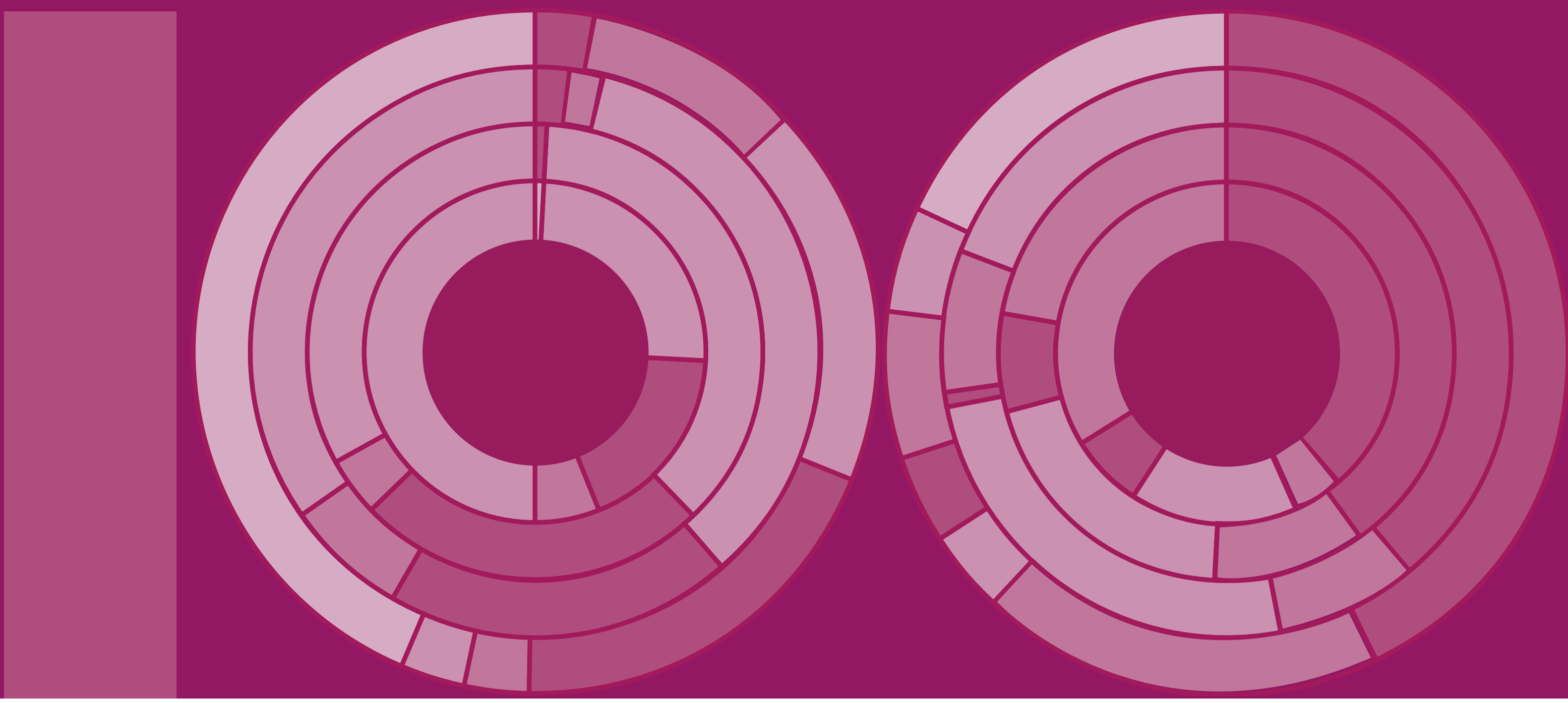
Executive Summary

UNFCCC Standing Committee on Finance

Second report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation



United Nations
Framework Convention on
Climate Change

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Within the SCF, the report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation was prepared under the guidance of the co-facilitators, Gabriela Blatter and Richard Muyungi. The report has benefited from inputs and guidance from SCF members in 2024, including Kevin Adams, Patriciah Roy Akullo, Mohammad Ayoub, Diann Black-Layne, Zaheer Fakir, Sho Ikeda, Ali Waqas Malik, Apollonia Miola, Petrus Muteyauli, Ian Naumkin, Vicky Noens, Karima Oustadi, Diego Pary Rodriguez, Elene Cristina Pereira Colindres, Hendrikje Reich, Clara Schultz, Brittany Young and Zhu Liucai.

For further information contact:

Climate Finance subdivision
Means of Implementation division

United Nations Climate Change Secretariat (UNFCCC)
Platz der Vereinten Nationen 1
53113 Bonn, Germany

E-mail: standingcommittee@unfccc.int

https://unfccc.int/process-and-meetings/bodies/constituted-bodies/standing-committee-on-finance-scf/progress-report

EXECUTIVE SUMMARY BY THE STANDING COMMITTEE ON FINANCE

Abbreviations and acronyms

Annex I Party	Party included in Annex I to the Convention
BA	biennial assessment and overview of climate finance flows
BR	biennial report
BTR	biennial transparency report
BUR	biennial update report
CO2 eq	carbon dioxide equivalent
COP	Conference of the Parties
ETF	enhanced transparency framework under the Paris Agreement
GHG	greenhouse gas
INDC	intended nationally determined contribution
IPCC	Intergovernmental Panel on Climate Change
LDC	least developed country
MDB	multilateral development bank
MRV	measurement, reporting and verification
NAMA	nationally appropriate mitigation action
NC	national communication
NDC	nationally determined contribution
NDR	report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement
non-Annex I Party	Party not included in Annex I to the Convention
OECD	Organisation for Economic Co-operation and Development
SCF	Standing Committee on Finance
SIDS	small island developing State(s)

I. Introduction

A. Context and mandate

1. In 2010, COP 16 recognized that developed country Parties committed, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries.[1] Subsequent decisions provided some elaboration on the nature of the goal. COP 17 adopted biennial reporting guidelines for developed country Parties that recognize that the goal includes private financial sources,[2] while COP 18 urged developed country Parties to scale up climate finance from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources, to the joint goal of mobilizing USD 100 billion per year by 2020.[3] COP 21 extended the goal from 2020 through to 2025.[4] In 2022, the SCF prepared the first report on progress towards achieving this goal[5] in response to a mandate from COP 26.[6]

2. COP 27 noted the technical report of the SCF referred to in paragraph 1 above and the quantitative and qualitative information presented therein.[7] It requested the SCF to prepare biennial reports, including a summary of key findings, on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation, taking into account other relevant reports, for consideration at COP 29, COP 31 and COP 33 and noted that the final report will be considered in the context of matters relating to the SCF.[8]

1 Decision 1/CP.16, para. 98
2 Decision 2/CP.17, annex I, para. 19.
3 Decision 1/CP.18, para. 66.
4 Decision 1/CP.21, para. 53.
5 SCF. 2022. Report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation. Bonn: UNFCCC. Available at https://unfccc.int/process-and-meetings/bodies/constituted-bodies/standing-committee-on-finance-scf/progress-report.
6 Decision 4/CP.26, para. 19.
7 Decision 13/CP.27, para. 13.
8 Decision 13/CP.27, para. 15.

