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Outcome of the Roundtable “Can We Bridge the Climate Finance Gap?”

Outcomes Report
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I. Executive Summary

Average annual climate finance flows nearly doubled in 2022, and the OECD recently announced that developed countries may have reached the long-overdue US$ 100 billion climate finance goal. Despite these positive trends, significant funding gaps remain, and climate finance would need to increase by at least 5-fold annually to mitigate the rising global temperature and its impacts.[1] However, increasing financing alone would not be sufficient as climate finance remains highly inequitable. Between 2000 and 2019, less than 3% of the global total went to Least Developed Countries (LDC), while less than 2% went to the ten countries most affected by climate change.[2] Two weeks before the start of COP28, Globesight organized a roundtable on November 16 to convene key stakeholders from the global climate finance ecosystem, including Ambire Global, Climate Investment Funds (CIF), Climate Policy Initiative (CPI), Convergence-Blended Finance, Global Environment Facility (GEF), Green Climate Fund (GCF), Islamic Development Bank (IsDB), International Institute for Environment and Development (IIED), National Disaster and Risk Management Fund (Pakistan) (NDRMF), Palladium Capital Advisory, UN Capital Development Fund (UNCDF), United Nations Development Program (UNDP), United Nations Industrial Development Organization (UNIDO), World Association of Public Private Partnerships (WAPPP), and, the World Bank.

The diverse group of key global and national climate stakeholders outlined the current financing landscape and discussed innovative climate finance models and their applications in the Global South. Key insights from the roundtable underscore the potential of bridging current gaps in climate finance by strategically mobilizing private capital. This involves actively de-risking financial instruments for climate change through blended financing, scaling up initiatives that prioritize local ownership, and fostering innovative solutions that address local needs with a coordinated approach across the ecosystem.

II. Background

The Global South continues to bear the disproportionate burden of climate change, exacerbated by multiple interlinked economic, political, health, and natural crises. The United Nations Framework Convention on Climate Change (UNFCCC) estimated that at least US$ 6 trillion is needed to meet just half of developing countries' Nationally Determined Contributions (NDCs) by 2030.[3] Additionally, the finance gap for adaptation is widening, reaching between US$ 194 billion and US$ 366 billion annually.[4]

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[1] Climate Policy Institute, Global Landscape of Climate Finance 2023, 2023 (https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/)
[2] Climate Policy Institute, Global Landscape of Climate Finance 2023, 2023 (https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/)
[3] UNCTAD, A climate finance goal that works for developing countries, June 2023, (https://unctad.org/news/climate-finance-goal-works-developing-countries)
[4] UNEP, Adaptation Gap Report 2023, 2023, (https://www.unep.org/resources/adaptation-gap-report-2023?gad_source=1&gclid=CjwKCAiA3aeqBhBzEiwAxFiOBgSJhOe1B28vXGYkMjTnSVtHQJFg1c6FnAuqS-IYp_K67pXJDifxsBoCfp0QAvD_BwE)

For COP28, transforming climate finance is a key priority, with a call to deliver on old promises and set the framework for a new deal on finance. The COP28 Presidency is focused on a multisectoral approach to move private capital at scale towards climate action in developing countries. Ahead of COP, Globesight hosted a virtual roundtable to explore how private capital can be effectively mobilized to bridge the climate finance gap, especially for adaptation. Leading experts from the impact finance industry - including Multilateral Development Banks (MDBs), International Financial Institutions (IFIs), development organizations, philanthropies, think tanks, and the public sector - examined how private capital can be harnessed at scale to unlock sustainable climate finance.

III. Key Takeaways

1. **Despite the increase in total global climate finance, the Global South continues to face disproportionately large funding gaps for mitigation and adaptation.**

    a. Uneven climate financing across regions and sectors highlights the urgent need for mechanisms to reach the most vulnerable: Climate finance growth remains highly concentrated in a few regions and sectors. Developed economies mobilize the most climate finance[5], and mitigation continues to dominate flows, accounting for 90% of total global climate finance. Sectorally, energy and transport receive the majority of mitigation flows, while other carbon-intensive sectors, such as agriculture and industry[6] receive less than 4% of total mitigation and dual benefits finance. Highlighting the urgency for adequate climate finance, **Costanza Strinati**, Senior Analyst of climate Finance at CPI, noted that delaying climate action will result in high socio-economic losses globally. Speakers noted that blended finance[7] is the key to strategically accelerating climate finance flows for the most vulnerable populations. However, recent trends are worrying as blended finance for climate has decreased by 55% since 2021, reaching a ten-year low in 2022.[8] **Dr. Nnamdi Igbokwe**, Director of Knowledge and Thought Leadership at Convergence, noted that hybrid blended finance, addressing both mitigation and adaptation goals, could be a potential solution for attracting more private finance towards adaptation.[9]

