

SUMMARY VERSION



November 2024

Acknowledgement

The extend of climate finance inequality and inequity at a global level has resulted in different ways to which nations have carried out their climate actions. The need to highlight this global financial curse on climate change has prompted the Misereor supported research carried out by the Financing Alternative Working Group. Many thanks go to Asian Farmers Association in Philippines, FOCUS in Thailand and Reyna Trust. This Research was made possible by several key informants and those who participated in both the Focused Group Discussions and Research Validation workshops. The inter-Working Group relations in this research was very important in knowledge sharing. As Reyna Trust great acknowledgement goes to our Research Lead and Advocacy Officer, Ms Tendai Matani and the support gave out by the rest of the secretariat lead by Mr Sydney Chisi. It is our great hope that through this document many vulnerable communities and countries will push for climate justice and ensure that there is just climate finance and governance both at national and global stage. This research must therefore inform possible global climate finance reform and enhance citizen agency.

Dedication:

To all Climate activists who every day toil for a just climate world.

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. This report relied on a detailed literature review, focus group discussions and engagements with climate finance informants. Findings from the study have shown that the Paris Agreement has not brought the expected flow of finance towards the Global South. The carbon footprint associated with international climate negotiations presents a contradiction in the global effort to mitigate climate change considering the emissions generated by these events which undermine the very goals they are striving to achieve. The study has also noted that despite significant financial pledges by developed countries such as the \$800 million Loss and Damage Fund, these funds are not matched with the scale of the crisis and fall short of the requirements of the Global South thereby limiting its capacity to cope with the climate change induced crisis. An analysis of the global climate finance flows has shown that 25% goes to the Global South. Most of the climate finance in 2021 estimated at 68% were loans from the Global North to Global South with only 32% being grants. The Global South, already overburdened by the climate crisis and debt as well as the increasing demand for social services from their ever-increasing population are facing constrained economic growth making it difficult to rely on loan-based climate finance. Developed countries having been the largest polluters are not contributing their fair share to the climate finance matrix based on the Polluter Must Pay Principle. The EU, Japan, Germany, and France have been the major contributors to the climate finance flows and calls for the USA and UK to contribute their 'fair share. Increases in mitigation funding and inadequate adaptation financing have been noted. Notable increases in multilateral climate funds aimed to support vulnerable countries in line with the Paris Agreement have also been observed though fierce competition based on the quality of adaptation proposals. Many vulnerable nations struggle to attract and manage climate finance due to weak institutions and limited resources. The narrow distinction between adaptation and development aid makes it difficult to track adaptation finance complicating accounting and fuelling debates over climate project classifications. There is low philanthropic funding with less than 2% of the \$6 billion allocated in 2022 directed toward climate change despite the critical role that Philanthropies play in fostering climate action. Philanthropies In the Global South are increasingly collaborating to prioritize climate justice and resilience. 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. Worryingly 88% of the funds remain concentrated in the Global North, with the remaining 12% reaching regions like Africa, India, and Latin America. Major corporate being emitters responsible for a significant portion of global emissions can play a critical role in driving meaningful climate action through collaboration with NGOs, improvement in sustainability reporting, establishment of industry standards, and investment in sustainable supply chains, setting clear climate targets and advocating for stronger climate action related policies. The key recommendations from the study are;

- Capacity building of public sectors in Global South companies and development of tailored financial mechanisms that addresses difficulties in accessing funds.
- Need for reduced transaction costs, address data limitations, and small project sizes to make it easier for the Global South to compete with the Global North for climate finance.

- There is need for Philanthropies to clarify donations towards climate action are not a greenwashing mechanism acting as aid to vulnerable communities and nations.
- Need for the 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.
- Urgent debt relief is needed, alongside a multilateral debt solution together with the use of alternative financial instruments like concessional loans and grants
- Promotion of domestic investment through better policy frameworks.
- Adopting of a human rights-based approach to climate finance, implementing a global climate pollution tax, and ending fossil fuel subsidies.
- Establishment 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.
- Building of a stronger South to South and South to North civil society climate justice movement that calls for equitable and just climate finance framework
- Amplify the voices of the vulnerable and sustainable climate finance instruments agreed at UNFCCC platforms.
- Stronger transparency and accountability in managing climate funds were emphasized to ensure effective use of available 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, especially in the Global South rooted in alternative economic models that promote both mitigation and adaptation struggle to access this funding. This is despite the Global South facing greater impacts from climate change with fewer resources to manage its effects. Climate change is a global crisis though its impacts are unevenly distributed due to uneven flow of climate finance. The report unpacks the skewed distribution of climate finance with the Global South having been largely excluded from both the generation and distribution of climate finance resources.