B. Scope and approach

3. The second report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation comprises a technical report[9] and this executive summary. The technical report was subject to extensive stakeholder input and expert review.

4. The report presents quantitative and qualitative information from a wide variety of sources relevant to the three dimensions of the goal, namely (1) mobilizing jointly USD 100 billion per year by 2020 through to 2025, (2) addressing the needs of developing countries and (3) achieving the goal in the context of meaningful mitigation actions and transparency on implementation. In addition, the report, where possible, analyses the interlinkages between the three dimensions of the goal to gain insight into overall progress towards its achievement.

5. In terms of scope, for the first dimension of the goal as expressed in para. (mobilizing finance), the report considers the most recent available backward-looking and forward-looking information and data for 2010–2025; for the second dimension (addressing needs), the report considers information that is both backward- and forward-looking in nature) and the most recent information on needs, which has varying time frames such as up until 2025 or 2030; and for the third dimension (context), the report considers the most recent backward-looking information such as trends in emissions, climate action and reporting transparency, as well as forward-looking information on mitigation ambition to 2025, 2030 and beyond.

6. The approach followed in preparing the report was to consider the following sources of information across all three dimensions: Parties' national reports and submissions under the Convention and the Paris Agreement; technical reports prepared by the SCF or the secretariat, such as the BA and the NDR; and other reports with specific relevance to the goal. Where possible, the report presents information disaggregated by thematic area (mitigation, adaptation or cross-cutting), financial instrument, sector and geographical distribution of finance (including the LDCs and SIDS). The impacts and outcomes of climate finance are also reflected on in the report.

7. In addition to gathering information and data from those sources and conducting a literature review, the SCF issued a call for inputs from Parties and other stakeholders on preparation of the second report, including on sources of information, trends, challenges and lessons learned.[10] The SCF also conducted a stakeholder engagement webinar on 30 April 2024.

C. Challenges and limitations

8. There is no multilaterally agreed accounting methodology for tracking progress towards achieving the USD 100 billion per year goal.

9. The use of different methodologies by Parties and data aggregators poses challenges when aggregating data on climate finance to inform an assessment of progress towards the collective goal. The reporting system under the Convention and the ETF under the Paris Agreement provide a framework for a bottom-up approach to transparency whereby countries can follow self-determined methodologies for tracking, measuring and reporting on climate finance provided, mobilized, needed and received, as well as to defining climate finance. Challenges related to aggregating information on this basis include the use of variable definitions of 'mobilization', whether climate finance committed and/or disbursed is counted towards progress, the use of different time frames (e.g. calendar year or fiscal year), the use of different currencies and exchange rates and differing approaches to calculating climate specificity and others.

10. There are also challenges in assessing the nature and extent of causal linkages between the three different dimensions of the goal owing to the non-standardized nature of available data (e.g. on needs and projected levels of climate finance) and lack of available information that considers all three dimensions holistically and over the same time frame. Given thes limitations, the report reflects qualitatively on how these dimensions have evolved over time and any potential relationship between them.

9 The technical report will be made available on the SCF web pages (https://unfccc.int/SCF).

10 As at 30 June 2024, four submissions had been received; these are available at https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository.

II. Key findings

A. Mobilizing jointly USD 100 billion per year

11. In the absence of a multilaterally agreed accounting methodology for assessing progress towards achieving the goal of mobilizing jointly USD 100 billion per year by 2020 through to 2025, the assessment in this report is guided by the wording of the goal and relevant subsequent decisions Based on this, the report aims to assess the progress building on the available sources of information, which apply different accounting methodologies and take into account different sources, channels and financial instruments (Figure 1).

12. The OECD report series on climate finance and the USD 100 billion goal[11] pursues an approach and methodology that accounts for finance from a wide variety of sources, including bilateral finance based on official reporting in BRs under the Convention, multilateral public finance outflows from MDBs and multilateral climate funds attributed to developed countries, export credits and private finance mobilized from developed to developing countries.[12] It also covers the face value of instruments such as grants, loans and equity finance. According to the latest OECD report[13], published in May 2024, in 2022 developed country Parties provided and mobilized a total of USD 115.9 billion in climate finance for developing country Parties, thereby reaching their collective annual goal of mobilizing USD 100 billion for climate action in developing country Parties for the first time.

13. Oxfam's assessment *Climate finance short-changed, 2024 update*[14] does not contest the technical accuracy of the OECD report in measuring progress according to the methodology agreed by developed countries, but states its aim is to measure the financial effort by developed countries through discounting loan repayments, non-concessional loans and excluding certain instruments. The assessment used data reported to the OECD Development Assistance Committee on climate-related development finance to calculate grant-equivalent values and applied a more conservative approach to accounting for the climate relevance of provided funds (i.e. the proportion of a project's funding volume that can be considered to specifically support climate action) than the approach applied by Parties in their BRs. The assessment did not include the full range of financial instruments and it did not include private or innovative sources of finance. In its assessment, estimates of climate finance provided in grants and grant-equivalent amounts were in the range of USD 28–35 billion in 2022. According to Oxfam, its estimates indicate that the actual financial effort by developed countries to support climate action in developing countries is vastly lower than the figures in the OECD report seem to suggest.

14. Preliminary estimates collected from Parties by the SCF in preparing the sixth BA[15] indicate that climate-specific finance provided and mobilized amounted to USD 67.1 billion in 2022.[16] An analysis of BURs received as at 30 June 2024 found that 20 non-Annex I Parties reported USD 1.3 billion of climate finance received in 2022. These estimates do not include the full range of sources and channels, such as outflows from multilateral institutions or private finance mobilized by multilateral institutions, in preliminary estimates of climate finance provided and mobilized and all bilateral and multilateral climate finance flowing to developing countries in estimates of climate finance received.

11 See https://www.oecd.org/climate-change/finance-usd-100-billion-goal/.

12 Data on export credits and private finance mobilized reported in BRs are included in the appropriate sections of this report.

13 OECD. 2024. ***Climate Finance Provided and Mobilised by Developed Countries in 2013–2022.*** OECD. Available at https://www.oecd.org/en/publications/2024/05/climate-finance-provided-and-mobilised-by-developed-countries-in-2013-2022_8031029a.html

14 Oxfam. 2024. Climate Finance Short-Changed 2024 update. Oxfam. Available at https://oxfam.app.box.com/s/q32guouexhj6proorwm8f14sv6nvan77.

