties in accessing funds. High transaction costs, data limitations, and small project sizes were highlights as factors that make it harder for the Global South to compete with the Global North for climate finance.

In response, participants recommended the creation of a dedicated financing mechanism within the Green Climate Fund (GCF) for GSCs, the establishment of a Global Data Hub to improve access to climate data, and a shift from project-based

to programmatic approaches to build long-term capacity in these countries.

Additionally, the discussions called for debt relief, the use of alternative financial instruments like concessional loans and grants, and the promotion of domestic investment through better policy frameworks. Recommendations also

included adopting a human rights-based approach to climate finance, implementing a global climate pollution tax, and ending fossil fuel subsidies.

Finally, stronger transparency and accountability in managing climate funds were emphasized to ensure effective use of resources

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1 Introduction

Climate change poses a serious threat to the environment, human life, food security, and economic development. The global financial system has exacerbated the vulnerability of nations and hindered their ability to respond effectively to climate challenges, whether through adaptation or mitigation. While climate finance is being provided to help address the crisis and build resilience, many non-exploitative economies—rooted in alternative economic models that promote both mitigation and adaptation—struggle to access this funding. This issue is especially pressing in the Global South, which not only faces greater impacts from climate change but also has fewer resources to manage these effects. Moreover, many of these non-exploitative economies are located in the Global South, making the lack of access to necessary financial resources even more critical

The aim of this report is to deepen understanding of how alternative climate financing can enhance resilience to the global climate crisis by promoting non-exploitative, alternative economic practices. While climate change is a global crisis, its impacts are unevenly distributed due to equally uneven climate finance disparities. The report highlights the skewed distribution of climate finance, demonstrating that the Global South has largely been excluded from both the generation and distribution of these resources.

Based on literature reviews, focus groups, and expert interviews, this report explores alternative financing models to create more equitable financial systems, ensuring fair access to climate-related funding and addressing disparities in climate finance. In order to address the growing global demand for alternative finance mechanisms that promote justice and fairness, this research shifts the focus to explore how these mechanisms can be optimized to ensure fair distribution and access to climate-related funding.

1.1 Climate Finance Needs for the Developing World

The financing of climate change has been increasingly topical since 2015. Climate finance is needed for mitigation and adaptation to reduce the impact of a changing climate. Mitigation can be defined as any action that minimizes or avoids the impacts of climate change by reducing the emission of greenhouse gases and removing excess carbon dioxide in the atmosphere. Adaptation refers to actions that allow human and ecological systems to adjust and cope with a changing climate; and weather engineering is the manipulation of weather systems

The need for climate finance to support adapting to climate change in the developing world over the next few decades has been estimated at up to or over \$100 billion / year ¹, although there are questions about the reliability of such estimates ². United Nations Environment

¹ The World Bank, *The Costs to Developing Countries of Adapting to Climate Change*, 2010, Available [Online] at [\[1\]](#)

² Frankhauser 2010, *The Costs of Adaptation*, Available [Online] at [\[2\]](#)

Program also indicated that this could range between \$140-\$300 billion per year in 2030 and can reach \$280-\$500 billion in 2050.

In 2010, at the Cancun COP16 Conference, developed countries committed to mobilizing \$100 billion per year by 2020 to support developing nations in addressing climate change, including both adaptation and mitigation efforts. The UNFCCC emphasized that this \$100 billion should be 'new' and 'additional' to existing development aid, to avoid diverting funds from other critical development needs³. This commitment and the broader global discourse on climate finance have elicited varied responses from both developed and developing nations.

1.2 The inadequacy of the Climate Finance Mechanisms for the Global South

A core tenet of international climate policy, since the creation of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, has been that the developed world, which is largely responsible for greenhouse gas emissions, will assist the developing world in developing sustainably through promoting mitigation actions and adapting to climate change. Article 2, paragraph B of the Paris agreement focuses on increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production.

Models used to finance climate change mitigation and adaptation pose significant threats to the environment, human life, food security, and economic development. According to the International Panel on Climate Change's Sixth Assessment Report⁴, the Global South is expected to be most severely impacted due to inadequate climate finance mechanisms, widespread poverty, and limited adaptive capacity. These have been worsened by the global financial architecture that has seen countries in the global South struggling to access climate finance. The bureaucratic challenges associated with climate finance mechanisms continue to expose developing countries to more climate debt. Very few climate finance models put people at the centre of development resulting in increased vulnerability

The influence of multinational and international financial institutions (IFIs) on the management and distribution of climate finance significantly affects how different countries, particularly those in the Global South, respond to climate challenges. Globally, sectors such as agriculture, water, health, disaster-risk reduction, infrastructure, transport, ecosystems, and settlements urgently need climate finance to avoid exacerbating vulnerability. However, inadequate climate finance has led to weak economic and social responses to loss and damage, with some impacts proving irreversible.

³ Donner et al, *Measuring and tracking the flow of climate change adaptation aid to the developing world* Available [Online] at [\[3\]](#)

⁴ IPCC, 2022, *Climate Change 2022: Impacts, Adaptation and Vulnerability*, Available [Online] at [\[4\]](#)

2 An Overview of Climate Finance

Climate finance generally refers to finance for activities aiming to mitigate or adapt to the impacts of climate change. However, it is sometimes conflated with the related and overlapping concepts of development and green finance. Climate finance primarily flows in the following streams (see Figure 2.1):

- **Domestic public** – Government income from taxes and budget, strengthened tax administration, improved quality expenditures, risks management. This however provides very little towards local climate finance.
- **International public** – Aid, grants and concessional finance, multilateral and bilateral (GCF, GEF, AF). Developmental partners such as the United Nations Development Programme (UNDP), Oxfam, ActionAid, EU, SIDA, etc. these have brought in a lot of climate finance in many Global South Countries and have sustained most of the climate actions especially at community level.
- **Domestic private** – National private sector for instance corporations and SMEs; individuals, corporates, institutional investors. Not many of local private sector players contribute towards climate finance.
- **International private** – Foreign Direct Investment (FDI), remittances, private philanthropy, financial market-based financing (carbon markets) and private sector-like investment return focused sovereign wealth fund (World Bank, IMF). These are the biggest climate financiers towards global South though it also comes with debt burden.

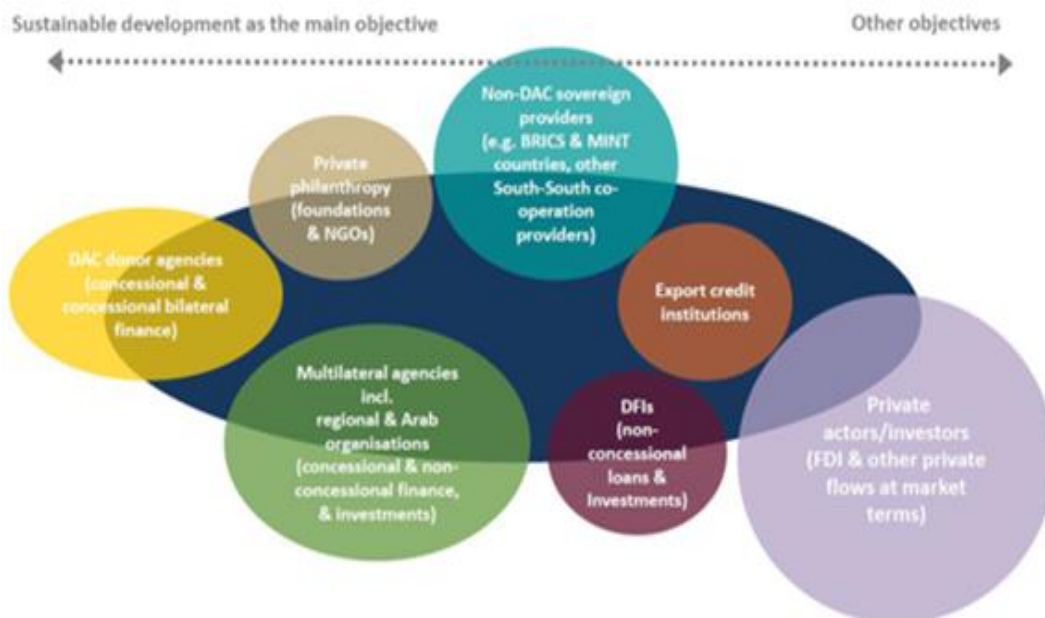


Figure 2.1: Climate and Development Finance Landscape (OECD, 2015)

Almost all these flows are encapsulated in Bilateral (country to country) and multi-lateral climate and non-climate financing mechanisms. Multilateral non-climate finance sources mainly are Multilateral Development Banks (MDBs) while the five major Multilateral climate funds connected to the institutional framework of the United Nations Framework Convention

for Climate Change (UNFCCC), are the Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF), Adaptation Fund (AF), Global Environmental Facility (GEF), and Green Climate Fund (GCF) (see Figure 2.2 with key multilateral funds circled in red).

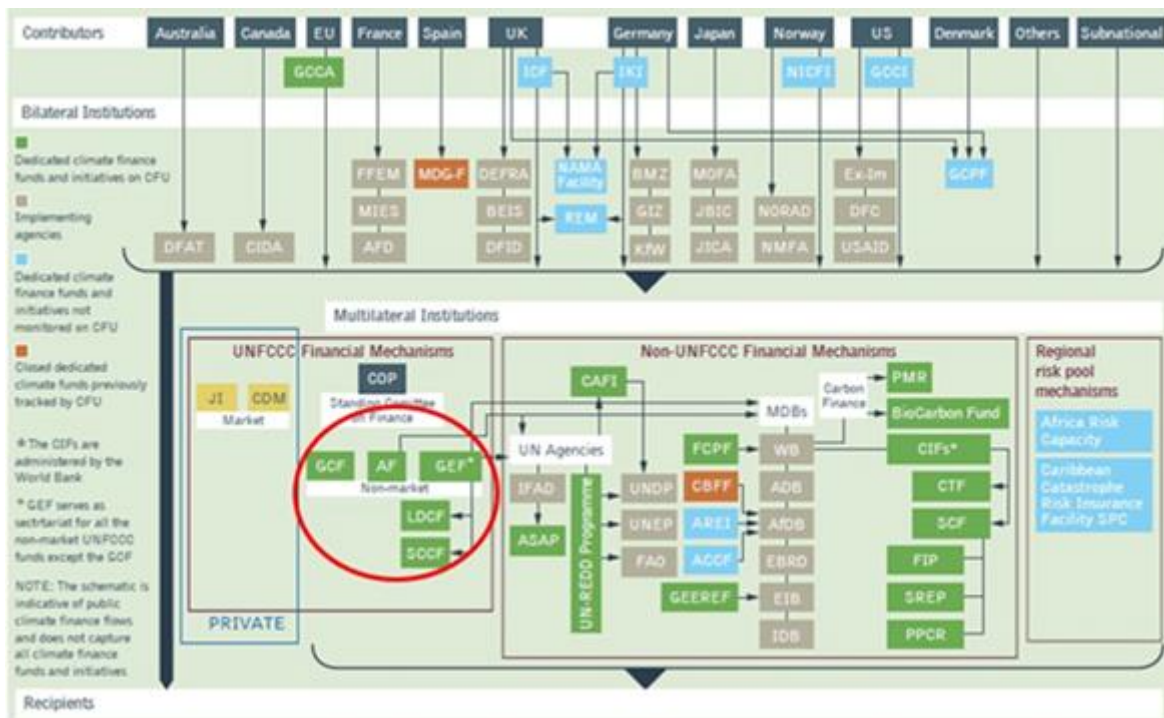


Figure 2.2 The global climate financing architecture

The UNFCCC also includes the Climate Investment Funds (CIFs) comprising of the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF)⁵. The CIFs include a “sunset clause” which calls for the funds to close once a new climate finance architecture, mostly around the Green Climate Fund, is effective. As they fall outside the UNFCCC governance framework, they are supposed “not to prejudice the on-going UNFCCC deliberations regarding the future of the climate change regime, including its financial architecture”⁶. This would require countries to be equipped with requisite capacities to pay off what they would have initially borrowed as they transition into the system. This is not feasible for most of the global south countries as the period taken to access new loans is too long.

