



CLIMATE FINANCE 101



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UNDERSTANDING THE BASICS

There is no agreed definition of Climate Finance, it differs according to context it is being applied according to IPCC Fifth Assessment Report Glossary. There are however two ways to interpret Climate Finance;

- Mobilization of financial resources devoted to addressing climate change.
Thus, it is a fund that seeks to finance and support mitigation and adaptations that address Climate Change from Public, Private and alternative forms of funding.
- Financial flows to developing countries to assist them in addressing Climate Change

Green Finance is the financial investment flow (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development projects and initiatives, and policies that encourage the development of a more sustainable economy.

BACKGROUND

The contribution of countries to climate change, and their capacity to prevent and cope with its consequences, varies enormously. The United Nations Framework Convention on Climate Change (UNFCCC) therefore foresees financial assistance from Parties with more resources to those less endowed and more vulnerable. It's stated in the convention, that Developed country Parties (Annex II Parties) shall provide financial resources to assist developing country Parties in implementing the Convention. To facilitate this, the Convention established a Financial Mechanism to provide funds to developing country Parties.

- The Kyoto Protocol is an international agreement, signed by more than 150

countries in Kyoto (Japan) in 1997. The protocol mainly repeated the commitments made in the UNFCCC regarding the need for enhanced adaptation programming and financing.

- Article 9 of the Paris Agreement stipulates that developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention. Other Parties are encouraged to provide or continue to provide such support voluntarily. Furthermore, as part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts.

CLIMATE FINANCE AND IT'S FUNDING MECHANISMS.

The UNFCCC established a Financial Mechanism to provide funds to developing country Parties.

- The Global Environment Facility (GEF) has served as an operating entity of the financial mechanism since the Convention's entry into force in 1994. At COP 16, in 2010, Parties established the Green Climate Fund (GCF) and in 2011 also designated it as an operating entity of the financial mechanism. The

financial mechanism is accountable to the COP, which decides on its policies, program priorities and eligibility criteria for funding.

- In addition to providing guidance to the GEF and the GCF, Parties have established two special funds—the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF), both managed by the GEF—and the Adaptation Fund (AF) established under the Kyoto Protocol in 2001.
- Some major sources of climate finance are: Private, Public, Global Capital Markets (Institutional Investors, Net worth Individuals, Lending Individuals), Multilateral.

It brings together 184 member governments in addition to civil society, international organization, and private sector partners. Through its Small Grants Programme, the GEF has provided support to more than 25,000 civil society and community initiatives in 135 countries.

PROFILE OF THE GEF SUPPORT TO GHANA

Total Funding Received

Trust Fund	-	GEF
Project Type	-	National
Number of Projects	-	33
Total Financing	-	\$113,681,860
Total Co-Financing	-	\$744,331,786

GLOBAL ENVIRONMENT FACILITY.

The Global Environment Facility (GEF) was established 30 years ago on the eve of the Rio Earth Summit to tackle our planet's most pressing environmental problems. Since then, it has provided more than \$21.5 billion in grants and mobilized an additional \$117 billion in co-financing for more than 5,000 projects and programs. The GEF is the largest multilateral trust fund focused on enabling developing countries to invest in nature, and supports the implementation of major international environmental conventions including on biodiversity, climate change, chemicals, and desertification.

GREEN CLIMATE FUND

GCF is a unique global platform to respond to climate change by investing in low-emission and climate-resilient development. GCF was established by 194 governments to limit or reduce greenhouse gas (GHG) emissions in developing countries, and to help vulnerable societies adapt to the unavoidable impacts of climate change. Given the urgency and seriousness of this challenge, GCF is mandated to make an ambitious contribution to the united global response to climate change.

GCF PROJECT PORTFOLIO IN GHANA AS AT APRIL 2021.

ITEM	UNITS	GHANA
GCF Funding Approved	US\$Bn	0.107
Corresponding Co-Financing for Approved Projects	US\$Bn	N/A
Total Value approved (incl co-finance)	US\$Bn	N/A
Readiness & Preparatory Support Programmes Approved	US\$Mn	4.3
Total Number of Approved Projects	No.	9
Total Number Projects Awaiting Approvals		8
No. of Accredited Entities (National)	No.	1

SPECIAL CLIMATE CHANGE FUND (SCCF)

The Special Climate Change Fund (SCCF) was established under the Convention in 2001 to finance projects relating to: adaptation; technology transfer and capacity building; energy, transport, industry, agriculture, forestry and waste management; and economic diversification. This fund should complement other funding mechanisms for the implementation of the Convention.

LEAST DEVELOPED COUNTRIES FUND

The Least Developed Countries Fund (LDCF) was established in 2001 to support the LDC work programme under the UN Framework Convention on Climate Change (UNFCCC), including the preparation and implementation of National Adaptation Programmes of Action (NAPAs). It is operated by the Global Environment Facility (GEF). As of October 31, 2019, 51 countries (LDCs and former LDCs) had accessed a total of \$1.4 billion for the preparation and implementation of NAPAs, the NAP process and elements of the LDC work programme. In 2018, each LDC is eligible to access up to \$50 million cumulatively from the LDCF. Since 2018, there is also an access cap, under which each LDC can draw up to \$10 million in LDCF resources

toward the \$50 million cumulative ceiling during the GEF-7 period.

PRACTICE TOWARD GRADUATING AND GRADUATED LEAST DEVELOPED COUNTRIES (LDC'S).

a. If a country is classified as an LDC at the time of the approval of the Project Identification Form (PIF) by the LDCF/SCCF Council following technical clearance by the GEF Secretariat, the project is eligible to receive LDCF support.

b. Projects already approved by the LDCF/SCCF Council prior to a country's graduation continue to be supported with agreed LDCF resources until completion (updated December 2019).

Graduated LDCs have access, for the elaboration and implementation of their NAPs, to the Special Climate Change Fund (SCCF) and to the Green Climate Fund (GCF). The governing instrument of the GCF, approved by the COP in 2011, determines that, in the allocation of resources for adaptation, it takes into consideration the "urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States using minimum allocation floors". The fund aims for a floor of 50 per cent of adaptation funds to be allocated to these countries.

SOURCES AND FURTHER INFORMATION.

<https://www.thegef.org/about-us>

<https://www.greenclimate.fund/>

<https://unfccc.int/topics/climate-finance/resources/reports-of-the-special-climate-change-fund>

<https://www.un.org/ldcportal/least-developed-countries-fund-ldcf/>

This Paper has been developed by the Policy team of Strategic Youth Network for Development to educate young people on climate finance and its funding mechanisms.

Developed By: Patience Agyekum - Policy Team Lead

WITH THE SUPPORT OF;

Chibeze Ezekiel - Executive Coordinator - SYND.

Maxwell Beganim

Maud Ewoenam Fugar

Salomey Adjei.

Priscilla Adogo Ahiada

Sarfoh Danquah Jacob

Enoch Anyane - Graphic Designer.

Nana Mariam Yussif



STRATEGIC YOUTH NETWORK FOR DEVELOPMENT

Telephone: +233 (0) 207 849 729

Email: info@syndghana.org

Website: www.syndghana.org