This report seeks to deepen understanding of how alternative climate financing can enhance resilience to the global climate crisis by promoting non-exploitative, alternative economic practices. The report explores alternative financing models to create more equitable financial systems, ensuring fair access to climate-related funding and addressing disparities in climate finance. The report is based on extensive literature reviews, focus group discussions, and expert interviews.

1.1 An Overview of Climate Finance

Climate finance generally refers to the financing of activities aimed at mitigating or adapting to the impacts of climate change. Figure 1.1 provides the climate and development finance landscape.

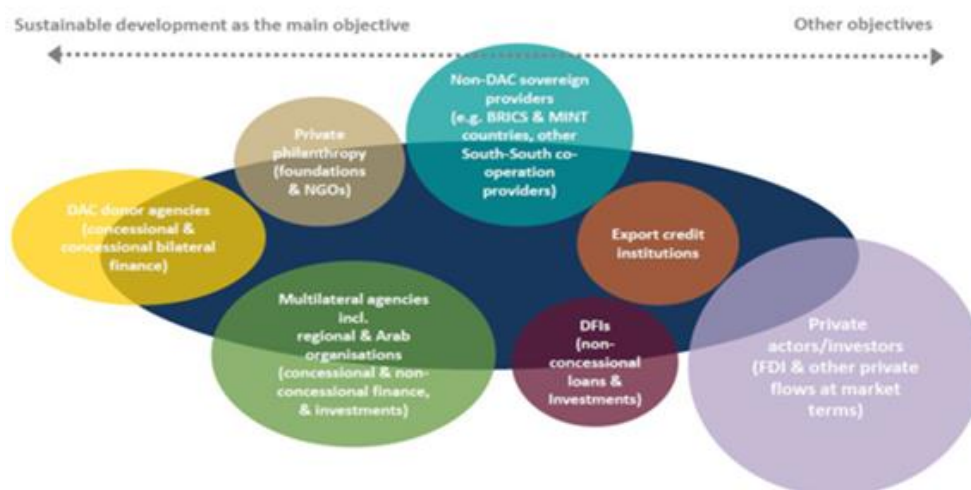


Figure 1.1: Climate and Development Finance Landscape (OECD, 2015)

Almost all these flows are encapsulated in bilateral and multi-lateral climate and non-climate financing mechanisms. The main multilateral non-climate finance sources are Multilateral Development Banks (MDBs). Multilateral climate funds are increasing in importance and

beginning to rival bilateral climate finance flows¹. They support poor and highly vulnerable countries following the principle of common but differentiated responsibility within the UNFCCC and the 2015 Paris Agreement as provided under Article 9, Paragraph 4. Countries therefore compete for multilateral funding with the assumption that countries most in need and with the best concept for adaptation will be funded. The assessment criteria for these funds are constantly being reviewed to consider effectiveness, efficiency, justice, and sustainability². There are five major multilateral climate funds associated with the institutional framework of the United Nations Framework Convention for Climate Change (UNFCCC) namely the Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF), Adaptation Fund (AF), Global Environmental Facility (GEF), and Green Climate Fund (GCF). The global climate financing architecture is shown in Figure 1.2 with the key multilateral funds circled in red. The UNFCCC also includes the Climate Investment Funds (CIFs) comprising of the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF)³.