2.1 Key Questions Around Climate Finance

⁵ Doshi and Garschagen, 2020 *Understanding Adaptation Finance Allocation: Which Factors Enable or Constrain Vulnerable Countries to Access Funding* Available [Online] at [\[5\]](#)

⁶ UNFCCC Standing Committee on Finance, 2021 *Report on Developing Countries needs related to implementing Paris Agreement* Available [Online] at [\[6\]](#)

Numerous struggles that climate managers had to deal with when raising and using climate finance for adaptation have been documented.⁷ These struggles have involved conflicts related to several key questions:

- I. How much finance should be provided to support climate adaptation?
- II. Who should provide adaptation finance?
- III. Through which channels should adaptation finance be delivered to developing countries?
- IV. How should it be allocated? Should some countries be prioritized?
- V. Which, and on what basis? Does adaptation finance represent a form of compensation from “polluting” countries to “victims” of climate change?

Such questions on the norms and rules that guide adaptation finance are at the core of climate justice which is a critical issue in the climate finance discourse.

2.2 The Progression of Climate Finance under the UNFCCC

Having been drafted in 1991 and 1992, the Convention (UNFCCC) focused mostly on mitigation as the ultimate solution to climate change. In the initial years, adaptation was overlooked in part because of the apprehension that it might lead Parties to underemphasize mitigation⁸. Adaptation was also viewed as a national issue whose addressing resulted in national benefits unlike mitigation which had global benefits. Moreover, while AOSIS raised the issue of compensation for climate impacts suffered, compensatory justice was largely neglected by the COP, and relegated to a decision on the provision of insurance (see [Article 4.8](#)). This was, in part, because the climate regime has often narrowly reflected market-based solutions of both economic growth and climate change within the framework of neoliberal, market economics⁹. This placed adaptation on the back burner in terms of the developed countries taking responsibility for climate change. Figure 2.3 shows how Climate finance has progressed under the UNFCCC from 1997 to 2022

⁷ Kahn et al, 2020, *Twenty-five Years of Adaptation Finance through a Climate Justice Lens*, Available [Online] at [\[7\]](#)

⁸ Cipler et al, 2015, *Power in a Warming World: The New Global Politics of Climate Change and the Remaking of Environmental Inequality* Available [Online] at [\[8\]](#)

⁹ Cipler and Roberts, 2017, *Climate Change and the Transition to Neoliberal Environmental Governance*, Available [Online] at [\[9\]](#)

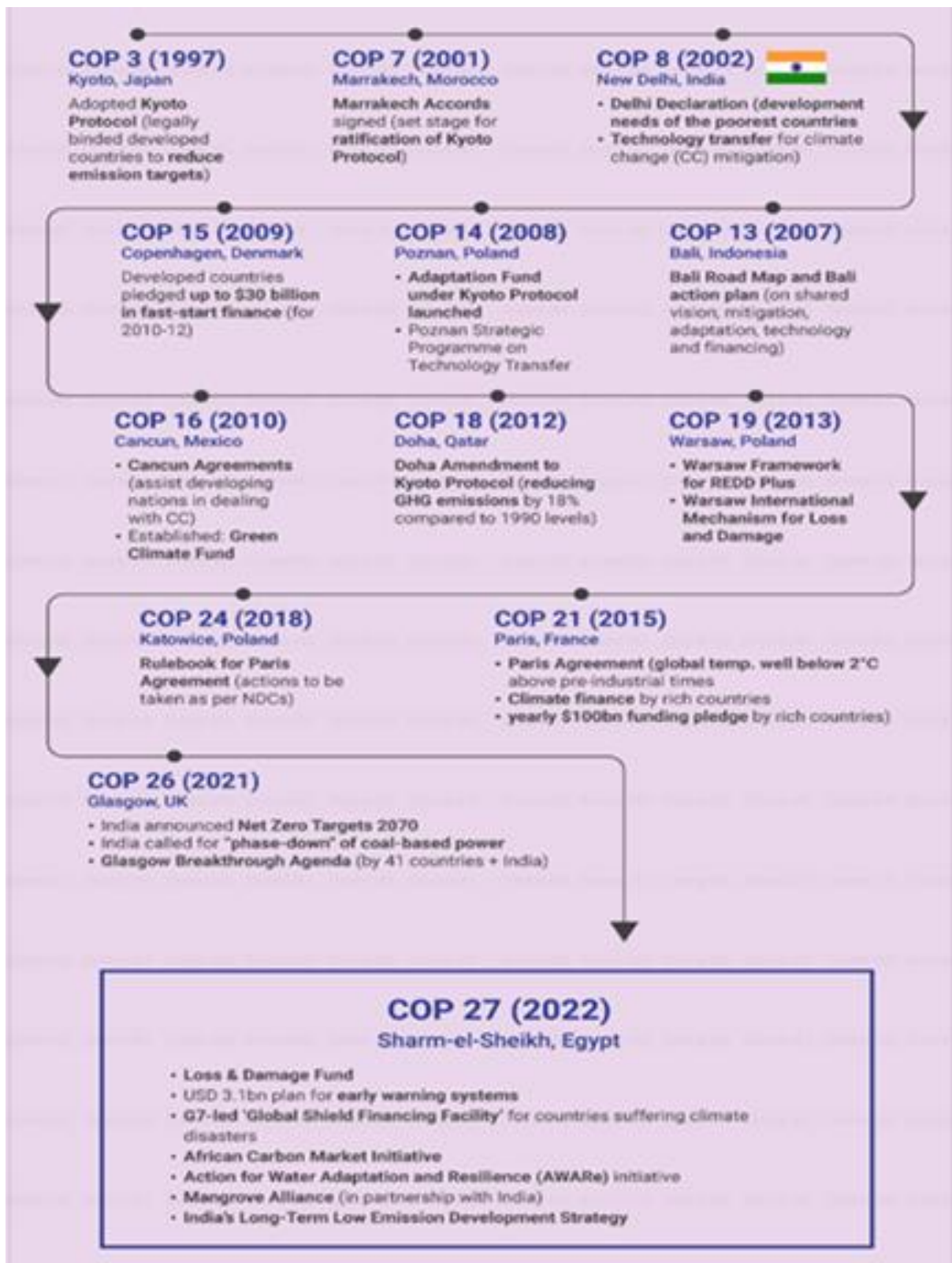


Figure 2.3: Progression of Adaptation under the UNFCCC

Table 2.1 shows gives the timeline of the various climate funds that were established and details the objectives, funding and modalities of each fund

Table 2.1 An Overview of the main climate funds established from 2001 to 2015

| | LEAST DEVELOPED COUNTRIES FUND (LDCF) | SPECIAL CLIMATE CHANGE FUND (SCCF) | ADAPTATION FUND (AF) | GREEN CLIMATE FUND (GCF) |
|--------------------------------|---|--|--|---|
| Year established | 2001/2002 | 2001/2004 | 2001/2008 | 2010/2015 |
| Objective | Adaptation only | Adaptation and technology transfer | Adaptation only | Adaptation and mitigation, with a target 50–50-split in allocation |
| Overall funding | USD 1.3 billion, of which USD 1.2 billion have been allocated | USD 366 million, of which USD 285 million have been allocated | USD 755 million, of which over USD 720 million have been allocated | USD 7.2 billion mobilized (2015–2019), of which 5.6 billion have been allocated |
| Current status/ Horizon | Both funds are part of the Global Environment Facility's (GEF) 2018–2022 Programming Strategy on adaptation to climate change | | Adopted a Medium-Term Strategy (2018–2022) with an annual resource mobilization target of USD 100 million | First replenishment phase mobilized USD 9.8 billion for the term 2020–2023 |
| Eligible countries | Least Developed Country (LDC) Parties to UNFCCC and countries which have completed their National Adaptation Programmes of Action (NAPAs) | Non-Annex I Parties to the UNFCCC, prioritizing most vulnerable countries in Africa, Asia, and Small Island Developing States (SIDS) | Developing country Parties to the Kyoto Protocol, prioritizing those which are particularly vulnerable to climate change | All developing country Parties to the UNFCCC which are Party to the Paris Agreement, prioritizing LDCs, SIDS and African states |
| Access Modality | Through an Implementing Agency of the Global Environment Facility (GEF) | Through an Implementing Agency of the Global Environment Facility (GEF) | Multilateral, Regional and National | Multilateral, Regional and National |
| Governance | GEF | GEF | AF Board | GCF Board |
| Trustee | World Bank | World Bank | World Bank | World Bank |

2.3 Multi-lateral Climate Funds

Multilateral climate funds are increasing in importance and beginning to rival bilateral climate finance flows¹⁰ They aim to support resource poor and highly vulnerable countries following the principle of common but differentiated responsibility within the UNFCCC and the Paris Agreement. In the logic and legal terminology of the Paris Agreement, it is the “developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints” which qualify for such support and should be prioritized (UNFCCC, 2015 Article 9, Paragraph 4).

Countries therefore compete for multilateral funding, following the assumption that countries most in need and with the best concept for adaptation will succeed The assessment criteria for this selection process are constantly under development for some funds, with a mixture of effectiveness, efficiency, justice, and sustainability being considered ¹¹.

2.3.1 *The challenges of competitive fund-based mechanisms*

While competitive fund-based mechanisms offer clear benefits, they also impose significant demands on applying countries and their administrations. These include challenges in proposal writing, project management, and implementation, covering conceptual, methodological, technical, financial, and linguistic aspects. Additionally, many of the most vulnerable countries, which often face development deficits, are least equipped to attract and manage climate finance due to poor governance, weak institutions, and limited financial and human resources. Efforts to generate new sources of funding have often focused predominantly on financial mechanisms, with little attention given to understanding the specific local finance challenges first..¹²

Furthermore, despite the steady growth of climate financing platforms and systems and even after the Paris Climate Agreement, there is no clear agreement on what classifies climate aid, on the expected baseline trajectory of development aid, or on what separates climate projects from development projects.

Tracking this finance is particularly problematic for climate change adaptation, as there is no clear definition of what separates adaptation aid from standard development aid. Tracking climate finance transfers is a particular challenge for climate change adaptation. Accounting for adaptation finance is complex, as it depends on what is considered "adaptation," which some argue is harder to distinguish from development efforts than mitigation¹³. For example, a project replacing asphalt roads with concrete in a flood-prone area may or may not be classified as an adaptation project. The distinction is further

¹⁰ Doshi and Garschagen, 2020, *Understanding Adaptation Finance Allocation: Which Factors Enable or Constrain Vulnerable Countries to Access Funding* Available [Online] at [\[10\]](#)

¹¹ Amerasinghe et al, 2017, *Future of Funds: Exploring the Architecture of Multilateral Climate Finance*, Available [Online] at [\[11\]](#)

¹² Moser et al, 2019 *Adaptation finance archetypes: Local governments' persistent challenges of funding adaptation to climate change and ways to overcome them* Available [Online] at [\[12\]](#)

¹³ Buchner et al, 2011, *The Landscape of Climate Finance*, Available [Online] at [\[13\]](#)

complicated by political incentives, as development institutions compete to secure climate finance and demonstrate their ability to implement adaptation projects.

2.3.2 The need for comprehensive solutions to climate injustice

The flow of climate finance to the Global South raises key issues around accessibility and impact. Climate finance is closely tied to extreme climate change and must address knowledge gaps in vulnerable communities. Without transparent tracking systems, funding practices could prioritize climate action over other development needs, exacerbating climate injustice¹⁴

Average annual climate finance flows reached almost USD 1.3 trillion in 2021/2022, nearly doubling compared to 2019/2020 levels. This increase was primarily driven by a significant acceleration in mitigation finance (up by USD 439 billion from 2019/2020). The remainder of the growth observed in 2021/2022 (USD 173 billion each year) stems from methodological improvements and new data sources, which augment the flows tracked in 2019/2020. Without these data improvements, annual finance flows in 2021/2022 would have amounted to just below USD 1.1 trillion.

In the average scenario, the annual climate finance needed through 2030 increases steadily from \$8.1 to \$9 trillion. Then, estimated needs jump to over \$10 trillion each year from 2031 to 2050. This means that climate finance must increase by at least five-fold annually, as quickly as possible, to avoid the worst impacts of climate change. Figure 2.4 shows the global climate finance from 2011 to 2022 and Figure 2.5 shows how this financing needs to increase significantly to meet climate needs through to 2050.

