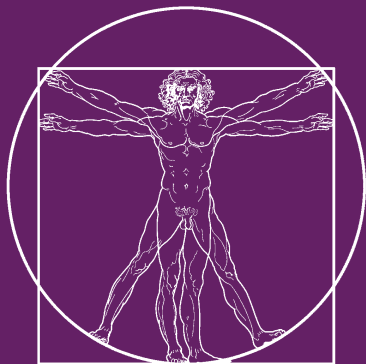


2025 EDITION

POCKET GUIDE TO FINANCE

POCKET
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FINANCE
UNDER THE UNFCCC



ecbi

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November 2025

The 2020 edition of this guide was written by Anju Sharma, C. Therese Guiao, and Diann Black-Layne. Contributions from Mikaela V. Bernardino. We are grateful to Yolando Velasco, Jos Buys, Zaheer Fakir, Mariama Williams, and Joana Helms for their comments and suggestions. All errors remain our own.

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FOREWORD

ecbi has for 20 years sought to create a more level playing field for developing countries in the intergovernmental climate change process under the UN Framework Convention on Climate Change (UNFCCC), namely through: trainings for new negotiators; and providing opportunities for senior negotiators from developing countries and European countries to interact, understand each other's positions, and build mutual trust.

ecbi has adopted a two-pronged strategy to achieve this. The first part of ecbi's strategy focuses on providing training and support to new developing country negotiators, particularly from the least developed countries. The climate change negotiations can be very technical and complex; thus, they are often difficult for new novice negotiators to fully grasp even over a period of two or three years.

The second part of the strategy is ecbi's organisation of annual seminars in Oxford before the annual sessions of the Conferences of the Parties (COPs) to the UNFCCC, as well as in Bonn during the meetings of the Subsidiary Bodies, both of which focus on topics being discussed in the climate negotiations. These seminars bring together developed countries from the EU and developing countries from a range of regions to discuss the issues in an informal setting and in an open and frank manner.

Importantly, we help negotiators build their analytical capacities through our publications, which are authored by experts on the issues the publications are addressing. These include pocket guides, policy briefs, and discussion notes.

ecbi published its first Pocket Guide on the Paris Agreement, following its adoption in 2015. It proved to be so popular with both novice and seasoned negotiators that we decided to develop a series of thematic guides. The guides aim to provide negotiators with: a brief history of the negotiations on the relevant topic; a reference to the key decisions; and a brief analysis of outstanding issues from a developing country perspective.

The guides are updated regularly, with online versions that include hyperlinks to help the reader access the referenced materials quickly.

This Pocket Guide on Finance updates the previous guide on finance that was published in 2020. It provides a summary of developments in the negotiations since then, including the decision taken at COP29 in Baku, Azerbaijan, on the New Collective Quantified Goal on Climate Finance (NCQG) and looks forward to COP30 in Belém and beyond.

We hope you will find this Pocket Guide useful and include it in your armoury of information to advance progress on the issue of finance under the UNFCCC and Paris Agreement.

Benito Müller
ecbi Director

GLOSSARY

ADP	Ad-hoc Working Group on the Durban Platform
AOSIS	Alliance of Small Island States
AILAC	Independent Association of Latin America and the Caribbean
APA	Ad-Hoc Working Group on the Paris Agreement
AWG-KP	Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol
AWG-LCA	Ad Hoc Working Group on Long-term Cooperative Action CBDR-RC Common but differentiated responsibilities and respective capabilities
CDM	Clean Development Mechanism
CETP	Clean Energy Transition Partnership
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties
EDA	Enhanced Direct Access
FRLD	Fund for responding to Loss and Damage
GCF	Green Climate Fund
GEF	Global Environment Facility
GST	Global stocktake
INC	Intergovernmental Negotiating Committee
IRM	Initial resource mobilisation (of the GEF)
LDCs	Least Developed Countries
LDCF	LDC Fund
LTF	Long-term finance

MPGs	Modalities, procedures, and guidelines
MRV	Monitoring, reporting and verification
NAPAs	National Adaptation Programmes of Action
NCQG	New Collective Quantified Goal on Climate Finance
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
RAF	Resource Allocation Framework (of the GEF)
SBI	Subsidiary Body for Implementation
SBSTA	Subsidiary Body for Scientific and Technological Advice
SCF	Standing Committee on Finance
SCCF	Special Climate Change Fund
SIDS	Small Island Developing States
STAR	System for Transparent Allocation of Resources (of the GEF)
UNCED	UN Conference on Environment and Development
UNDP	UN Development Programme
UNEP	UN Environment Programme
UNFCCC	UN Framework Convention on Climate Change

INTRODUCTION

The UN Framework Convention on Climate Change (UNFCCC), in 1992, addressed, for the first time, a global response to climate change that had been negotiated at the intergovernmental level. The Kyoto Protocol (1997) and the Paris Agreement (2015) followed, with negotiations to advance the international climate agenda taking place every year. Current priorities include setting more ambitious national climate plans, mobilizing finance, and accelerating the transition away from fossil fuels. The UNFCCC, Kyoto Protocol, and Paris Agreement lay out, with varying degrees of obligations on countries, actions that developed and developing countries can take to address the climate change challenge. These relate to mitigation, adaptation, loss and damage, technology, capacity building, and, importantly, finance, which is key to enable the implementation of these actions, particularly by developing countries. This updated pocket guide on finance, which builds on the 2020 edition, provides an overview and evolution of the various provisions on finance within the UNFCCC context, including under the Paris Agreement. The aim of the guide is to help policymakers make sense of the various pieces of the “climate finance puzzle” and enhance their understanding so they can more effectively participate in the climate process.

WHAT IS CLIMATE FINANCE?

► AT THE ORIGINS: PRINCIPLE OF COMMON BUT DIFFERENTIATED RESPONSIBILITIES

The provision of financial resources by developed countries to help developing countries address climate change is a foundational element that has underpinned international negotiations on climate change since their inception. Developing countries are generally understood to have historically contributed less to causing climate change but currently suffer its impacts disproportionately and have less capacity to respond it,

UN [Resolution 44/228](#), adopted in December 1989, noted that “...*the responsibility for containing, reducing and eliminating global environmental damage must be borne by the countries causing such damage, must be in relation to the damage caused and must be in accordance with their respective capabilities and responsibilities*”.¹

The [Rio Declaration](#), adopted at the UN Conference on Environment and Development (UNCED) in 1992, also recognised that “[i]n view of the different contributions to global environmental degradation, States have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command”.²

The Preamble of the 1992 [UN Framework Convention on Climate Change](#) (UNFCCC) similarly calls for “*the widest possible cooperation by all countries and their participation in an effective and appropriate international response [to climate change], in accordance with their common but differentiated responsibilities and respective capabilities and the social and economic conditions*”.

Article 3 paragraph 1 of the UNFCCC states: *“The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their **common but differentiated responsibilities and respective capabilities**. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof”.*

This principle of “common but differentiated responsibilities and respective capabilities” (CBDR-RC) was viewed by developing countries as a diluted version of the “polluter pays principle” and, with respect to finance, it includes the notion of “ability to pay” in addition to “responsibility to pay”.³ The polluter pays principle is commonly accepted in national and global environmental law and foresees that the party responsible for producing or causing pollution is held accountable for compensating for the damage it has caused to the environment.⁴

While the UNFCCC includes commitments for developed countries to provide financial resources to developing countries (as set out in Article 4), in the absence of a direct reference to the polluter pays principle in the UNFCCC, these financial resources are not characterised as “compensation” for damages caused by climate change in the negotiations.

Since the inception phase of the UNFCCC, something akin to a loss and damage fund had been a long-standing demand from developing countries, especially from Small Island Developing States (SIDS) through the Alliance of Small Island States (AOSIS). However, for almost thirty years this was blocked by developed countries due to concerns that loss and damage finance could be seen as a form of admission of liability for causing climate change and the harm connected to it. While not adhering to the polluter pays principle, a dedicated fund for responding to loss and damage (FRLD), agreed at COP27⁵ and operationalised at COP28, sought to meet some of these concerns raised by AOSIS and vulnerable developing countries more broadly.

► LACKING DEFINITION

Currently, there is no internationally agreed definition of climate finance.⁶ The **Standing Committee on Finance** (SCF), a body established under the UNFCCC to help the Conference of the Parties (COP) in its work related to climate finance, attempted to define climate finance in its *2016 Biennial Assessment Report*, which noted that although several different operational definitions of climate finance exist, these definitions converge upon a set of common elements that can be framed as follows:

“Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts”.⁷

Developing countries have been calling for a common multilaterally agreed definition of climate finance to address and overcome issues related to accountability and transparency and help track the delivery of climate finance. Developing countries are also keen to distinguish climate finance from general financial assistance or official development assistance (ODA). According to some developing country negotiators who were part of the Paris Agreement negotiations, the term “climate finance” as specified in Article 9 of the 2015 **Paris Agreement** has evolved to distinguish financial resources provided under the UNFCCC from ODA.⁸ It is, however, still common practice following the adoption of the Paris Agreement to label international climate finance as ODA.

In 2023, the SCF conducted an assessment and clustering of the climate finance definitions in use.⁹ Based on this assessment, Parties requested the SCF to consider updating its operational definition of climate finance at COP28.¹⁰ This is because the 2016 operational definition avoids many of the controversies surrounding climate finance in the global negotiations, such as its:

- Source (public or private sources), with the term “provision” generally referring to public funds coming directly from developed country

governments and public finance institutions, while “mobilisation” refers to efforts to raise funds from other sources, including the private sector.

- Type (development aid, private equity, loans, grants, concessional finance).
- Channel (whether it flows through bilateral or multilateral institutions).
- Governance (who decides how it is allocated and used).
- Additionality (whether it is “new” and over and above development assistance).
- Adequacy (whether it is adequate for developing countries to address climate challenges, including mitigation, adaptation, and loss and damage).
- Predictability (to allow recipients to plan action in advance).
- Amount or quantum (including long-term pledges and roadmaps to achieving them).
- Balance (between mitigation and adaptation finance, as well as finance for new elements such as loss and damage).
- These issues are often interlinked in complex ways. For instance, including both public and private sector sources in the definition of climate finance makes counting climate finance more challenging—it is difficult to pinpoint or agree on exactly how much private sector finance can be classified as climate finance, and if any of it is “additional” to private sector flows that might have occurred anyway.

In the absence of a mutually agreed definition for climate finance, and of broad agreement between developed and developing countries on what should be counted as climate finance, different entities and stakeholders arrive at different figures for climate finance provided by developed countries during the same period (see Box 1).

In the absence of an agreed definition, developing countries have consistently emphasised the following key characteristics for climate finance in the negotiations:

BOX 1: Counting Climate Finance

Estimates of the amount of climate finance provided to developing countries vary significantly, because they define climate finance differently. For instance, the [Climate Policy Initiative](#) relies on the operational definition of the SCF and takes into account public and private sources of domestic and international finance and estimates that climate finance flows reached USD 1.46 trillion in 2022. However, the [Organisation for Economic Co-operation and Development](#) (OECD) estimates that climate finance “provided and mobilised” by developed countries increased to USD 115.9 billion in 2022, reaching and even exceeding the USD 100 billion annual target for the first time, two years after the agreed deadline.

Meanwhile, Oxfam International counts only the “public climate-specific net assistance”, or the grant equivalent, provided by developed to developing countries. The [Climate Finance Shadow Report 2025](#) finds that most developed countries continue to count loans at their full face value, rather than only the grant equivalent (the amount of money given to a developing country once repayments, interest, and other factors are accounted for). Oxfam also reports significant inaccuracies in how the climate component of broader development projects is counted. Taking these issues into account, Oxfam estimates that “public climate-specific net assistance” in 2022 is much lower than officially reported, around USD 28-35 billion, much less than the OECD reported figures suggest.

Such differences in the calculations by different entities can erode trust and have a lasting impact on the climate change negotiations. While agreement on the finer details of what should count as climate finance may be difficult, agreement on the broad parameters is critical. A discussion on what can be included as climate finance, to narrow down the definition of climate finance, will, however, almost certainly be controversial and cause further acrimony. One way to avoid controversy may be to limit future climate finance pledges under the UNFCCC to only the public funds that will flow through the UNFCCC Financial Mechanism.

- The level of ambition of climate action by developing countries is contingent on financial and other resources provided by developed countries, as agreed under UNFCCC Article 4.7 and reiterated in subsequent decisions.
- Climate finance should be “new and additional”, as agreed under UNFCCC Article 4.3, and should not be rebranded as ODA.
- Public finance should be the primary source of climate finance, supplemented by private sector finance.
- Climate finance should be provided mainly as grants, followed by concessional loans, as agreed under UNFCCC Article 11.1.
- Developed countries should lead the provision and mobilisation of climate finance.
- Climate finance provided for mitigation and for adaptation should be balanced.
- Climate finance should be governed by bodies that have equal representation from developed and developing countries.
- Climate finance should be needs-based and encourage strong country ownership in its use.

Similarly, outside the UNFCCC, no agreed definition exists. Some academics describe climate finance in the context of a “climate debt” owed by countries that are historically responsible for the harmful emissions to countries that are suffering the worst impacts of climate change.¹¹ Other observers take a narrower view and define climate finance based on its international nature characterised by transboundary flows and the pivotal role public institutions play in mobilising and directing these resources.

See the [Handbook of International Climate Finance](#) for an exhaustive collection of contributions on this topic.¹²

WHAT IS THE HISTORY OF CLIMATE FINANCE UNDER THE UNFCCC?

► PRIOR TO 1992

In 1987, the World Commission on Environment and Development, also known as the Brundtland Commission, proposed a special fund for the environment. It recommended the consideration of “automatic” sources of funding, such as taxes on international trade, as traditional (voluntary) contributions by developed countries were recognised as unpredictable.¹³

A flood of proposals for how to design such a fund followed, from both developed and developing countries. This included, for instance, a proposal from some developing countries for the creation of a “planet protection fund” under the UN, where UN member states would contribute 0.1% of their gross domestic product.¹⁴

Eventually, agreement emerged to create the Global Environment Facility (GEF) in 1990, based on a proposal from developed countries. The GEF relied on voluntary contributions from countries, and was and still is governed through a tripartite arrangement between the World Bank, the UN Environment Programme (UNEP), and the UN Development Programme (UNDP).¹⁵

At the same time, in 1990, 137 countries attending the **Second World Climate Conference** in Geneva agreed to negotiate a global climate change treaty. They agreed that *“Developing countries will, in some cases, need additional financial resources for supporting their efforts to promote activities which contribute both to limiting greenhouse gas emissions and/or adapting to the adverse effects of climate change, while at the same time promote economic development.”*¹⁶

During the discussions of the Intergovernmental Negotiating Committee (INC) responsible for drafting the UNFCCC, Vanuatu,

on behalf of the Alliance of Small Island States (AOSIS), proposed an international fund to support measures to address the impacts of climate change, and an insurance pool to provide insurance against sea level rise in Small Island Developing States (SIDS). Revenue for the insurance pool would come from mandatory contributions from developed countries.¹⁷ While neither an insurance pool nor a global fund was incorporated into the Convention, insurance was acknowledged as follows: *“Parties shall give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and the transfer of technology, to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and/or the impacts of the implementation of response measures...”* (UNFCCC Article 4.8 – see also ecbi’s [Pocket Guide to Loss and Damage under the UNFCCC](#)).

Other key climate finance-related controversies during the negotiations for a global convention under the INC related to governance arrangements: whether the provision of funds should be obligatory or voluntary for developed countries; whether funding should be provided on a grant or loan basis; and whether climate finance should be “additional” to other forms of finance provided by developed countries to developing countries.

Developed countries wanted the newly formed GEF to administer or manage climate finance with guidance from the Parties to the Convention, while developing countries supported a separate financial mechanism under the authority of the Parties to the Convention, governed by both beneficiaries and contributors. Developing countries felt the GEF was based on the donor-dominated model of the World Bank. Eventually, however, they agreed to a modified and reformed GEF as an operating entity of the Financial Mechanism.

Developing countries also wanted contributions to be obligatory, while developed countries wanted contributions to be voluntary. The former called for *“...the financial resources to fulfil the objectives of this Convention...on an adequate and predictable basis without adversely affecting existing economic assistance inflows...”*¹⁸

The table below presents the key milestones in negotiations related to climate finance, which are discussed in greater detail in the sections that follow.