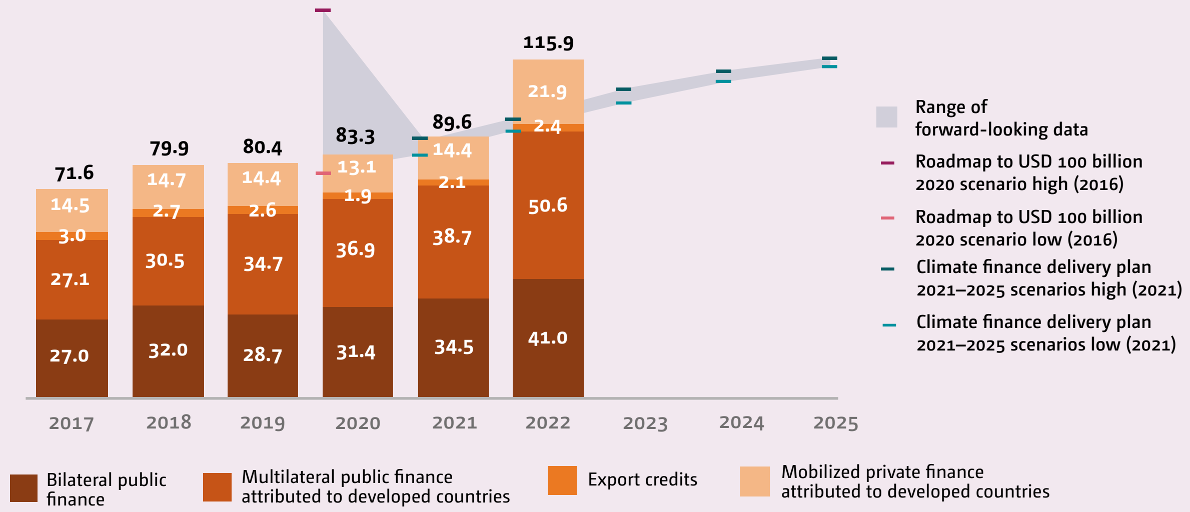
15 SCF. 2024. Sixth Biennial Assessment and Overview of Climate Finance Flows. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows

16 Data are treated as partial and preliminary and subject to change once the BTRs are submitted at the end of 2024.

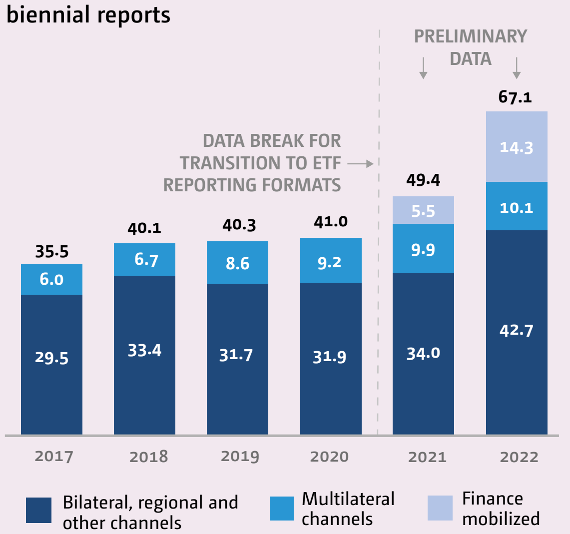
Figure 1

Trends in aggregate estimates from backward and forward-looking information
(Billions of United States dollars, annualized)

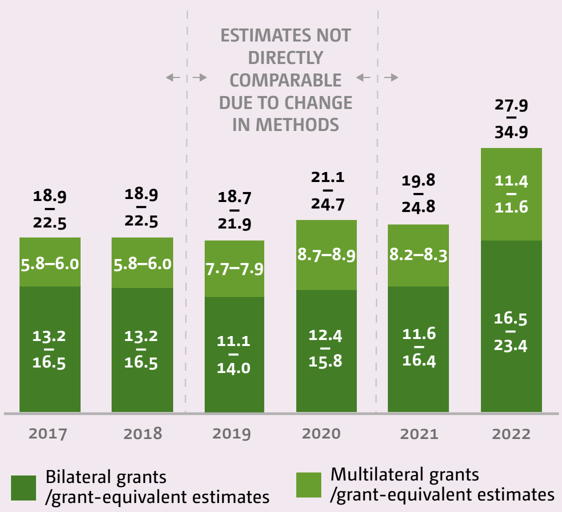
OECD climate-finance provided and mobilised and forward-looking scenarios based on OECD analysis



Climate-specific finance reported through Parties biennial reports



Oxfam climate-specific net assistance



Sources: Data from OECD. 2024. Climate Finance Provided and Mobilised by Developed Countries in 2013–2022. OECD. Available at https://www.oecd.org/en/publications/2024/05/climate-finance-provided-and-mobilised-by-developed-countries-in-2013-2022_8031029a.html;Government of the United Kingdom and Government of Australia. 2016. Climate Finance Roadmap to US$100 Billion. London. Available at https://www.gov.uk/government/publications/climate-finance-roadmap-to-us100-billion; Ministry of Environment and Climate Change, Canada and Federal Foreign Office, Germany. 2021. Climate Finance Delivery Plan: Meeting the US$100 Billion Goal. Available at https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/climate-finance/delivery-plan.html; SCF. 2024. Sixth Biennial Assessment and Overview of Climate Finance Flows. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows; Oxfam. 2024. Climate Finance Short-Changed 2024 update. Oxfam. Available at https://oxfam.app.box.com/s/q32guouexhj6proorwm8f14sv6nvan77.

Notes: (1) Forward-looking data comprise pledges made up to 20 October 2021 in the Climate Finance Delivery Plan; (2) the dashed lines indicate values for which data are not comparable with previous years owing to a change in method or scope of reporting; (3) the values for climate-specific finance reported by Parties for 2021 and 2022 are preliminary data that are subject to change after the submission deadline for BTRs of 31 December 2024; (4) the Oxfam graph is based on analyses that make assumptions on finance sources and financial instruments not aligned with the language of the USD 100 billion goal.

15. Irrespective of the source of information, some common findings emerge. Although the annual goal was not met in 2020 or 2021,[17] the overall trend is one of substantial growth in climate finance flows to developing countries since the first report on progress towards achieving the goal was produced by the SCF in 2022. OECD estimates growth in climate finance provided and mobilized by developed countries of 39 per cent between 2020 and 2022, while Oxfam estimates growth of 32–41 per cent depending on whether the low or high end of its estimated range of finance is considered. Preliminary estimates collected from Parties by the SCF in preparing the sixth BA indicate climate finance has increased by an estimated 63 per cent since the amount reported in the BR5s of Annex I Parties for 2020; however, the data are difficult to compare across years owing to the expanded scope of reporting in BTRs due at the end of 2024 compared with BRs.