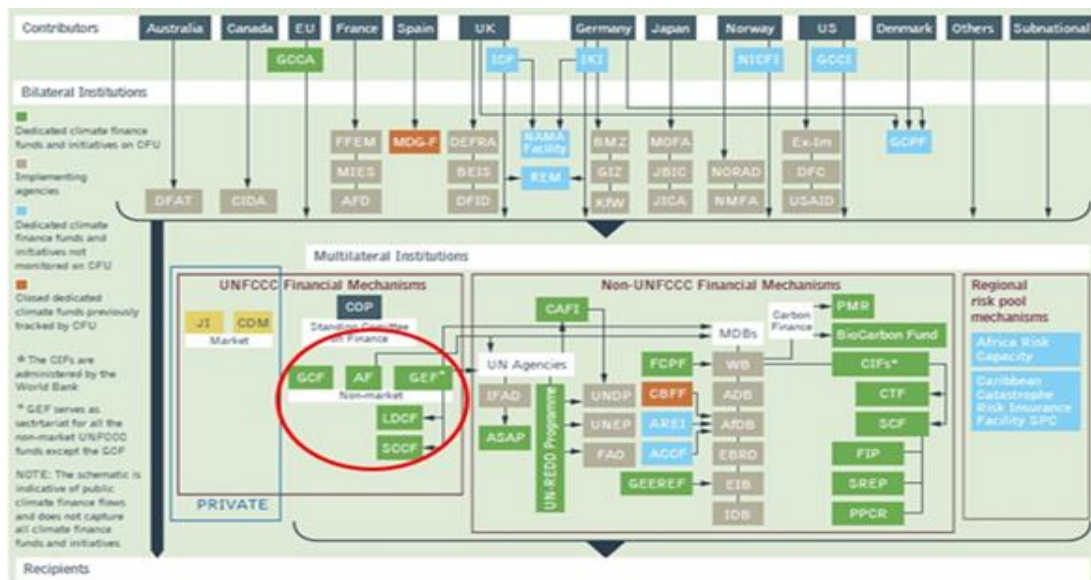


Figure 1.2 The global climate financing architecture

1.1.1 The challenges of competitive fund-based mechanisms

Despite their clear benefits, competitive fund-based mechanisms have their associated challenges with regards to proposal writing, project management, and implementation. Most of the most vulnerable countries are least equipped to attract and manage climate finance due to poor governance, weak institutions, and limited financial and human resources.

¹ Doshi and Garschagen, 2020, *Understanding Adaptation Finance Allocation: Which Factors Enable or Constrain Vulnerable Countries to Access Funding Available* [Online] at [\[10\]](#)
² Amerasinghe et al, 2017, *Future of Funds: Exploring the Architecture of Multilateral Climate Finance*, Available [Online] at [\[11\]](#)
³ Doshi and Garschagen, 2020 *Understanding Adaptation Finance Allocation: Which Factors Enable or Constrain Vulnerable Countries to Access Funding Available* [Online] at [\[5\]](#)

1.1.2 *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 injustice⁴

1.2 Climate Finance Needs for the Developing World

Climate finance is needed for mitigation and adaptation to reduce the impact of a changing climate. Despite concerns on the reliability of the estimates⁵, annual climate finance requirements for adaptation in the developing world over the next few decades have been estimated at over \$100 billion⁶. The United Nations Environment Program (UNEP) projections range between \$140-\$300 billion per year in 2030 with the potential to reach between \$280-\$500 billion by 2050. This shows that significant climate financing is required for both adaptation and mitigation. Cumulatively, the Nationally Determined Contributions (NDCs) of 51 African countries, requires 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

1.3 Global climate Finance Flows

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 1.3 shows the global climate finance from 2011 to 2022 and Figure 1.4 shows how this financing needs to increase significantly to meet climate needs through to 2050.

⁴ Michaelowa and Michaelowa, 2017, *Transnational Climate Governance Initiatives: Designed for Effective Climate Change Mitigation*, Available [Online] at [\[14\]](#)

⁵ Frankhauser 2010, *The Costs of Adaptation*, Available [Online] at [\[2\]](#)

⁶ The World Bank, *The Costs to Developing Countries of Adapting to Climate Change*, 2010, Available [Online] at [\[1\]](#)

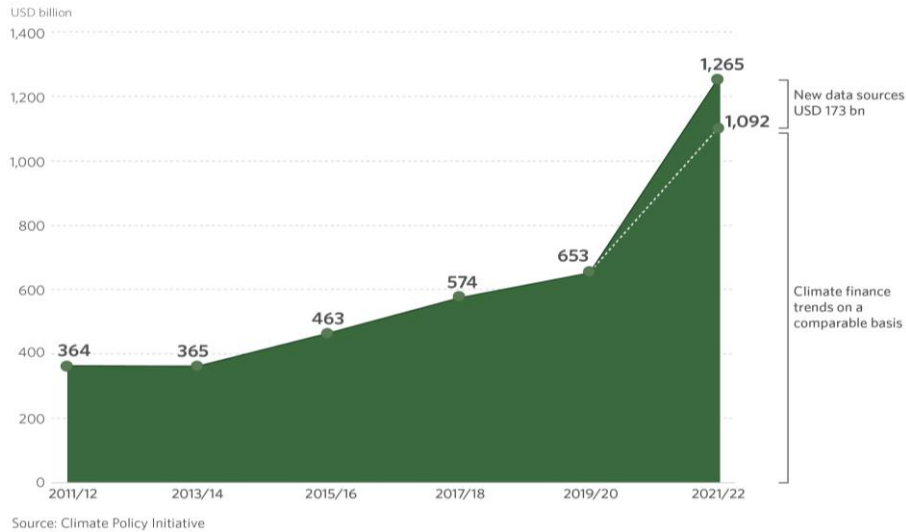


Figure 1.3: Global Climate Finance in 2011- 2022 (Biennial averages)

