



# A Proposal to Expand Climate Financing

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# Financing Needs for Climate Are Huge

- According to John Kerry (the USA climate envoy), the main constraint for climate action is lack of money.
- The Independent High Level Group on Climate Finance has calculated that developing countries (excluding China) need 2,425 billion US dollars a year to meet their climate objectives as shown in the table to the right (all figures are in billions of US dollars):

<b>Total annual climate investment needed</b>	<b>2,425</b>
energy transition	1,500
adaptation and resilience	250
coping with loss and damage	300
natural capital and sustainable agriculture	300
just transition	25

# Available Financing is Grossly Insufficient

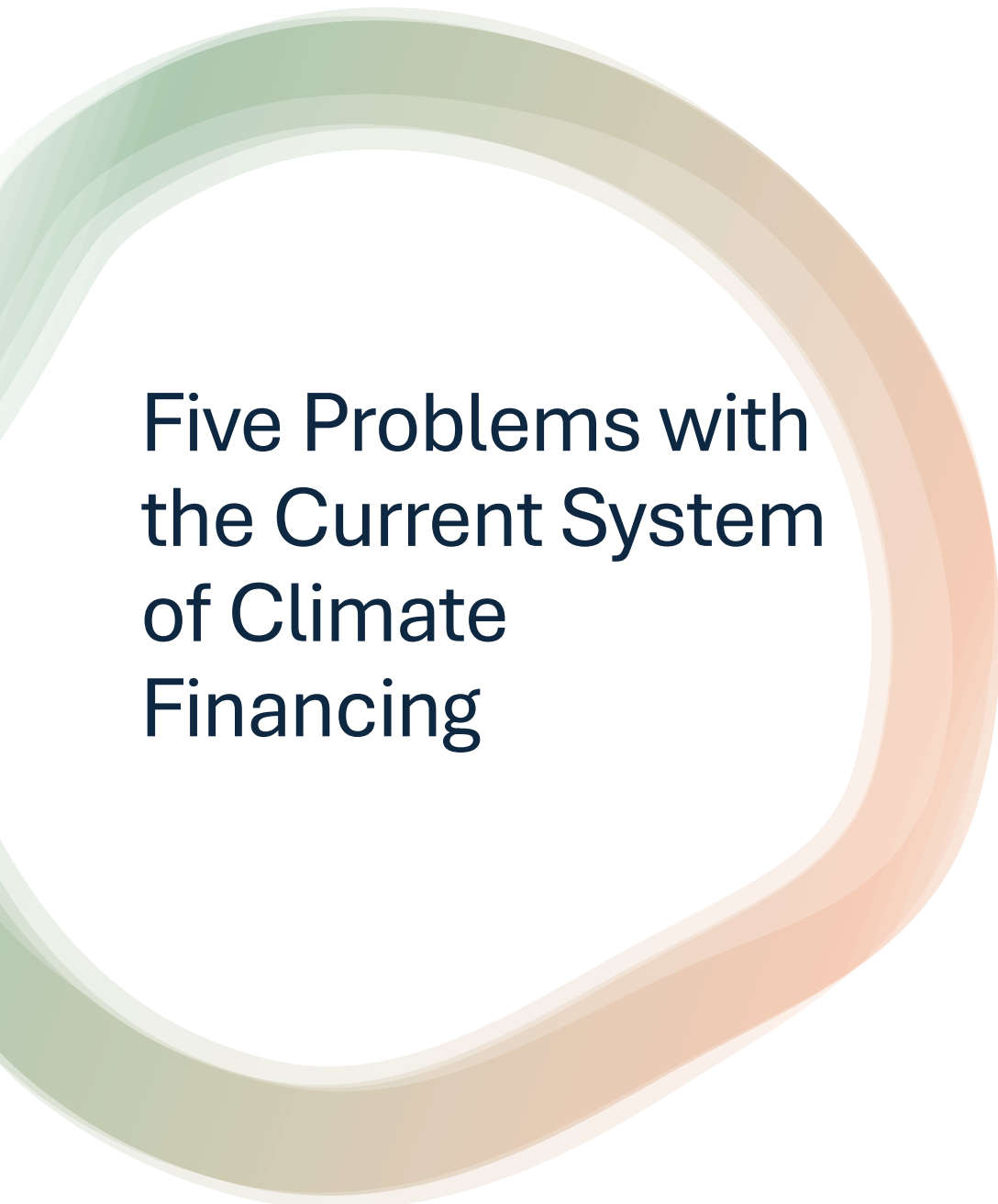
- In 2009 there was an agreement that rich countries would provide developing countries \$100 billion/year for climate—a drop in the bucket.
- This target was finally reached in 2022--13 years later—as follows:

<b>CLIMATE SUPPORT FOR DEVELOPING COUNTRIES</b>	<b>\$106.8 BILLION</b>
bilateral support	\$44.2 billion
multilateral support	\$46.2 billion
private investment	\$14.4 billion
export credits	\$2.0 billion



## How Were the \$100 billion Reached?

- Bilateral Official Development Assistance (ODA) was refocussed from other objectives to climate. The share of climate in ODA rose from 17 to 25% while total ODA declined slightly.
- The share of climate in multilateral assistance also rose from 21 to 24%




## Five Problems with the Current System of Climate Financing

- The amount of resources mobilized is miniscule compared to the needs—\$100 billion compared to \$2,400 billion.
- It diverts resources from development activities such as health, education and food security towards climate which raises economic and ethical issues.
- Most of the financing is in the form of loans rather than grants at a time when half of low income countries are in debt distress.
- Very little private sector participation.
- Insufficient good quality projects with big impact.



# The World Needs an International Green Bank

- Green Bank would identify, develop and supervise the implementation of climate mitigation projects.
- It would only finance private sector mitigation projects (mainly energy, agriculture and nature protection) and would not add to governments' debt.
- Green Bank would develop new and innovative financial instruments and expand the use of existing instruments, particularly green bonds, debt for climate swaps, and carbon markets.
- It would provide a platform for discussions on climate financing between countries, the private sector and civil society.



## Green Bank Would be Different from Existing Institutions

- It would be a public private partnership, with equal voice for countries of the North, countries of the South and private actors (including the private sector, foundations and civil society)
- It would raise financing by the sale of green bonds and carbon offsets; as well as other mechanisms that capitalize on the public's desire to finance climate.
- Because of its public-private nature and because it would only finance private projects it should be less impacted by politics.
- It could be totally independent or part of the World Bank Group but with separate governance.

Thank You

