

# Climate Finance: Developing Bankable Proposals

## UNIT 1: CLIMATE FINANCE ARCHITECTURE AND LANDSCAPE

African Group of Negotiators Expert Support (AGNES) and Alliance of Bioversity and CIAT





# What is Climate Finance?

**UNFCCC Definition:** *“local, national or transnational financing drawn from public, private and alternative sources of financing that seeks to support mitigation and adaptation actions that will address climate change”.*

**IPCC Definition:** *“financial resources devoted to addressing climate change by all public and private actors from global to local scales, including international financial flows to developing countries to assist them in addressing climate change”* (IPCC, 2022).

**Standing Committee on Finance:** *“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”* (Standing Committee on Finance, 2023)





# Why Climate Finance?

Africa is one of the most vulnerable continents to climate change impacts and requires significant financial support to mitigate and adapt to these impacts.

Climate Finance plays a crucial role in addressing the climate crisis in the context of countries' quest towards achieving sustainable development and poverty eradication

Climate finance can assist countries to transition to low carbon development pathways and avoid an increasing absolute emission from the continent.



# Key Principles of Climate Finance



**Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC)** – While all countries are responsible for addressing climate change, developed countries bear greater responsibility due to their historical emissions.



**Polluter Pays Principle** - “*the polluter should, in principle, bear the cost of pollution*” (United Nations, 1992, Principle 16).



**Prevention principle** - States have “*the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies,*” but also “*the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction*” (United Nations, 1992, Principle 2).



**Transparency and Accountability** - The Paris Agreement requires developed country Parties to provide “*transparent and consistent information*” on support provided and mobilized (Paris Agreement, 2015, Art. 9, para. 7).



# Key Principles of Climate Finance/1



**Precautionary principle** - *In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities” and that where there are threats of serious or irreversible damage, “lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation” (UN, 1992, Principle 15)*



**Country Ownership** - Projects should be owned and driven by the recipient governments and the communities they intend to benefit, with national priorities framing the support provided by financial institutions.



**Alignment and coherence of Finance flow** - financial resources should be aligned and coherent with climate goals, national priorities, and wider development pathways.



**Financial Additionality** - climate finance should provide resources that are genuinely additional, rather than simply relabeling or displacing existing finance



# Key Principles of Climate Finance/2



**Responsiveness to Country Needs and Climate Vulnerability** - The Paris Agreement states that scaled up financial resources should consider the “*priorities and needs of developing country Parties*”, especially those that are particularly vulnerable to climate change and have significant capacity constraints (Paris Agreement 2015, Art. 9, para. 4).

**Co-Benefits** - “*a positive effect that a policy or measure aimed at one objective has on another objective, thereby increasing the total benefit to society or the environment*” (IPCC, 2022, p. 7).

**Flexibility and Innovation** - Climate finance must adopt innovative, agile approaches to respond effectively to local capacities and needs. These flexible mechanisms ensure that climate finance is adaptable to changing circumstances.



# Global Climate Finance Milestones and Policies

| Mechanism                            | Year      | Milestone                                                                                                                                                | Decision(s)                                                                                  |
|--------------------------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Global Environment Facility (GEF)    | 1991      | GEF launched as a pilot global environmental financing mechanism before the Rio Earth Summit                                                             | GEF launched as a pilot global environmental financing mechanism before the Rio Earth Summit |
|                                      | 1995      | COP 1 confirmed the interim financial mechanism role of the GEF                                                                                          | Decisions 9/CP.1 and 11/CP.1                                                                 |
|                                      | 1996–1997 | COP–GEF relationship formalized                                                                                                                          | Decisions 12/CP.2 and 12/CP.3                                                                |
| Adaptation Fund (AF)                 | 2001      | The Marrakesh Accords established the Adaptation Fund under the Kyoto Protocol                                                                           | Decision 10/CP.7                                                                             |
|                                      | 2005      | Mandate of the Adaptation Fund clarified                                                                                                                 | Decision 28/CMP.1                                                                            |
|                                      | 2007      | Adaptation Fund operationalized                                                                                                                          | Decision 1/CMP.3                                                                             |
|                                      | 2018–2019 | Adaptation Fund began serving the Paris Agreement                                                                                                        | Decision 13/CMA.1 and Decision 1/CMP.14                                                      |
| Green Climate Fund (GCF)             | 2010      | The Cancun Agreements decided to establish the Green Climate Fund as part of the Convention’s financial mechanism                                        | Decision 1/CP.16                                                                             |
|                                      | 2011      | COP 17 operationalized the Green Climate Fund                                                                                                            | Decision 3/CP.17                                                                             |
|                                      | 2013      | COP 19 approved the arrangements between the COP and the GCF, formalizing the Fund’s accountability and reporting relationship to the COP                | Decision 5/CP.19                                                                             |
| Loss and Damage Funding Arrangements | 2013      | COP 19 established the Warsaw International Mechanism for Loss and Damage, creating the institutional basis for work on loss and damage under the UNFCCC | Decision 2/CP.19                                                                             |
|                                      | 2022      | COP 27 and CMA 4 established new funding arrangements, including a dedicated fund                                                                        | Decisions 2/CP.27 and 2/CMA.4                                                                |
|                                      | 2023      | COP 28 and CMA 5 operationalized the Fund and adopted its Governing Instrument                                                                           | Decisions 1/CP.28 and 5/CMA.5                                                                |
|                                      | 2024      | COP and CMA arrangements with the Fund were further clarified                                                                                            | Decisions 6/CP.29 and 12/CMA.6                                                               |