TIMELINE

1992	The UNFCCC calls for developed countries to provide the “ <i>agreed full incremental costs</i> ” for developing countries to implement climate action. The GEF becomes interim entity of the UNFCCC’s Financial Mechanism.
1997	The Kyoto Protocol , adopted at COP3, includes a levy under the Clean Development Mechanism to provide financial support for adaptation.
1998	The GEF’s interim status was revised at COP4, becoming “an” entity of the UNFCCC Financial Mechanism.
2000	Disagreements on the role of the GEF , among other things, lead to a collapse of COP6.
2001	COP6-bis mandates the establishment of the LDCF , SCCF , and Adaptation Fund . The three Funds were formally established at COP7 later that year.
2009	At COP15, the Copenhagen Accord is “noted” and proposes a climate fund and climate finance goal of USD 100 billion annually by 2020.
2010	At COP16, the Cancun Agreements formally adopt elements of the Copenhagen Accord, including: the USD 100 billion “long-term finance” goal; creation of the GCF and the SCF; and “Fast start finance” approaching USD 30 billion for the period 2010-2012.
2011	The GCF Governing Instrument was adopted and the Work Programme on LTF was launched at COP17.
2015	The Paris Agreement , adopted at COP21, reaffirms that developed countries “ <i>shall</i> ” provide finance to developing countries with respect to both mitigation and adaptation. Other Parties are “ <i>encouraged</i> ” to provide such support voluntarily. Other elements include: provisions for accounting for <i>ex ante</i> and <i>ex post</i> finance; consideration of finance in the Global Stocktake; and a goal on making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Parties also decided to set a new collective quantified goal on climate finance (NCQG) from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries.
2016	Paris Agreement enters into force.

2018	Paris Agreement “ rulebook ” (Katowice Climate Package) adopted at COP24 in Katowice, includes rules for accounting for climate finance.
2021*	Acknowledgement that the USD 100 billion target for climate finance has not been met in 2020.
2022	Parties agree to establish funding arrangements and a fund for loss and damage.
2023	The Fund for responding to Loss and Damage is operationalised and the first Global Stocktake includes, among others, reflections on finance.
2024	The NCQG decision sets a target of at least USD 300 billion per year by 2035 for developing country Parties for climate action and “calls on all actors to work together to scale up financing to developing countries for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035”.

*Note: COP26 was postponed from 2020 to 2021 due to the COVID-19 pandemic.

► UN FRAMEWORK CONVENTION ON CLIMATE CHANGE (1992)

The Convention text adopted in 1992 at UNCED, approaches finance from the perspective of meeting the needs and costs of developing countries’ climate actions. Finance under the Convention is guided by Articles 3, 4, 11 which, respectively, identify principles, commitments, and an operational mechanism (see Annex).

Article 3.1 affirms that all Parties “*should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof.*”

As noted earlier, the CBDR-RC principle plays a central role in the discussions on climate finance.

Article 4.3 states:

“The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1. They shall also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by paragraph 1 of this Article and that are agreed between a developing country Party and the international entity or entities referred to in Article 11, in accordance with that Article. The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties.”

Article 12 addresses the submission of information related to implementation of the UNFCCC, including a national inventory of emissions, and mentions information on financing needs (voluntarily supplied by developing countries). Article 11 relates to the Convention’s Financial Mechanism, which shall provide *“financial resources on a grant or concessional basis, including for the transfer of technology”*.

An important element of UNFCCC Article 4.3 is its reference to *“new and additional financial resources”*. The concept of additionality seeks to differentiate ODA from climate finance. Developing countries maintain that: additionality means that climate finance must be over and above public funds that have been allotted for ODA, which should not be reduced or reallocated for climate change purposes; and the amount of climate finance provided should be commensurate to the gravity and complexity of the problem. Financial flows under the Convention are also differentiated from ODA by developing countries to signal that eligibility criteria for access to climate finance should be determined by all Parties to the Convention, and not by developed countries alone. This is particularly important because many middle-income countries that are highly

vulnerable to climate change are often ineligible for traditional ODA due to a reliance on income-based criteria.

The reference to “*agreed full incremental costs*” refers to additional (or “incremental”) costs on countries beyond the costs that are strictly necessary for achieving their own development goals, and result in benefits to the global environment as well. For instance, if a country chooses to use solar energy technology in a situation where a less costly coal-fired power generator would have been sufficient to generate the electric power needed for development, this choice reduces greenhouse gases that would be emitted by the coal-fired power plant, but imposes an additional or incremental cost on the country. The “incremental cost” is associated with the global environmental benefit of reduction in greenhouse gas emissions.¹⁹

The reference to “*adequacy and predictability in the flow of funds and the importance of appropriate burden sharing*” in Article 4.3 is also important, and is discussed often in the context of the volume of funds made available as climate finance.²⁰

UNFCCC Article 4.7 states that:

“The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties.”

This Article links action by developing countries to the financial resources and technology transfer provided by developed countries, while emphasising that economic and social development and poverty eradication will be overriding priorities for developing countries.

Article 11, on the Financial Mechanism, defines a “*mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology*”. It also states that the Mechanism shall:

- Function under the guidance of and be accountable to the COP, which shall decide on its policies, programme priorities, and eligibility criteria related to this Convention.
- Be entrusted to “one or more” existing international entities, with developing countries thus retaining the option of having more than one operating entity, and of a dedicated climate fund becoming an operating entity of the Financial Mechanism of the Convention in the future.
- Have an equitable and balanced representation of all Parties within a transparent system of governance.

Article 21.3 nominates the GEF as an operating entity of the Financial Mechanism on an interim basis, and calls for it to be “*appropriately restructured and its membership made universal*”.

In response to this call, the **Instrument for Establishment of the Restructured Global Environment Facility** was formally adopted in March 1994 and addressed, among other things, a restructuring of its governance. A GEF Council was created, with 32 members¹⁴ from contributing countries, 16 from developing countries, and two from economies in transition. While the Instrument calls for decision-making by consensus by the GEF Council, when this is not possible any Council member can call for a vote. However, voting takes place through a double majority system, with an affirmative vote representing both a 60 percent majority of the total number of participants and a 60 percent majority of the total contributions. Developing countries did not feel that this satisfied the call for “*equitable and balanced representation*” in Article 11.2.²¹

The Instrument has further been amended by subsequent GEF Assembly meetings (which are attended by representatives of all participant countries, not just Council members) in 2002, 2006, 2010, 2014, and 2018.

► **COP3, KYOTO PROTOCOL (1997)**

While the UNFCCC established a broad framework for Parties to act on climate change, it did not include specific, quantitative commitments or

targets for individual countries to reduce their emissions. Thus, the need for a further instrument under the UNFCCC was recognised at COP1 in Berlin. This recognition took the form of the **Berlin Mandate**, an agreement that concluded the existing commitments were inadequate and launched a new process to negotiate stronger, legally binding targets and timetables for developed countries. An Ad hoc Group on the Berlin Mandate was established to negotiate a timetable for emission reductions by developed countries and countries with economies in transition. This resulted in the adoption of the **Kyoto Protocol** in 1997. The Protocol included two significant elements related to climate finance:

- Article 11.2(a) reiterates the UNFCCC's call for developed countries to provide the “*agreed full costs*” incurred by developing countries to prepare their national inventories. Article 11.2(b) calls for developed countries to provide “*the agreed full incremental costs*” to implement UNFCCC Article 4.1 (which lists general national measures related to mitigation and adaptation for all Parties). It also specifies that implementation of Article 4.1 shall take into account the need for adequacy and predictability in the flow of funds, and appropriate burden sharing among developed country Parties.
- Article 12.8 calls for a “*share of proceeds*” from certified project activities under the Protocol's **Clean Development Mechanism** (CDM), to be used to cover administrative expenses, and “*to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation*”. This led to the creation of the Adaptation Fund fed by the share of proceeds from the CDM (see section on the UNFCCC climate finance architecture).²²

► COP4, BUENOS AIRES PLAN OF ACTION (1998)

Adopted at COP4, in Buenos Aires in 1998, the Buenos Aires Plan of Action recognised the GEF as “*an*” operating entity of the UNFCCC's Financial Mechanism (**Decision 3/CP.4**) following its restructuring, leaving the option open for other operating entities in the future, in line

with Article 11.3.²³ It was agreed that the Financial Mechanism would be reviewed every four years.²⁴

It was also **decided** at COP4 that the GEF should provide funding for adaptation response measures for “Stage II adaptation activities” to developing countries and facilitate of access to information, as well as meet the agreed full costs of preparing initial and subsequent national communications.²⁵ (At COP1 in Berlin, a three-stage approach to adaptation was **agreed**: Stage I would include planning; Stage II would include measures to prepare for adaptation activities, including capacity building; and Stage III would include measures to facilitate adequate adaptation, including insurance. See ecbi’s **Pocket Guide to Adaptation under the UNFCCC**.²⁶

► **COP5, BONN (1999)**

At COP5 in 1999, it was **decided** that financial and technical support for capacity building in developing countries, in particular least developed countries (LDCs) and SIDS, should be provided through the Financial Mechanism and bilateral and multilateral agencies (**Decision 10/CP.5**).²⁷

► **COP6, THE HAGUE (2000)**

At COP6 in 2000, disagreements on funding and the GEF were one of the key reasons why the COP was suspended without agreement, and a decision was taken to resume the session as COP6-bis in July 2001.

More specifically, disagreements on finance **related to**: the types of adaptation activities the GEF should fund, and modalities for such funding; whether the GEF should fund capacity building for disaster preparedness and disaster management, and for the establishment or strengthening of early warning systems for extreme weather events; and whether the GEF should be the only channel for funding in certain areas, including with respect to technology transfer.²⁸

Developing countries also raised concerns regarding the GEF’s governance arrangements, including: its voting procedure, wherein

contributors to the Fund have more voting rights than non-contributors; its administration of finance for other environmental Conventions, with climate being only one of its funding windows; its Governing Instrument, which only provided for mitigation support; and long bureaucratic processes that added up to years of delays before the release of any funds.

In an attempt to make progress, COP6 President Jan Pronk **proposed** creating an Adaptation Fund, a Convention Fund, and a Climate Resources Committee, and increasing resources for climate change funding. He proposed that the Adaptation Fund would be a new fund under the GEF to fund activities with finances generated by a 2% share of proceeds on CDM project activities. The Convention Fund would be a window under the GEF, with new and additional funds from Annex II Parties in the form of the GEF's third replenishment, voluntary contributions, and the transfer of a certain percentage of Annex II Parties' initial assigned amount (from **Emissions Trading** under the Kyoto Protocol) to the registry of the Fund. In his Note, Pronk also proposed increasing resources through other channels, with the aim of reaching an annual level of USD 1 billion by 2005. If this level was not reached, a levy would be applied on Joint Implementation and/or emissions trading, two carbon trading mechanisms under the Kyoto Protocol. According to this proposal, contributions would be apportioned between Annex I Parties based on their relative share of 1990 carbon dioxide emissions, with Annex I Parties not included in Annex II of the UNFCCC contributing half their proportionate share. It further proposed the establishment of a Climate Resources Committee at COP7 to provide advice to existing financial channels and institutions, such as the GEF and regional development banks, focusing on how to increase climate funding, mainstreaming, and monitoring and assessment.²⁹

The proposals were rejected by many Parties, including the US, which had just announced its decision not to ratify the Kyoto Protocol. Japan did not wish to subscribe to any quantified commitment. Annex I Parties not included in Annex II referred to UNFCCC language putting

financial obligations only on Annex II Parties. Thus, despite 36 hours of intense talks, it was not possible to reach an agreement, and a decision was deferred to COP6-bis.³⁰

► COP6-BIS, BONN (2001)

The failure of COP6 put countries under considerable pressure to get things back on track, and revive the multilateral climate negotiations. As a result, Parties, particularly developed countries, came prepared to make concessions at COP6-bis. For instance, a joint political Bonn Declaration was **made** by the EU, Canada, Iceland, New Zealand, Norway, and Switzerland to contribute USD 450 million (€410 million) annually by 2005, and to review this level in 2008 (see Box 2).

Discussions continued at COP6-bis on issues raised at COP6, including the implications of relying on sources of information other than national communications to determine funding for adaptation action, and proposals on funding, including whether financial contributions should be voluntary or mandatory (where the former view prevailed). The specific concerns of LDCs were also front and centre.

BOX 2: Transparency in the Climate Finance Negotiations

At COP6 in The Hague and subsequently at COP6-bis in Bonn, developing countries called for a specific, quantified commitment from developed countries to provide “new and additional resources” for climate change activities. While broad agreement was not possible, a joint “Bonn Declaration” to contribute USD 450 million (€410 million) annually by 2005 was made by 20 countries (the 15 EU Member States making up the EU in 2001 and five other countries).

The Declaration did not specify how much financial support was pledged by each of the signatories. However, at the time the Declaration was made, there was an understanding between the EU and the other signatories on their respective share of the total financial commitment. This was roughly based on the emissions-based allocation method initially proposed by the COP President. According to this understanding, the EU's share amounted to USD 369 million.

BOX 2: Transparency in the Climate Finance Negotiations

A 2009 study by the Institute for European Environmental Policy sought to assess whether the EU met this commitment.¹¹⁵ The study concluded that the average annual level of financial support to developing countries collectively provided by the 15 EU Member States through specific multilateral climate change-related funding channels fell well below the of USD 369 million level. *“Whether or not the EU is complying with its political commitment under the Bonn Declaration depends entirely on these Member States’ bilateral aid efforts and any additional contributions through other multilateral channels”*, according to the study.

However, the study found that the information provided in the national communications of these countries was insufficient to enable even an informed observer to make a reliable judgment about the volume of aid *additional to 2001* levels that was effectively being provided in 2009. *“The orders of magnitude reported would seem to indicate that the Bonn target may have been met, but a higher quality and consistency of information would be required for independent verification”*.

The study also stated that : *“More than eight years after the Bonn Agreements, and given the continued importance of the funding issue on the agenda of the ongoing multilateral climate negotiations, it is amazing that there is not a single official document issued by the EU with reliable and verifiable information on the total level of financial support provided by the Union and its Member States to developing countries for climate change mitigation and adaptation purposes”*.

This example points to key recurring themes that dogged the climate finance negotiations for years to come: lack of mutually agreed metrics to count climate financial contributions; lack of sufficient transparency, both to count overall climate finance and to count *“new and additional”* funding for climate activities; and the ensuing lack of trust between contributors and recipients of climate finance, which have had a creeping effect on other areas of negotiation under the UNFCCC.

The 2008 review promised in the Bonn Declaration took place in the context of the *Fourth Review of the Financial Mechanism*, with Parties consequently requesting the GEF to *“continue improving its modalities to increase the responsiveness, effectiveness, and efficiency of its support”*.

As part of the [Bonn Agreements](#), referred to as the “*Decisions on which the Conference of the Parties noted that negotiations were completed and consensus reached at the second part of the sixth session and which the conference decided to forward to its seventh session for adoption*”, Parties also reached consensus on a number of decisions that were forwarded to COP7 for adoption. In terms of finance, they, among others, agreed:

- The GEF would fund the implementation of “*Stage II adaptation activities, ... that build upon work done at the national level, either in the context of national communications or of in-depth national studies, including national adaptation programmes of action (NAPAs)*”.
- The GEF would provide financial support to implement the capacity-building framework (see ecbi’s [Pocket Guide to Capacity Building under the UNFCCC](#)).
- There is a need for funding, including funding that is new and additional to contributions which are allocated to the climate change focal area of the GEF and to multilateral and bilateral funding, for implementation of the Convention.
- Predictable and adequate levels of funding shall be made available to non-Annex I Parties.
- The level of GEF replenishments will be increased.
- Three new funds will be created: a Special Climate Change Fund (SCCF); LDC Fund (LDCF); and Adaptation Fund (see below).
- Modalities for burden sharing among Annex II Parties need to be developed.
- Annex II Parties shall report on their financial contributions on an annual basis, and these reports will be reviewed annually by the COP.

The GEF was requested to further streamline its project cycle and minimise the time between the approval of project concepts, the development and approval of the concepts to projects, and the disbursement of funds for implementation. It was requested to make project preparations simpler,

more transparent, and country-driven, and to urge its implementing/executing agencies to be more responsive to requests for GEF assistance.³¹

Special Climate Change Fund

The SCCF was **established** to finance activities, programmes, and measures in the following areas:

- Adaptation.
- Transfer of technologies.
- Energy, transport, industry, agriculture, forestry, and waste management.
- Activities to assist developing country Parties whose economies are highly dependent on income generated from the production, processing, and export, and/or on the consumption of fossil fuels and associated energy-intensive products to diversify their economies.

Annex II Parties, and “*other Parties included in Annex I that are in a position to do so*”, were invited to contribute to the SCCF. It was also agreed in The Hague that the SCCF “*shall be operated by an entity entrusted with the operation of the financial mechanism*”, under the guidance of the COP.³²

LDC Fund

The LDC Fund was **established** to support a work programme for the LDCs (the LDC Work Programme), including National Adaptation Programmes of Action (NAPAs), which identified urgent and priority adaptation needs of LDCs (see ecbi’s **Pocket Guide to Adaptation under the UNFCCC**).³³ The COP agreed the LDCF “*shall be operated by an entity entrusted with the operation of the financial mechanism, under the guidance of the COP*”.³⁴

Adaptation Fund

The Adaptation Fund was **established** to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol. It was decided that the Adaptation Fund shall be financed from a 2% share of proceeds on CDM project activities, and other sources

of funding. Annex I Parties that intended to ratify the Kyoto Protocol were also invited to provide funding.