¹⁴ Michaelowa and Michaelowa, 2017, *Transnational Climate Governance Initiatives: Designed for Effective Climate Change Mitigation*, Available [Online] at [\[14\]](#)

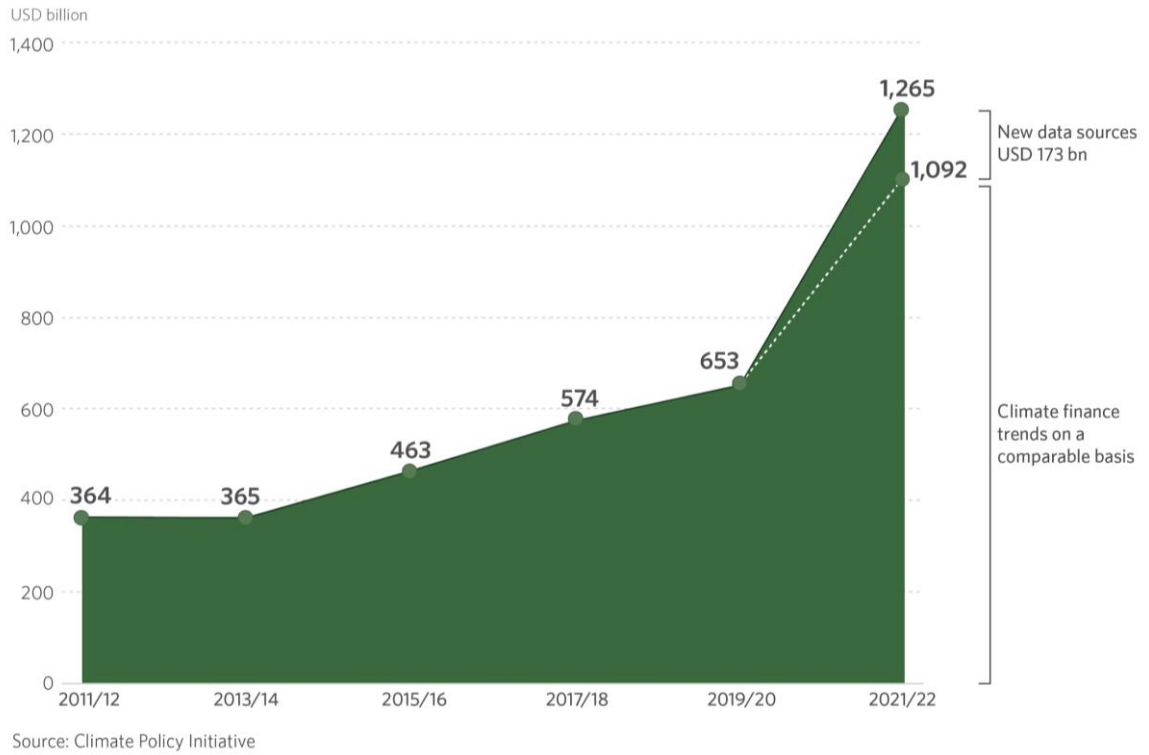


Figure 2.4: Global Climate Finance in 2011- 2022 (Biennial averages)

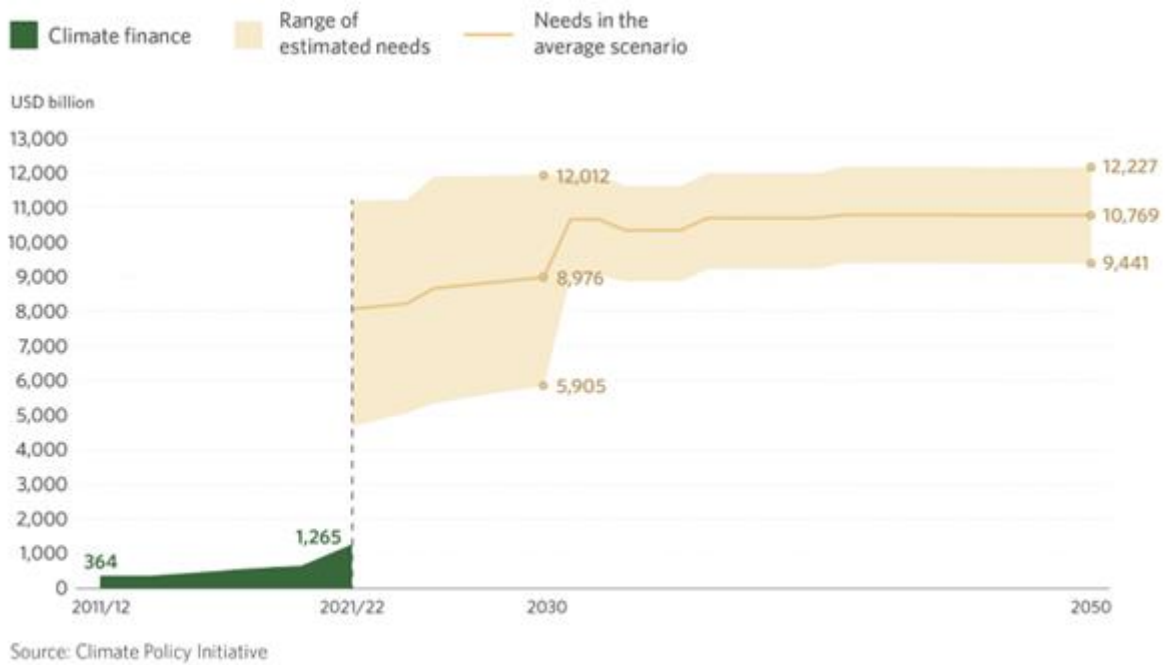


Figure 2.5: Global tracked climate finance and average estimated annual needs to 2050

2.4 Landscape of Climate Finance in the Global South

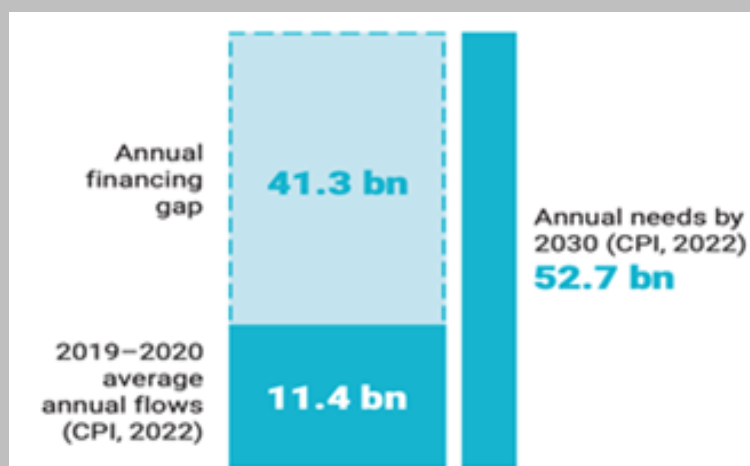
Countries in the Global North predominantly provide climate finance to those in the Global South through loans. According to OECD figures, in 2021, \$49.6 billion, or 68%, of public climate finance from the Global North was disbursed as loans. On the other hand, grants totaled only \$20.2 billion. Thus skewed distribution of funds favoring loan based climate financing has increased climate burden for many countries in the South.

According to the Climate Policy Initiative, currently, only around 25% of global climate finance, both private and public, flows to the Global South. Yet in the next three decades, most global energy demand growth will come from these countries as they seek to address severe energy poverty. The International Energy Agency has estimated that one quarter of this growth between 2019 and 2040 could come from India alone. Current finance mechanisms for the Global South have the following issues

- **Insufficient Funding:** Promised funds are often inadequate.
- **Access Barriers:** Complex and bureaucratic processes hinder access.
- **Loan Terms:** Financial support is sometimes in the form of loans with burdensome terms.
- **Unpredictability:** Inconsistent funding makes long-term planning difficult.
- **Mitigation Focus:** Emphasis is often on emission reduction rather than adaptation.
- **Limited Local Control:** Projects may lack local input and ownership.
- **Equity Issues:** Marginalized communities within the Global South may be overlooked.
- **Historical Responsibility:** Developed nations, which are historically the biggest polluters, are seen as not contributing their fair share.

Box 1: Adaptation Climate Finance in Africa

According to the Global Center on Adaptation,¹⁵ current climate finance flows in Africa are insufficient to meet the growing needs on the continent. As such, Africa faces a serious and urgent shortfall in funding for climate action, even as the costs of delayed action rise. Figure 2.6 shows a cumulative analysis of the Nationally Determined Contributions (NDCs) of 51 African countries, which showed a need for an estimated US\$579 billion (or approximately US\$52.7 billion annually) in funding for climate action through 2030 while tracked climate financing in 2019 and 2030 was at US\$11.4 billion



• *Figure 2.6 African adaptation finance deficit*

The report also noted that adaptation finance was approximately 39% of total tracked climate finance to Africa in 2019–2020. Further, the share of adaptation finance as a percentage of total climate finance was higher in Africa than any other region for 2019–2020. Across Africa, multilateral development finance institutions (DFIs) were the most significant source of adaptation finance flows (53%, US\$6 billion), followed by governments (23%, US\$2.6 billion) and bilateral DFIs (16%, US\$1.8 billion).

More than half (53%) of the adaptation finance commitments to Africa in 2019–2020 were loans. A high share of financing from multilateral DFIs was committed in the form of commercial-rate loans (41%) and concessional loans (32%), whereas bilateral DFIs primarily committed concessional loans (82%). By contrast, more than 90% of adaptation finance committed from governments was in the form of grants, with less than 6% in the form of loans. The share of grants and loans varies across regions and the income profile of countries. Low-income countries primarily attracted grant commitments for adaptation financing, whereas lower-middle-income countries largely saw commitments of loans at market rate (58%)

¹⁵ Global Center on Adaptation, 2023, *State and Trends in Adaptation Report 2023*, Available [Online] at [\[15\]](#)

3 Countries' Contributions to Global Climate Finance

Parties to the UNFCCC are classified as (i) Annex 1 Countries; (ii) Annex 2 Countries or (iii) Developing Countries,

Annex 1: Include industrialized countries that were members of the OECD (Organization for Economic Co-operation and Development) in 19192, plus countries with economies in transition (EIT), including Russia, the Baltic States and several Central and Eastern European States

Annex 2: Consists of the OECD members of Annex 1, but not the EIT Parties who are required to provide financial resources to enable developing countries to undertake emissions reduction activities under the UNFCCC and to help them adapt to adverse effects of climate change.

There are 40 Annex I countries. These countries are classified as industrialized countries and countries in transition. These counties include:

Annex I

Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, United States of America

There are 23 Annex II countries. These countries are classified as developed countries which pay for costs of developing countries and are listed below:

Annex II

Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States of America

All other countries are classified as developing. Under the Kyoto Protocol, developing countries are not required to reduce emissions unless developed countries supply funding and technology. This is **intended** to serve three purposes:

- I. It avoids restrictions on their development, because emissions are strongly linked to industrial capacity
- II. They can sell emissions credits to nations whose operators have difficulty meeting their emissions targets
- III. They get money and technologies for low-carbon investments from Annex II countries.

3.1 Climate Finance Reporting Methodologies

The Framework Convention on Climate Change (UNFCCC) outlines provisions for climate finance to developing countries through various UNFCCC decisions. Despite these frameworks, the lack of an internationally agreed-upon definition of climate finance has

allowed contributing countries significant discretion in what they classify as climate finance. This ambiguity has led to ongoing disputes over whether developed countries are meeting their financial commitments. Most developed countries report their bilateral financial contributions to the UNFCCC using the “Rio marker methodology.”

Other multinational banks such as the World Bank are guided by the multinational development banks (MDBs) Common Principles for Climate Mitigation Finance Tracking.

3.2 The world’s top emitters

Wealthy nations have built considerable wealth by exploiting fossil fuels, which has significantly contributed to the global climate and environmental crises. These actions have primarily harmed countries in the Global South and vulnerable populations. In 2019, the richest 1 % of the world’s population generated as much climate pollution as the poorest 50 percent combined¹⁶

The top 10 emitting countries in the world account for two-thirds of global emissions, and the top three emitting countries – China, the US and India – account for 43% of emissions, which is more than the lowest 100 emitting countries combined. By contrast, all of Africa produces just 4% of global emissions.¹⁷

China’s total CO₂ emissions exceeded those of the advanced economies combined in 2020, and in 2023 were 15% higher. India surpassed the European Union to become the third largest source of global emissions in 2023.