# Climate Finance Architecture: Global Finance Architecture



Key actors in the climate finance architecture;

- ❑ **Global Governance** - coordinates the flow of climate finance at the international level. It involves global institutions and frameworks that oversee the mobilization, allocation, and delivery of financial resources to support climate action in developing countries i.e. UNFCCC and the Paris Agreement
- ❑ **Financial Mechanisms of the UNFCCC and Other Multilateral Climate Funds** - GEF and GCF as main operating entities of the UNFCCC Financial mechanism; Adaptation Fund and treaty-linked funds
- ❑ **Multilateral Development Banks (MDBs)** - provide substantial financing for climate projects; act as intermediaries between international donors and recipient countries. Example: World Bank, African Development Bank (AfDB), Asian Development Bank (ADB), Islamic Development bank, European Investment Bank and other subregional development banks





# Global Finance Architecture/1

- ❑ **Bilateral Climate Finance** - direct provision of funds from one country (usually a developed country) to another (usually a developing country), often through government agencies. Example: GIZ, FCDO, IDRC, JICA *inter alia*.
- ❑ **National Governments** - Both developed and developing countries contribute to climate finance, either through public funding or by facilitating access to international climate funds, through Ministries, National development banks, and parastatals
- ❑ **Private Sector** - such as banks, institutional investors, and corporations, are increasingly involved in financing climate projects. They often invest in projects that promise commercial returns while simultaneously addressing climate change challenges