It was decided in that the Adaptation Fund shall be operated and managed by an entity entrusted with the operation of the Financial Mechanism of the Convention, under the guidance of COP serving as the meeting of the Parties to the Kyoto Protocol (CMP).

► COP7, MARRAKECH (2001)

The finance-related decisions that were agreed upon at COP6-bis were adopted at COP7 in late 2001. The *Marrakech Accords* formally established the SCCF, LDCF, and Adaptation Fund.³⁵

► COP8, NEW DELHI (2002)

At COP8 in 2002, *calls for* the GEF to make its project cycle “simpler and more efficient” were reiterated. The GEF was also requested “*to make the concept of agreed incremental costs and global benefits more understandable, recognizing that the process for determining incremental costs should be transparent, flexible and pragmatic*”.³⁶

Guidance was provided to the GEF for the operation of the SCCF (*Decision 7/CP.8*). However, agreement was not possible on issuing detailed guidance to the GEF for the operation of the LDCF. The GEF was requested, however, to “*ensure the speedy release and disbursement of funds and timely assistance*” for the preparation of NAPAs.³⁷

► COP9, MILAN (2003)

At COP9 in 2003, further guidance was issued to the GEF for the operation of the LDCF and SCCF. In guidance related to the LDCF, the COP requested the GEF to take into account various elements when developing operational guidelines for funding the implementation of NAPAs, including equitable access by LDCs to funding; and criteria for supporting activities on an agreed full-cost basis, taking into account the level of funds available (*Decision 6/CP.9*).³⁸

► COP10, BUENOS AIRES (2004)

At COP10 in 2004, AOSIS, the African Group, LDCs, and others **expressed concern** that the most vulnerable countries face difficulty in accessing GEF funds due to the burden of co-financing requirements, the existence of additional criteria and indicators not adopted by the COP, and the narrow scope of adaptation projects eligible under the GEF. They highlighted difficulties in finding adequate co-financing, and with the costly and cumbersome calculation of the incremental costs of adaptation. The LDCs further expressed concern over GEF co-financing requirements, noting that **Decision 6/CP.9** provides for full funding of NAPAs. They were unable to secure a decision for full-cost funding for adaptation, but the **LDC Expert Group (LEG)** was requested to report on potential technical and financial difficulties that LDCs may have in the implementation of NAPAs (**Decision 4/CP.10**).³⁹

► COP11, MONTREAL (2005)

During this meeting, discussions began on the governance arrangements for the Kyoto Protocol's Adaptation Fund under the CMP. A key area of discussion was whether the GEF should serve as the financial mechanism for the Fund—developing countries opposed this arrangement, while many developed countries supported it. Developing countries favoured a governing structure and a cooperative partnership founded on an UN-style majority-based decision-making process, as they believed that a programme established and controlled by higher-income donor countries under the framework of the multilateral development banks (MDBs) was not in their best interest.⁴⁰

Meanwhile, in the discussions on the flexible mechanisms of the Kyoto Protocol, developing countries **called** for a levy on proceeds from Joint Implementation projects and emissions trading that would feed into the Adaptation Fund, similar to the levy applied to the CDM. However, this proposal was ultimately not included in the final agreement due to opposition from developed countries.

► COP12, NAIROBI (2006)

Discussions on the operationalisation of the Adaptation Fund continued under CMP2 in 2006. Developing countries **called for** the Fund to: be under the direct authority of the CMP; cover the full costs of adaptation; decentralise access; mobilise additional resources; and reduce barriers to access funding.

It was eventually **agreed** that the Adaptation Fund should operate under the authority and guidance of, and be accountable to, the CMP (**Decision 5/CMP.2**). The governing body would be composed of from Parties to the Kyoto Protocol, follow a one-country-one-vote rule, and have a majority of Parties not included in Annex I to the Convention. It was also agreed, among other things, that:

- Funding will be provided on full adaptation cost basis;
- Eligible countries should have access to the fund in a balanced and equitable manner;
- Funding will be available for national, regional and community level adaptation activities; and
- The modalities will ensure facilitative procedures for accessing funds, including short and efficient project development and approval cycles and expedited processing of eligible activities.

The Subsidiary Body for Implementation (SBI), which assists the COP in the assessment and review of the effective implementation of the Convention, was requested to develop recommendations on the institutional arrangements for the Fund, eligibility criteria, etc.

Issues related to the GEF's performance and adherence to the COP's guidance continued to dog discussions on guidance to the GEF. Developing countries **expressed** numerous concerns relating to the GEF's **Resource Allocation Framework (RAF)** that was adopted in 2005, conditionalities of funding, and the replenishment process. They opposed, in particular, the ranking and categorisation of recipient countries without full transparency, resulting in the exclusion of some countries without any

clear basis.⁴¹ A **mid-term review** of the RAF in 2008 subsequently found that it led to the “*diminished... effectiveness of the GEF in the delivery of global and regional environmental benefits*”.⁴² Another major area of disagreement centred on whether adaptation or mitigation activities should be assigned a higher priority and greater share of financing. The US and the EU favoured mitigation, but developing countries highlighted adaptation as their key concern.

Decision 2/CP.12 called on the GEF, among other things, to give due priority to adaptation activities in accordance with the guidance provided by the COP, and to recognise and respond to the challenges faced by LDCs and SIDS in accessing GEF funding. The COP also called on the GEF to: further simplify procedures; explore options to address developing countries’ concerns on co-financing; and report on resources available to each developing country under the RAF (**Decision 3/CP.12**).

This Decision further called on the UNFCCC Secretariat to prepare:

- A technical paper reviewing the experience of international funds and multilateral financial institutions and other sources of funding that is relevant to address current and future investment and financial needs of developing countries.
- A report, in collaboration with the GEF, on the assessment of the funding necessary to assist developing countries meet their climate commitments.⁴³

► **COP13, BALI (2007)**

As the negotiations on the implementation guidelines for the Kyoto Protocol concluded in Montreal in 2005, global attention had shifted to the post-2012 period, when the Kyoto Protocol’s first commitment period would expire. COP13 in 2007, therefore, focused on establishing a two-year “Bali Roadmap” to finalise a post-2012 regime by December 2009. Under the UNFCCC, the discussions focused on how to follow up on the “Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention”. Under the Protocol, the

Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), created at COP11, considered a timetable for determining Annex I commitments for the post-2012 period (see Introduction in ecbi's [Guide to the Paris Agreement](#)).

As part of this discussion, the pressure increased on developing countries to take on mitigation commitments. Following difficult negotiations, it was [agreed, and envisaged in the Bali Action Plan](#), that the track on long-term cooperative action would consider nationally appropriate mitigation actions (NAMAs) by developing countries, “*supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner*”. This clearly stated the link between mitigation action by developing countries, and the provision of support—collectively referred to as the “means of implementation”—on technology, financing, and capacity building.⁴⁴ While this link was important, there was still no mutually agreed methodology or process on which to base the measuring, reporting, and verification of the support provided, or to link it to NAMAs.

Arrangements for operationalising the Adaptation Fund were also finalised in Bali by the CMP. It was [agreed](#) that the operating entity shall consist of “*the Adaptation Fund Board serviced by a secretariat and a trustee*”. The Board will supervise and manage the Fund, under the authority and guidance of, and fully accountable to, the CMP. It was agreed that the Board shall comprise 16 members representing Parties to the Protocol, with two representatives from each of the five UN regional groups, one from SIDS, one from the LDCs, two non-Annex I Parties, and two Annex I Parties. Decision making would be by consensus, and, in the event no agreement could be reached, by two-thirds majority. The decision included an invitation to the GEF to provide secretariat services to the Board on an interim basis, and an invitation to the World Bank to serve as trustee, also on an interim basis. These institutional arrangements would be reviewed after three years.⁴⁵

The UNFCCC Secretariat's technical paper, [Investment and Financial Flows to Address Climate Change](#), was released in 2007 prior to COP13.⁴⁶

It found that while the additional estimated amount of investment and financial flows needed in 2030 to address climate change is large compared with funding currently available under the Convention and its Kyoto Protocol, it is small in relation to global GDP (0.3-0.5%) and global investment (1.1- 1.1%). It concluded that since private sector investments constitute the largest share of investment and financial flows to address climate change (86%), such flows should be considered in the future. This resulted in a shift in the dynamic of the discussion on climate finance, with much more emphasis on private sector finance. The **Bali Action Plan** called for the consideration of *“public- and private-sector funding and investment, including facilitation of climate-friendly investment choices”*. It also called for consideration of, among other things:

- Improved access to adequate, predictable, and sustainable financial resources and financial and technical support, and the provision of new and additional resources, including official and concessional funding for developing countries.
- Innovative means of funding to assist developing countries that are particularly vulnerable to the adverse impacts of climate change in meeting the cost of adaptation.
- Financial and technical support for capacity building in the assessment of the costs of adaptation in developing countries, particularly the most vulnerable ones, to assist in determining their financial needs.

An Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA) was created to consider these elements, and was mandated to complete its work in 2009 and in time for COP15.

► **COP14, POZNAN (2008)**

In Poznan in 2008, developing countries once again expressed their concern with the GEF's RAF, access to funds, co-financing requirements, and transparency of the GEF process. The LDCs also highlighted concerns in relation to insufficient resources in the LDCE, and the long

and complicated process of implementing NAPAs. The GEF was again requested to address these concerns.

Meanwhile, in discussions on financing under the AWG-LCA, developing countries said the difficulties with the current arrangements illustrate that they do not work—they called for a new financial architecture for the post-2012 period. The US, the EU, Canada, and Australia wanted the new financial framework to be built on existing institutions.

► COP15, COPENHAGEN (2009)

As the COP15 deadline approached, the pressure was on the AWG-KP and AWG-LCA to conclude their discussions. Five AWG sessions took place in 2009, in April, June, August, October, and November. As one of the key building blocks of the Bali Action Plan, climate finance figured large in both working group discussions.

A number of **innovative proposals** were put forward, including: a proposal by Mexico for a green fund financed by assessed contributions by developed countries; a proposal by Norway to raise financing using revenues from the auctioning of carbon credits; and a proposal by Switzerland for a carbon tax of USD 2 per tonne of carbon dioxide. Developing countries **called for** a commitment of 1% of GDP for climate finance from developed countries. Finance was also a crosscutting issue in other AWG-LCA discussions, including those on adaptation, technology, and capacity building.⁴⁷

On institutional arrangements for climate finance, developing countries **continued to push for** a new operating entity under the authority and guidance of the COP, with balanced geographical representation and direct access to funds, while developed countries mostly called for the use of existing institutions. Developed countries preferred existing institutional arrangements, with some new elements such as a **facilitative platform**, proposed by Australia, to link funding to actions and enable contributors and recipients to navigate new funding arrangements. In

addition, the EU **supported** a high-level forum or body to provide an overview of the international distribution of financial flows.

While the discussions were not entirely split along developed/developing country lines, there were some issues where such a division came into sharp focus, for instance: whether funds should be derived from strictly public sources or from a mix of both public and private sources; on the institutional arrangements for climate finance; and whether financing outside the framework of the financial mechanism should be acceptable.

Well-known positions were also reiterated, including on additionality of climate finance, adequacy, predictability, and a focus on public rather than private sources of finance. While finance for NAMAs was a key area in the finance discussions, finance also came up in the context of other areas discussed by the AWG-LCA; in particular, developing country calls for adaptation finance to match mitigation finance were growing. There were also discussions on whether developing countries should contribute to climate finance, as developed countries **advocated** for contributions from all countries except LDCs.

By the time COP15 took place in December 2009, finance remained one of the most controversial issues. Like many other issues, it was mainly dealt with at the political level in closed meetings. The COP, however, ended in disarray, as countries objected to a “Copenhagen Accord” negotiated in closed door meetings by a small group of Heads of State and Government and ministers, and announced by the COP President without consulting with all Parties. Eventually, the COP simply **“took note”** of the Accord without adopting it, and the COP ended without agreement on a post-2012 framework (see Box 3). The mandate of the AWG-LCA was extended for another year, to allow it to complete its work.

BOX 3: Climate Finance in the Copenhagen Accord

The **Copenhagen Accord**, noted but not adopted at COP15, included the following provisions on climate finance:

- Scaled up, new and additional, predictable, and adequate funding as well as improved access for developing countries, to enable and support enhanced action on mitigation, including substantial finance to reduce emissions from deforestation and forest degradation (REDD-plus), adaptation, technology development and transfer, and capacity building.
- The provision of new and additional resources, approaching USD 30 billion in fast-start finance for the period 2010-2012.
- A goal for developed countries to jointly mobilise USD 100 billion a year by 2020, from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.
- Balanced allocation of funds for adaptation and mitigation. Prioritised funding for adaptation for the most vulnerable developing countries, such as the LDCs, SIDS, and Africa.
- New multilateral funding for adaptation delivered through effective and efficient funding arrangements, with a governance structure providing for equal representation of developed and developing countries.
- A significant portion of such funding will flow through the Green Climate Fund, established at COP16 as an operating entity of the Financial Mechanism of the Convention.

► COP16, CANCÚN (2010)

Following the failure to reach agreement in Copenhagen, Parties were keen to rescue the multilateral climate regime in Cancún. A further four intersessional meetings took place in 2010, before Parties met for COP16. Many of the finance-related elements of the Copenhagen Accord were discussed, including fast-start finance, long-term finance, the proposed new fund, and a proposed new body under the COP to assist with the Financial Mechanism and delivery of climate financing (see Box 3).

On fast-start finance, developing countries called for greater transparency, including whether funding is genuinely new and additional,

whether it is evenly allocated between adaptation and mitigation, and how much had been disbursed in 2010.

On long-term finance, developing countries called on developed countries to contribute 1.5% of their GDP to support developing countries, instead of a reference to a commitment of USD 100 billion per year by 2020.⁴⁸

On institutional elements, discussions centred on the relationship of the new climate fund with the COP, the composition of its board, which institution should take on the role of trustee, and its overall design. Discussions were also held on the composition of a new body to help the COP with its function of providing oversight to the Financial Mechanism.

Discussions facilitated by ministers on crunch issues, including finance, took place during the second week of the COP. This resulted in the adoption of the [Cancún Agreements](#), which formalised many of the elements of the Copenhagen Accord⁴⁹. On finance-related elements, Parties agreed to:

- Take note of the collective commitment by developed countries to provide new and additional “fast-start finance” approaching USD 30 billion for the period 2010-2012, with a balanced allocation between adaptation and mitigation. To enhance transparency on this commitment, developed countries were invited to submit information on their actions in May 2011, 2012, and 2013.
- Decide that scaled-up, new and additional, predictable, and adequate funding shall be provided to developing countries.
- Establish a Green Climate Fund (GCF), as an operating entity of the Financial Mechanism of the Convention, and under the guidance of the COP. They also agreed that the GCF will be governed by a Board of 24 members, with an equal number of members from developing and developed country Parties. The World Bank was appointed interim trustee. A transitional committee was established to design further elements of the GCF.

- Recognise that developed countries commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilising jointly USD 100 billion per year by 2020. These funds may come from a wide variety of sources, public and private, bilateral and multilateral, and including alternative sources.
- Decide that a significant share of new multilateral funding for adaptation should flow through the GCF.
- Decide to establish a Standing Committee on Finance (SCF), to assist the COP in: providing oversight to the Financial Mechanism; improving the coherence and coordination in the delivery of climate finance; rationalisation of the Financial Mechanism; mobilisation of financial resources; and measurement, reporting, and verification of support provided to developing countries.

Eighteen years after the UNFCCC was signed, developing countries finally achieved their vision of a dedicated climate fund.

► COP17, DURBAN (2011)

At COP17 in 2011, Parties **considered** the report of the Transitional Committee established to advance the design of the GCF. Discussions focused on: the legal status of the GCF; the relationship to the COP; the role of private sector financing; establishing the GCF Board; and elaborating a process to establish an interim secretariat to support the Board. The GCF was designated as an operating entity of the UNFCCC's Financial Mechanism, and the **Governing Instrument of the GCF** was adopted, which officially launched the Fund's operations.⁵⁰

Parties decided to undertake a **work programme on LTF**, to contribute to ongoing efforts to scale up the mobilisation of climate finance after 2012 as agreed in COP16⁵¹. The work of the LTF was to take place in 2012, and include the analysis of options for the mobilisation of resources from a wide variety of sources, and the climate-related financing needs of developing countries.