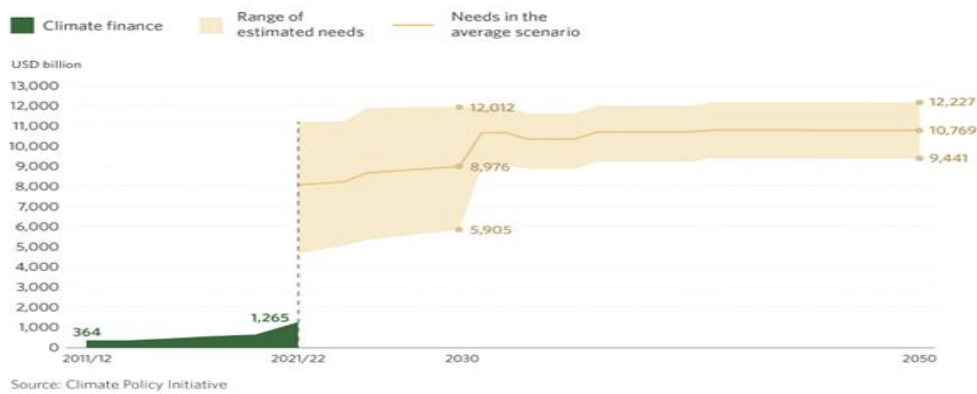


Figure 1.4: Global tracked climate finance and average estimated annual needs to 2050

1.4 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. The Climate Policy Initiative indicated that currently, only around 25% of global climate finance, both private and public, flows to the Global South.

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

A core tenet of international climate policy, since the establishment of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, has been the need for the developed world, which is largely responsible for greenhouse gas emissions, to assist the sustainable development of the developing world through the promotion of mitigation and adaptation actions. Such assistance includes the provision of climate finance. The

International Panel on Climate Change (IPCC)’s Sixth Assessment Report⁷ noted that the Global South is expected to be most severely impacted due to inadequate climate finance mechanisms, widespread poverty, and limited adaptive capacity. Global financial architecture makes it difficult for countries in the global South to access the inadequate climate finance. Inadequate climate finance has led to weak economic and social responses to loss and damage in sectors which urgently need climate finance such as agriculture, water, health, disaster-risk reduction, infrastructure, transport, ecosystems, and settlements. 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. to avoid exacerbating vulnerability.

2 Contributors to Global Climate Finance

2.1 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.⁸ 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. Figure 2.1 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. The EU and its 27 member states are the biggest providers of climate finance in the world. In 2022, they mobilized \$31 Billion from public sources and an additional \$13 billion of private finance to support developing countries in the fight against climate change.

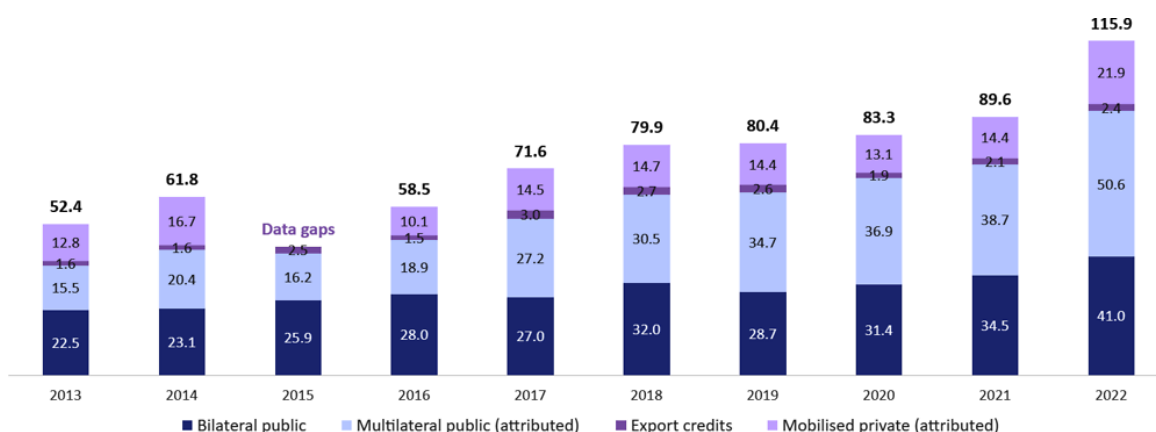


Figure 2.1: Climate Finance mobilized to developing countries from 2013 – 2022

⁷ IPCC, 2022, *Climate Change 2022: Impacts, Adaptation and Vulnerability*, Available [Online] at [\[4\]](#)