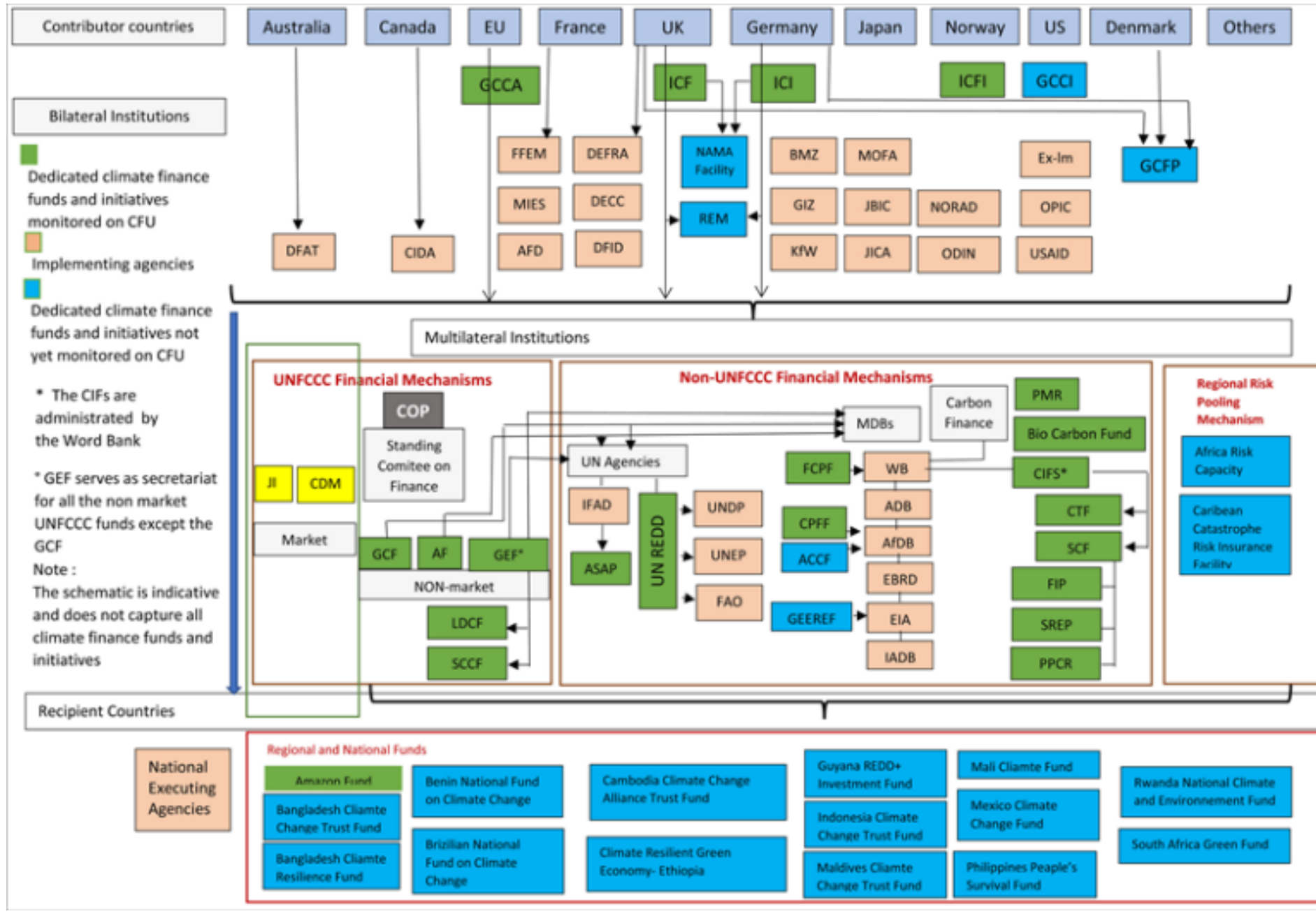


# Global Finance Architecture/2

- ❑ **Philanthropic Organizations** - Foundations and philanthropic investors provide grants and concessional finance to support innovative climate projects, especially in areas with high climate vulnerability. Example: The Gates, Rockefeller, Bezos Foundation *inter alia*.
- ❑ **Intergovernmental support mechanism:** an enabling role, helping countries build the institutional capacity, technical systems, and project pipelines needed to access climate finance. Examples: Commonwealth Climate Finance Access Hub, AGNES' NDC Delivery Lab



# Global Finance Architecture/3





# National Climate Finance Architecture

Institutional arrangements, coordination mechanisms, and delivery channels through which countries access, manage, align, and oversee climate finance.

- ❖ These national arrangements help ensure that climate finance from domestic, international, and private sources is directed toward national climate priorities and broader development goals
- ❖ Includes government coordination bodies, accredited or implementing entities, sector ministries, national funds, and other institutions that support project identification, endorsement, implementation, monitoring, and reporting.
- ❖ Structure differs country to country



# National Climate Finance Architecture/1



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## **National Designated Authorities (NDAs) or Designated National Authorities (DNA) -**

Designated Authorities are government entities that act as the national point of contact for the GCF, adaptation Fund and other mechanisms

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**Direct Access Entities (DAE) and National Implementing Entities (NIEs)** - national or regional entities accredited with the GCF or Adaptation fund respectively to access finance through the direct access modality to implement projects and programmes.

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**Accredited Entities (AEs)** - international, regional, national and subnational that meet the GCF fiduciary standards and are accredited to receive GCF funding; can be private, public, inter-governmental, non-governmental, regional or international institutions with wide geographic footprint.