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[5] China, the US, Europe, Brazil, Japan, and India received 90% of increased funds.
[6] Industry includes industrial extraction and manufacturing processes, industry infrastructure and warehouses (https://www.climatepolicyinitiative.org/wp-content/uploads/2023/11/GLCF-2023-Methodology.pdf)
[7] Blended Finance: The use of catalytic capital from public or philanthropic sources to increase private sector investment in developing countries to realize the Sustainable Development Goals (SDGs). Blended finance is a structuring approach, not an investment approach. (Convergence)
[8] State of Blended Finance 2023 - Convergence Blended Finance
[9] Convergence found that 45% of institutional investments into climate finance are in hybrid solutions, compared to 35% in mitigation and 20% in adaptation.

b. Global macroeconomic challenges have hindered the growth of blended climate finance in the Global South: Concessional flows to blended climate finance deals have stagnated since 2017, posing a significant challenge to the growing climate finance needs. Emerging markets and developing economies (EMDEs) have historically had limited access to large pools of private capital. However, the weak global growth outlook and persistent inflation have further alarmed investors as emerging economies' risk profiles continue to increase. Public resources must be deployed strategically to attract and mobilize private capital to address the perceived or potential risk of climate investments in underserved sectors and regions. This requires replicating and scaling successful and innovative de-risking initiatives to close the climate investment gap.

c. Transparent data is an important tool to ensure more equitable climate finance distribution: Data quantity, quality, and transparency can be improved by simplifying reporting standards and establishing a centralized approach to tracking climate finance data for both public and private entities. **Abhisheik Dhawan**, Sustainable Finance and Partnerships Specialist at UNCDF, highlighted that the lack of robust data and standardization complicates cost-benefit analyses of resilience interventions. Transparent data can enable equitable resource allocation by revealing funding disparities, ensuring accountability by tracking the flow of finance, and aiding in evidence-based decision-making for policymakers. Furthermore, it streamlines complex procedures and reporting criteria, making it less resource-extractive for vulnerable communities to access the support they need for climate adaptation and mitigation.

2. **Private capital has the potential to bridge the climate finance gap in the Global South. However, it will require a transformation of the international financial system and a greater focus on ecosystem coordination and partnerships.**

   a. Reforming International Financial Institutions (IFIs): Several speakers echoed that IFIs require more capital and innovations in their operating models to increase the effectiveness of their climate finance, especially to mobilize private capital. Their rules, processes, and incentives must closely align with climate needs. In this regard, **Jonathan Coony**, Global Lead for Green Competitiveness at the World Bank, highlighted the World Bank's evolution roadmap for addressing climate change, which prioritizes catalytic support to deploy private finance.[10] Similarly, **Kouassi Emmanuel Kouadio**, Climate Resilience Programs Lead, indicated that CIF is committed to helping the private sector enter

[10] World Bank Group Statement on Evolution Roadmap, 2023. (https://www.worldbank.org/en/news/statement/2023/01/13/world-bank-group-statement-on-evolution-roadmap)

emerging markets through technical advisory, testing new business models, and financial resources to reduce investment barriers. CIF allocates close to 30% of total funding to projects and programs that attract private sector investments.[11] Several speakers also emphasized expanding institutional capacity to work with concessional finance and reforming the metrics used by IFIs to allow for more innovative use of concessional finance. This includes revising eligibility requirements to ensure access for sectors and regions most in need and improving flexibility through the use of risk-sharing instruments that are based on different types of risks faced.

b. Prioritizing de-risking strategies in climate financing models: The most significant challenge in securing private investment for climate initiatives, particularly in developing contexts, is the existence of high financial risks and uncertain commercial returns. The challenge is particularly pronounced for adaptation initiatives because their returns are not necessarily quantifiable. Therefore, de-risking investments from sovereign, political, and business risks is a high priority for all major global climate finance actors. Risk-sharing instruments that help leverage private climate investment include greater use of guarantees to address credit risk; local currency lending to mitigate currency risk; technical assistance and advisory services to develop a pipeline of bankable, investment-ready projects in developing countries; and bundling diverse projects into attractive portfolios using pre-agreed underwriting criteria. The roundtable speakers highlighted some successful risk-mitigation models, including African Green Co and Landscape Resilience Fund (LRF). [12,13]

c. Better coordination leads to stronger partnerships for climate finance: The roundtable speakers unanimously called for greater coordination within the ecosystem to identify synergies and develop coherent processes for developing and deploying climate finance instruments. **Florian Kemmerich**, Managing Director of Palladium Capital Advisory, highlighted the importance of building bridges between the public and private climate finance actors. Those supplying catalytic or concessional capital often do not speak the language of financial investors, making it difficult for mainstream investors to measure on-ground risk and reward. They need guidance on mitigating private sector risk perception and