In Durban, an Ad hoc Working Group on the Durban Platform (ADP) was **created**, “to develop a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties”. The ADP was expected to complete negotiations by 2015, and the outcome was to come into effect from 2020 onwards (**Decision 1/CP.17**).⁵²

► **COP18, DOHA (2012)**

At COP18 in 2012, Parties **reiterated** that a significant share of new multilateral funding for adaptation should flow through the GCF, and requested the GCF Board to balance the allocation of GCF resources between adaptation and mitigation activities (**Decision 1/CP.18**).⁵³

In Doha, Parties agreed to **extend** the work of the LTF for another year.

In addition, the SCF was encouraged to: facilitate the participation of the private sector, financial institutions, and academia in its annual forum; and consider ways to strengthen methodologies for reporting climate finance while preparing the first biennial assessment and overview of financial flows. The SCF was also requested, with the GCF Board, to develop arrangements between the COP and the GCF.

► **COP19, WARSAW (2013)**

The LTF Work Programme concluded in Warsaw in 2013, resulting in the adoption of Decision 3/CP.19, which:

- Requests developed countries to prepare biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020.
- Requests the SCF to consider ongoing technical work on operational definitions of climate finance, including private finance mobilised by public interventions, in its biennial assessment.
- Calls on developed countries to channel a substantial share of public climate funds to adaptation activities.
- Decides to continue the discussions on LTF in annual in-session workshops.

- Decides to convene biennial high-level ministerial dialogues on climate finance, starting in 2014 and ending in 2020.⁵⁴

The arrangements between the COP and the GCF were adopted (Decision 5/CP.19). The GCF was requested to submit annual reports to the COP, on the basis of which the COP will issue guidance to the GCF, including on matters related to policies, programme priorities, and eligibility criteria.⁵⁵

► COP20, LIMA (2014)

- At COP20 in 2014, the Secretariat was requested to, in accordance with decision 5/CP.20 on LTF: prepare a compilation and synthesis of the biennial submissions from developed countries on strategies and approaches to inform the in-session workshops on LTF; organize annual in-session workshops through to 2020; and prepare a summary report of the workshops for annual consideration by the COP and the High-level Ministerial Dialogue on Climate Finance.

The SCF was requested to, among other things, further explore ways to enhance its work on the MRV of support.

The first High-level Ministerial Dialogue on Climate Finance also took place during COP20.

► COP21, PARIS (2015)

Work had been ongoing under the ADP on the post-2020 “*protocol, another legal instrument or an agreed outcome with legal force*” since the ADP was established in 2011. Several controversial issues relating to climate finance came into focus during these discussions, including:

- The quantum of climate finance to be provided.
- Whether Nationally Determined Contributions (NDCs) should address only mitigation, or other elements of the ADP mandate as well, including finance.
- Whether only developed countries should be asked to contribute to climate finance, or other “Parties in a position to do so” as well.

- Whether there should be an *ex ante* review of means of implementation.

Developing countries also wanted a clear link between mitigation action carried out by them under the Agreement, and the mandatory provision of finance for this by developed countries, as in the Bali Action Plan and Cancún decisions.

Despite four additional ADP meetings in 2015, many of the differences on climate finance (and other issues) persisted when Parties met in Paris later that year. These were eventually overcome and the Paris Agreement was adopted at COP21.⁵⁶

The Paris “outcome” includes both the Paris Agreement and its “adopting Decision”, [Decision 1/CP.21](#). This Decision includes a section on “Enhanced action prior to 2020”, which “*strongly urges developed country Parties to scale up their level of financial support, with a concrete road map to achieve the goal of jointly providing USD 100 billion annually by 2020*” (§114).

Article 9 of the [Paris Agreement](#) addresses climate finance (see section further below for more details), which is also reflected as a crosscutting issue in several other Articles, including:

- Article 2.1(c) (making finance flows consistent with a pathway towards low greenhouse emissions and climate-resilient development);
- Articles 10.5 and 10.6 (support for technology development and transfer);
- Article 11.1 (capacity building to facilitate access to climate finance);
- Article 13 (reporting of financial support provided and received); and
- Article 14 (global stocktake with respect to means of implementation and support).

In addition, it was agreed that developing countries shall receive support to implement the provisions of the Paris Agreement in most subject areas (Articles 4.5, 7.13, 13.14, and 15).

Article 2, in particular, encapsulates the primary objectives of the Paris Agreement, framing them in the context of three long-term goals

on mitigation, adaptation, and finance. It calls on Parties to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. It also calls for the Paris Agreement to be implemented in line with the principles of equity and common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.

Article 9.1 to 9.3: Finance Commitments

Developing countries have been arguing for many years that developed countries, because of their historic responsibility for emissions, have an obligation to provide additional financial resources to developing countries to address climate change, including the transfer of technology. To some extent, this is acknowledged in Article 9.1, which states that developed countries “*shall*” provide financial resources to assist developing countries with respect to both mitigation and adaptation, in continuation of their existing obligations under the UNFCCC. Developing country negotiators, however, did not succeed in establishing binding financial commitments a burden sharing formula for developed countries. The Paris Agreement has binding procedural commitments.

More specific future financial commitments were dealt with outside the Agreement, in [Decision 1/CP.21](#), in particular §§52-64. The Decision states that developed country Parties intend to continue their collective mobilisation goal of USD 100 billion per annum (by 2020), first announced in 2009 in Copenhagen, through to 2025. It was agreed that a new collective quantified goal with USD 100 billion as a floor would be agreed before 2025 (§53); however, the language in this paragraph does not specify that the goal will be restricted to developed countries.

Article 9.2 of the Paris Agreement encourages other Parties that are not developed country Parties (such as emerging economies or other wealthy Parties not listed in Annex I to the UNFCCC) to provide support voluntarily, with Article 9.3 specifying that developed country Parties

should continue to take the lead in mobilizing climate finance as part of a global effort.

Overall, the commitment to provide and raise climate finance is framed in broad non-committal terms (for instance “*from a variety of sources*” and “*through a variety of actions*”). While Article 9.1 could be interpreted as referring to the provision of finance from public sources, in particular state budgets, Article 9.3 refers to a much wider “*mobilization*” and only notes “*the significant role of public funds*”. (Consistent with the Bali decisions and Cancún Agreements, which recognised all sources of finance but acknowledged that in the context of the intergovernmental process, public finance has a leading role to play while other sources, such as private finance, are supplementary sources). Article 9.3 also reflects that Parties will demonstrate a scaling-up of their efforts beyond previous levels over time.

Article 9.4: Balance Between Mitigation and Adaptation

Article 9.4 calls for a balance between adaptation and mitigation funding, taking into account country-driven strategies. Similar language featured in the 2009 Copenhagen Accord and the 2010 Cancún Agreements, but the term “*balance*” remains open to interpretation. More specific language proposed in earlier drafts of the Agreement, such as “50:50 allocation” or “equal allocation” were rejected.⁵⁷

Article 9.4 also specifies that the provision of scaled-up financial resources should aim to achieve the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as LDCs and SIDS. In contrast, UNFCCC Article 4.8 listed various types of vulnerable countries and the Cancún Agreements highlighted LDCs, SIDS, and Africa as examples of vulnerable countries.

Article 9.5: Ex Ante Reporting on Finance

Article 9.5 requires developed countries to submit biennial communications on their predicted (or “*ex ante*”) levels of climate finance. While there is an obligation (“*shall*”) to report such information, the information need only be “*indicative*” – not definitive, because it will be based on projected figures. As available, Parties should indicate relevant amounts (quantitative) of climate finance as well as their nature (for instance, loans, grants, guarantees, or other financial instruments). The provision of such information is optional for other Parties that provide finance.

Article 9.6: Finance and the Global Stocktake

Article 9.6 makes it clear that information on finance from developed countries will be an integral part of the **Global Stocktake** (GST).

Article 9.7: Ex Post Reporting on Finance

Article 9.7, which is linked to Article 13 on transparency of support, also requires developed countries to provide information biennially on support provided and mobilised through public interventions.

Article 9.8: Institutional Arrangements

It was agreed that the Financial Mechanism established under Article 11 of the UNFCCC will also serve as the Financial Mechanism of the Paris Agreement. **Decision 1/CP.21** (§58) determined that the LDCE, SCCF, and SCF will serve the Agreement (§61). Regarding the Adaptation Fund established under the Kyoto Protocol, further decisions were required—the Decision only stated that the Fund “*may*” serve the Agreement (§59).

Article 9.9: Access to Finance

Article 9.9 mandates the institutions serving the Agreement and their operational entities to develop processes and procedures for accessing support that do not put developing countries with limited resources and capacities at a disadvantage (*vis-à-vis* other developing countries).

Decision 1/CP.21 also urges these institutions to enhance the coordination and delivery of resources (§64). As is the case for Article 9.4, LDCs and SIDS are specifically mentioned.

The Paris Agreement entered into force in November 2016, soon after it was agreed. As of August 2025, 195 of the 198 Parties to the Convention had **ratified** the Paris Agreement.⁵⁸

► **COP22 AND CMA1, MARRAKECH (2016)**

The surprisingly rapid entry of force of the Paris Agreement in 2016 meant that the UN Climate Conference in Marrakech later that year was also the first COP serving as the meeting of the Parties to the Paris Agreement (CMA1). However, while the Paris Agreement provided the broad framework for post-2020 climate action, the details for its implementation still needed to be worked out and, according to the Paris outcome, adopted at CMA1. It was, therefore, agreed that CMA1 would not be adjourned, and a second and third session of CMA1 would take place at COP23 and COP24, respectively, until the Paris rulebook was adopted.

Elements of the Paris Agreement that needed further work had already been assigned to specific bodies under the UNFCCC, including the Ad Hoc Working Group on the Paris Agreement (APA) that was created in Paris for this task, the Subsidiary Body for Implementation (SBI), the Subsidiary Body for Scientific and Technological Advice (SBSTA), and the SCF. For instance, in §57 of **Decision 1/CP.21**, SBSTA was requested to develop modalities for the accounting of financial resources provided and mobilised through public interventions in accordance with Article 9.7 of the Paris Agreement.

However, some “orphan issues” identified by countries still had to be assigned. On climate finance, these included elements such as the new post-2025 collective goal on finance, and Article 9.5 on the biennial communication of predicted (or “*ex ante*”) levels of climate finance by developed countries. On the latter, it was **agreed** at COP22 that work

would be advanced at COP23 to identify the information to be provided by Parties under Article 9.5 ([Decision 13/CP.22](#)).⁵⁹

CMA1 also [decided](#) that the Adaptation Fund “*should*” serve the Paris Agreement, following and consistent with decisions to be taken at CMA1-3 that address the Fund’s governance and institutional arrangements, safeguards, and operating modalities ([Decision 1/CMA.1](#)). The US, which was not a Party to the Kyoto Protocol and therefore not part of the Adaptation Fund’s governance, [sought to ensure](#) that: the governing structure includes countries not Party to the Kyoto Protocol; the Fund fits into the post-Paris financial architecture; the Fund’s effectiveness is evaluated; there is agreement on all sources of funding; and the safeguards policy of the Fund is reviewed.⁶⁰

Meanwhile, the report of the Adaptation Fund Board [highlighted](#) that the predictability of the Fund’s financing “*is not secure*” because of its reliance on voluntary contributions and the “*meltdown*” of the carbon market.

On LTF, [Decision 7/CP.22](#) called for in-session workshops on LTF in 2017 and 2018 to focus on experiences and lessons learned from: articulating and translating needs identified in country-driven processes into projects and programmes; roles of policies and enabling environments for mitigation and adaptation finance; and facilitating enhanced access.⁶¹

The [second High-Level Ministerial Dialogue on Climate Finance](#) took place in Marrakech.

► COP23 AND CMA1-2, BONN (2017) (UNDER THE PRESIDENCY OF FIJI)

Discussions continued on providing further guidance for the implementation of the Paris Agreement at COP23/CAM1-2 in 2017.

On Article 9.7 discussions on *ex post* accounting of climate finance, developing countries [called for](#) clarification of the definitions of: climate finance; “climate- specific” and “climate-related” finance; and “new and additional” finance. They also called for: a system for the MRV of climate

finance; reporting against progression on climate finance; and information on support pledged, approved, and disbursed.

Progress was made on the Adaptation Fund – it was **decided** that the Fund “*shall*” serve the Paris Agreement, subject to and consistent with decisions to be taken at CMA1-3. Parties also agreed to consider, in 2019, whether “*the Adaptation Fund shall serve the Paris Agreement exclusively*”, under the guidance of and accountable to the CMA. Work continued under the APA to address governance and institutional arrangements, safeguards, and operating modalities for the Fund to serve the Agreement.

Parties **agreed** to launch stocktakes of pre-2020 implementation and ambition at COP24 and COP25, which would consider the provision of support in the pre-2020 period, among other things. Moreover, the Facilitative Dialogue, mandated by **Decision 1/CP.21** to take place in 2018, was launched. Dubbed the “Talanoa Dialogue”, it was considered a precursor to the global stocktake that will take place every five years from 2023 onwards. It was **agreed** that the Dialogue will consider, as one of its elements, the efforts of Parties on action and support, as appropriate, in the pre-2020 period.

► **COP24 AND CMA1-3, KATOWICE (2018)**

The **Katowice Climate Package**, also referred to as the Paris Agreement’s “rulebook” or the Paris Agreement’s implementation guidelines, was adopted in 2018 at COP24. It adds detail to the Paris Agreement’s more general provisions, and is meant to pave the way for the full operationalisation of the Agreement.

On **finance commitments** (Article 9.1-9.3 of the Paris Agreement), **Decision 14/CMA.1** calls for: deliberations on the new quantified goal to begin at CMA3 in November 2020; and consideration, as part of these deliberations, of the aim of making finance flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development, as envisaged under Article 2.1(c) of the Agreement. The decision specifies that this collective quantified goal is to start from a floor of USD 100 billion

per year, and discussions must take place “*in the context of meaningful mitigation actions and transparency of implementation*”, while taking into consideration the needs and priorities of developing countries.⁶²

In addition, in **Decision 4/CP.24**, the SCF is requested to “*prepare, every four years, a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement*”, starting in November 2020. Some Parties believe that this report will help in determining target amounts for climate finance mobilisation under Paris Agreement Article 9.3, as well as Convention Article 11.3(d) (funding necessary and available for implementation of the UNFCCC).⁶³

The SCF was also requested to map available information related to Articles 2.1(c) and 9 of the Paris Agreement every four years as part of its biennial assessment and overview of climate finance flows. This includes the information to be provided by developed country Parties on the provision and mobilisation of financial resources.

On **Article 9.5 (ex ante reporting of climate finance)**, in **Decision 12/CMA.1**, it was agreed that:

The biennial communications on *ex ante* finance will start from 2020, and the Secretariat will establish a dedicated online portal.

- The Secretariat will prepare a compilation and synthesis of the biennial communications from 2021 onwards to inform the global stocktake. The Secretariat will also organise biennial in-session workshops from 2021 onwards and prepare a summary report on each workshop. All these documents will be considered at CMA4 in 2021.
- A biennial high-level ministerial dialogue on climate finance to begin in 2021, to be informed by, for instance, the summary reports of the in-session workshops. The CMA President will summarise the deliberations of the ministerial dialogue for consideration by the CMA at its next sessions.
- The COP is also invited to consider the compilations and syntheses and the summary reports on the in-session workshops.⁶⁴

The Annex to [Decision 12/CMA.1](#) lists the types of information to be provided by Parties in their biennial communications (in accordance with Article 9.5 of the Paris Agreement) with regard to public and other forms of finance. This list may be updated at CMA6 (2023) based on experiences and lessons learned. For the time being, the types of information include, among other things:

- Projected levels of public finance.
- Programmes, including projected levels, channels, and instruments.
- Policies and priorities, including regions and geography, recipient countries, beneficiaries, targeted groups, sectors, and gender responsiveness.
- Purposes and types of support (mitigation, adaptation, etc).
- An indication of new and additional resources to be provided.

On **climate finance and the global stocktake** (Article 9.6), the rulebook lists the sources of input on finance for the stocktake ([Decision 19/CMA.1](#)), including information on:

- Finance flows, at “*a collective level*”.
- Balance and prioritisation (Article 9.4).
- Support provided for technology development and transfer and capacity building (Articles 10.6, 11.3, and 13.9).
- Financial, technology transfer, and capacity-building support needed and received under Articles 9, 10, and 11 (Articles 13.6 and 13.10).
- The Secretariat’s compilation and synthesis of the biennial communications on *ex ante* finance is also a source of input for the global stocktake, according to §7 of Katowice [Decision 12/CMA.1](#).⁶⁵

On ***ex post* reporting of support** provided and mobilised through public interventions (Article 9.7), the [modalities, procedures, and guidelines](#) (MPGs) for the provision of this information are elaborated in the rulebook, in the MPGs for transparency of action and support under Article 13 ([Decision 18/CMA.1](#), Annex). Other Parties that provide climate finance on a voluntary basis are “*encouraged*” to use these MPGs. The information

submitted by Parties will undergo a technical expert review, and a facilitative, multilateral consideration of progress (Article 13.11).⁶⁶

Public interventions are **described** as, for example, grants, loans, equity, guarantee, insurance, policy intervention, capacity building, technology development and transfer, and technical assistance.