As of 2022. The world’s top 20 emitters of greenhouse gases are shown in Table 3.1

Table 3.1: Top 20 emitters of greenhouse gases in 2022¹⁸

| Country | Total GHG Emissions Mt CO ₂ equiv/yr | Country | Total GHG Emissions per capita Mt CO ₂ equiv/yr |
|---------------|---|----------------------|--|
| China | 15684 | Qatar | 67.4 |
| United States | 6017 | Palau | 61.7 |
| India | 3943 | Bahrain | 39.3 |
| Russia | 2579 | Kuwait | 38.0 |
| Brazil | 1310 | Trinidad and Tobago | 33.3 |
| Indonesia | 1240 | Brunei | 32.7 |
| Japan | 1182 | United Arab Emirates | 29.3 |
| Iran | 951 | Oman | 25.6 |
| Mexico | 819 | Saudi Arabia | 22.6 |

¹⁶ Boyd, 2023 “ Mobilizing trillions for the Global South, Available [Online] at [\[16\]](#)

¹⁷ World Economic Forum, 2024, *Speed, Scale, Pragmatism: How to boost Climate Finance in 2024*, Available [Online] at [\[17\]](#)

¹⁸ European Commission, 2023, *EDGAR: Emissions Database for Global Atmospheric Research*, Available [Online] at [\[18\]](#)

| | | | |
|-------------------|-----|---------------|------|
| Saudi Arabia | 810 | Australia | 22.0 |
| Germany | 784 | Turkmenistan | 20.8 |
| Canada | 756 | Canada | 19.8 |
| South Korea | 725 | Gibraltar | 19.7 |
| Türkiye | 687 | New Caledonia | 19.3 |
| Australia | 571 | Mongolia | 19.1 |
| Pakistan | 546 | Russia | 18.0 |
| South Africa | 534 | United States | 17.9 |
| Vietnam | 489 | Kazakhstan | 17.3 |
| Thailand | 463 | New Zealand | 16.8 |
| France and Monaco | 430 | Libya | 15.3 |

Only a few countries (Australia, Canada and the United States) with the largest total GHG emissions remain in the top 20 when the per capita emissions are considered. The top 5 per capita emitters are small populations producing highly GHG-intensive commodities for export. Countries like Trinidad & Tobago), Antigua & Barbuda and Singapore are industrialized with high population densities but low total populations.

60% of low-income countries are in, or on the edge of, debt distress and are spending an estimated five times more on debt servicing than on climate adaptation every year, undermining future resilience and growth prospects.

These countries need urgent debt relief. A longer-term goal should be to establish a multilateral debt workout process that can help countries break the vicious cycle of worsening debt and climate crises.

3.3 Which countries are contributing to climate finance

In 2021, the 3 top contributors to climate finance in the world were Japan (\$9.5 Billion), Germany (\$8 Billion) and France (\$7 Billion). Together with the United States and the United Kingdom these 5 countries are the top donors, lining with their status as the 5 largest economies among the Annex 1 countries. Taken together, the EU is the world's largest contributor to climate finance

As of 2020, only 7 Annex 2 countries had paid their 'fair share' contribution towards climate finance.¹⁹ These were Denmark, France, Germany, Japan, the Netherlands, Norway and Sweden. The top 5 countries contributing to the climate fiancé shortfall are the United States, Canada, Italy, Spain and the United Kingdom. The United States It has so far only mobilized 4% of its "fair share" of about USD 43 billion and has refused to contribute to the first replenishment of the Green Climate Fund (2020-23). The EU has reached about 70% of its fair share of 30 billion.

¹⁹ ODI Global, 2023, *A fair Share of Climate Finance*, Available [Online] at [\[19\]](#)

Figure 3.1 shows the contributions that developed countries have mobilized to developing countries from 2013 to 2022. This highlights that in 2022, the climate finance passed the targeted \$100 billion dollars for the first time.

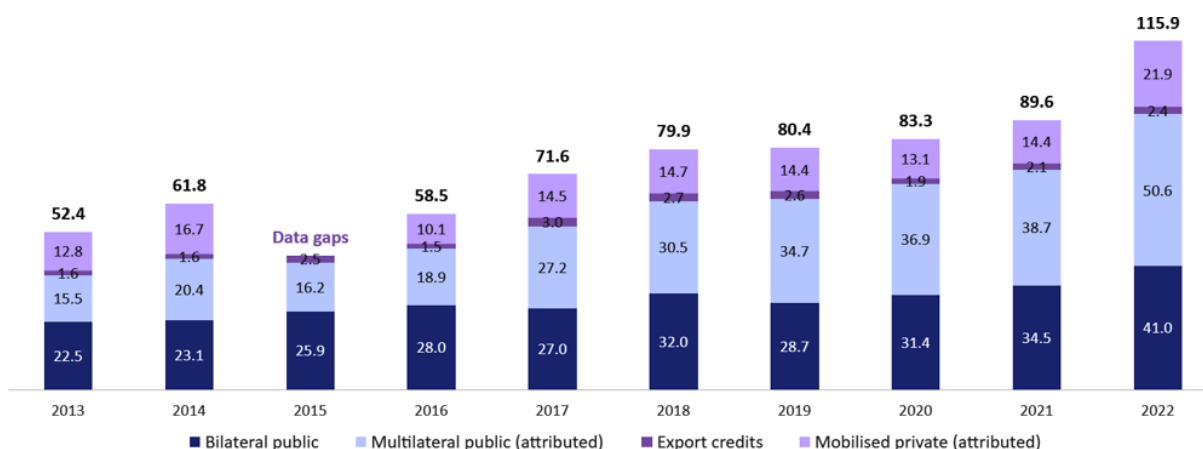


Figure 3.1: Climate Finance mobilized to developing countries from 2013 – 2022

Table 3.2: Overview of public climate financing for 2023

| Type of Institute | Description of Financing | Amount Financed |
|--|---|--------------------|
| National Development Finance Institutes | Most was for low cost project debt | 238 Billion (37%) |
| State owned Financial Institutions and State owed Entities | | 110 Billion (17%) |
| Governments and their agencies | France, Germany, the UK, and Italy were largest issuers | 100 Billion (16%) |
| Multilateral Development Finance Institutes | Mostly to EMDE's (45%) and developing countries (40%) | 93 Billion (15%) |
| State Owned Development Finance Institutes | | 61 Billion (9.5%) |
| Bilateral Development Finance Institutes | | 33 Billion (5%) |
| Multilateral Climate Funds | The Green Climate Fund provided most of the funds | 3 Billion (0.5%) |
| Total Public Climate Finance | | \$640 Billion |

Governments (Public Finance) are the biggest allocators of capital in most economies, and their investment is crucial. Governments which set incentives, rules and policies to accelerate climate action. They have the power to implement carbon pricing mechanisms, renewable energy subsidies and regulations that encourage sustainable practices.

Figure 3.2 shows how public and private finance is distributed in the world's major regions. The global South is primarily financed by public finance while the global north is predominantly

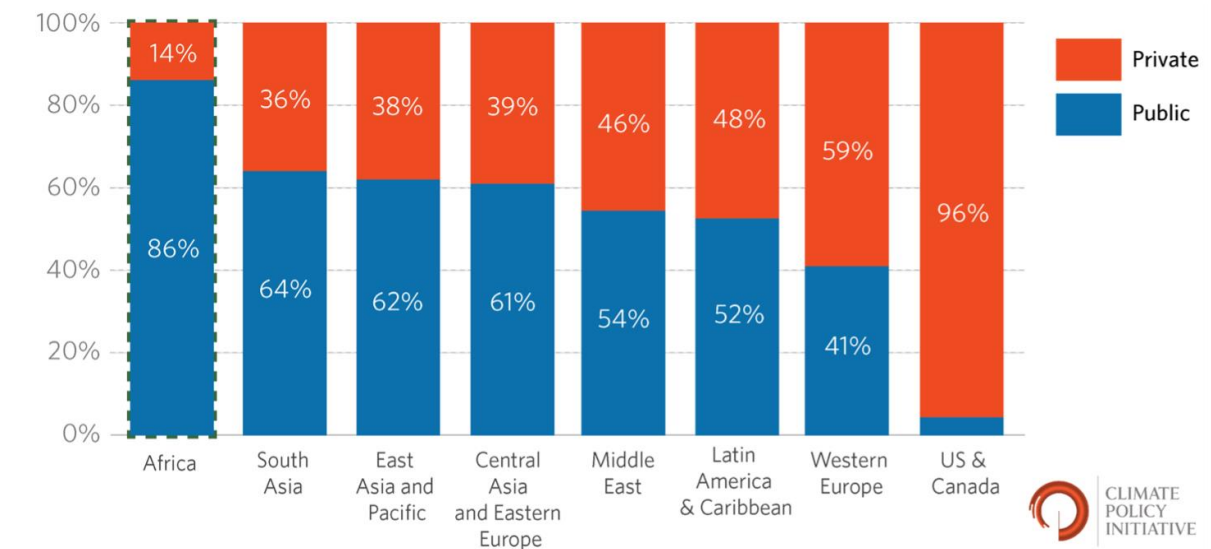


Figure 3.2: Distribution of private and public climate finance to regions

Figure 3.3 shows how 2021 and 2022 global climate finance flows were almost evenly divided between public and private sectors. Both sectors focus on energy, transport, and buildings and infrastructure. However, public finance also addresses relatively underserved areas like agriculture, forestry, water and wastewater, and industry.

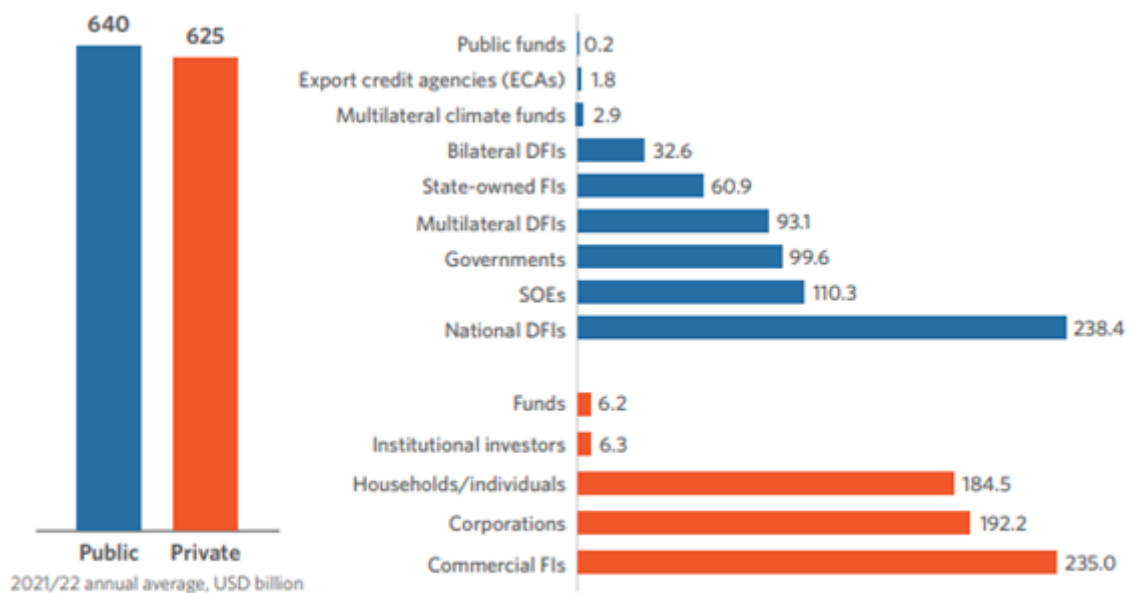


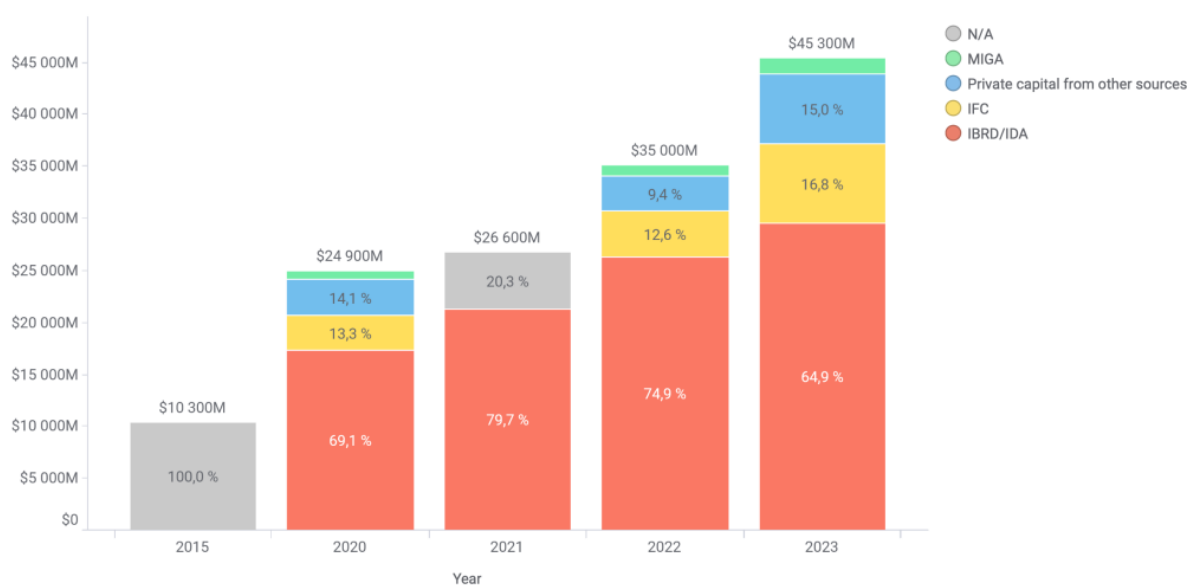
Figure 3.3: 2021 and 2022 Sources of Climate finance and sectors financed

Table 3.3: Overview of private climate financing for 2023

| Type of Institute | Description of Financing | Amount Financed |
|--------------------------------------|---|----------------------|
| Commercial Financial Institutes | Financing in the form of debt with increased focus on energy sector | 235 Billion (38%) |
| Corporations | Significant on energy and low carbon transport and some low energy buildings and infrastructure projects | 192 Billion (31%) |
| Households/Individuals | Climate mitigation initiatives supported by domestic policies. Residential solar and energy efficient home improvements | 184 Billion (29%) |
| Funds and Institutional Investors | direct investment in renewable energy projects, and philanthropic giving. | \$12 Billion (2%) |
| Total Private Climate Finance | | \$625 Billion |

According to its own reporting and standards, the World Bank is the biggest provider of multilateral climate finance. The World Bank provided \$38.6 billion in climate finance in fiscal year 2023²⁰, marking a 22 per cent increase from fiscal year 2022. Figure 3.4 shows how the World has financed climate change from 2015 until 2023.