⁸ ODI Global, 2023, *A fair Share of Climate Finance*, Available [Online] at [\[19\]](#)

2.2 Public and private climate finance

Tables 2.1 and 2.2 provide the public and private climate financing for 2023 respectively.

Table 2.1: Overview of public climate financing for 2023

Type of Institute	Description of Financing	Amount Financed
National Development Finance Institutes	Most were for low-cost project debt	238 billion (37%)
State-owned Financial Institutions and State-owned 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

Table 2.2: 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 focus 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

Figure 2.2 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

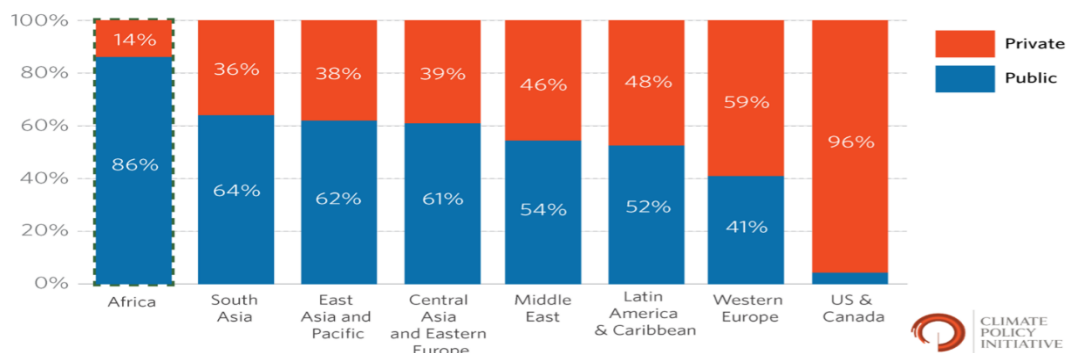


Figure 2.2: Distribution of private and public climate finance to regions

Figure 2.3 shows the even distribution of the 2021 and 2022 global climate finance flows between public and private sectors. Both sectors focused on energy, transport, and buildings and infrastructure. However, public finance also addressed relatively underserved areas like agriculture, forestry, water and wastewater, and industry.

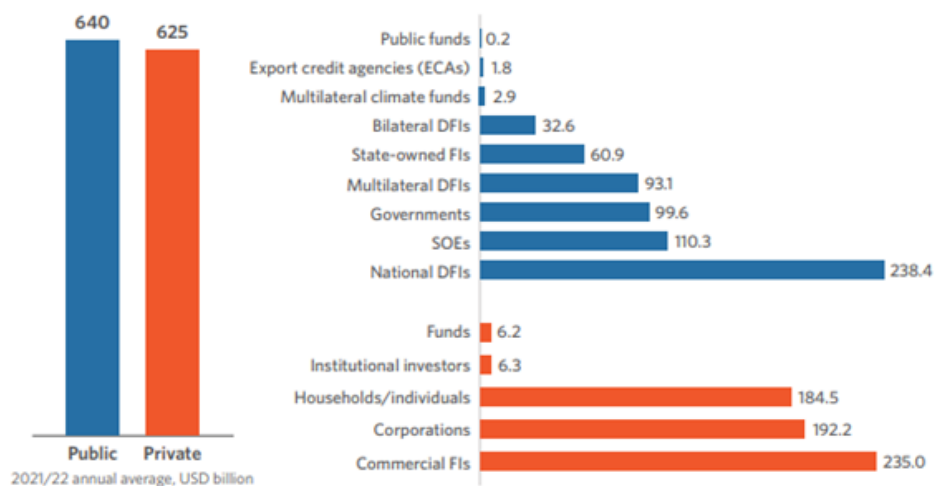


Figure 2.3: 2021 and 2022 Sources of Climate finance and sectors financed

2.3 Climate finance from the World Bank

The World Bank is the biggest provider of multilateral climate finance. The World Bank provided \$38.6 billion in climate finance in fiscal year 2023⁹, marking a 22 per cent increase from fiscal year 2022. Figure 2.4 shows how the World has financed climate change from 2015 until 2023.