16. Compared with the forward-looking projections for 2021–2025 outlined in the Climate Finance Delivery Plan published in October 2021,[18] the estimates in the OECD report for 2022 show that the threshold of USD 100 billion was achieved one year ahead of when it was expected to be achieved (although still two years after the initial goal year of 2020) and is within the range of the 2025 projection of USD 113–117 billion.

Channels

17. For climate finance provided through bilateral channels, the trend is one of a similar rate of growth from 2020 to 2022 according to all sources of information: 34 per cent in preliminary estimates from Parties, 31 per cent in the OECD report (USD 41.0 billion) and 33–48 per cent in Oxfam's assessment (USD 16.5–23.4 billion).

18. Climate finance through multilateral channels also saw a significant increase since 2020, of 37 per cent in the OECD report (USD 50.6 billion) and 30–31 per cent in Oxfam's assessment (USD 11.4–11.6 billion). Growth was much lower, 10 per cent, in preliminary estimates collected from Parties by the SCF in preparing the sixth BA as the flows reported therein predominantly constitute inflows from Parties to multilateral institutions rather than the outflows from multilateral institutions to developing countries that are captured in the other sources of information. The key driver of growth in climate finance provided through multilateral channels was MDBs: growing by 41 per cent since 2020 according to the OECD report (USD 46.9 billion) and 45 per cent according to Oxfam's assessment (USD 10.3 billion). However, multilateral climate funds saw decreases in the amount of climate finance outflows in 2022 of 19 per cent according to the OECD report and 28–31 per cent according to Oxfam's assessment, as the Green Climate Fund and other multilateral climate funds transitioned between replenishment and programming periods.

19. A significant increase in private finance mobilized by both bilateral and multilateral channels of 67 per cent in 2022 (USD 21.9 billion) since 2020 was reported in the OECD report. Preliminary estimates from Parties were able to separate this information for the first time, albeit predominantly only finance mobilized by bilateral channels, and also recorded significant increases in 2022 compared with 2021.

Thematic focus

20. The trend in the thematic focus of climate finance since 2020 has been mixed. Adaptation-specific climate finance decreased in 2021 by approximately 10 per cent according to preliminary estimates collected from Parties by the SCF in preparing the sixth BA, 14 per cent according to the OECD report and 7–9 per cent according to Oxfam's assessment, before rebounding in 2022 by 23 per cent (reaching USD 13.9 billion), 32 per cent (reaching USD 32.4 billion) and 42–43 per cent (reaching USD 12.7–14.9 billion) according to those sources respectively, thus returning to an upward trend.

21. Climate finance for mitigation showed steady growth in 2021 followed by a significant rise in growth in 2022. Preliminary estimates from Parties indicate increases of 20 per cent in 2021 and 69 per cent in 2022 (reaching USD 38.5 billion), though this likely reflects the expanded reporting on finance mobilized by public interventions, which is predominantly for mitigation, in forthcoming BTRs compared with BRs. OECD reported 11 and 30 per cent annual growth rates in 2021 and 2022 respectively (reaching USD 69.9 billion), while Oxfam reported a decrease in mitigation finance of 20 per cent in 2021 followed by a 46–47 increase in 2022 (reaching USD 11.4–13.1 billion).

17 See decisions 13/CP.27, para. 3, and 4/CP.28, para. 3.

18 Ministry of Environment and Climate Change, Canada and Federal Foreign Office, Germany. 2021. Climate Finance Delivery Plan: Meeting the US$100 Billion Goal. Available at https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/climate-finance/delivery-plan.html

22. While dealing with relatively smaller amounts, climate finance for cross-cutting mitigation and adaptation actions also grew significantly according to all sources of information, more than doubling between 2020 and 2022 according to the OECD report (reaching USD 13.6 billion) and Oxfam's assessment (reaching USD 3.8–7.0 billion) and increasing by 49 per cent according to preliminary estimates from BTRs (reaching USD 13.1 billion).

Financial instruments

23. Substantial growth in the volume of grant finance was reported in the available sources of information.[19] The OECD report stated a 43 per cent increase in grant finance from bilateral and multilateral sources between 2020 and 2022 (reaching USD 25.6 billion) while Oxfam reported a 26–30 per cent increase between 2021 and 2022 (reaching USD 20.3–26.6 billion). Loans from bilateral and multilateral sources also grew according to the OECD report, by 31 per cent since 2020 to reach USD 63.6 billion in 2022. The OECD report does not provide an aggregate of concessional and non-concessional loans owing to definitional differences in use. For bilateral finance, 79 per cent of loans over the 2016-2022 period were concessional. Forty-one per cent of loans from multilateral climate funds were classified as concessional along with 23 per cent of MDB loans. Oxfam's estimate of the grant-equivalent value of concessional loans from bilateral and multilateral sources almost doubled between 2021 and 2022 to reach USD 7.5–8.4 billion.

B. Addressing the needs of developing countries

24. This subchapter presents an analysis of 2020–2022 finance flows compared with the needs identified in the second NDR.[20] It investigates needs by thematic area and sector, finance sources and financial instruments utilized in providing and mobilizing finance that responds to needs, and the geographical distribution of climate finance.

25. According to the second NDR, the NDCs from 142 Parties contain a total of 5,760 needs. Of these, 2,753 (48 per cent) were costed needs reported by 98 Parties, amounting to USD 5.036–6.876 trillion. Given that these needs represent the largest number of Parties reporting costed needs across different types of reports, they are the most representative for this metric. It is understood that the costed needs presented in NDCs do not reflect the entirety of needs across developing country Parties and regions. The first NDR identified costed needs reported by 78 Parties amounting to USD 5.8–5.9 trillion up until 2030. Accounting for a similar time frame out to 2030, for comparative purposes, the costed needs from the latest NDCs amount to USD 5.012–6.852 trillion cumulatively out to 2030. As identified in the first NDR, the starting points for costed needs out to 2030 in NDCs vary significantly, with some indicating a 2015–2030 time frame, and others 2020–2030. Therefore, an annualized cost estimate across different time frames ending by 2030 of implementing the costed needs reported by 98 countries is in the range of USD 455–584 billion per year.[21]

26. While the USD 100 billion goal was not set with the intention of meeting all of the needs of developing countries, it does state that the goal is to address the needs. Comparing the proportional distribution of current climate finance flows against the distribution of needs of developing countries identified in the second NDR can be relevant for a qualitative assessment.

Thematic areas

27. In terms of share of the number of needs, adaptation needs represent 48 per cent of the total number of needs identified in 145 NCs, 46 per cent in 142 NDCs and 14 per cent in 96 BURs.[22] In NDCs, 16 per cent of the costed needs were identified as being for adaptation, while in NCs this figure was 58 per cent and in BURs it was 46 per cent, reported by 98, 57 and 55 developing country Parties respectively. Mitigation needs constitute most of the remaining share of needs, although cross-cutting needs are prominent in BURs and as costed needs in NDCs (see figure 2).