Total climate finance in USD



²⁰ The World Bank, 2023, *Climate Finance Update*, Available[Online] at [20]

Figure 3.4: Overview of Climate Finance from the World Bank 2015 - 2023²¹

The EU and its 27 member states are the biggest providers of climate finance in the world. In 2022, they mobilised \$31 Billion from public sources and an additional \$13 billion of private finance to support developing countries in the fight against climate change

3.4 What is being Financed

In 2021/2022, mitigation projects in the energy and transport sectors accounted for two-thirds of total climate finance flows. Although adaptation finance grew by 29% to USD 63 billion from USD 49 billion in 2019/2020, its share of overall climate finance nearly halved during the same period. Figure 3.5 and Figure 3.6 show an overview of the mitigation and adaptation climate finance

Mitigation finance is primarily focused on the energy, transport and building and infrastructure sectors although there is a large funding gap to meet the needs for the next 25 years in all sectors

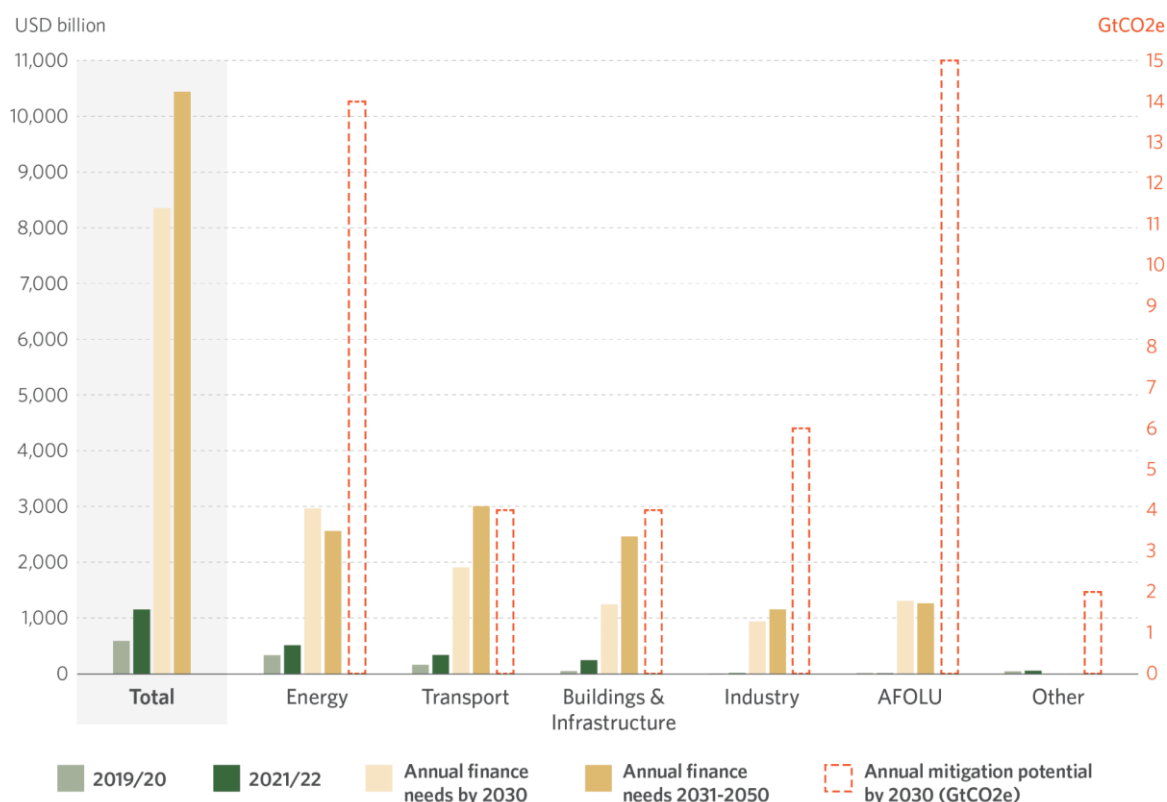


Figure 3.5: Mitigation climate finance uses and projected needs by 2030

| Mitigation Finance Overview | |
|-----------------------------|--|
| Energy | Investment in Solar; Wind, Hydro and Bioenergy projects |
| Transport | Low Carbon Transport - Private Road Transport (EV); Public |
| Infrastructure | Supporting electricity transmission & distribution |

²¹ Bretton Woods, 2024, *The World Bank and Climate Finance Success Story or a New Era of Green Structural Defilment*, Available [Online] at [\[21\]](#).

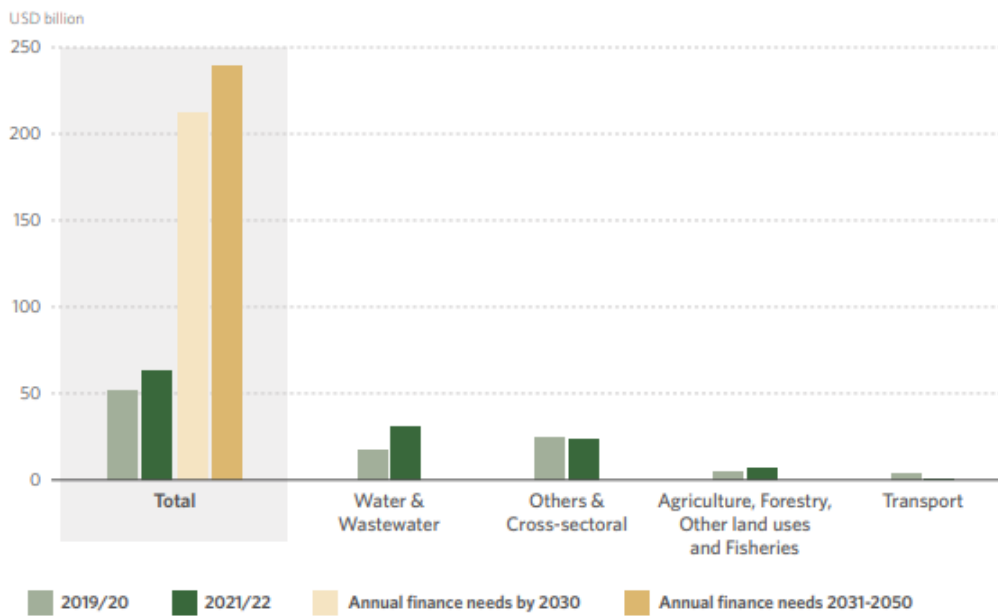


Figure 3.6: Adaptation climate finance use and projected needs by 2030

Adaptation Finance Overview

Water and Wastewater Supply and sanitation, Wastewater treatment
 Other, Cross Cutting Capacity Building, Policy, Disaster Risk Management
 AFLOU

4 Climate Finance Philanthropists

Philanthropies play crucial roles in creating enabling environments, addressing obstacles and fostering early-stage innovation for climate action. Philanthropy can play an important role in catalyzing people-focused climate and nature through its agile, risk tolerant, flexible, equitable and tolerant nature

Philanthropies have unlocked progress in many areas however it is estimated that less than 2% of philanthropic funding is currently dedicated to climate change action. In addition, total climate funding for 2022 was only \$6 Billion, less than 1% of total global climate finance. In the Global South, philanthropic organizations have been increasingly focused on collaboration with organizations such as the Global South Climate Philanthropy Initiative taking a coordinating role on climate action and advocacy. The Global South philanthropies have track records in supporting communities and movements that speak to their needs and have been intentional to create their own agendas. These efforts have gained traction and in 2023, for the first time, COP28 featured a pavilion that focused on philanthropy from the Global South.

4.1 Categories of Climate Financers

Philanthropic climate finance can include activities such as impact investing, funding from family offices and venture capital for startups, and various stages of capital infusion for innovators. OneEarth.Org classifies philanthropic climate financers into 5 categories²²

- I. **Climate Explorers** are interested and fascinated by climate change but have not actively engaged in climate philanthropy.
- II. **Climate Lens Appliers** acknowledge the significance of climate change and apply a climate lens to their giving by considering how climate change will affect the outcomes of their grants
- III. **Climate Philanthropy Leaders** focus heavily on climate change and make it a key thematic area and look to fund innovative climate solutions.
- IV. **Investment Led Philanthropists** use their investment portfolios to further the climate action and invest in companies and projects that protect the environment
- V. **Climate Action Integrators** unite different stakeholders to focus on collaborative climate change solutions, partnerships and networks.

4.2 Who are the Philanthropic Climate Financers?

The top philanthropic contributors to Climate Finance are shown below:

- [Ballmer Group](#)
- [Benificus Foundation](#)
- [Bezos Earth Fund](#)
- [Bloomberg Philanthropies](#)
- [Breakthrough Energy](#)
- [ClimateWorks Foundation](#)
- [Bill & Melinda Gates Foundation](#)
- [The William and Flora Hewlett Foundation](#)
- [The Kresge Foundation](#)

²² One Earth, 2024, *Climate Action Pathways to Philanthropy*, Available [Online] at [22]

- [The John D. and Catherine T. MacArthur Foundation](#)
- [McKnight Foundation](#)
- [Gordon and Betty Moore Foundation](#)
- [The David and Lucile Packard Foundation](#)
- [Robertson Foundation](#)
- [Robert Wood Johnson Foundation](#)
- [Rockefeller Foundation](#)
- [Sea Change Foundation](#)
- [Sequoia Climate Foundation](#)
- [Skyline Foundation](#)
- [Bernard and Anne Spitzer Charitable Trust](#)
- [Waverley Street Foundation](#)
- [Wellspring Philanthropic Fund](#)

- In the United States, grants for climate change continue represent a small fraction of all giving (estimated at 2–3%).
- The Rockefeller Foundation announced they will pivot 75% of their programming over the next 5 years to climate action and climate change focused programming.
- In 2022 the Bezos Earth Fund have \$287 million in grants, as well as an undisclosed sum contributed to a \$1 billion ocean-related fund.
- The Bill & Melinda Gates Foundation gave 398 million in 2021 toward agricultural development, which helps address climate adaptation in farming as well as water, sanitation and hygiene program
- The Ballmer Group, \$217 million in 2022 in grants to organizations tackling deforestation, electric vehicles and wildlife conservation.

4.3 What is being financed by climate philanthropy

The Climate Works Global Intelligence report estimates that the total philanthropic giving for 2022 ranged between \$7.8 and \$12.8 billion. This was made of giving by foundation (\$2.7 Billion) and giving from individuals. (\$4.2 - \$9 Billion)

While philanthropic giving presents an opportunity to address issues of injustice and unequitable distribution of climate fiancé, the trends show that most philanthropic giving is predominantly benefitting the Global North

Most Philanthropic Climate finance has been directed to mitigation but there is a growing interest in advancing climate adaptation and resilience. Figure 4.1 shows how \$2.3 Billion that was reported and tracked for Philanthropic was spent in various regions including North America, Europe and Africa. Most of this funding went to the United States and Vanda, while only 9% went to Africa and 7% to Asia.