While the information from Parties on *ex post* finance is likely to gradually provide a more detailed and comprehensive picture of international climate finance provided, Parties still have significant flexibility in their reporting and decisions about what they consider “*new and additional*”. Parties are allowed to report their financial support at face value although in the case of a partial loan, for example, it may be more relevant to indicate the grant-equivalent value. Despite the flexibility provided, developed countries are also expected to make efforts to enhance the comparability and accuracy of information through the use of international standards or harmonisation with other countries, institutions, and international systems.

On the **institutional arrangements for climate finance** (Article 9.8), under Decisions **13/CMA.1** and **1/CMP.14**, it was decided that the Adaptation Fund will serve the Paris Agreement with respect to all Paris Agreement matters from 1 January 2019. Once the share of proceeds becomes available under Article 6.4 of the Paris Agreement, the Fund shall no longer serve the Kyoto Protocol but continue to receive the share of proceeds, if available, from activities under Articles 6, 12, and 17 of the Kyoto Protocol.⁶⁷

► **COP25 AND CMA2, MADRID (2019)**

As the SCF was **unable to agree** on the draft guidance to be provided to the operating entities of the Financial Mechanism, a **compilation of submissions** was instead forwarded to the COP and CMA. During this meeting, deliberations took place on whether the discussions on the LTF should continue post 2020; whether the SCF should prepare a synthesis

report on the USD 100 billion goal, the scope of its needs assessment report and on the rules of procedure of the Adaptation Fund.

With the 2020 deadline for the USD 100 billion annually just around the corner, LTF was a key issue for COP25 in 2019. Deliberations on LTF were taking place under biennial submissions by developed countries on their approaches for scaling up climate finance, in-session workshops, and biennial high-level ministerial dialogues since the work programme on LTF concluded in 2013. In Madrid, the G77/China proposed a permanent forum to discuss LTF, saying the issue requires regular discussion from a strategic perspective. Developed countries objected to mandating the SCF to assess progress, saying it duplicated the SCF's work on biennial assessments. They also opposed extending the current work programme or creating a new forum.⁶⁸

During the closing plenary, the G77/China said the draft text proposed by the Presidency, which *"affirms the importance of climate finance and decides to continue discussion on this matter under the COP"*, did not reflect the agreement reached in consultations the previous night. They requested returning to the Group's understanding of agreed language, which specifies that discussions would continue at the next COP (*"notes the importance to the COP of continued discussions on long-term climate finance and decides to consider the matter at COP26"*). Agreement was not possible as this wording was opposed by developed countries, and it was decided that Rule 16 would apply. (Rule 16 in the UNFCCC [draft rules of procedure](#) states that an agenda item that cannot be completed at a conference will automatically roll over to the next session).⁶⁹

The African Group wanted the SCF to prepare a synthesis report on the USD 100 billion goal, to inform the discussion on setting a new collective quantified goal from a floor of USD 100 billion per year, set to begin in November 2020. This was opposed by developed countries. A proposal by the Independent Association of Latin America and the Caribbean (AILAC) to include an overview of the achievement of the USD

100 billion goal as part of the biennial assessment was also rejected by developed countries.

Discussions were also held on the preparation of the first SCF report on the determination of the needs of developing countries related to implementing the Convention and the Paris Agreement, which was mandated in Katowice at COP24. Developing countries wanted to call on the SCF to make this needs assessment “comprehensive”, so it could serve as one of the tools guiding the replenishment of the operating entities. They also wanted to include loss and damage in the needs assessment. Both suggestions were opposed by developed countries. Instead, [Decision 5/CMA.2](#) encourages the SCF to present, “*to the extent possible*”, disaggregated information on climate finance flows and the needs of developing countries, including information on data availability and gaps by sector. On loss and damage, the decision: notes the inputs the SCF has already provided to the technical paper on financial support for addressing loss and damage; and “*looks forward*” to future input from the Warsaw International Mechanism for Loss and Damage (WIM) to the SCF’s guidance to the operating entities of the Financial Mechanism.⁷⁰

Discussions were also held on the changes needed for the Adaptation Fund to function as an operating entity of the Financial Mechanism under the Paris Agreement. Some developed countries wanted to revisit the membership of the Adaptation Fund Board. Currently, a majority of the 16 Board members (about 69%) are from developing countries. Developing countries said the COP24 mandate does not include a revision of the composition of the Board, and only refers to its rules of procedure. They wanted the decision to be purely procedural. Other countries called for substantial changes. Japan, for instance, called for the representation of developed countries to be enhanced, and the Environmental Integrity Group requested revisiting the Board’s composition depending on the sources of funding.

The current language on the composition of the Board refers to two representatives “*from Annex I Parties*”, and two from “*non-Annex I*

Parties” (referring to Annex I of the UNFCCC). Some developed countries supported draft text that replaced these references to “developed countries” and “developing countries”, respectively, to reflect the country grouping under the Paris Agreement rather than the UNFCCC. This was opposed by developing countries. No agreement was reached, with the discussion to continue at the subsequent session. Meanwhile, with respect to [Decision 3/CMP.15](#), which renews the World Bank’s role as interim trustee of the Adaptation Fund, paragraphs related to Board membership were removed due to the ongoing disagreement. A decision was also taken for the GEF to continue to serve as the Adaptation Fund’s secretariat. Unlike the past, when the interim roles of both the World Bank and the GEF were reviewed periodically, no timeline was established to review their role.⁷¹

► COP26 AND CMA3, GLASGOW (2021)

Climate finance was a central theme at COP26 in Glasgow, especially since it had become clear that the USD 100 billion per year goal for climate finance had not been met on time by developed countries. This shortfall in delivery was acknowledged in the climate finance delivery plan⁷² (see Box 4) that was published ahead of the conference as well as in the [Glasgow Climate Pact](#), the COP26 cover decision. The Pact underscored the urgent need for developed countries to honour this commitment through to 2025 and the importance of transparency in the implementation of pledges.

To achieve a balance between mitigation and adaptation, the CMA also [urged](#) developed countries to double their collective climate finance for adaptation by 2025 compared to 2019 levels. Private finance was also emphasised, with the Glasgow Climate Pact calling on MDBs, other financial institutions, and the private sector to mobilise more resources for developing countries, especially for adaptation and addressing loss and damage.⁷³

Another important decision from COP26 was the initiation of discussions on the New Collective Quantified Goal on Climate Finance (NCQG). Despite the disappointment over the failure to meet the USD

100 billion goal, negotiations on the NCQG were launched with the objective of setting a new, more ambitious target by 2024. The ad-hoc work programme to define the NCQG included expert dialogues and high-level ministerial discussions to ensure the needs and priorities of developing countries would be reflected in the new goal.⁷⁴

In addition to these negotiations, high-level ministerial dialogues on climate finance were scheduled for 2022, 2024, and 2026, with the aim of reviewing progress and furthering discussions on the LTF. These dialogues will culminate in 2027, when the ongoing LTF discussions are expected to conclude.⁷⁵

Finally, the [Glasgow Statement](#) on International Public Support for the Clean Energy Transition marked a significant moment in the conference, as 39 countries and financial institutions signed a pledge to end international public finance for fossil fuel projects through the [Clean Energy Transition Partnership](#) (CETP). Although this initiative was not part of the formal UNFCCC negotiations, it was a significant outcome of COP26, as it aims to accelerate the global transition to clean energy by redirecting financial resources away from fossil fuel projects and towards renewable energy and sustainable development.⁷⁶

BOX 4: The Climate Finance Delivery Plan

The [Climate Finance Delivery Plan](#) was established to provide transparency and accountability ahead of COP26 and to underline developed countries' commitment to mobilise USD 100 billion annually in climate finance for developing nations. This goal, initially set in 2009, defined a floor of USD 100 billion in annual climate finance between 2020 and 2025. Co-led by Jonathan Wilkinson, Canada's Minister of Environment and Climate Change, and Jochen Flasbarth, Germany's State Secretary at the Ministry for Environment, the plan outlined the projected trajectory of climate finance between 2021 and 2025. It indicated that developed countries were on track to meet the target by 2023, with the potential to exceed it in the following years. The plan emphasised the urgent need to increase adaptation finance for the most vulnerable countries, address barriers to accessing funds, and enhance private sector mobilisation.

► COP27 AND CMA4, SHARM EL-SHEIKH (2022)

At COP27, Parties agreed to establish funding arrangements and a fund for loss and damage as detailed in the [Sharm-el-Sheikh Implementation Plan](#) (COP.27/CMA.4). Besides this agreement in principle, most issues relating to the practical implementation of setting up the fund, such as eligibility, funding arrangements, and integration with existing funds, remained unresolved. A transitional committee was tasked with developing recommendations for the design and operationalisation of the fund ahead of COP28.⁷⁷

The Sharm-el-Sheikh Implementation Plan also initiated the [Sharm el-Sheikh Dialogue on Paris Agreement Article 2.1\(c\)](#), on making finance flows “*consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development*”. The two-year dialogue (2023–2024) was expected to enhance understanding of the scope of Article 2.1(c) and its complementarity with Paris Agreement Article 9.

The COP in [Decision 17/CP.27](#) requested the SCF to prepare biennial reports, including summaries of key findings, on progress towards achieving the collective goal of mobilizing USD 100 billion per year to meet the needs of developing countries, in the context of meaningful mitigation actions and transparency of implementation. These reports, which will take into account other relevant inputs, are to be submitted for consideration at COP 29 (November 2024), COP 31 (2026), and COP 33 (2028).

COP27 also hosted the fourth expert dialogue and the first high-level ministerial meeting under the NCQG negotiations. These meetings served to collect perspectives and exchange views, but did not result in a zeroing in on substantive textual options. The first year of the NCQG negotiations concluded at COP27 without substantial progress being made.⁷⁸

► COP28 AND CMA5, DUBAI (2023)

The FRLD was operationalised through a decision adopted on the first day of the Conference—an unprecedented success in the climate process. This

decision was accompanied by two initial pledges of USD 100 million by Germany and the United Arab Emirates (UAE), with the latter contributing for the first time to an international climate fund. Overall, the Loss and Damage Fund received pledges of USD 0.7 billion from 19 developed countries by the end of the COP.⁷⁹ The World Bank was appointed as the interim trustee.⁸⁰

COP28 also saw the **outcome of the first GST**, which outlined progress made towards achieving the goals of the Paris Agreement, including progress on climate finance. The GST stated that developed countries failed to meet the USD 100 billion goal in 2021. Developed countries were urged to deliver on the target of USD 100 billion in climate finance annually through 2025. The GST decision further emphasised the need to scale up adaptation finance to prevent the adaptation finance gap from widening. For this purpose, developed countries were urged to prepare a report on the doubling of adaptation finance from 2019 levels in 2025.

The GST decision acknowledged the challenges arising from the multitude of climate finance definitions in use for estimating aggregated climate finance.⁸¹ These insights draw on the SCF's report on the diversity of climate finance definitions.⁸² The COP requested the SCF to consider updating its operational definition of climate finance.⁸³

While the Sharm el-Sheikh Dialogue was launched to enhance understanding of the scope of Article 2.1(c) of the Paris Agreement (ensuring finance flows are consistent with low-carbon, climate-resilient development), and its complementarity with Article 9 of the Paris Agreement (climate finance), not much progress was made at COP28. It was mentioned in the GST outcome, in that the dialogue should continue and be strengthened.

Under the NCQG negotiations, disagreements between developing and developed countries persisted. Contentious topics included quantitative aspects, e.g. suggestions for single or multi-layered structures for the goal, and qualitative aspects, like timeframes, thematic allocations, and transparency arrangements. In the end, decisions at COP28 remained

purely procedural, and emphasised that the negotiations on the NCQG needed to conclude in 2024.⁸⁴

► COP29 AND CMA6, BAKU (2024)

COP29 marked a pivotal moment for climate finance, as Parties continued negotiations on the NCQG—a central feature of the UNFCCC’s financial architecture for the decade ahead. Several contentious issues impacted the negotiations until the very last moments of the meeting: minimum allocation floors for SIDS and LDCs; the structure of the NCQG; the quantum or amount of finance to be mobilised; and the contributor base.⁸⁵

The [decision on the NCQG \(1/CMA.6\)](#) included a formal target of at least USD 300 billion by 2035, with developed countries taking the lead, based on the same broad definition of climate finance that underpinned the original USD 100 billion goal set for 2020. Parties further agreed that the operating entities of the Financial Mechanism, the Adaptation Fund, the LDCE, and the SCCF and should play a substantial role in implementing the NCQG, ensuring the deployment of public finance, and a tripling of annual outflows by 2030 at the latest compared to 2022 levels. For MDBs, the NCQG allows accounting of all climate-related finance and not only the share attributable to developed countries. This arcane change in the MDBs’ climate finance definition essentially led to a weakening of the target. The NCQG also includes an aspirational target of at least USD 1.3 trillion by 2035, and which developing countries highlighted as a representative measure of their finance needs during the negotiations. This target comprises all finance mobilised from public and private sources for developing countries. On the question of the contributor base, the NCQG only includes soft provisions, that is ‘inviting’ developing countries to make contributions voluntarily and instructing developed countries to take the lead. The agreement further instructs the SCF to biennially report on progress made, starting in 2028.⁸⁶

Box 5: Unresolved Issues in the NCQG Post-COP29

Despite the agreement at COP29 on the NCQG, several critical issues remain unresolved. A key point of contention is the quality of finance. For instance, shortcomings in the definition and accounting of climate finance were not addressed. The NCQG noted that grant-based and highly concessional finance is particularly important for adaptation and responding to loss and damage in developing countries, but the decision does not set concrete targets nor exclude market-rate loans. Further, due to the lack of clear accounting guidelines, there is no guarantee that the finance provided under the NCQG will be new and additional. In this regard, no substantial improvement in comparison to the shortcomings of the USD 100 billion target was achieved.

The NCQG decision also does not define how much finance should be provided as grants and highly concessional debt to developing countries. While it acknowledges the challenges with unsustainable debt levels and the need to reform the multilateral financial architecture, it does not provide tangible solutions on how to avoid increasing debt burdens, a key issue for developing countries. Moreover, while the NCQG recognizes that for SIDS and LDCs finance for adaptation and loss and damage is urgently needed, there are no specific provisions to ensure accessibility of funds for LDCs and SIDS, for example, in the form of minimum allocation floors.

The NCQG also lacks specific sub-targets for mitigation, adaptation, and loss and damage, a key priority for developing countries. As a result, it does not include provisions to close existing gaps in adaptation finance and loss and damage funding, nor does it ensure a balanced allocation of resources between mitigation and adaptation.

The COP also agreed to transition its guidance to the GEF and GCF from an annual to a biennial cycle, allowing the Funds time to respond to the guidance.

► **PRE-COP30 (2025)**

As a potential avenue to address the unresolved issues, the [Baku to Belém Roadmap to 1.3T](#) was introduced in the NCQG decision. Guided by the COP29 and COP30 Presidencies, the Roadmap will be presented at COP30. The overall aim of the Roadmap is to scale up climate finance for developing countries, with the goal of mobilising at least USD1.3 trillion per year by

2035. By promoting new and creative strategies to increase fiscal capacity, the Roadmap could play a crucial role in restoring trust and boosting confidence in global climate finance after the challenges faced at COP29.

To gather inputs for the Roadmap, the Presidencies carried out consultations with Parties and observers.⁸⁷ During the 62nd sessions of the Subsidiary Bodies (SB 62) in June 2025 in Bonn, the two presidencies conducted consultations with Parties and observers. Sharp divergences in priorities between developed and developing countries were evident, such as the balance between public and private finance, the quantum of the goal, and the responsibilities of contributor countries and their failure to fulfil past commitments. Generally, developing countries demand grant-based public finance noting their debt burdens, while developed countries stress mobilising private capital.⁸⁸

A major input for the roadmap is the final report from the COP30 Circle of Finance Ministers, commissioned by the COP30 Presidency and published in October 2025. The report sets out five priorities to scale up financing for developing countries: (1) expanding concessional finance and climate funds; (2) reforming the MDBs; (3) creating national platforms and strengthening domestic capacity to attract sustainable investment; (4) developing innovative financial instruments to mobilise private capital and enhance risk-sharing tools; and (5) strengthening regulatory frameworks for climate finance.⁸⁹

The Roadmap is set to be released in the run up to COP30 for Parties to consider before it is officially launched at COP30. A key challenge remains that the NCQG is not on the negotiations agenda and, therefore, a formal decision by Parties on the contents of the Roadmap is not foreseen.⁹⁰ If the Roadmap's key elements are not anchored in a decision text, it could weaken the accountability mechanisms essential for the NCQG. As such, the Roadmap's effectiveness will depend on the political will of Parties at COP30 to commit to and engage on its objectives.^{91, 92}

WHAT IS THE INSTITUTIONAL ARCHITECTURE FOR CLIMATE FINANCE UNDER THE UNFCCC?