[11] AfDC-CIF Annual Report, 2017.
https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDB_CIF_2017_Annual_Report.pdf
[12] African GreenCo attracts private investment into energy generation in SSA by mitigating credit risks through grant funding to complete feasibility reports and provide proof of concept. It also leverages concessional debt from development finance institutions (DFIs) to shield private investments from exchange rate swings through local currency swap facilities and first-loss capital tranches. Concessional sources also pay for adaptation benefits that are not immediately monetizable. (Africa GreenCo Case Study Design Grant Case Study - Convergence, 2023).
[13] The LRF works across three funding pillars: strengthening an integrated landscape approach; delivering technical assistance for SMEs towards investment readiness; and providing concessional loans to SMEs.

designing investable projects. A strong focus on data accuracy and transparency can further facilitate this. **Prateek Kumar**, Senior Advisor on Sustainable Finance Project, indicated that global consultancies like Ambire Global are also working on sustainable finance taxonomies, which aid investors in identifying opportunities for high-impact investment and help financial regulators and policymakers use taxonomies to green their financial systems. **Jyoti Bisbey**, Executive Committee Member, highlighted WAPPP's ongoing work in advocating for greater private, public, and philanthropic coordination and its recent work mapping climate-related risks for public-private partnerships (PPPs) in developing countries' infrastructure sectors[14]. The work of organizations like the UNDP, according to **Gaurav Gupta**, Advisor for Nature Investment, also highlights the advantages of collaborating on co-benefits within climate financing, for example, through nature-based solutions targeting biodiversity, water management, human health, and ecosystem integrity as a whole.

3. Country ownership is vital to aligning climate finance with local demand and improving the national system for climate investments.

a. Prioritize climate financing in countries' domestic agendas: Integrating climate finance into public investment planning in developing countries is crucial for leveraging international pools of climate funding. Given the challenging global macroeconomic context, it is imperative for developing economies to demonstrate greater commitment to domestic climate finance. This begins with mainstreaming climate change in national budgets and creating climate policies to meet updated NDCs. Developing sustainable finance taxonomies can pave the way for domestic public and private actors to raise their climate ambition, invest in climate initiatives, and monitor and report progress in a standardized manner. A more robust local ecosystem for climate investment signals a safer environment for international investors. **Jason Spensley**, Senior Climate Change Specialist at GEF, recognized the strategic imperative of integrating country visions and ownership to enhance the efficiency of the broader climate finance ecosystem.

b. Fostering a more inclusive climate finance conversation: **May Thazin Aung**, Climate Finance Researcher at IIED, underscored the importance of including frontline impacted communities in the climate finance discourse. This approach facilitates the emergence of localized solutions to climate change. IIED has been working to identify the most impacted communities bearing the brunt of the

[14] WAPPP, Integrating climate risk management in infrastructure PPPs in developing countries, 2022 (https://wappp.org/our_publications/integrating-climate-risk-management-in-infrastructure-ppps-in-developing-countries-key-concepts-best-practices-and-broader-considerations/)

climate crisis and, subsequently, boost local climate finance mechanisms to fund community-prioritized adaptation projects in Africa.[15] **Olatunji Yusuf**, Lead Climate Adaptation Specialist at IsDB, the largest South-to-South MDB, highlighted their role in engaging with sub-national stakeholders at various levels. As MDBs are the largest climate financiers, they can lead the way to making the field more inclusive by building capacity at the country level.

c. Enhancing access to climate finance through adequate technical capacity and readiness support: With the rapid onset of climate change impacts, countries in the Global South lack the technical capacity to develop high-quality projects, meet funding criteria of multilateral funds, and effectively involve the private sector. These are limiting factors for access to climate finance. For example, NDRMF's (Pakistan) CEO, **Bilal Anwar**, emphasized capacity gaps within national institutions in developing tailored financial analyses for adaptation and disaster risk projects. **Dr. Bapon Fakhruddin**, Water Sector Lead in the Division of Mitigation and Adaptation at GCF, highlighted the GCF's Country Readiness Program[16] as a potential solution to this. The Program provides grants and technical assistance to national focal points that can also be deployed to strengthen Direct Access Entities.[17] This type of capacity support can empower national institutions to access climate finance and ensure that technical capacity and awareness extend to small and medium enterprises (SMEs). **Patrick Nussbaumer**, Program Officer, highlighted that UNIDO has been particularly active in offering readiness programs that support local innovations through blended finance structures for SME investments, pipeline development, and promotion of innovation and venture acceleration.