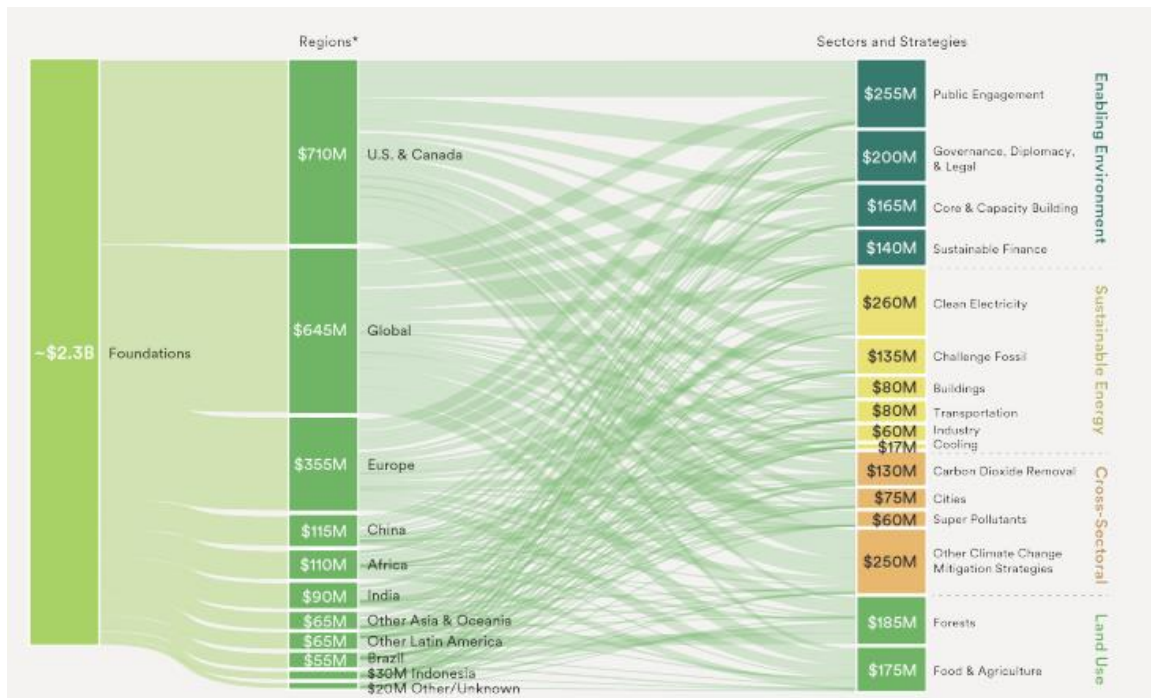


Figure 4.1: Philanthropic funding by region and sector for 2022

The 3 sectors that received the most philanthropic funding in 2023 were clean electricity (380 million), forests (\$295 million) and food and agriculture (\$280 million). The fastest growing sector was super pollutants which saw a 60% increase in funding. In 2022, transport and industry grew by about 20% each.

Philanthropic funding to Africa recorded the most significant growth, increasing by 38%. India and Latin America increased by 37% and 15% respectively. However these three regions only accounted for 12% of the total philanthropic climate funding²³. Other noteworthy trends in climate finance are summarized below:

- Funding to Africa from philanthropic foundations has quadrupled from \$65 million in 2018 to \$200 million in 2022. The top funded sectors for Africa are food and agriculture, clean electricity and forests
- There has been an increase in philanthropic funding to international shipping which is recognized as one of the highest greenhouse gas emitters.
- Philanthropic foundations are increasingly interested in decarbonizing the built environment sector with a focus on the United States, Canada and the United Kingdom. While the global south and Africa are poised for huge expansion and construction in the coming years, only 4% of philanthropic funding towards this has come to the Global South.
- Philanthropic interest in the mineral resource sector has seen foundations giving \$35 million to fund the energy transition. Efforts are centered advocacy work for

²³ ClimateWorks, 2023, *Funding Trends*, Available [Online] at [\[23\]](#)

policy

4.4 Philanthropic Climate Finance in the Global South

Climate foundations based in the Global South have histories of supporting communities and movements focused on climate justice, adaptation, resilience, and addressing loss and damage. These local socio-environmental foundations and philanthropic organizations play a crucial role in enhancing participation and leadership within the climate policy space, pushing for the essential inclusion of a broader range of voices in decision-making processes. These local socio-environmental foundations and philanthropic organizations play a crucial role in enhancing participation and leadership within the climate policy space, pushing for the essential inclusion of a broader range of voices in decision-making processes.

Some notable climate foundations with a focus on the global south are listed below:

- Avina Foundation
- Socio-Environmental Funds of the Global South Alliance
- Tara Climate Foundation (Asia excluding India and China)
- Philanthropy Asia Alliance

Giving to Amplify Earth Action (GAEA) is a World Economic Forum initiative that used the 4P approach - Public, Private and Philanthropic Partnerships. The GAEA's membership includes over 130 of the world's top philanthropic foundations and leverages on the power of philanthropic capital to catalyse change when it is combined with corporate leadership and government policy action. The GAEA also presents a model and opportunity to unlock investments to put the planet on track to meet its climate and nature targets

Box 2: An alliance of philanthropic institutions for the Global South

Background

The Alliance of Socio-Environmental Funds of the Global South (Alianza Socioambiental Fondos del Sur) was established in 2021 to unite independent socio-environmental funds from nine countries. These funds operate within local contexts, utilizing local languages and currencies to effectively address community-specific challenges. The Alliance is influenced by a growing model of activist philanthropy in Latin America, which has prioritized socio-environmental issues since 2005. Its primary goals include developing grant making strategies that reflect local priorities and enabling resource distribution even in the absence of legal entities in certain regions.

How it started

The Alliance was a result of the Casa Socio-Environmental Fund's efforts to build sister philanthropic funds in the Global South. They believed that philanthropy must be led by a local understanding of the environmental challenges faced by the most vulnerable populations. Casa Socio-environmental Fund decided to build a loose intercontinental network of funds instead of expanding its own operations birthed the Alliance.

- Casa Socio-Environmental Fund (Brazil) •
- AC Solidarity Action Fund (México) •

- Tierra Viva Foundation (Central America)
- The Samdhana Institute (Southeast Asia)
- Fundación Semilla (Bolivia)
- Peru Socio-Environmental Fund (Peru)
- Emerger Socio-Environmental Fund (Colombia)
- Ñeque Fund (Ecuador)
- Tindzila Fund (Mozambique)

The success of the Alliance

The success of the funds in each of the countries demonstrate the value of cooperation mechanisms and sister networks for speeding up the channeling of resources locally, in communities vulnerable to socio-environmental impacts. The alliance organizations are proactive about facilitating knowledge sharing and sharing political connections. The alliance has been crucial in providing legitimacy to the institutions and increasing their institutional capacities. The Casa Socio-Environmental Fund has been instrumental in helping the network address the common challenges they usual face in building the institutions, setting up calls for proposals and other grant making mechanisms,

5 Global Corporates and Climate Finance

In the developing world and Global South, the emphasis is on industrial and economic development. However, the long-term sustainability of these economic gains will be jeopardized unless sufficient resources are effectively directed towards mitigating greenhouse gas emissions and investing in climate change adaptation.

The rate of corporate climate pledge setting is accelerating exponentially: by January 2022, over 3,000 companies had joined the [UNFCCC's Race to Zero campaign](#), more than doubling the number of companies setting net-zero emission pledges from the year before.

Findings from Carbonmajors.org indicate that 80% of carbon dioxide emissions between 2016 and 2022 can be traced to just 57 cement and fossil fuel companies.²⁴ Marginalized communities on the frontlines of the climate crisis are the most affected, bearing the consequences of corporate climate irresponsibility. It is essential for global corporations to take a proactive role and be accountable for their environmental impact adverse effects. Many large companies engage in greenwashing, aiming to mislead consumers, shareholders, and taxpayers with superficial environmental claims and empty pledges. This practice involves presenting a false image of sustainability while failing to make meaningful changes to their operations.

5.1 The top corporate emitters

The top emitters of greenhouse gas emissions according to Carbonmajors.org

- China Coal
- Former Soviet Union Coal. Gas and Natural Gas
- Saudi Aramco
- Chevron
- ExxonMobil Corp
- Gazprom OAO
- National Iranian Oil Co
- BP
- Shell
- Coal India
- Coal Poland
- Pemex
- ConocoPhillips
- British Coal Corporation
- CNPC
- Peabody Coal Group
- Total Energies
- Abu Dhabi National Oil Company

The data shows that almost half of these listed are investor owned companies while the rest are state owned entities. This positions investors as important agents in facilitating a transitions in these companies.

The OECD has several guidelines that can be used by corporates and these include:

- The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct which includes guidance on how to address adverse environmental impacts of business operations, products and services. The guideline highlights

²⁴ Carbonmajors.org, 2024. *March Press Release*, Available [Online] at [\[24\]](#)

impact such as climate change; biodiversity loss; degradation of land, marine and freshwater ecosystems and deforestation.

- The OECD Recommendation on the Role of Government in promoting responsible business conduct

5.2 The inadequacy of the Current Global Corporates Response to Climate Change

Corporates in many industries are changing the way they do business by modifying the operations, supply chains and products to reduce their emissions. Many corporations have committed to net zero targets and report on sustainability. There are however, multiple sustainability reporting standards and this becomes a barrier for consistency and comparability when assessing.

Only 3% of private sector financing is channeled to adaptation, leaving a great need to explore how more private sector financing can be unlocked as fund managers are managing over US\$100 trillion, which part of it can be channeled to adaptation initiatives. Private sector investments primarily focus on mitigation, particularly in clean and renewable energy. However, climate adaptation is often seen as a gradual process, while mitigation is viewed as more capital-intensive. To foster adaptation investments, business models must explore ways to leverage capital effectively. Additionally, the distinction between public goods (mainly adaptation) and profitable ventures (typically mitigation) is limiting the acknowledgment of the social benefits generated by private sector investments in addressing climate change.

5.3 Opportunities for Corporates to make significant

While businesses are viewed as contributors to environmental issues, they also possess the resources, innovation, and expertise needed to lead in mitigating climate impacts and scaling up financial solutions. There are some meaningful steps that the corporates can take summarized below:

- **Partnerships with the Non Profit Sector** - Collaborative action involving governments, businesses, NGOs, and communities is crucial to co-create sustainable solutions. NGOs and the private sector can create meaningful partnerships that address both climate change and socio-economic inequalities in their local contexts
- **Disclosure and reporting** on sustainability and climate action -Investors are more likely to provide capital to firms that disclose information on climate- and sustainability-related parameters. Commit to net-zero goals and regularly report on climate-related performance and emissions
- **Industry Standards**- Businesses can establish and promote industry-specific standards for sustainable practices, such as energy efficiency certifications, low-carbon product standards, and climate-resilient construction guidelines.
- **Sustainable Supply Chains** - Source materials responsibly and reduce emissions across the entire value chain by applying the appropriate level of due diligence to the entire supply chain.

- **Set Climate Targets and Report Progress:** Commit to net-zero goals and regularly report on climate-related performance and emissions.
- **Invest in Education and Capacity Building** - Develop workforce skills in green technologies and support climate education in vulnerable regions.
- **Advocate for Strong Climate Policies** - Use corporate influence to support stronger climate policies and industry standards.

6 Global Climate Finance Conversations

Conferences and events focused on climate change provide a platform for industry leaders to build new solutions to climate action. They also serve as platforms where different climate finance methodologies and mechanisms are discussed. However, these spaces are heavily dominated by the big emitters and big economies (G7 nations). Many of these conversations become displays of political diplomacy rather than climate finance negotiations. This was highlighted by respondents that indicated the pledges towards the proposed Loss and Damage Fund during COP28 in Dubai.

The \$800 million dollars pledged by some of the developed countries such as The United Arab Emirates, USA, UK, Japan, Germany amongst others was nowhere near what the world required as it was just above 0.2% of the global requirements. Given such adoption of the fund, the biggest challenge was who was going to host the fund. Many of the Global South countries were not comfortable with the World Bank hosting the fund because of its relationship with USA control over the Bank. However, the World Bank was tasked to manage the fund on an interim basis for the next four years.

Questions were raised if the available money (pledged) was accessible, when and whether countries affected by climate change could access the funds. Equally worrying was the weak presence of Global South voice in these climate change conversations. Also highlighted during the research many were of the opinion that climate finance has become a victim of global geo-politics where funds can be diverted towards financing global wars.