⁹ The World Bank, 2023, *Climate Finance Update*, Available[Online] at [20]

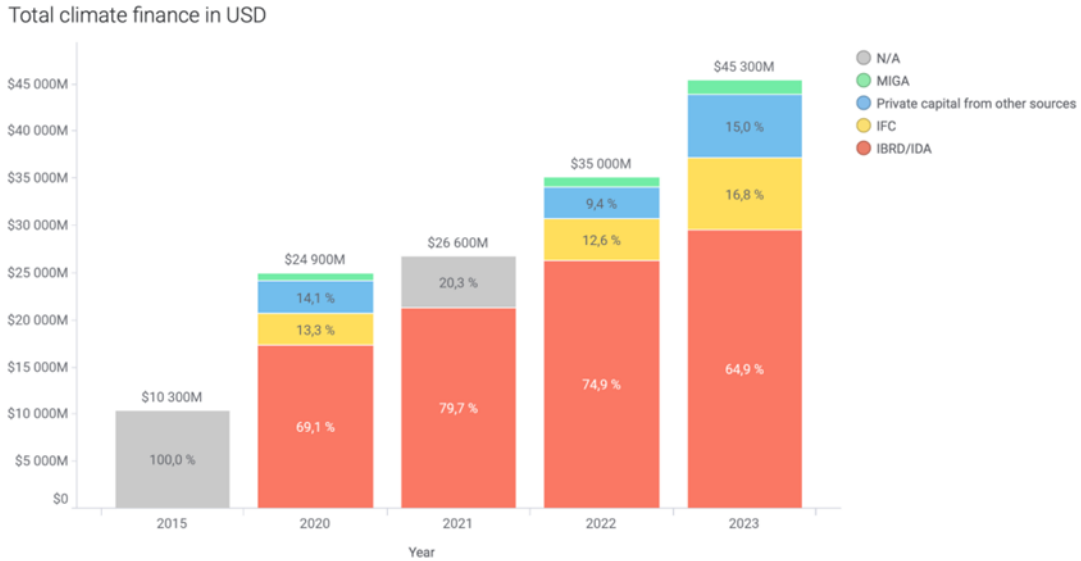


Figure 2.4: Overview of Climate Finance from the World Bank 2015 - 2023¹⁰

2.4 Actions being Financed

Mitigation projects in the energy and transport sectors accounted for two-thirds of total climate finance flows during 2021/2022. Finance to adaptation actions grew by 29% to USD 63 billion from USD 49 billion in 2019/2020, though its share of overall climate finance nearly halved during the same period. Figure 2.5 and Figure 2.6 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.

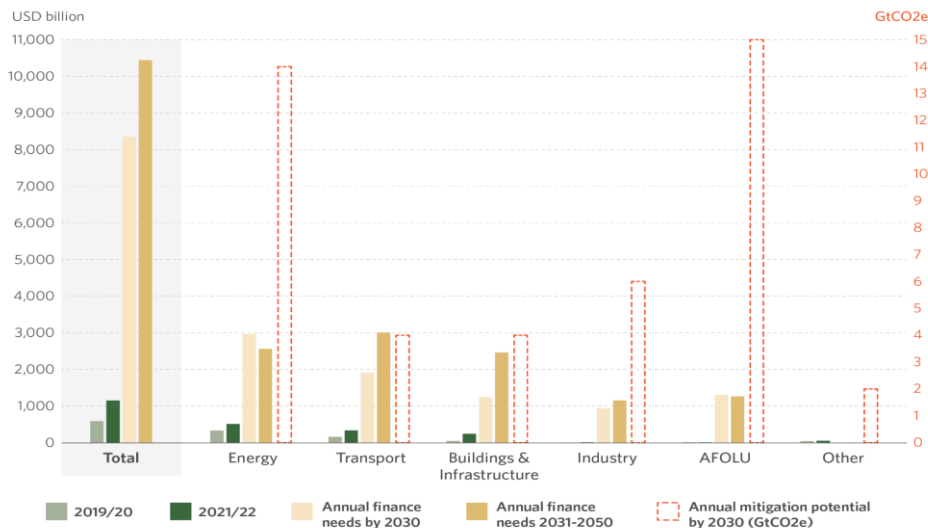


Figure 2.5: Mitigation climate finance uses and projected needs by 2030

Mitigation Finance Overview

Energy

Investment in Solar; Wind, Hydro and Bioenergy projects

¹⁰ Bretton Woods, 2024, *The World Bank and Climate Finance Success Story or a New Era of Green Structural Defilment*, Available [Online] at [\[21\]](#).