28. The latest available data on finance flows show that although the share of adaptation finance has grown strongly in recent years, the share of mitigation finance remains relatively larger. The share of climate finance for adaptation reported for 2020 in the BR5s and for 2021–2022 in the preliminary estimates from Parties is 24 per cent. The corresponding shares in the OECD report and Oxfam's assessment are 30 and 44 per cent respectively. Compared with the first report on progress towards

19 Preliminary estimates from some Parties do not include information on instruments.

20 SCF. 2024. Second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties/first-report-on-the-determination-of-the-needs-of-developing-country-parties-related-to-implementing

21 Further information is available in section 2.1 of the second NDR.

22 Reports from 154 non-Annex I Parties were reviewed for the second NDR. No needs were identified in 10 NCs, 14 NDCs and 8 BURs.

achieving the goal, adaptation finance has a lower share in overall finance, dropping from 28 to 24 per cent according to the preliminary estimates from Parties and from 34 to 30 per cent according to the OECD report, with an overall increase in adaptation finance from USD 12.5 billion (of a total of USD 41 billion of climate-specific finance) in 2020 according to BRs to USD 13.9 billion of a total of USD 67.1 billion in 2022 according to preliminary estimates from Parties, and from USD 28.6 billion (of a total of USD 83.2 billion) of climate finance provided and mobilized in 2020 to USD 32.4 billion of a total USD 115.9 billion of climate finance provided and mobilized in 2022 according to the OECD report. Owing to how it accounts for grants and the grant-equivalent value of concessional loans, Oxfam's estimates show a larger proportion of adaptation finance in overall finance, and an increase since the first report on progress towards achieving the goal (from 31 to 44 per cent), as adaptation activities typically receive a greater amount of grant financing than mitigation activities. In addition, since 2020 the growth in the provision and mobilization of cross-cutting finance, which serves both adaptation and mitigation objectives, has added further complexity to understanding whether adaptation-specific or mitigation-specific needs are also being addressed through those flows.

Sectors

29. An analysis of sector-level climate finance flows is limited to the OECD report, which provides sector-level data for climate finance, by thematic area, while the other sources of information do not. Adaptation activities are spread across various sectors. In an analysis of BURs, NCs and NDCs, most adaptation needs expressed by developing countries were in the agriculture and forestry sector (25–37 per cent) or the water supply and sanitation sector (18–25 per cent). Most adaptation finance provided and mobilized from 2016 to 2022 flowed to these sectors (18 and 19 per cent respectively). More finance has been directed at transport (10 per cent) than the corresponding needs (1–2 per cent).

30. For mitigation, finance for the energy and transport sectors amounted to 62 per cent of total climate finance provided and mobilized from 2016 to 2022. These sectors were also prominent in terms of reported mitigation needs (44–51 per cent). In contrast, the agriculture and forestry sector accounted for 16–25 per cent of needs but only 4 per cent of finance flows. Finance was also reported as flowing to the banking and financial services sector (7 per cent) whereas this sector does not feature significantly in needs identification. This highlights the differences in reporting how finance for climate action is often channelled through financial intermediaries in developing countries compared to reporting on needs in the real economy.

Finance sources and financial instruments

31. Developing countries, particularly those with high debt burdens, often state their need for more concessional public finance for addressing capacity gaps and implementing adaptation actions. Grant finance grew strongly (by 43 per cent according to the OECD report and by 26–28 per cent according to Oxfam's assessment) since 2020 according to all sources of information, as did the grant-equivalent estimates of concessional loans (according to Oxfam's assessment). However, grant finance constitutes 28 per cent of total climate finance provided and mobilized according to the OECD report. A key aspect in the growth in climate finance driven by MDBs is the prevalence of loans, a result of their business model. Climate finance in the form of loans therefore also grew significantly (by 31 per cent) over the same period, and accounts for 69 per cent of total climate finance provided and mobilized.