6.1 The Carbon Foot Print by Climate Finance Negotiations:

Ever since it was agreed that the developed countries would pay \$100 Billion dollars per year to global south, there have been unending negotiations to ensure that commitment is fulfilled. With each passing COP failing to proffer sound resolution on climate finance, several mechanisms and negotiating platforms were created to see how funds can move from global north to south.

Table 6.1 : An overview of Global Climate Conversations

| Global Climate Conversations | |
|--------------------------------------|---|
| COP 29 | Africa's Green Economy Summit |
| Sustainability LIVE London | Climate Investment Conference |
| Climate Week NYC | Global Climate & SDG Synergy Conference |
| World Economic Forum, Annual Meeting | Africa Climate Week |
| ICSD | World Future Energy Summit |
| Innovation Zero | UNEP Environmental Assembly |
| Verge | Sixtieth Session of the IPCC |
| ACESD | G7 Summit |
| Earth 2025 | G20 Summit |
| Clean Tech Forum North America | Bonn Climate Change Conference |
| World ESG Summit | GLF Africa 2024 |

The multiple climate conversations highlighted in **Error! Reference source not found.** require frequent travel. frequently. Most of the global climate negotiators will be present in most of these meetings. Questions must be raised about the amount of money used to fund climate finance meetings against the real money required to fund climate finance. As people gather and travel in search for a common understanding in climate finance, the carbon footprint generated for this purpose often defies logic on both national and global ambition of decarbonizing the globe.

As long as there is no alternative way of financing these meetings and conversations, the world will struggle to convince other critical stakeholders that climate crisis is real and not a cash cow nor comfort. Many of the desired climate actions in both adaptation and mitigation require climate finance, but without sustainable alternative financing mechanisms, the global carbon foot print by negotiators and climate experts will remain an albatross on the necks of those directly affected by climate change.

6.2 Key Outcomes from Climate Finance Conversations

Some of the notable outcomes from ongoing climate conversations that impact the global south and the current climate finance architecture are noted below:

- Cop 29²⁵: Climate Finance, , Just Transition, Loss and Damage and Agroecology

Climate advocates dubbed the [29th meeting of the Conference of the Parties \(COP29\)](#) to the UN Framework Convention on Climate Change (UNFCCC) as the “Finance COP.” Ultimately, the two-week climate talks in the Azerbaijani capital of Baku produced a finance deal that falls way too short of what is required to address the crisis, specifically the poor countries’ funding needs for adaptation, mitigation, and loss and damage. COP29 derailed in a significant way the momentum that the world required in the run-up to the 2030 deadline of the [Paris Agreement](#) of limiting global warming to well below 2 degrees Celsius (° C) and pursuing efforts to keep it at 1.5 ° C.

For climate finance, especially in the Global South, the rich countries’ adamant refusal to pay up for their historical and continuing role in climate change delivers a terrible blow, considering how the crisis disproportionately affects agriculture and the rural poor. Note that agriculture in the Global South [absorbs 23% of the overall loss and damage](#) due to the climate crisis affecting the livelihood of some 2.5 billion people and, therefore, should be among the primary beneficiaries of climate compensation from the wealthiest industrialized countries and their transnational corporations (TNCs) behind the crisis.

COP29 aimed to determine a new financial target to support poor countries in their climate actions post-2025 under the Paris Agreement’s New Collective Quantified Goal (NCQG). It sought to replace the target of USD 100 billion per year by 2020. Rich countries first committed the amount at COP15 (2009) before its formal adoption at COP21 (2015) as part of the Paris Agreement. They reportedly reached this target only in 2022 amid claims of

²⁵ Arnold Padilla is the Deputy Executive Director of PAN Asia Pacific (PANAP). He was part of PANAP’s delegation through the Asian People’s Exchange for Food Sovereignty and Agroecology (APEX), including partners from Bangladesh, India, Indonesia, Philippines, and Sri Lanka, that took part in official events and peoples’ protests at COP29 held in Baku, Azerbaijan, from November 11 to 22, 2024.

double-counting and inflated loan-based support. In Baku, the NCQG was [pegged at USD 300 billion per year](#) by 2035.

The negotiators know how paltry the latest NCQG is. The official decision document “highlights that costed needs reported in nationally determined contributions of developing country Parties are estimated at USD 5.1–6.8 trillion for up until 2030 or USD 455–584 billion per year, and adaptation finance needs are estimated at USD 215–387 billion annually for up until 2030.” All these add up to USD 670 billion to USD 1.24 trillion per year to cover the costs of poor countries’ climate actions, thus their demand of at least a trillion US dollars annually for NCQG. Factoring inflation since 2009, the money that the rich countries pledged in Baku is only USD 203.50 billion in real terms today, underlining the gaping disparity between financial needs and commitments for meaningful climate actions.

To respond to this massive gap, COP29 negotiators looked to source the money elsewhere other than public funding. The final decision document from the extended talks called on “all actors to work together to enable the scaling up of financing to developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035.” With just USD 300 billion committed as public funds, this implies that a trillion US dollars in potential climate funding will come from big corporate investments, foreign debt and grants from multilateral development banks, philanthropic contributions, and climate finance mechanisms such as carbon markets, green bonds, and other financial instruments.

Consequently, the so-called Finance COP produced a finance deal designed to perpetuate false climate actions that profit-motivated private interests peddle through their investments or allow the rich countries and their TNCs to sidestep actual reductions in their greenhouse gas (GHG) emissions through carbon trading. Note that COP29, in a separate decision, also finalized Article 6 of the Paris Agreement, which governs international carbon markets. Worse, the Baku climate summit legitimized the controversial carbon market with vague guidelines, risking approval of projects that may not meaningfully reduce emissions while counting transactions made as part of climate finance.

The deal forged in Baku is an appalling development for the climate and planet, especially for the agri-food systems and all the vulnerable and marginalized social sectors that rely on it for their life and livelihood. According to a report that the Food and Agriculture Organization (FAO) and others released in time for COP29, the [agri-food systems alone need USD 1.15 trillion per year](#) until 2030 to achieve emissions reduction and climate resilience targets by 2050. Even the costs identified by governments to implement their nationally determined contributions (NDCs), national plans that countries make to fight climate change, peg the amount for agri-food at USD 201.50 billion a year or two-thirds of the total climate finance pledged in Baku.

- G7 countries account for around 40% of the global economy and 25% of CO² direct emissions. Given their economic weight, they have a responsibility to lead the way towards decarbonisation, thus setting out a global path for achieving net-zero greenhouse gas emissions by 2050. Following the 2024 G7 summit in Italy, the G7 leaders committed to take concrete steps to address the triple crisis of climate

change, pollution, and biodiversity loss. They also expressed their commitment to aligning to the , 1.5°C aligned Nationally Determined Contributions ²⁶

- G20 Countries account for 85% of the world’s economy are the largest contributors to multilateral G20 countries account for 85% of the world's economy and are the largest contributors helping to steer climate .The 2024 Brazil Summit saw the leaders committing to reforms for multilateral development bank as well as some initial steps towards taxation for polluters and debt relief for those who need it most. The G20 Finance Ministers have taken a focus on reforming international financial architecture although they did not adopt resolutions like tripling lending and new commitments.
- At the Davos 2023 World Economic Forum, the climate crises featured prominently with 45 partners launching the [Giving to Amplify Earth Action](#), at Davos 2023. The GAEA is a global initiative to fund and grow new and existing public, private and philanthropic partnerships (PPPPs) to help unlock the \$3 trillion of financing needed each year to reach net zero, reverse nature loss and restore biodiversity by 2050.
- The UNEP Environmental Assembly Sixtieth Session of the IPCC issued UNEP/EA.6/Res.2 in June 2024.²⁷ The resolution seeks to enhance the effectiveness and inclusivity of the Global Environment Facility (GEF) by amending its Instrument, ensuring that GEF projects are more transparent, accountable, and responsive. It also acknowledges the need to improve the capacity of the United Nations Environment Programme as an implementing agency of the GEF, in line with its mandate and strategy, to further strengthen its role in global environmental governance.

While significant discussions and resolutions have been made at global climate meetings, it is clear that more action is urgently needed to meet the challenges posed by climate change. The resolutions, such as those from COPs, G7, and the UNEP Environmental Assembly, are important steps, but they must be fully implemented with greater urgency and accountability and greater depth. Without more decisive action, the gap between commitment and fulfillment will continue to hinder global climate efforts, leaving the most affected regions at greater risk.

Box 3: Kenya Leading the Climate Conversations for Africa

Kenya has taken a leading role in addressing climate issues in Africa and convening climate conversations on the continent. Kenya hosted the 2023 African Climate Summit which brought various governments and multiple stakeholders together for broad based discussions around climate action.

The government actively encourages private sector participation in carbon markets, recognizing the potential of carbon credits to attract investment and foster innovation in low-carbon technologies. One of the aims of the summit was to provide a platform for collaboration and collective action between the Global North and Global South to address

²⁶ Council of the European Union, 2024, *G7 Leader’s Communiqué*, Available [Online] at [\[25\]](#)

²⁷ UNEP, 2024, *Resolution adopted by the United Nations Environment Assembly on 1 March 2024*, Available [Online] at [\[26\]](#)

the climate crises. However, Kenyans who own the natural resources do not have the mechanisms of determining the carbon credit prices.

The global finance architecture featured prominently in discussions. African leaders urged for a swift reform of the international financial architecture to secure the necessary financing for the continent's net zero transition. They emphasized the rapid implementation of key priorities from the Bridgetown Initiative, the Accra-Marrakech Agenda, the UNSG's SDG Stimulus Proposal, and the IFA reform roadmap established at the Paris Summit for a New Global Financing Pact. Significant finance commitments were made at the summit with the UAE notably pledging \$4.5 billion in concessional loans and equity financing to develop renewable energy in Africa. The AfDB announced that it would commit \$23 billion for green growth, mitigation and adaptation in Africa by 2025.

7 Key Findings and Recommendations from Focus Group Discussion on Climate Finance in the Global South

Two focus group discussions were carried out to determine the different opinions on climate finance and inform ideas around alternative climate financing.

7.1 Findings from the Focus Group Discussion

This Focused Group Discussion provided an overview of the main challenges faced by GSC in accessing climate finance and puts forward alternative, realistic, concrete, and actionable recommendations that can support and inform policymakers, funders, and leaders as they prepare for the upcoming climate finance decision milestones within the climate justice movement.

7.1.1 Limited Access to Climate Finance

There was a general consensus among focus group participants that access to finance, and in particular climate finance, is expected to be one of the key topics, as it is a critical enabler to help Global South Countries (GSC) achieve their Sustainable Development Goals (SDGs). Participants stated that it was evident that each COP negotiation keeps bringing the mechanisms of climate financing to the agenda. GSC are being disproportionately and increasingly impacted by the impacts of climate change while their special circumstances make them extremely vulnerable to other external shocks.

7.1.2 Complex Development Finance Architecture

The Global North Countries continue to renege on their pledge to ensure money from Global North finances the Global South. The majority (70%) of the respondents agreed that the GSC urgently need access to external financial support and capacity to build resilience between the social, economic, and natural systems on which they depend. Others were skeptical on how this will be financed given the loan regime most of the IFIs preferred system.

The current climate and development finance architecture is exceedingly complex and unequipped to operate efficiently, fairly, and at the speed and scale needed to meet GSC's needs.