This section describes the current institutional architecture for climate finance under the UNFCCC and Paris Agreement, based on the multitude of decisions and outcomes of past COPs and as described in the previous section.

The **Conference of the Parties** (COP), composed of representatives of all countries that are Party to the Convention, is the supreme decision-making body of the UNFCCC.⁹³ It is responsible for providing guidance to the Financial Mechanism of the Convention, described in **UNFCCC** Article 11 as “*a mechanism for the provision of financial resources on a grant or concessional basis*”.⁹⁴

Article 11 further states that:

- The Financial Mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance (Article 11.2).
- The COP can entrust the operation of the Financial Mechanism to one or more international entities (Article 11.1).
- The COP and the operating entities shall agree on, among other things, determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed (Article 11.3.d).

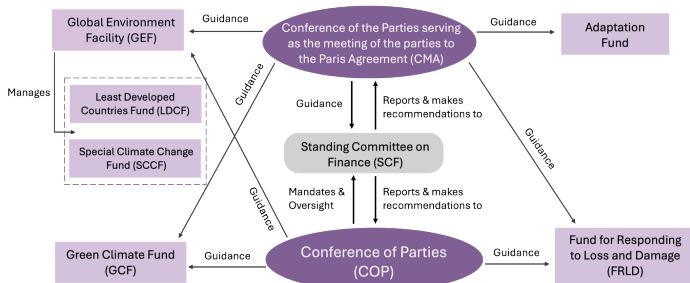
The CMA, composed of all Parties to the Paris Agreement, is the supreme decision-making body responsible for overseeing and promoting the effective implementation of the Agreement. These arrangements also apply to the Paris Agreement – Article 9.8 of the Agreement states that “[t]

*he Financial Mechanism of the Convention, including its operating entities, shall serve as the financial mechanism of this Agreement”.*⁹⁵

The UNFCCC and the Paris Agreement currently have three operating entities of the Financial Mechanism, the GEF, the GCF, and the FRLD, which are accountable to, and under the guidance of, the COP and CMA. The LDCF and SCCF, two funds created under the Convention, are managed by the GEF under the guidance of the COP.

The Adaptation Fund, meanwhile, was created under the Kyoto Protocol and is governed by a Board that is accountable to the CMP. It receives its funds from a “share of proceeds” from the CDM, and from other voluntary sources. It was later agreed that the Adaptation Fund will serve the Paris Agreement guidance of, and be accountable to, the CMA with respect to all matters relating to the Paris Agreement and that it will exclusively do so once the “share of proceeds” from Article 6.4 of the Paris Agreement becomes available.

Figure 1: Institutional architecture for climate finance under the UNFCCC



Source: Authors

The GCF is a dedicated fund established to help developing countries shift to low-emission and climate-resilient development pathways and help achieve the goal of keeping a global temperature rise under 2°C.

The FRLD is a new channel to assist developing countries to address loss and damage associated with the adverse effects of climate change. The FRLD is able to receive contributions from a wide variety of sources of funding, including grants and concessional loans from public, private, and innovative sources.

► GLOBAL ENVIRONMENT FACILITY

As noted earlier, the GEF was restructured in 1994 to address developing country concerns that it was based on the donor-dominated model used for aid governance. Following the restructuring, a GEF Council was created as the Fund's main governing body, with 32 members – 14 from contributing countries, 16 from developing countries, and two from economies in transition. The Council meets twice annually to develop, adopt, and evaluate the operational policies and programmes for GEF-financed activities. It also reviews and approves the work programme (projects submitted for approval), making decisions by consensus.

The GEF works through **Implementing Agencies**, which create project proposals and then manage the projects on the ground. From three Implementing Agencies when it started (the World Bank, UNDP, and UNEP), the GEF now has 18 Implementing Agencies.⁹⁶

GEF funds are replenished every four years, with the contributions of **40 donor countries** varying over each replenishment. The Fund is in its eighth replenishment cycle (2022-2026) (GEF-8), with close to 30 countries jointly pledging USD 5.33 billion, an increase of over 30% from its last operating period (see Figure 1).⁹⁷ The initial **System for Transparent Allocation of Resources** (STAR) country allocations for GEF-8 reflected a total replenishment level for programming of over USD 3.38 billion for three focal areas, with USD 852 million for climate change, USD 1.92 billion for biodiversity, and USD 618 million for land degradation.⁹⁸ Although Funding for the climate change focal area has declined over past replenishment cycles (GEF-5 **allocated** USD 1.36 billion, GEF-6 **allocated** USD 1.26 billion, while GEF-7 **allocated** USD 802 million),

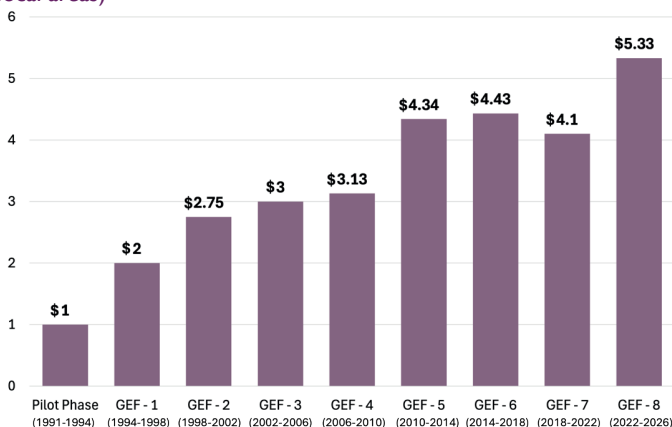
there was a slight funding increase in GEF-8 to approximately USD 905 million.⁹⁹ Meanwhile, GEF-8 will invest in both integrated programming and specific focal areas, with 11 integrated programmes to deliver global environmental benefits across multiple focal areas.¹⁰⁰

Since its inception, the GEF has funded 1,432 climate change mitigation projects, amounting to USD 8.48 billion in over 166 developing countries and countries with economies in transition. It has also provided USD 551.2 million in support for 431 “enabling activities”, including the preparation of National Communications and Biennial Update Reports.¹⁰¹

Adaptation is funded through the LDCF and SCCF. From its inception to mid-2020, the LDCF has approved USD 2.15 billion for 422 projects, programmes, and enabling activities. This includes the preparation of 51 NAPAs in LDCs, and two global projects. A further USD 12.06 million is available for approval of new projects, as of June 2024.

The SCCF, meanwhile, has supported a total of 101 projects worth USD 393.8 million during the same period.

Figure 2: GEF Replenishment Cycles (in billions of USD, for all GEF focal areas)



Over the years, the COP has provided **guidance** to the GEF on an annual basis, on new priority areas and on addressing areas of concern. Some guidance has been reiterated, and reflects the ongoing concerns that Parties have raised relating to, among other things:

- Expediting the approval and disbursement of financial resources, and minimising the time between the approval of project concepts, the development and approval of the projects, and the disbursement of funds by implementing/executing agencies to recipient countries.
- Streamlining the GEF project cycle, to make project preparation simpler, less prescriptive, more transparent and country driven.
- Simplifying and expediting procedures for the approval and implementation of GEF-funded projects, including disbursements.
- Making the concept of, and process for, the determination of incremental costs and global benefits more transparent, understandable, flexible, and pragmatic.
- Encouraging the use of national and regional experts and/or consultants to enhance project development and implementation.
- Ensuring that adequate funding is available to enable developing countries to meet their commitments under the Convention.
- Speeding up the process through, for instance, establishing a time frame within which LDCs can access funding and other support for the preparation and implementation of projects identified in NAPAs.
- Clarifying the concept of additional costs as applied to different types of adaptation projects under the LDCF and SCCF.
- Streamlining the LDCF project cycle, particularly during the project preparation stage.¹⁰²

In addition, the COP has conducted six reviews of the Financial Mechanism, with assistance from the SBI (and from the SCF after it was created)—in 1998, 2002, 2006, 2010, 2014, and 2017. The seventh review of the Financial Mechanism is yet to be finalised as Parties continue debating whether it is within the CMA's purview to review the Financial Mechanism.¹⁰³ For

the GEF, these reviews have reiterated guidance including on: making the project cycle simpler and more efficient; making the concept of agreed incremental costs and global benefits more understandable, transparent, flexible, and pragmatic, and consistent; and addressing the challenges of LDCs and SIDS in accessing GEF funding.

The Independent Evaluation Office of the GEF has also conducted **seven evaluations** of the Fund's entire portfolio, with an eighth evaluation underway.

The GEF has responded to guidance from the COP and the evaluations, including, for instance, by introducing the **STAR** in 2009-2010. The STAR, which allocates resources to countries based on objective criteria, replaced the controversial RAF, which was used in the fourth replenishment period of the GEF. It is meant to enhance predictability of funding, flexibility in programming, planning at the country level, and country ownership of GEF projects and programmes.

The GEF has revised its project cycle several times to address COP guidance to enhance the approval process, including to: introduce clearer deadlines for project cycle stages; introducing medium-sized projects with streamlined procedures; and adopting the direct access modality to fund enabling activities. In response to the Paris Agreement, the GEF Council established and operationalised the **Capacity-building Initiative on Transparency** in June 2016, with an allocation of USD 61.6 million.

The GEF has a **Country Support Program** to: capacitate GEF focal points, UNFCCC focal points, Council members and alternates, civil society organisations, and GEF Agencies; and help them understand the institution and its processes.

► ADAPTATION FUND

When the design of the Adaptation Fund was discussed in 2005 and 2006, developing countries resisted handing over its governance to the GEF, as they feared that many of the problems that they faced in accessing GEF funding would be repeated in the new Fund. Instead, as noted earlier, they **called**

for the Adaptation Fund to be under the direct authority of the CMP, have balanced representation from developing countries in its governing body, and have fewer barriers to access funding, including through decentralised access. This issue was discussed at the 2006 ecbi Oxford Seminar, and an alternative proposal was developed by developing country participants, which helped to break the stalemate on this issue in the negotiations.

As a result, it was agreed that the Adaptation Fund will be governed by an Adaptation Fund Board that functions under the direct authority of the CMP, and a majority of the 16 Board members (about 69%) are from developing countries. The Board follows a one-country-one-vote rule. While designing the modalities for accessing funds from the Adaptation Fund, efforts were made to ensure short and efficient project development and approval cycles and expedited processing of eligible activities.

The Adaptation Fund pioneered “direct access” whereby countries can get national implementing agencies accredited to access funds directly from the Fund, instead of having to work through multilateral or regional agencies as in the case of the GEF. This new access modality substantially reduces the duration and difficulty of accessing financial resources, allowing developing countries to more easily address adaptation needs and priorities at the national level.¹⁰⁴ It not only puts national governments and institutions in the driving seat during the design and implementation of projects, but also helps to build national institutional capacity, including to access and manage climate finance from other sources. The Fund has a Readiness Programme for Climate Finance, which aims to help strengthen the capacity of national and regional implementing entities to receive and manage climate financing. Additional financial windows, for instance for innovation grants through an Innovation Facility and learning grants, also exist.

From its inception to 31 December 2024, the Adaptation Fund has received over USD 2.12 billion from the CDM, pledges and donations, and earned investment income. Of this amount, USD 1.26 billion has already been allotted to adaptation projects and programmes, and USD 109.99 million to administration. USD 136.5 million has not yet been received.¹⁰⁵

A key issue has been the declining revenue from the CDM, threatening the sustainability, adequacy, and predictability of funding from the Adaptation Fund. The Fund can receive funds from “other sources” and has received some funding from governments. Most recently at COP29, for instance, USD 133 million was raised from national and regional governments. This is not keeping pace with demand, however, as the Fund had a project pipeline of another USD 600 million under development by 2024, and was mandated by CMA.6 decision on the NCQG to at least triple annual outflows from 2022 levels by 2030.

At COP26, Parties to the Paris Agreement decided that the Adaptation Fund shall be financed from 5% share of proceeds from the Paris Agreement Crediting Mechanism established under Article 6.4. This is more than double the 2% levy under the CDM, although the size of the Article 6 market is currently not comparable to that of the CDM during its peak years. Having served both the Kyoto Protocol and the Paris Agreement, the Adaptation Fund will transition to exclusively serve the Paris Agreement once it starts receiving the new levy. In addition, Parties and stakeholders using cooperative approaches under Article 6.2 are strongly encouraged to commit to contribute resources for adaptation, especially through contributions to the Adaptation Fund.

► GREEN CLIMATE FUND

The GCF was set up in response to calls from developing countries for a Fund that is directly under the authority of the COP, governed by a body with balanced representation from developed and developing countries, and designed to ensure ease of access for developing countries.

The Governing Instrument of the GCF, adopted in Durban in 2011, states, among other things, that the Fund will:

- Be governed by a Board with 24 members, composed of an equal number of members from developing and developed country Parties. Decisions will be taken by consensus, and the Board is asked to

develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted.

- Play a key role in channelling new, additional, adequate, and predictable financial resources to developing countries and catalyse climate finance, both public and private, and at the international and national levels.
- Provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach.
- Provide access through national, regional, and international implementing entities accredited by the Board.
- Balance the allocation of resources between adaptation and mitigation activities.
- Have windows for adaptation and mitigation, and a private sector facility that enables it to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional, and international levels.
- Provide resources for readiness and preparatory activities and technical assistance, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund.
- Include gender mainstreaming as an essential decision-making element in the distribution of funds.¹⁰⁶

The Governing Instrument also called on the Board to “*consider additional modalities that further enhance direct access*”, in addition to direct access and international access. (ecbi played a key role in *developing this modality* and ensuring its inclusion in the Governing Instrument). In response, the Board developed and launched an *Enhanced Direct Access* (EDA) pilot modality. The EDA pilot differs from other GCF access windows because individual sub-projects neither have to be presented in the funding proposal nor subsequently submitted to the GCF for approval. Instead, the decision-

making mechanism for the sub-projects is devolved at the country level. The EDA seeks to devolve funding to local organisations and other stakeholders and enable a more flexible and context-specific approach.

As part of its initial resource mobilisation in 2014, the GCF raised USD 10.3 billion in pledges. Of this, USD 8.3 billion was received, and after accounting for variations in exchange rates, USD 7.2 billion was available for commitment.¹⁰⁷ The first replenishment process for the Fund was launched in October 2018 by the GCF Board, for the 2020-2023 period, with over USD 10 billion pledged by 34 national and regional governments.¹⁰⁸ In July 2022, the GCF Board launched the second replenishment process for the 2024-2027 period and, as of March 2025, a total of USD 10.6 billion had been pledged.¹⁰⁹

Operationalisation of the GCF has been met with many challenges, some of which are similar to those encountered in relation to the GEF, and the COP has issued guidance to the GCF to address these challenges. For instance, [Decision 6/CP.28](#) requests the GCF to rapidly deploy the [Simplified Approval Process](#) and enhance monitoring and reporting for multi-country projects. Further, [Decision 3/CP.29](#) requests the GCF to simplify access to funding and finalise consideration of balanced regional presence, while also calling for strengthened direct access, and a balanced mitigation and adaptation portfolio, as well as increasing support for innovative financial instruments.

► **STANDING COMMITTEE ON FINANCE**

In addition to a new Fund, developing countries sought a better way to provide oversight to the operating entities of the Financial Mechanism. They felt the existing method, of a Contact Group on Finance under the SBI providing oversight, was inadequate, as the contact group met only for short periods of time each year, and repeated similar advice to the operating entities. They, therefore, [proposed](#) a standing committee that would meet more frequently to: provide guidance to the operating entities and assure their accountability; assess the adequacy of climate finance;

and track the fulfilment of commitments, including through MRV. (The proposal for such a committee was first developed at the 2010 ecbi Oxford Seminar by developing country Fellows, and presented at the High-Level Geneva Dialogue on Climate Finance).

Such a body was created in Cancún in 2010 at the same time as the GCF was formally established. The Cancun Agreements established a standing committee to assist the COP “*in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financial mechanism, mobilization of financial resources and measurement, reporting and verification of support provided to developing country Parties*”.¹¹⁰

The SCF meets at least twice a year, and more if necessary. It is mandated to provide to the COP draft guidance for the operating entities of the Financial Mechanism. At COP21 Parties agreed that the SCF would serve the CMA, consistent with the functions and responsibilities assigned to it under the COP (Decision 1/CP.21).

The SCF produces a Biennial Assessment and Overview of Climate Finance Flows. Six assessments have been produced so far, in 2014, 2016, 2018, 2020, 2022, and 2024. The 2024 assessment found that USD 3.3 billion was channelled through UNFCCC funds and multilateral climate funds in 2022. Climate-specific finance through bilateral, regional, and other channels was estimated at USD 42.7 billion in 2022. The assessment highlighted challenges in various data calculation methodologies, as well as in collecting, aggregating, and analysing information from diverse sources, data uncertainty, and data gaps.