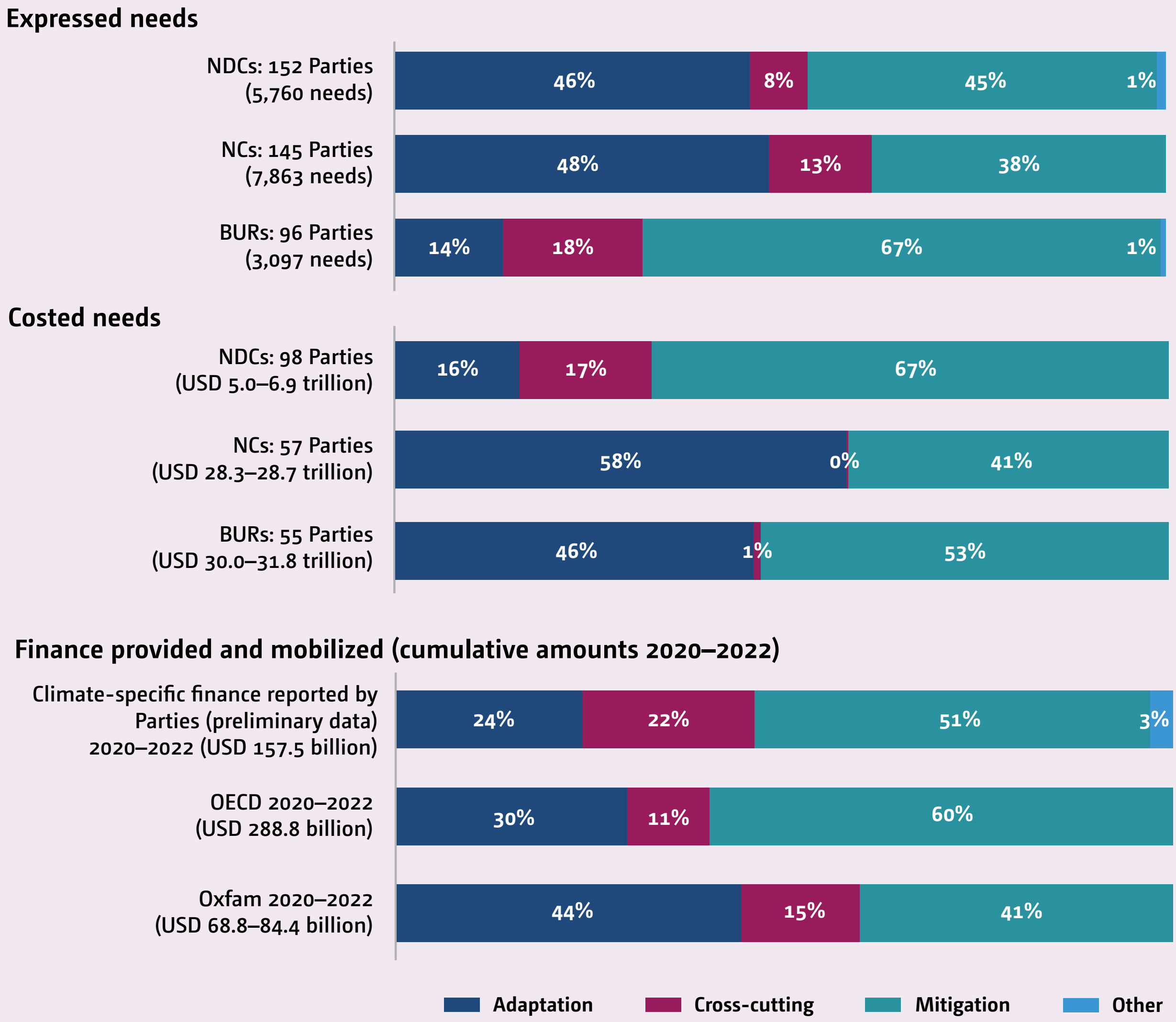
Geographical distribution

32. Data on regional distribution of climate finance in relation to the USD 100 billion goal are not broadly available, hindering an analysis of whether finance is flowing in a manner that addresses needs expressed by region.[23] According to the sixth BA, in 2021–2022 most of the finance from multilateral climate funds, amounting to USD 3.7 billion per year on average, primarily went to Latin American and the Caribbean (31 per cent), Africa (25 per cent) and Asia (22 per cent). MDB finance amounting to USD 49 billion per year on average was directed to African and Asia (33 and 32 per cent respectively), while most private finance mobilized amounting to USD 18.2 billion per year on average went to Latin America and the Caribbean (35 per cent), Asia (32 per cent) and Africa (20 per cent).

23 The preliminary nature of the data gathered from Parties on climate finance in 2021–2022 to support the preparation of the sixth BA does not allow for an analysis by region. The OECD report series no longer includes a regional breakdown but instead an analysis by income group, and the Oxfam updates do not include a regional breakdown

Figure 2

Needs identified by developing countries and finance provided and mobilized by developed countries, by thematic area



Sources: Data from SCF. 2024. Second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties/first-report-on-the-determination-of-the-needs-of-developing-country-parties-related-to-implementing; SCF. 2024. Sixth Biennial Assessment and Overview of Climate Finance Flows. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows; OECD. 2024. Climate Finance Provided and Mobilised by Developed Countries in 2013–2022. OECD. Available at https://www.oecd.org/en/publications/2024/05/climate-finance-provided-and-mobilised-by-developed-countries-in-2013-2022_8031029a.html; and Oxfam. 2024. Climate Finance Short-Changed, 2024 update. Oxfam. Available at https://oxfam.app.box.com/s/q32guouexhj6proorwm8f14sv6nvan77.

Notes: The time frames for expressed and costed needs vary in different report types. For example, for costed needs identified in NDCs the time frames start from 2015, 2021 or 2022 up to 2030; in NCs the time frames start from 2021 or 2023 up to 2060; and in BURs the time frames start from 2021 or 2023 up to 2060. For costed needs and Oxfam data, the midpoint of ranges was used to calculate thematic shares.

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33. For the LDCs and SIDS, the OECD report shows increasing shares of climate finance provided and mobilized, from 17 and 2 per cent respectively on average over 2016–2022 to 18 and 3 per cent respectively in 2022 alone, amounting to USD 21.2 billion for the LDCs and 3.2 billion for SIDS. In terms of needs, 45 LDCs accounted for 45 per cent of the identified needs and 16–21 per cent of the costed needs expressed in NDCs, demonstrating that while finance flows are proportionate to costed needs, less finance is flowing proportionately to the LDCs than their identified needs. For SIDS, 37 SIDS accounted for 25 per cent of the identified needs and 1 per cent of the costed needs expressed in NDCs, demonstrating that more finance is flowing proportionately to SIDS in terms of costed needs but less in terms of identified needs.

C. The context of meaningful mitigation actions and transparency on implementation

34. The goal is set out in the context of meaningful mitigation action and transparency on implementation. Therefore, assessing trends in mitigation actions and transparency on implementation is relevant to assessing progress related to the context dimension of the goal. However, a direct causal link between finance flows that address the needs of developing countries and any improvements in mitigation actions and/or transparency on implementation, and vice versa, is difficult to establish, and the challenge is compounded by the fact that data and published reports that could support such a link are lacking.

Trends related to meaningful mitigation action

35. Observed trends related to mitigation actions and ambition illustrate some progress:

a. Between 2010 and 2019, while emissions continued to increase, the rate of growth slowed from 2.2 per cent per year in 2000–2009 to 1.5 per cent per year. The coronavirus disease 2019 pandemic led to an unprecedented 3.6 per cent drop in GHG emissions in 2020 compared with the 2019 level. However, as restrictions were gradually removed, emissions increased again at a rate of 4.2 per cent in 2021 to reach just above the 2019 level in that year;

b. Forty-six non-Annex I Parties had communicated NAMAs in 2010, while as at 31 July 2024, 151 (98 per cent) had submitted an NDC, with 118 Parties (78 per cent) having submitted an updated NDC. Regarding Annex I Parties, in 2010 all had submitted a quantified emission limitation or reduction commitment for 2020; these were followed by the submission of INDCs in 2015–2016 and NDCs thereafter. As at 31 July 2024, 95 per cent of Annex I Parties had submitted an updated NDC;

c. The aggregate effect of mitigation actions in NDCs submitted by all Parties that have submitted NDCs as at 30 September 2023 is expected to result in global GHG emissions (excluding land use, land-use change and forestry) of 51.6–54.8 Gt CO2 eq in 2025, representing a reduction in emissions of 4.6–5.8 per cent compared with the 2016 level, as determined from the mitigation actions included in the INDCs from 2016. By 2030, GHG emissions are estimated to be 48.3–54.8 Gt CO2 eq, a reduction of 11.4–12.0 per cent compared with the 2016 level, as determined from INDCs, indicating a return to almost the 2010 level. However, according to the IPCC, global emissions would decline by about 43 per cent in 2030 from the 2019 level to be consistent with pathways with no or limited overshoot of the 1.5 °C goal, and by 21 per cent to limit warming to below 2 °C.[24]

36. Investigating whether more meaningful mitigation action has played a role in attracting and mobilizing climate finance requires further work. It is well established in the literature that clear, consistent and coherent policy signals and enabling environments are critical to facilitating finance flows. Through their accreditation of entities and establishment of national climate funds, many developing countries have put in place the infrastructure necessary to receive climate finance through multilateral climate funds and other sources. However, it is not yet possible to draw conclusions about the extent to which mitigation actions may have influenced the level of climate finance mobilized under the goal.