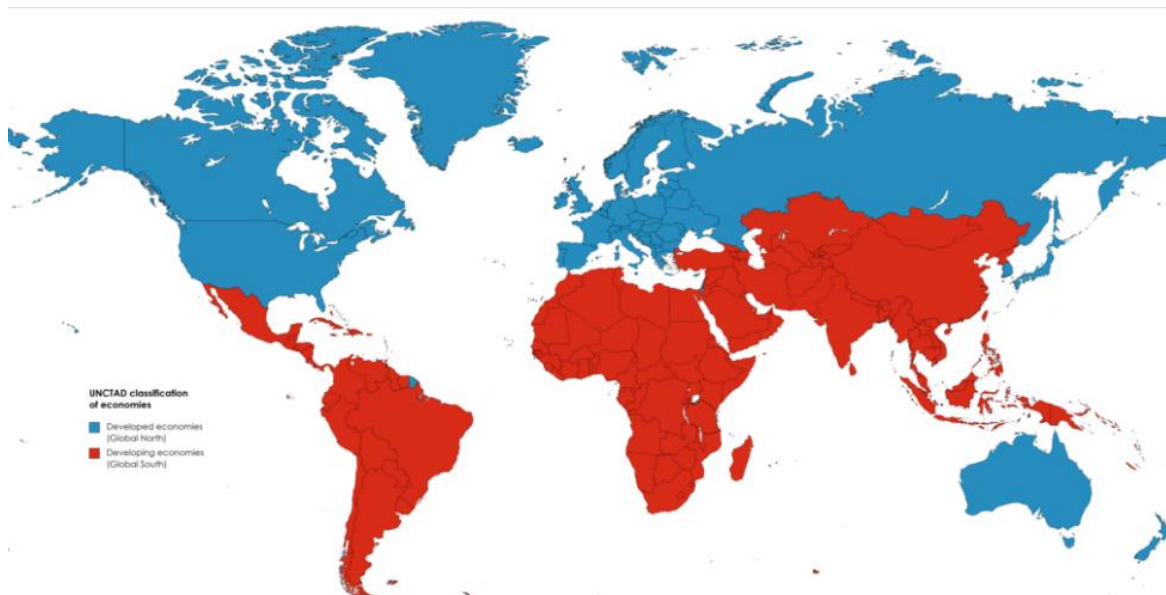


Figure 7.1: Map showing Global North (blue) and Global South (Red)

7.1.3 Public Sector Constraints

Public sectors inherently face major human and technical capacity constraints throughout the project cycle, from project origination to implementation. The complexity of the climate finance landscape and the lack of harmonization among the requirements of multilateral climate funds and donors further exacerbate this challenge.

7.1.4 The absence of tailored interventions

The current climate and development finance systems fail to accommodate GSC's unique needs, realities, and vulnerabilities, resulting in fewer funding opportunities for most of the GSCs. Data limitations for adaptation projects, high transaction costs, and small project sizes make it difficult for GSC to attract investments and compete for access to climate resilient financing.

7.2 Recommendations from the Focus Group Discussions

The Focused Group Discussions suggested three evidence-based recommendations that build on existing mechanisms and provides clear next steps for relevant stakeholders:

7.2.1 Dedicated Financing Mechanisms for Global South Countries

Establish a dedicated envelope for GSCs within the Enhanced Direct Access (EDA) pilot under the Green Climate Fund (GCF). This recommendation recognizes the need for a dedicated financing mechanism for GSCs and presents a solution that not only builds on an established mechanism but will also facilitate access through by building robust regional and country systems and strengthen institutional capacity.

7.2.2 Establishing a Global Data Hub for Global South Countries

Scope the potential establishment of a Global Data Hub for GSCs that will increase data accessibility and serve as a reporting 'watch dog' for GSCs. This hub would support building the climate rationale through collection, consolidation, and management of finance and

climate data for GSCs. The activities, reports and knowledge products developed by the Hub would feed into key decision-making processes, debates, and negotiations relevant to the effective provision of financial resources to GSCs.

7.2.3 Focusing on building long term capacity

Encourage donors and implementation entities to shift away from project-based approaches and invest in programmatic approaches that build long-term capacity. Donors and multilateral agencies should continue to develop, formalize, and invest in programmatic approaches, and for GSCs specifically, focus on enabling government ownership and capacity to lead and coordinate sustainable and long-term programs.

8 Focus Group Analysis of Alternative Financing Instruments and Mechanisms for the Global South

The global climate finance system is intricate and constantly changing. Funds flow through different channels both within the UNFCCC financial mechanism and outside it. The Focus Group discussion focused on how the Global South can improve its access to the existing financing instruments and mechanisms. The discussions also

8.1 Definitions of Financing Instruments and Mechanisms

For the purposes of the discussion the financial instruments discussed were the concessional debts and multilateral and bilateral grants. The financial mechanisms of interest were the National Climate Fund and Carbon Markets. The following definitions were validated for these instruments and mechanisms

8.1.1 Concessional Debts –

Loans that are provided below-market interest rates or at zero interest and can include concessions such as grace periods, extended tenures, grace periods in which the loan recipient is not required to make debt payments for several years or a combination of low interest rates/grace periods

8.1.2 Multilateral and Bilateral Grants –

Grant aid is a form of financial assistance without repayment obligations. Bilateral grants are provided from one country's government to another country. Multilateral aid is provided by many governments

8.1.3 National Climate Funds

A national climate fund is a financial mechanism that allows countries to collect, blend, and manage all the incoming revenue streams, both international and national, related to climate change into one, centralized fund.

8.1.4 Carbon Markets

use a market mechanism to reduce global greenhouse gas (GHG) emissions by putting a price on those emissions. Once they have been created, national and sub-national governments had an oversight and have a smaller level of involvement in these mechanisms as they should function as a private market. This has become a very controversial method of climate finance where the climate change victims (global south) are made to surrender their forestry endowment as big emitters continue to emit.

8.2 Key findings from discussion on finance instruments of mechanisms

8.2.1 *The need for alignment to country specific context and challenges*

Focused Group Discussions and Key informants revealed that even though these instruments and mechanisms work better for climate financing, they should be aligned to a country's context and challenges. It was noted that It is important to highlight that countries that have created and successfully capitalized climate finance instruments have done so with a robust national policy plan for climate change

8.2.2 *The need to focus on Debt Relief and Cancellation*

Most of the funding that comes to the Global South is in the form of market rate debt as high interest loans. OECD figures show that in 2021, US\$49.6 billion (68%) of public climate finance from countries in the Global North was loaned. Grants amounted to US\$20.2 billion (28%) in value. Most of the highly indebted countries are in the global south. Debt distress is already a major issue in the Global South with 59 of the 78 countries facing high debt levels. In response to this, the UN General Assembly proposed that there should be more focus on debt relief and debt cancellation to managed the debt crisis hence favorable mechanisms and instruments must be provided to these countries.

It was also highlighted that a focus on different instruments for climate financing such as blended finance strategies, grants, concessional loans, philanthropic capital support and credit-enhancement tools can catalyze climate action in the Global South.

8.2.3 *The need for alternative financial instruments*

The FDGs also recommended other alternative financial instruments such as high leverage rations, guarantees and currency hedging.

8.2.4 *The need to promote domestic investment*

A significant portion of the financing needed for climate action also comes from domestic savings and efficient fiscal incentives. Global South countries will need to focus on policy frameworks and financial incentives that promote domestic investment towards climate goals. Strategies such as expanding the tax base and aligning taxation to climate objectives and eliminating fossil fuel subsidies can encourage investment in green technologies.

Box 4: Kenya's Carbon Credit Success – Greenwashing or Real Impact?

The Focus Group examined the case of the carbon credit success story from Kenya with a view to establish if behind the controversy that has been associated with carbon offsetting.

Background

AT COP27, Kenya's President, William Ruto Kenya announced that carbon credits would become one of Kenya's premier exports, highlighting the need for simple transparent systems that benefit the local communities. According to Kenya Private Sector Alliance, by 2024, Kenya had issued more carbon credits than any other African country, accounting for 20% of Africa's total carbon credits

Policy Framework

The Focus Group agreed that an important key to Kenya's carbon credits success story is a robust policy framework which is helping the country to leverage carbon trading to promote sustainable development and reduce greenhouse gas emissions. Kenya's approach to carbon credits is largely shaped by the Climate Change Act of 2016, which provides a comprehensive legal framework for climate action. This act established the National Climate Change Council, tasked with overseeing the implementation of climate policies and the coordination of carbon trading activities. The council provides guidance and policy direction to the national and county governments in Kenya. An amendment to the Climate Change Act came into force on 15 September 2023 and included the following considerations:

- A requirement to obtain an environmental impact assessment for all carbon credit projects
- A requirement to enter into community development agreements for all land based projects
- A requirement for players to register with the National Carbon registry

Kenya's comprehensive policy framework to accelerate climate action is also supported by several other strategic plans such as:

The Kenya Vision 2030 development plan; Kenya's National Climate Change Action Plan (NCCAP) 2023-2027 and The Long Term Low Emission Development Strategy (LT-LEDS) 2022-2050

The group found that Kenya has one of the most robust policy frameworks in place to support its climate change goals. These have come in the last 5 years but show a commitment towards the necessary reforms.

A grassroots impact

The group also considered how Kenya's approach has seen the communities benefit directly from international carbon trading. Smallholder farmers in Embu and Tharaka-Nithi counties are earning additional income this year by planting and growing certain trees on their farms in a carbon credit agreement. In another instance the coastal village of Mikoko-Pamoja has become the first ever blue carbon initiative in the world, selling carbon credits mangrove tree conservation activities and using the proceeds to produce clean water for the village and financing education for the children. However, this is not all positive as on the flip side the communities are no longer allowed to cut down trees which they relied on for wood fuel. Some have been displaced and currently there are serious protests by indigenous people who are fighting to reclaim their land and forests.

The case for greenwashing

It remains evident, however, that the companies purchasing the carbon credits are not obligated to take other meaningful action. Focus group discussants concluded that carbon credits shift billions of dollars around but do not reduce GHG emissions.

8.3 Recommendations for Best Practices in Climate Finance

The focused Group Discussions indicated the following as recommendations on how alternative climate finance must be set to ensure that they are just and do not increase the vulnerability of already vulnerable countries in the global south.

8.3.1 A Human rights-based approach to climate finance

A human rights-based approach to climate finance confirms that wealthy states have a moral and legal obligation to finance their fair share of loss and damage in low-income countries. It ensures that children and youth are included in policy making decision as they are the most vulnerable to climate change. Climate finance that considers human rights must be new and not take from other sources and must be adequate and consistent

8.3.2 Implementing a global climate pollution tax

A tax on the highest polluters can help combat climate change by incentivizing emission reductions and funding sustainable projects. The revenue generated can support climate adaptation efforts, particularly for vulnerable communities most affected by climate change. This tax ensures that large corporations, who contribute most to pollution, bear a fair share of the costs, promoting both environmental sustainability and social equality. By encouraging greener business practices, the tax also reduces inequalities, as it supports the transition to a more equitable and environmentally responsible economy.

8.3.3 Terminating fossil fuel subsidies

Terminating fuel subsidies can help combat climate change by reducing the consumption of fossil fuels, which are major contributors to greenhouse gas emissions. By removing subsidies, the true environmental cost of fossil fuels becomes more apparent, encouraging consumers and industries to switch to cleaner energy alternatives. This shift can drive investments in renewable energy, improve energy efficiency, and promote sustainable practices.

8.3.4 Strengthening accountability and oversight

Transparent reporting systems should be established to track how funds are allocated and spent, while involving local stakeholders in decision-making to ensure projects align with their needs. Independent auditing bodies can ensure proper fund usage, and capacity building for local institutions will empower them to manage and oversee funds effectively. Clear accountability mechanisms, including regular reviews, and climate finance conditionality—attaching requirements to ensure social, environmental, and equity standards—are also essential. These strategies will enhance transparency, equity, and efficiency in supporting the Global South's climate action efforts.

9 Conclusions – A Pathway to Alternative Finance for the Global South

The current state of climate finance remains inadequate to meet the growing needs of the Global South, with significant barriers to accessing funds, complex financial architectures, and an over-reliance on loans rather than grants. The Global South's voices remain underrepresented in global negotiations, and the solutions put forward often do not align with the unique challenges faced by these countries.

The findings underscore the urgent need for equitable and accessible climate finance. A dedicated financing mechanism within the Green Climate Fund for Global South Countries is essential to ensure that funds are tailored to their specific needs. This mechanism would strengthen regional and institutional capacities, ensuring that financial resources are effectively utilized in the countries that are most vulnerable to climate change. Additionally, the establishment of a Global Data Hub for GSCs would improve decision-making and transparency by consolidating climate data, enhancing accountability, and ensuring that funds are directed to where they are most needed.

Donors should also focus on long-term capacity building rather than short-term projects, helping GSCs develop the institutional strength necessary to manage climate resilience efforts independently.

Financing mechanisms must be aligned with the specific challenges faced by the Global South, ensuring that resources are adapted to national policies and local realities. Debt relief and cancellation should be prioritized, particularly for highly indebted GSCs, to free up resources for climate action. Blended finance models can also alleviate debt burdens while supporting climate resilience. In addition, policies that encourage domestic investment, such as tax incentives and the removal of fossil fuel subsidies, are vital to help GSCs mobilize local resources for climate action. A human rights-based approach to climate finance is essential to address inequalities and ensure that vulnerable groups are included in decision-making processes.

The removal of fossil fuel subsidies, can reduce emissions and generate funds for climate adaptation in the Global South. These measures would support the transition to cleaner energy and help ensure that the financial system works equitably for all countries, particularly those most impacted by climate change.