In Katowice in 2018, the SCF was requested to prepare, every four years, a report on the determination of the needs of developing countries related to implementing the Convention and the Paris Agreement, for consideration by the COP and the CMA, starting in 2020 (Decision 4/CP.24). The first report, published in 2021, was endorsed by COP26 and CMA3. The second report, released in 2024, provides an updated overview

of the needs of developing country Parties at the national, regional, and global level. It assessed that the costed needs from NDCs amount to USD 5.036-6.876 trillion, for conditional and unconditional action reported by 98 Parties as of June 2024.¹¹¹

The SCF also organises **annual Forums** for the communication and continued exchange of information among bodies and entities dealing with climate change finance, to promote linkages and coherence. An annual theme is chosen and these have varied from **mobilising adaptation finance** (in 2014) and **financial instruments that address the risks of loss and damage** (in 2016), to **financing Just Transitions** (2023) and **accelerating climate action and resilience through gender-responsive climate finance** (in 2024).

Finally, the SCF is regularly requested by the COP to prepare reports and/or guidance on relevant issues pertaining to finance flows under the Convention. For instance, in 2013 and 2014, the SCF was requested by the COP to consider ways to increase its work on the MRV of support, beyond the biennial assessment and overview of climate finance flows (**Decision 7/CP.19** and **Decision 6/CP.20**).

At times, the SCF has been unable to reach agreement on key deliverables. At COP26, the SCF was not only unable to produce draft guidance for the operating entities of the Financial Mechanism, but also **did not agree on recommendations from the fourth Biennial Assessment**.

► FUND FOR RESPONDING TO LOSS AND DAMAGE

At COP27 and CMA4, Parties noted that existing funding arrangements are inadequate to address loss and damage associated with current and future climate impacts. Therefore, the historic **Decision 2/CP.27** and **Decision 2/CMA.4** was adopted to establish a dedicated fund and new funding arrangements for responding to loss and damage.¹¹² It aims to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage, including extreme weather events and slow onset events,

especially in the context of ongoing and ex-post action that includes rehabilitation, recovery, and reconstruction. The **Fund for responding to Loss and Damage** was operationalised at COP28 as an entity entrusted with the operation of the Financial Mechanism of the Convention, and would also serve the Paris Agreement.

As part of **Decision 2/CP.27**, the World Bank was invited to “operationalise the Fund as a World Bank hosted financial intermediary fund for an interim period of four years”, subject to a set of conditions to be met by the World Bank. COP33/CMA10 will determine whether this arrangement should be made permanent or if the FRLD will evolve into a fully independent fund. The **World Bank, as a trustee**, will not play a role in fundraising, making funding allocation decisions, or in the identification, preparation, appraisal, implementation, or monitoring of projects financed by the Fund. Instead, **the FRLD Board** will determine key priorities, including financing decisions, eligibility criteria, and risk management policies independently. The Board now comprises 26 members from Parties to the Convention and Paris Agreement, with 14 members from developing country Parties and 12 members from developed ones.

As a new channel for multilateral climate finance, the FRLD seeks to provide new, additional, predictable, and adequate financial resources. The Fund can receive contributions from various funding sources, including grants and concessional loans from public, private, and innovative sources. As of May 2025, the FRLD has received **USD 469 million** of financial contributions, among the USD 765 million in total pledges.

According to the FRLD's Governing Instrument, the Board is expected to prepare a long-term fundraising and resource mobilization strategy by the end of 2025, to enhance the FRLD's response to loss and damage through diverse funding channels.¹¹³ A periodic replenishment every four years is planned by the Fund and it will maintain the flexibility to receive financial inputs on an ongoing basis.¹¹⁴ However, **challenges**

persist in moving from pledges to contributions, and in further, concrete disbursements with the necessary speed and scale.

The FRLD Board meets at least three times a year. At its fifth meeting in May 2025, the Board adopted [Decision B.5/D.4](#), to establish the [Barbados Implementation Modalities](#), the start-up phase of FRLD, which will spend USD 250 million by the end of 2026 on an initial set of interventions. This primarily grant-based mechanism will initially focus on country-led initiatives to strengthen national responses to climate catastrophes. Among others, [at least 50%](#) of these resources will be disbursed to SIDS and LDCs that are particularly vulnerable to the adverse impacts of climate change.

To enhance coherence and complementarity between climate funds, the FRLD entered into a [framework for cooperation](#) with the Adaptation Fund in February 2025, outlining joint efforts and scalable solutions in readiness, knowledge sharing, resource mobilisation, support to countries, and advocacy. The FRLD is also [partnering with the Santiago network](#), which was established with the goal of mobilizing the technical assistance for vulnerable developing countries to support their efforts in averting, minimizing and addressing climate-related loss and damage. This collaboration seeks to enhance the coherence between technical assistance and financial support, thereby strengthening the overall architecture for addressing loss and damage.

WHAT NATIONAL CHALLENGES DO DEVELOPING COUNTRIES FACE REGARDING CLIMATE FINANCE?

Developing countries – especially LDCs and SIDS – face a range of national challenges in accessing and using climate finance. Even before the COVID-19 pandemic, many struggled with complex funding procedures, capacity gaps, and difficulty aligning international finance with domestic needs. The post-pandemic context has aggravated these difficulties. Many developing nations emerged with heavier debt burdens and strained public finances, alongside sovereign credit rating downgrades that raised their cost of borrowing, compounded by currency and political risks.

Some of the issues related to accessing international climate finance have already been described. Arduous, complex, and long-drawn procedures for access often mean that countries must hire consultants or go through multilateral implementing entities to access funding. Accessing climate finance necessitates meeting policy, institutional, accountability, and budgetary requirements that are difficult to comply with. Working towards building the capacity of governments and relevant partners or organisations in order to comply with such requirements often demands substantial resources on its own. Conditionalities to access funds, such as co-financing requirements, complex project policies, and lack of standardised requirements among multilateral and bilateral funding agencies, can be difficult to overcome. The multiplicity of channels, all with their own access procedures, can itself prove confusing.

While this issue has been addressed to some extent, for instance through the direct access modalities of the Adaptation Fund and GCF, and through the Readiness Funding provided by these two funds to help countries, challenges remain. LDCs and SIDS, with lower capacities, for instance, still face problems in accessing funds. Access to international funding by

sub-national entities, both governmental and non-governmental, also continues to be a challenge. While national implementing entities can play a role in overcoming these hurdles over time, more programmatic and flexible access modalities, like those envisaged under the GCF's EDA modality, can help channel funds to the local level, and allow for local determination of priorities.

The priorities of bilateral and multilateral funders do not always align with national and local priorities. This can be at a very broad level – for instance, funders may prioritise mitigation while vulnerable national governments may prioritise adaptation or loss and damage. It can also be very specific, for instance, related to specific mitigation or adaptation approaches.

These access hurdles are now compounded by post-pandemic economic shock and years of increasingly frequent and more severe climate disasters, significant fiscal constraints, and risk of loan defaulting in developing countries. Unsurprisingly, developing countries tend to prefer grants or highly concessional financing for climate projects, as new debt – even if 'climate-friendly' – adds to their financial vulnerability. High debt burdens leave governments with little fiscal space, leading to reduced creditworthiness and further constraints on development and resilience investment that slow economic recovery.

Moreover, a lower sovereign credit rating signals higher financial risk to lenders, leading to increased interest rates as compensation for the perceived uncertainty of repayment. This heightened perception of risk directly escalates borrowing costs, making debt financing more expensive and difficult to sustain for developing countries. As a result, high costs of capital render climate projects financially challenging, particularly for adaptation or resilience projects which typically yield long-term benefits rather than immediate financial returns.

When climate finance is accessible, creditors often prefer to hold project revenues in offshore accounts denominated in major international currencies (such as the US dollar, Euro, or British pound). This practice results in a mismatch: project developers generate revenues domestically

in local currencies, yet must service their debts in foreign currencies. This exposes them to currency risk, adding complexity because fluctuations in exchange rates can increase project costs or diminish the local purchasing power of funds. Such volatility undermines effective climate finance planning and threatens the long-term sustainability of projects. On the other hand, many countries have underdeveloped domestic capital markets, making few local financing vehicles available to help channel international funds into viable projects.

Political risk and instability can likewise impede the effective access to and use of climate finance—changes in government, policy reversals, or social unrest can obstruct co-financiers. This could lower the financiers' confidence in committing to long-term climate finance or investments. Political risk is often associated with an increased likelihood of fund mismanagement, which can result in stricter oversight measures or, in some cases, the complete withdrawal of funding.

National governments may also face challenges with reconciling the need to “mainstream” climate finance and make it work with national funding sources, while at the same time reporting on it separately, through different reporting procedures determined by funders. Better mainstreaming of climate finance can enhance changes for greater ownership by governments, and for scaling up of effective approaches.

The ability of a country to utilise climate finance is also affected by its absorptive capacity, or its ability to effectively use the funds. Increasing a country's absorptive capacity includes not only learning how to maximise the potential for raising funds and harmonising these with national or local sources, but also updating national or local policies to optimise the use of climate finance to meet climate change targets and objectives. Absorptive capacity, however, is also determined by the nature of funds that are received, and what funders have earmarked them for. If such funds are meant to be spent for activities that do not reflect or complement the needs of receiving countries, they are not likely to be absorbed well.

BOX 6: National Climate Funds

Given the complex global landscape for climate finance, national stakeholders are faced with the challenge of identifying which funds are appropriate for them, how to collect resources, how to blend them together, how to coordinate the actions that are funded, and how to develop the methods to monitor and evaluate results. Requirements, processes, and reporting can differ among funds.

Establishing national and sub-national climate funds can simplify the process, and, at the same time, help to coordinate and blend funding from various sources to ensure they work together to address national and sub-national goals and priorities.

For instance, the [Indonesia Climate Change Trust Fund \(ICCTF\)](#) was designed to support Indonesia's national goals of reducing emissions by 41% by 2030 with international support. It is now managed by Indonesia's Planning Ministry and embedded in a broader national Low Carbon Development Plan (PPRK). Similarly, the [Sustainable Island Resource Framework Fund \(SIRFF\)](#) is embedded within the Department of the Environment (DOE) in Antigua and Barbuda and provides microfinance to low-income individuals and communities. While some national climate funds focus on all aspects of climate change, like the [Bangladesh Climate Change Trust Fund](#), others have a sectoral approach, such as the [Amazon Fund](#) in Brazil that addresses forest-related issues in the Amazon.

In addition, national funds can pool both domestic and international climate finance, can also become accredited to the GCF to channel its resources and can receive funding from bilateral and multilateral institutions. The DOE and its SIRFF is accredited to the Adaptation Fund and the GCF. National revenue sources can include, for instance: budget allocations; revenue generated from a domestic carbon tax or carbon trading; and revenues from fines for violating climate/environment laws.

Access for sub-national entities can be facilitated through a network of sub-national funds. Special windows can also be created for access by non-government agencies.

Local "frontier" funds can also be created, to support community-prioritised investments to build climate resilience, protect carbon sinks, and reduce emissions. Examples include: the [Dema Fund](#), which supports Indigenous Peoples, women, Afro-Brazilians, and subsistence farmers in the Brazilian Amazon; the [Gungano Urban Poor Fund](#), which supports low-income urban households in Zimbabwe; and the [Tree Bank Fund](#) supports smallholder farmers in Thailand.

WHAT ARE SOME OF THE FUTURE CHALLENGES RELATED TO CLIMATE FINANCE?

The global landscape for climate finance is increasingly shaped by a polycrisis—a convergence of overlapping crises including economic instability, lingering impacts of the COVID-19 pandemic, and escalating geopolitical tensions and military conflicts, as well as rising inflation in food and energy prices. These factors collectively undermine international cooperation, which is critical for effective climate action.

Amid this turbulent backdrop, global climate ambition is faltering. The [World Meteorological Organization confirmed](#) that 2024 was the first year to breach the 1.5°C warming threshold, albeit temporarily, a stark sign of the risk of exceeding the long-term Paris Agreement limit. This is despite the fact that clean energy is soaring in many economies. This looming expectation of exceeding the long-term limit can sap the sense of urgency for climate action. It remains, however, unclear whether increasing doubts in the feasibility of the 1.5°C goal will lower ambition of countries or whether the fear of catastrophic climate change will inject momentum.

In parallel, global power shifts are watering down political will for international climate finance. After a wave of elections in 2024 and early 2025, right-wing populism is rising in several countries that exploit climate scepticism and frame climate action as an elite-driven agenda. Notably, the United States withdrew [from the Paris Agreement](#) for a second time and also withdrew its membership [from the inaugural Board of the FRLD](#). In addition, the Trump administration halted US foreign aid and further identified climate funds as a prime target for cuts. As the US has been a major climate funder (more than 8% of all international climate finance in 2024), halting its contributions will disrupt global climate finance flows and make already insufficient funds even scarcer. This exemplifies how

political shifts can create significant gaps, particularly in climate finance contributions, weakening the collective response.

Combined pressures further limit governments' fiscal capacity, with around 60% of developing countries currently facing serious debt distress, which compromises domestic funding for climate actions. Amid these structural challenges, climate finance needs are enormous and continuously growing as climate change impacts escalate. Scaling up finance, as defined in the NCQG, "from all public and private sources to at least USD 1.3 trillion per year by 2035", which reflects the needs of developing countries, will be an arduous endeavour. Given the limited public budgets and reduced foreign aid in many countries, funding will need to be mobilized from (international) private sector finance. Investment from businesses, banks, and investors must increase from covering roughly 40% of climate investments today to about 90% by 2030 in developing countries, [according to the IMF](#). However, attracting private finance, particularly in areas such as climate adaptation, remains challenging due to perceived risks and lack of immediate revenues. Furthermore, countries will need to create new international initiatives and agreements to utilize "alternative" financing methods such as [global solidarity levies](#), while ensuring that a large share of these funds is allocated to climate efforts in developing countries. Therefore, the global challenge lies both in the *scale* of financial resources needed and the *speed* at which these resources can be mobilised over a shorter period of time than initially expected by the international community.

Besides raising large sums of funding, improving the type and quality of climate finance is another key challenge. In recent years, [over 70%](#) of international public climate finance has arrived as loans rather than grants and often at market rates. For developing countries already facing debt stress, taking on more loans – even for climate projects – can worsen their financial situation. While the NCQG notes that grant-based and highly concessional finance is particularly important "for adaptation and responding to loss and damage in developing countries", it fell short of setting concrete targets. Meanwhile, many developing nations find

accessing finance through existing funding mechanisms slow, complex, and restrictive. Going forward, ensuring high-quality climate finance will require concerted efforts to: make funding easier to access and more aligned with national priorities; and shift toward providing more grants or highly concessional loans, particularly for countries already grappling with heavy debt burdens.

An emerging and promising trend in the mobilisation of more climate finance is the rise of South–South climate finance, even if not accounted for under the UNFCCC. Developing countries themselves have gradually become sources of funding and support for climate action, exemplified by China. China’s international climate-related finance plays a significant role in mobilizing resources through South-South cooperation, signalling a shift towards more diversified climate finance flows. From 2013 to 2022, China contributed around **USD 45 billion** in climate-related finance, especially for renewable energy and increasing climate resilience in other developing countries. Overall, while this expansion offers new funding opportunities, it should still complement, not replace, the financial responsibility and commitments of developed countries as defined in the UNFCCC and Paris Agreement.

Finally, addressing climate finance challenges will require reforming the international financial architecture, including financial institutions like MDBs, which play a crucial role in supporting global development and economic stability. However, many of these institutions were established decades ago and often face challenges in adequately responding to today’s complex economic and development realities. To enhance their effectiveness and relevance, there is a pressing need to accelerate and deepen reforms within these international financial institutions. Such reforms aim to modernize governance structures, improve operational efficiency, and increase the inclusivity and representation of developing economies.

MDBs are also key actors within the framework of the NCQG. Current MDB reforms have **started** unlocking additional resources, but deeper institutional change and substantial reforms are still required, including

an increase in ambition to fulfil that role and to become more effective in handling climate-related risks, scaling up lending, and better leveraging private investment.

Developing countries must also be included and heard in global institutional frameworks that seek to find new pathways to manage risks and integrate urgent climate considerations into all dimensions of economic and financial policies. There is an urgent need to reinforce renewed international solidarity grounded in understanding, equity, and actions that promote just transitions.

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ANNEX

Climate Finance Decision Booklet highlighting relevant decisions from 2001 to 2019

UN FRAMEWORK CONVENTION ON CLIMATE CHANGE

Preamble

The Parties to this Convention,...

Acknowledging that the global nature of climate change calls for the widest possible cooperation by all countries and their participation in an effective and appropriate international response, in accordance with their common but differentiated responsibilities and respective capabilities and their social and economic conditions, ...

Article 4 COMMITMENTS

...