Trends related to transparency on implementation

37. Many sources of information based on Party submissions point to the importance of transparency

24 Table SPM.1 in IPCC. 2023. Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Geneva: IPCC. pp.1–34. Available at https://www.ipcc.ch/report/sixth-assessment-report-cycle/.

on implementation with regard to action and support to enhance mutual trust among and accountability of Parties. Trends show significant progress since the USD 100 billion goal was established, although some transparency gaps remain (figure 3). Almost all (43) Annex I Parties had submitted a BR5 as at 31 July 2024, with information on climate actions as well as support provided. The submission of BURs with information on climate actions and needs, as well as climate support received, has been steadily increasing, with 68 per cent of non-Annex I Parties (104) having submitted at least one BUR, 29 per cent a second BUR (45 Parties), 18 per cent a third BUR (28 Parties), 8 per cent a fourth BUR (13 Parties) and 3 per cent a fifth BUR (4 Parties) as at 31 July 2024. Of the 50 non-Annex I Parties (32 per cent) that had not yet submitted a BUR as at that date, 28 were LDCs or SIDS. As at the end of 2023, all non-Annex I Parties had submitted at least one NC, 94 per cent an NC2 (146 Parties), 66 per cent an NC3 (103 Parties) and 21 per cent an NC4 (32 Parties). Almost all Annex I Parties (43 Parties) had submitted an NC8 as at 31 July 2024.

38. The lack of synthesis reports on BURs and NCs limits the possibility of drawing conclusions with regard to improved coverage of and quality of information in reporting. Many Parties have established the necessary institutional arrangements, including legislative and policy frameworks, for the planning, implementation and MRV of mitigation actions. However, some developing country Parties still face challenges in setting up institutional arrangements or domestic MRV systems partially owing to a lack of financial resources and human capacity. For NDCs, improvements in methodological approaches and data coverage have been noted over time.

39. More information to support the assessment of progress in achieving transparency on implementation is expected to be available once reporting under the ETF is under way by the end of 2024. This information will include climate finance provided and mobilized and climate finance needed and received, including the use, impact and results of climate finance received.

D. Challenges and lessons learned

40. Key challenges in and lessons learned from implementing the goal reflect the interlinkages across the three dimensions, particularly in relation to mobilizing finance flows to address needs as well as in relation to the context of meaningful mitigation actions and transparency on implementation.

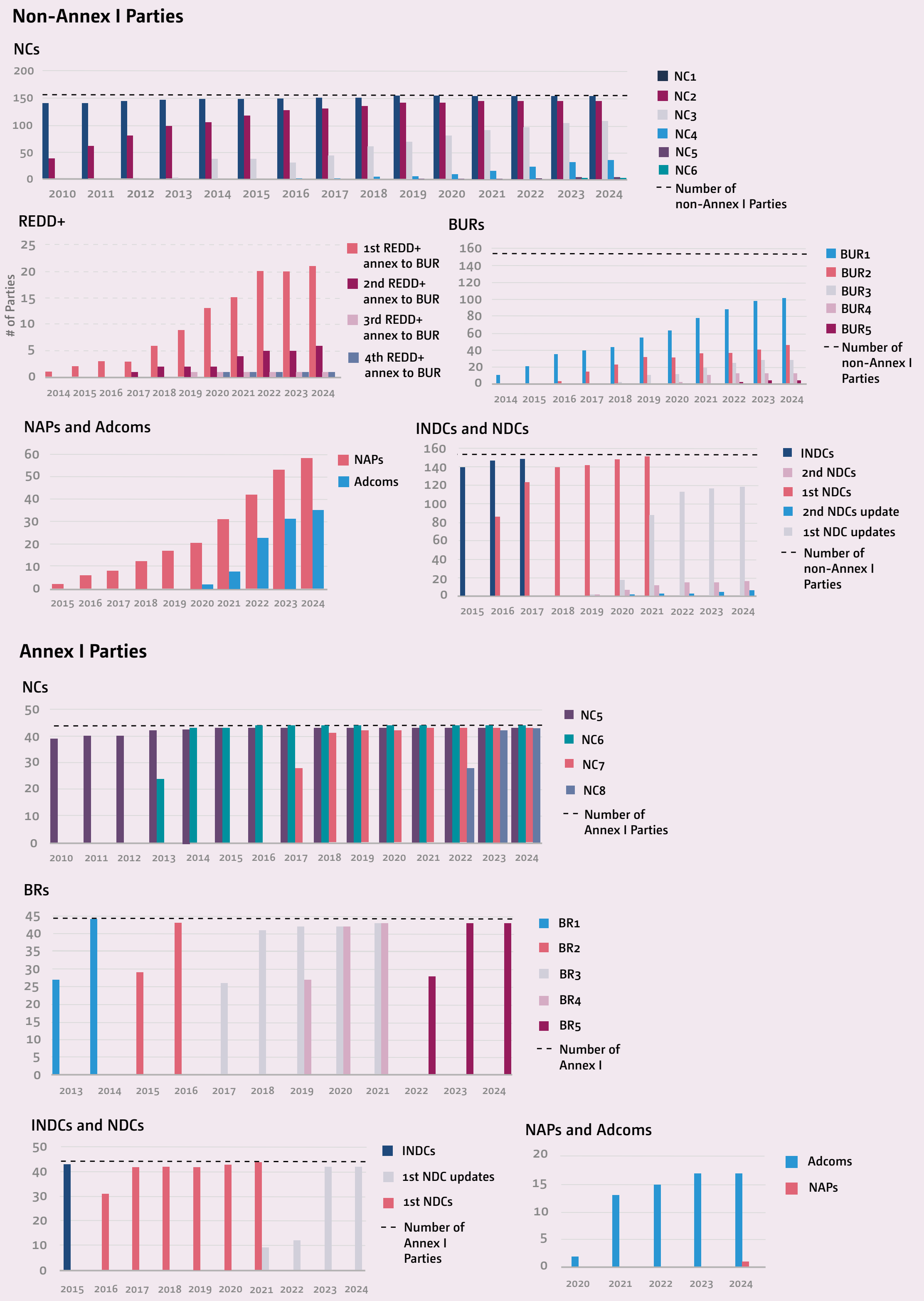
41. With regard to **efforts to mobilize USD 100 billion per year**, the positive trends in the amount of climate finance provided and mobilized since 2020 show that measures taken to increase public finance and private finance mobilized have been effective. Furthermore, the use of special drawing rights directed to fund the International Monetary Fund’s Resilience and Sustainability Trust illustrates an innovative way of scaling up climate finance. Further potential innovative sources include green sovereign bonds and debt swaps that could increasingly be used to further scale up the mobilization of climate finance to developing countries from developed countries.

42. While progress has been made in mobilizing climate finance for developing countries, challenges remain, particularly in relation to scaling up climate finance from MDBs and mobilizing private finance. Challenges in mobilizing private capital by developed countries include the broader investment environment conditions, small size of activities, and the high real and perceived risks in developing countries, as well as lack of business models within key multilateral providers to focus on this area. Key lessons identified for climate finance providers include supporting country-level de-risking approaches, developing further secondary market assets to aggregate smaller assets across market and country risk profiles and incentivizing MDBs and other institutions to maximize mobilization potential through dedicated target-setting, further support for risk-sharing mechanisms and local currency lending.