Transport
Infrastructure

Low Carbon Transport - Private Road Transport (EV); Public
Supporting electricity transmission & distribution

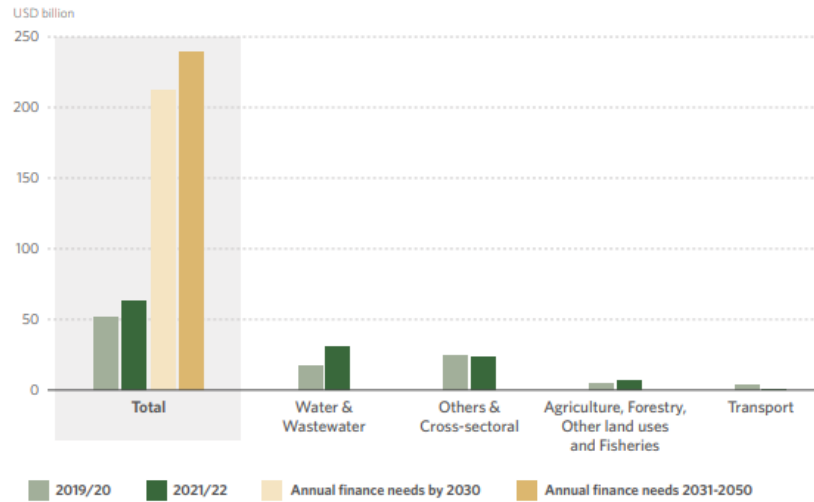


Figure 2.6: Adaptation climate finance use and projected needs by 2030

Adaptation Finance Overview

Water and Wastewater Supply and sanitation, Wastewater treatment

Other, Cross Cutting

Capacity Building, Policy, Disaster Risk Management

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3 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. The following list top philanthropic contributors to Climate Finance are shown below:

- Ballmer Group
- Benificus Foundation
- Bezos Earth Fund
- Bloomberg Philanthropies
- Breakthrough Energy
- Climate Works Foundation
- Bill & Melinda Gates Foundation
- The William and Flora Hewlett Foundation
- The Kresge Foundation

- 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

3.1 Actions being financed by climate philanthropy

The Climate Works Global Intelligence report estimates that the total philanthropic contribution for 2022 ranged between \$7.8 and \$12.8 billion with \$2.7 billion from foundations and \$4.2 - \$9 billion from individuals. Most Philanthropic climate finance has been directed to mitigation actions with a growing interest in advancing climate adaptation and resilience. Figure 3.1 shows how the \$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.

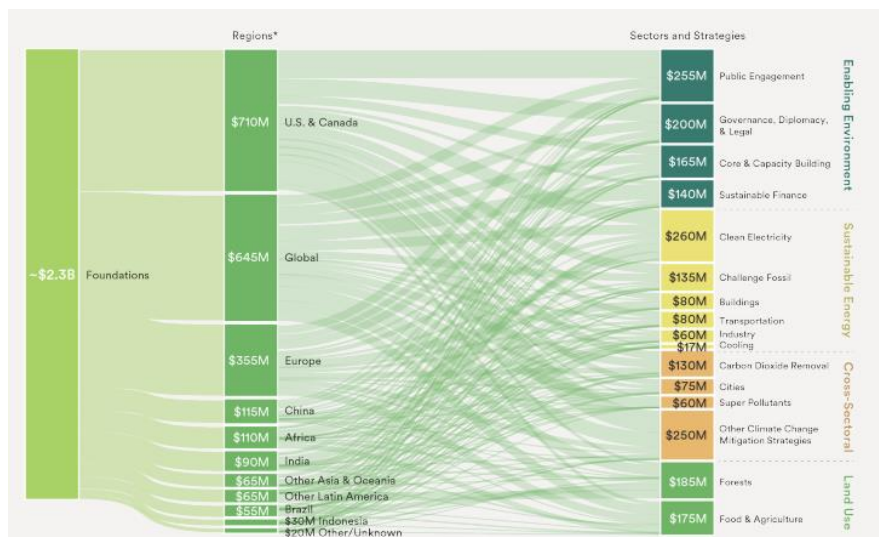


Figure 3.1: Philanthropic funding by region and sector for 2022

3.2 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. 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 comprising of over 130 of the world's top philanthropic foundations. 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 Latin American countries.