IV. Moving Forward

Taking place just two weeks before COP28, the roundtable convened by Globesight provided an opportunity to engage with sector leaders on the challenge of bridging the global climate finance gap and the critical role that private capital can play, especially in helping countries in the Global South to have more equitable access to climate finance. As the expert panel presented an overview of the climate finance landscape and current gaps, they coalesced around emerging and innovative solutions that can more effectively address the roadblocks to bridging the gap. It

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[15]Local climate finance mechanism helping to fund community-prioritised adaptation, IIED (https://www.iied.org/local-climate-finance-mechanism-helping-fund-community-prioritised-adaptation#:~:text=Environment%20and%20Development-,Local%20climate%20finance%20mechanism%20helping%20to%20fund%20community%2Dprioritised%20adaptation,government%20and%20non%2Dgovernment%20organisations).

[16] Country Readiness Program, GCF (https://www.greenclimate.fund/readiness)

[17] Sub-national, national, or regional organizations that are nominated by the national designated authorities of developing countries or focal points. This is in the case of the entity accreditation to receive the Green Climate Fund's readiness support.

is clear that there is still much work to be done to meet the climate response needs of developing nations. What is equally clear and important is that the solutions brought forward in the discussion underscored the need for increased multi-stakeholder partnerships across the public, private, and non-profit sectors, as well as the communities affected by the impacts of climate change.

The discussion also underscored that significant funding gaps for climate must be bridged by mobilizing untapped private sector capital through de-risking strategies, enabling streamlined partnerships, and improving country ownership of climate finance.

Globesight will continue to engage on the challenges and solutions to bridge the climate finance gap with these and other stakeholders during and post-COP28 and will continue to advocate for more funds and more equitable distribution of those funds to support the Global South to adapt to climate change impacts.

Appendix

Participating Organizations

1. **Ambire Global** - Prateek Kumar, Senior Advisor on Sustainable Finance Project
2. **Climate Investment Funds (CIF)** - Kouassi Emmanuel Kouadio, Climate Resilience Programs Lead
3. **Climate Policy Institute (CPI)** - Costanza Strinati, Senior Analyst, Climate Finance
4. **Convergence - The Global Network for Blended Finance** - Dr. Nnamdi Igbokwe, Director of Knowledge and Thought Leadership
5. **Global Environment Facility (GEF)** - Jason Spensley, Senior Climate Change Specialist
6. **Green Climate Fund (GCF)** - Dr. Bapon Fakhruddin, Water Sector Lead, Division of Mitigation & Adaptation
7. **International Institute for Environment and Development (IIED)** - May Thazin Aung, Climate Finance Researcher
8. **Islamic Development Bank (IsDB)** - Olatunji Yusuf, Lead Climate Adaptation Specialist | Climate Change & Environment Resilience & Climate Action Department
9. **National Disaster and Risk Management Fund (Pakistan) (NDRMF)** - Bilal Anwar, CEO
10. **Palladium Capital Advisory** - Florian Kemmerich, Managing Director Capital Advisory
11. **UN Capital Development Fund (UNCDF)** - Abhisheik Dhawan, Sustainable Finance and Partnerships Specialist
12. **United Nations Development Programme (UNDP)** - Gaurav Gupta, Advisor, Nature Investment
13. **United Nations Industrial Development Organization (UNIDO)** - Patrick Nussbaumer, Program Officer
14. **World Association of Public Private Partnerships (WAPPP)** - Jyoti Bisbey, Executive Committee Member
15. **World Bank** - Jonathan Coony, Global Lead for Green Competitiveness

Globesight is a leading strategy advisory firm and partner for institutions seeking to scale development impact in the Global South, with a primary focus on the Middle East, South Asia, and Africa. Through engagement and collaboration, integrity, and innovation, we provide insights and strategic advice and create initiatives for development partners and organizations to advance meaningful, scalable solutions and partnerships in global development. Headquartered in Dubai, Globesight operates with a distributed structure and a network of experts from across the Global South.