43. Finally, the lack of a multilaterally agreed accounting methodology towards the goal contributes to a lack of a common understanding of the progress towards its achievement.

Figure 3

Trends in available information on the transparency of climate action, needs and support
(Cumulative number of Parties submitting national reports)



Note: The figure shows the cumulative number of Parties submitting national reports under the Convention and the Paris Agreement as at 31 July 2024.

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44. With regard to **addressing needs,** there are opportunities to continue to scale up finance for adaptation, including through the design and implementation of adaptation activities which have mitigation co-benefits. The share of adaptation needs identified in BURs, NCs and NDCs was higher than that reported in the first report on progress towards achieving the goal, while adaptation finance was lower in 2021 before rebounding in 2022 and returning to an upward trend. There was significant growth in cross-cutting finance, illustrating the challenge in allocating specific amounts to adaptation and mitigation respectively. Measures for scaling up adaptation finance include supporting developing countries' efforts to strengthen their capacities, policies and enabling environment, strengthening development practices and systems to ensure efficient delivery, deploying public and blended finance instruments strategically to mobilize private finance for adaptation and tapping into alternative financing sources and mobilization instruments for adaptation.

45. Information on the needs of developing countries also points to the importance of grant and concessional finance. While grant finance has grown strongly since 2020 according to all sources of information, the prevalence of lending in aggregate numbers in the context of high debt burdens and fiscal constraints in developing counties, as already noted in the first report on progress towards achieving the goal, underscores the importance of overcoming challenges to increasing concessional finance flows. According to the IPCC[25], a variety of different financing instruments are necessary for supporting mitigation and adaptation projects depending on different stage of project development, different stage of the technology innovation chain and different levels of maturity of the markets.

46. A significant challenge, as reported in the first report on progress towards achieving the goal, is the knowledge gaps in understanding progress across all dimensions of the goal, in particular whether finance mobilized addresses needs and to what extent meaningful mitigation actions are linked to financing. a full picture may be derived if information on needs would include indicators on the type of activities required, the level of technology deployment, the level of capacity-building needed and other implementation requirements, as well as costed information, while a data on finance provided and mobilized would mirror such information and cover the same time frame. With expanded reporting on the finance needed and received by developing countries expected under the ETF, this gap may be partially addressed.

47. In addition, there remains the relatively limited capacity of developing countries to quantify costs and build project pipelines that attract public and private climate finance and enable it to be targeted to needs. The most prominent challenges include institutional coordination at both the national and local level as well as across line ministries in comprehensively identifying, costing and articulating project-specific needs comprehensively; high staff turnover, leading to loss of knowledge and expertise in needs identification; and costing adaptation needs due to methodological limitations and their long-term nature compared with the short timeline of projects.[26] Many Parties are developing NDC investment plans and strategies to accompany the NDC update process.

48. Finally, access to capital is identified as a significant challenge by developing countries in order to address their needs. This can relate, inter alia, to the complexity of requirements for accessing international climate finance through multilateral climate funds, which is often a resource- and time-consuming process stretching beyond the length of election cycles of national governments. The IPCC noted that debt-constrained developing countries have lower access to international capital markets owing to higher real and perceived risks and lower credit ratings than developed countries, a situation exacerbated by the coronavirus disease 2019 pandemic.[27]

49. With regard to **the context of meaningful mitigation actions and transparency on implementation**, there is limited to no information to link progress made in the provision and mobilization of finance with progress made in implementing mitigation actions and raising mitigation ambition as seen in the iterative updates of NDCs. A key challenge remains understanding whether scaled-up finance flows drive further mitigation ambition, plans and actions,

25 IPCC. 2022. Summary for Policymakers. In: P Shukla, J Skea, and R Slade (eds.). *Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.* Cambridge and New York: Cambridge University Press. Available at https://www.ipcc.ch/report/ar6/wg3/.

26 SCF. 2021. *First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. Bonn: UNFCCC.* Available at https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties/first-report-on-the-determination-of-the-needs-of-developing-country-parties-related-to-implementing.

27 IPCC. 2022. Summary for Policymakers. In: P Shukla, J Skea, and R Slade (eds.). *Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.* Cambridge and New York: Cambridge University Press. Available at https://www.ipcc.ch/report/ar6/wg3/.

or whether increased mitigation ambition, plans and actions have led to an increase in climate finance. Where platforms have been established that could support analysis of the linkages between implementation of mitigation actions and provision of financial support, there has been a lack of reporting, for example in the case of the NAMA registry. The need to identify dedicated reporting processes that cover the full scope of the goal is a key lesson learned in this regard. More information to be reported under the ETF may facilitate exploring such linkages in the future.

III. Recommendations

50. The SCF invites COP 29 to consider the following recommendations, which are based on the key findings of the second report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation:

a. Welcomes the increase in climate finance provided and mobilized between 2020 and 2022 according to all sources of information in this report, while noting that one source (OECD) found that the goal was met in 2022, suggesting that measures taken to increase public finance and the mobilization of private finance have been more effective than in previous periods;

b. Urges developed country Parties to continue to follow on this positive trend and to provide and mobilize climate finance to support developing countries through to 2025;

c. Acknowledges that there have been illustrative examples of innovative instruments, including the use of special drawing rights directed to fund the International Monetary Fund's Resilience and Sustainability Trust, sovereign green bonds and debt swaps, and encourages that they could increasingly be used to further scale up the mobilization of climate finance;

d. Emphasizes the importance of mobilizing private climate finance to address the needs of developing country Parties and encourages its increased mobilization, including through the use of blended finance and innovative instruments, as appropriate;

e. Recognizes the importance of climate finance continuing to respond to the needs and priorities of developing countries, including by increasing adaptation finance, particularly for the LDCs and SIDS;

f. Underlines the importance of progress in enhancing access to climate finance and encourages Parties to consider ways to continue to facilitate progress on this issue;

g. Encourages data providers and aggregators to provide geographically disaggregated data on climate finance provided, mobilized, needed and received, as well as information on the gender-responsiveness of climate finance, to increase the overall transparency and improve the assessment of progress in achieving the USD 100 billion goal;

h. Affirms the importance of concessional finance instruments and of taking into account the debt sustainability 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 LDCs and SIDS, particularly as it relates to adaptation.

FOR FURTHER INFORMATION CONTACT

Climate Finance subdivision
Means of Implementation division

United Nations Climate Change Secretariat (UNFCCC)
Platz der Vereinten Nationen 1
53113 Bonn, Germany

E-mail: standingcommittee@unfccc.int

United Nations
Framework Convention on
Climate Change