4 Global Corporates and Climate Finance

Corporates significantly contribute to the emission of greenhouse gases. The Carbonmajors.org indicated that 80% of carbon dioxide emissions between 2016 and 2022 are traced to just 57 cement and fossil fuel companies.¹¹ Their emissions contribute to climate change that impacts marginalized communities who bear the consequences of corporate climate irresponsibility. Corporates are therefore encouraged 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. The Carbonmajors.org named the following amongst the top corporate emitters.

- 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

4.1 Opportunities for Corporates to make significant Climate Finance

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
- Disclosure and reporting on sustainability and climate action -
- Establishment and promotion industry-specific standards for sustainable practices, such as energy efficiency certifications, low-carbon product standards, and climate-resilient construction guidelines.
- Sustainable Supply Chains
- Set Climate Targets and Report Progress

¹¹ Carbonmajors.org, 2024. *March Press Release*, Available [Online] at [\[24\]](#)

- Invest in Education and Capacity Building
- Advocate for Strong Climate Policies

5 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. Table 5.1 provides a detailed overview of global climate conversations.

Table 5.1 : 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

Concerns have been raised regarding the required frequent travel which further contributes to the emission of GHGs. Further the travel and accommodation as well as other expenses related to these conversations require large amounts of financial resources which could be channeled towards climate finance. As people gather and travel in search of 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. If 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.

5.1 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 29: Climate Finance, Just Transition, Loss and Damage and Agroecology
- 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 ¹²

- G20 Countries account for 85% of the world's economy and 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 2024.¹³ 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.

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

Focus group discussion were carried out to determine the different opinions on climate finance and inform ideas around alternative climate financing as well as finance instruments or mechanisms.

6.1 Findings from the FDG on Climate Finance in the Global South

- Limited Access to climate finance by Global South Countries (GSC)
- Exceedingly complex development finance architecture, which is unequipped to operate efficiently, fairly, and at the speed and scale needed to meet GSC's needs
- Global North Countries continue to renege on their pledge to ensure money from Global North to the Global South.
- The need for GSC to urgently access external financial support and capacity to build resilience between the social, economic, and natural systems on which they depend.
- Skepticism on the preferred loan regime by most of the IFIs.
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¹² Council of the European Union, 2024, *G7 Leader's Communiqué*, Available [Online] at [\[25\]](#)

¹³ UNEP, 2024, *Resolution adopted by the United Nations Environment Assembly on 1 March 2024*, Available [Online] at [\[26\]](#)

- Major public sector constraints with regards to human and technical capacity from project origination to implementation.
- The absence of tailored interventions that 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.
- Dedicated Financing Mechanisms for Global South Countries through the establishment of a dedicated envelope for GSCs within the Enhanced Direct Access (EDA) pilot under the Green Climate Fund (GCF).
- Establishing a Global Data Hub for Global South Countries that will increase data accessibility and serve as a reporting 'watch dog' for GSCs.
- Focusing on building long term capacity through the transitioning away from project-based approaches and investing in programmatic approaches that build long-term capacity.

6.2 Key findings from discussion on finance instruments or mechanisms

- The need for alignment to country specific context and challenges
- The need to focus on Debt Relief and Cancellation
- The need for alternative climate finance instruments
- The need to promote domestic investment

6.3 Recommendations for Best Practices in Climate Finance

- A Human rights-based approach to climate finance that confirms the moral and legal obligation of wealthy nations to finance their fair share of loss and damage in low-income countries as well as ensuring that children and youth are included in policy and decision making as they are the most vulnerable to climate change.
- Implementing a global climate pollution tax that can help combat climate change by incentivizing emission reductions and funding sustainable projects with the revenue generated possibly used to support climate adaptation efforts, particularly for vulnerable communities most affected by climate change.
- Terminating fossil fuel subsidies that helps combat climate change by reducing the consumption of fossil fuels, which are major contributors to greenhouse gas emissions.
- Strengthening accountability and oversight through the establishment of transparent reporting systems to track how funds are allocated and spent, while involving local stakeholders in decision-making to ensure projects align with their needs.

7 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. 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. This study 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, however this has not been the case. 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.