3. The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1. They shall also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by paragraph 1 of this Article and that are agreed between a developing country Party and the international entity or entities referred to in Article 11, in accordance with that Article. The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties.
4. The developed country Parties and other developed Parties included in Annex II shall also assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects.

...

9. The Parties shall take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology.

Article 11 FINANCIAL MECHANISM

1. A mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology, is hereby defined. It shall function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to this Convention. Its operation shall be entrusted to one or more existing international entities.
2. The financial mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance.

3. The Conference of the Parties and the entity or entities entrusted with the operation of the financial mechanism shall agree upon arrangements to give effect to the above paragraphs, which shall include the following:
 - (a) Modalities to ensure that the funded projects to address climate change are in conformity with the policies, programme priorities and eligibility criteria established by the Conference of the Parties;
 - (b) Modalities by which a particular funding decision may be reconsidered in light of these policies, programme priorities and eligibility criteria;
 - (c) Provision by the entity or entities of regular reports to the Conference of the Parties on its funding operations, which is consistent with the requirement for accountability set out in paragraph 1 above; and
 - (d) Determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of this Convention and the conditions under which that amount shall be periodically reviewed.
4. The Conference of the Parties shall make arrangements to implement the above-mentioned provisions at its first session, reviewing and taking into account the interim arrangements referred to in Article 21, paragraph 3, and shall decide whether these interim arrangements shall be maintained. Within four years thereafter, the Conference of the Parties shall review the financial mechanism and take appropriate measures.
5. The developed country Parties may also provide and developing country Parties avail themselves of, financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels.

KYOTO PROTOCOL

Article 11

1. In the implementation of Article 10, Parties shall take into account the provisions of Article 4, paragraphs 4, 5, 7, 8 and 9, of the Convention.
2. In the context of the implementation of Article 4, paragraph 1, of the Convention, in accordance with the provisions of Article 4, paragraph 3, and Article 11 of the Convention, and through the entity or entities entrusted with the operation of the financial mechanism of the Convention, the developed country Parties and other developed Parties included in Annex II to the Convention shall:
 - (a) Provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in advancing the implementation of existing commitments under Article 4, paragraph 1 (a), of the Convention that are covered in Article 10, subparagraph (a); and
 - (b) Also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of advancing the implementation of existing commitments under Article 4, paragraph 1, of the Convention that are covered by Article 10 and that are agreed between a developing country Party and the international entity or entities referred to in Article 11 of the Convention, in accordance with that Article.

The implementation of these existing commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate

burden sharing among developed country Parties. The guidance to the entity or entities entrusted with the operation of the financial mechanism of the Convention in relevant decisions of the Conference of the Parties, including those agreed before the adoption of this Protocol, shall apply *mutatis mutandis* to the provisions of this paragraph.

3. The developed country Parties and other developed Parties in Annex II to the Convention may also provide, and developing country Parties avail themselves of, financial resources for the implementation of Article 10, through bilateral, regional and other multilateral channels.

Article 12

...

8. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

PARIS AGREEMENT

Article 9

1. 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.
2. Other Parties are encouraged to provide or continue to provide such support voluntarily.
3. 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.
4. The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation.
5. Developed country Parties shall biennially communicate indicative quantitative and qualitative information related to paragraphs 1 and 3 of this Article, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties. Other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis.
6. The global stocktake referred to in Article 14 shall take into account the relevant information provided by developed country Parties and/or Agreement bodies on efforts related to climate finance.
7. Developed country Parties shall provide transparent and consistent information on support for developing country Parties provided and mobilized through public

interventions biennially in accordance with the modalities, procedures and guidelines to be adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement, at its first session, as stipulated in Article 13, paragraph 13. Other Parties are encouraged to do so.

8. The Financial Mechanism of the Convention, including its operating entities, shall serve as the financial mechanism of this Agreement.
9. The institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans.

PARIS DECISION 1/CP.21

Finance

52. *Decides* that, in the implementation of the Agreement, financial resources provided to developing country Parties should enhance the implementation of their policies, strategies, regulations and action plans and their climate change actions with respect to both mitigation and adaptation to contribute to the achievement of the purpose of the Agreement as defined in its Article 2;
53. *Also decides* that, in accordance with Article 9, paragraph 3, of the Agreement, developed countries intend to continue their existing collective mobilization goal through 2025 in the context of meaningful mitigation actions and transparency on implementation; prior to 2025 the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries;
54. *Recognizes* the importance of adequate and predictable financial resources, including for results-based payments, as appropriate, for the implementation of policy approaches and positive incentives for reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks; as well as alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests; while reaffirming the importance of non-carbon benefits associated with such approaches; encouraging the coordination of support from, inter alia, public and private, bilateral and multilateral sources, such as the Green Climate Fund, and alternative sources in accordance with relevant decisions by the Conference of the Parties;
55. *Decides* to initiate, at its twenty-second session, a process to identify the information to be provided by Parties, in accordance with Article 9, paragraph 5, of the Agreement with a view to providing a recommendation for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its first session;
56. *Also decides* to ensure that the provision of information in accordance with Article 9, paragraph 7, of the Agreement shall be undertaken in accordance with the modalities, procedures and guidelines referred to in paragraph 91 below;
57. *Requests* the Subsidiary Body for Scientific and Technological Advice to develop modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Agreement for

consideration by the Conference of the Parties at its twenty-fourth session (November 2018), with a view to making a recommendation for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its first session;

58. *Decides* that the Green Climate Fund and the Global Environment Facility, the entities entrusted with the operation of the Financial Mechanism of the Convention, as well as the Least Developed Countries Fund and the Special Climate Change Fund, administered by the Global Environment Facility, shall serve the Agreement;
59. *Recognizes* that the Adaptation Fund may serve the Agreement, subject to relevant decisions by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;
60. *Invites* the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to consider the issue referred to in paragraph 59 above and make a recommendation to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its first session;
61. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall provide guidance to the entities entrusted with the operation of the Financial Mechanism of the Convention on the policies, programme priorities and eligibility criteria related to the Agreement for transmission by the Conference of the Parties;
62. *Decides* that the guidance to the entities entrusted with the operations of the Financial Mechanism of the Convention in relevant decisions of the Conference of the Parties, including those agreed before adoption of the Agreement, shall apply mutatis mutandis to the Agreement;
63. *Also decides* that the Standing Committee on Finance shall serve the Agreement in line with its functions and responsibilities established under the Conference of the Parties;
64. *Urges* the institutions serving the Agreement to enhance the coordination and delivery of resources to support country-driven strategies through simplified and efficient application and approval procedures, and through continued readiness support to developing country Parties, including the least developed countries and small island developing States, as appropriate;

KATOWICE CLIMATE PACKAGE

Decision 12/CMA.1

Identification of the information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling Articles 4 and 11 of the Convention,

Also recalling Article 9, paragraphs 1–5, of the Paris Agreement,

Further recalling Articles 3, 4, 7, 10, 11 and 14 of the Paris Agreement,

Recalling decisions 3/CP.19, 1/CP.21, 13/CP.22 and 12/CP.23,

Underscores the need for continued and enhanced international support for the implementation of the Paris Agreement,

1. *Recognizes* the importance of predictability and clarity of information on financial support for the implementation of the Paris Agreement;
2. *Reiterates* that developed country Parties shall biennially communicate indicative quantitative and qualitative information related to Article 9, paragraphs 1 and 3, of the Paris Agreement, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties, and that other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis;
3. *Underlines* the importance of Article 9, paragraphs 1 and 3, of the Paris Agreement on this matter;
4. *Requests* developed country Parties to submit the biennial communications referred to in paragraph 2 above and as specified in the annex starting in 2020;
5. *Encourages* other Parties providing resources to communicate biennially, as referred to in paragraph 2 above, on a voluntary basis;
6. *Requests* the secretariat to establish a dedicated online portal for posting and recording the biennial communications;
7. *Also requests* the secretariat to prepare a compilation and synthesis of the information included in the biennial communications, referred to in paragraph 2 above, starting in 2021, and to inform the global stocktake;
8. *Further requests* the secretariat to organize biennial in-session workshops beginning the year after the submission of the first biennial communications referred to in paragraph 2 above, and to prepare a summary report on each workshop;
9. *Decides* to consider the compilations and syntheses referred to in paragraph 7 above and the summary reports on the in-session workshops referred to in paragraph 8 above starting at its fourth session (November 2021);
10. *Also decides* to convene a biennial high-level ministerial dialogue on climate finance beginning in 2021, to be informed, inter alia, by the summary reports on the in-session workshops referred to in paragraph 8 above and the biennial communications referred to in paragraph 2 above;
11. *Requests* the President of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement to summarize the deliberations of the dialogue referred to in paragraph 10 above for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its succeeding session;
12. *Invites* the Conference of the Parties to consider the compilations and syntheses and the summary reports on the in-session workshops referred to in paragraphs 7 and 8 above, respectively;
13. *Decides* to consider updating the types of information contained in the annex at its sixth session (2023) on the basis of Parties' experience and lessons learned in the preparation of their biennial communications of indicative quantitative and qualitative information;
14. *Takes note* of the estimated budgetary implications of the activities to be undertaken by the secretariat pursuant to the provisions contained in paragraphs 6–8 and 10 above;
15. *Requests* that the actions of the secretariat called for in this decision be undertaken subject to the availability of financial resources.

Types of information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement

Developed country Parties shall biennially communicate indicative quantitative and qualitative information related to Article 9, paragraphs 1 and 3, of the Paris Agreement, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties. Other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis. This should include:

- (a) Enhanced information to increase clarity on the projected levels of public financial resources to be provided to developing countries, as available;
- (b) Indicative quantitative and qualitative information on programmes, including projected levels, channels and instruments, as available;
- (c) Information on policies and priorities, including regions and geography, recipient countries, beneficiaries, targeted groups, sectors and gender responsiveness;
- (d) Information on purposes and types of support: mitigation, adaptation, cross-cutting activities, technology transfer and capacity-building;
- (e) Information on the factors that providers of climate finance look for in evaluating proposals, in order to help to inform developing countries;
- (f) An indication of new and additional resources to be provided, and how it determines such resources as being new and additional;
- (g) Information on national circumstances and limitations relevant to the provision of ex ante information;
- (h) Information on relevant methodologies and assumptions used to project levels of climate finance;
- (i) Information on challenges and barriers encountered in the past, lessons learned and measures taken to overcome them;
- (j) Information on how Parties are aiming to ensure a balance between adaptation and mitigation, taking into account the country-driven strategies and the needs and priorities of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation;
- (k) Information on action and plans to mobilize additional climate finance as part of the global effort to mobilize climate finance from a wide variety of sources, including on the relationship between the public interventions to be used and the private finance mobilized;
- (l) Information on how financial support effectively addresses the needs and priorities of developing country Parties and supports country-driven strategies;
- (m) Information on how support provided and mobilized is targeted at helping developing countries in their efforts to meet the long-term goals of the Paris Agreement, including by assisting them in efforts to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development;
- (n) Information on efforts to integrate climate change considerations, including resilience, into their development support;
- (o) Information on how support to be provided to developing country Parties enhances their capacities.

26th plenary meeting 15 December 2018

Decision 13/CMA.1

Matters relating to the Adaptation Fund

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

1. *Decides* that the Adaptation Fund shall serve the Paris Agreement under the guidance of, and be accountable to, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement with respect to all matters relating to the Paris Agreement, effective 1 January 2019, subject to the decision on this matter made by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
2. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol decide that the Adaptation Fund will continue to be financed by the activities under Articles 6, 12 and 17 of the Kyoto Protocol;
3. *Also recommends* to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol that the Adaptation Fund shall exclusively serve the Paris Agreement once the share of proceeds under Article 6, paragraph 4, of the Paris Agreement becomes available;
4. *Invites* the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to ensure that developing country Parties and developed country Parties that are Parties to the Paris Agreement are eligible for membership on the Adaptation Fund Board;
5. *Decides* that, when the Adaptation Fund serves the Paris Agreement, it shall be financed from the share of proceeds from the mechanism established by Article 6, paragraph 4, of the Paris Agreement and from a variety of voluntary public and private sources;
6. *Invites* the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to request the Adaptation Fund Board to consider the rules of procedure of the Board, the arrangements of the Adaptation Fund with respect to the Paris Agreement and the implications of the Adaptation Fund receiving the share of proceeds from activities under Articles 6, 12 and 17 of the Kyoto Protocol when the Adaptation Fund serves the Paris Agreement, with a view to forwarding recommendations to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement for consideration at its second session (December 2019).

26th plenary meeting 15 December 2018

DECISION 14/CMA.1

Setting a new collective quantified goal on finance in accordance with decision 1/CP.21, paragraph 53

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling decision 1/CP.21, paragraph 53,

1. *Decides* to initiate at its third session (November 2020), in accordance with Article 9, paragraph 3, of the Paris Agreement, deliberations on setting a new collective quantified goal from a floor of USD 100 billion per year in the context of meaningful mitigation actions and transparency of implementation and taking into account the needs and priorities of developing countries;

2. *Agrees* to consider, in its deliberations referred to in paragraph 1 above, the aim to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

26th plenary meeting 15 December 2018

NEW COLLECTIVE QUANTIFIED GOAL ON CLIMATE FINANCE

Decision 1/CMA.6

New collective quantified goal on climate finance

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, Recalling Article 9 of the Paris Agreement,

Also recalling Article 2, paragraph 1, of the Paris Agreement, which sets out the goals of the Paris Agreement, and Article 2, paragraph 2, of the Paris Agreement, which provides that the Agreement will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances,

Further recalling decision 1/CP.21, paragraph 53,

Recalling decisions 14/CMA.1, 9/CMA.3, 5/CMA.4 and 8/CMA.5,

1. *Affirms* that the new collective quantified goal on climate finance is aimed at contributing to accelerating the achievement of Article 2 of the Paris Agreement of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emission development in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development;
2. *Reaffirms* the outcomes of the first global stocktake and stresses the urgency of enhancing ambition and action in this critical decade to address the gaps in the implementation of the goals of the Paris Agreement;
3. *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 year¹ and adaptation finance needs are estimated at USD 215–387 billion annually for up until 2030² and notes with concern the gap between climate finance flows and needs, particularly for adaptation in developing country Parties;
4. *Notes* the findings of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, including the urgency of climate action; that finance, technology and international cooperation are critical enablers for accelerated climate action; that if climate goals are to be achieved, both adaptation and mitigation financing would need to be increased manifold; and that there is sufficient global capital to close the global investment gap but there are barriers to redirecting capital to climate action, and that governments, through public funding and clear signals to investors, are key in reducing these barriers;

5. *Decides* that the new collective quantified goal on climate finance will support the implementation of developing country Parties', inter alia, nationally determined contributions, national adaptation plans and adaptation communications, including those submitted as adaptation components of nationally determined contributions; contribute to increasing and accelerating ambition; and reflect the evolving needs and priorities of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States;
 6. *Reiterates* the importance of reforming the multilateral financial architecture⁴ and underscores the need to remove barriers and address disenablers faced by developing country Parties in financing climate action, including high costs of capital, limited fiscal space, unsustainable debt levels, high transaction costs and conditionalities for accessing climate finance;
 7. *Calls 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;
 8. *Reaffirms*, in this context, Article 9 of the Paris Agreement and decides to set a goal, in extension of the goal referred to in paragraph 53 of decision 1/CP.21, with developed country Parties taking the lead, of at least USD 300 billion per year by 2035 for developing country Parties for climate action:
 - (a) From a wide variety of sources, public and private, bilateral and multilateral, including alternative sources;
 - (b) In the context of meaningful and ambitious mitigation and adaptation action, and transparency in implementation;
 - (c) Recognizing the voluntary intention of Parties to count all climate-related outflows from and climate-related finance mobilized by multilateral development banks towards achievement of the goal set forth in this paragraph;
 9. *Encourages* developing country Parties to make contributions, including through South–South cooperation, on a voluntary basis;
 10. *Affirms* that nothing in paragraphs 8–9 above affects any Party's development or recipient status;
 11. *Underscores* the importance of continuing to use bilateral channels to support climate action in developing country Parties, taking into account their needs and priorities in line with country-driven strategies and plans;
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16. *Decides* that a significant increase of public resources should be provided through the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund and also decides to pursue efforts to at least triple annual outflows from those Funds from 2022 levels by 2030 at the latest with a view to significantly scaling up the share of finance delivered through them in delivering on the goal contained in paragraph 8 above;
 17. *Affirms* that the provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the needs and priorities of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States;

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36. *Decides* to periodically take stock of the implementation of this decision as part of the global stocktake and to initiate deliberations on the way forward prior to 2035, including through a review of this decision in 2030;
37. *Takes note* of the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in paragraphs 27, 30, 34 and 36 above;
38. *Requests* that the actions of the secretariat called for in this decision be undertaken subject to the availability of financial resources.

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