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**GEF Agencies** - develop project proposals and oversee their implementation on the ground; support eligible governments and non-governmental organizations in designing, carrying out, and delivering their projects

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**GEF Operational Focal Points** - GEF works through national focal points and GEF Agencies rather than NDAs. The Operational Focal Point is the principal technical and operational liaison for the GEF at country level





# Climate Finance Sources and Funds

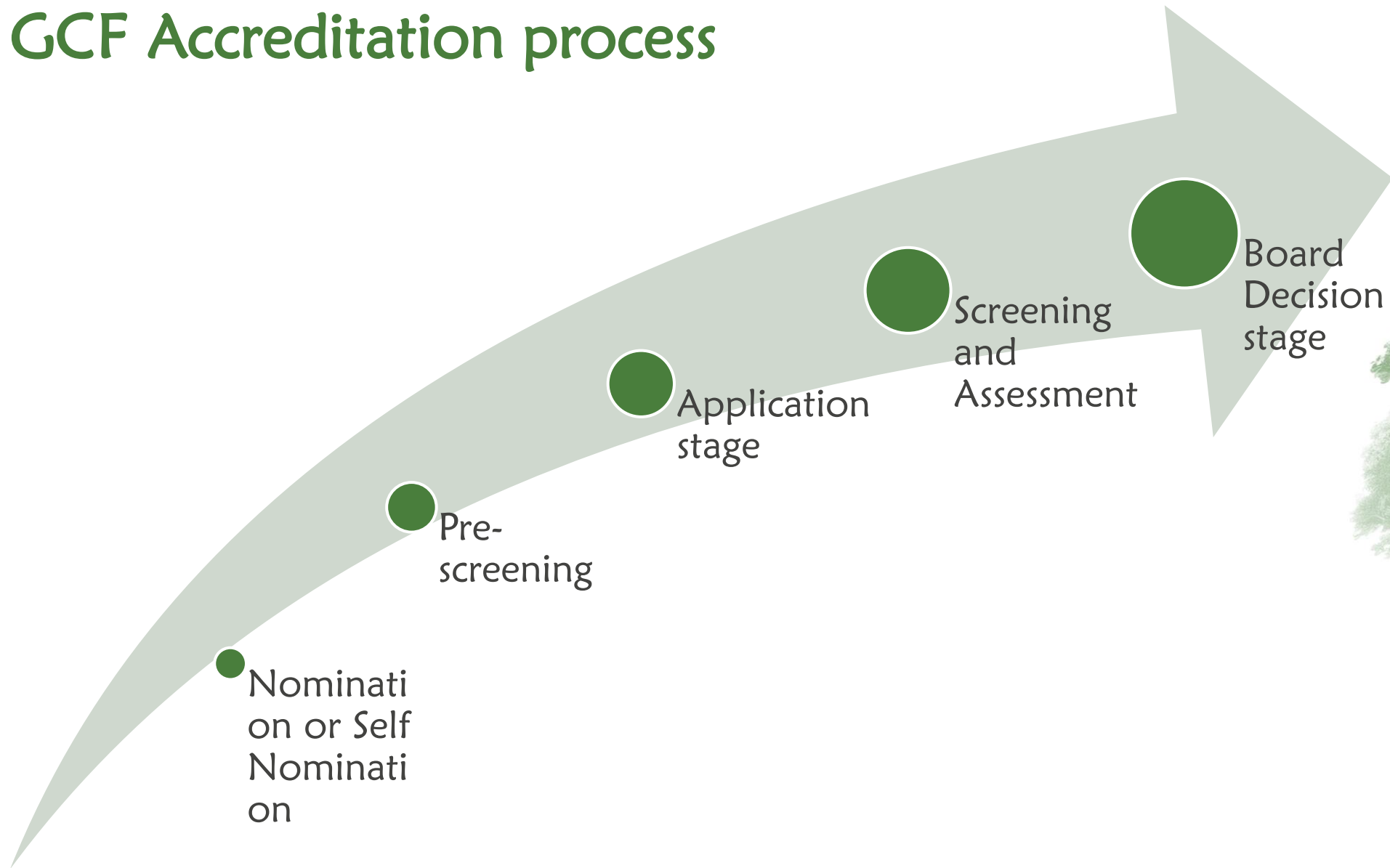


# 1. Green Climate Fund (GCF)

- ❖ Established under the UNFCCC to support developing countries in pursuing low-emission and climate-resilient development.
- ❖ Provides extensive **readiness, Project Preparation and capacity building support** including pre- and post-accreditation assistance, project preparation funding, and technical support during implementation. preparatory activities
- ❖ Provides a range of financial instruments, including grants, concessional loans, guarantees, and equity,
- ❖ Access to GCF resources is through Accredited Entities, which work with countries to develop project ideas, prepare funding proposals, and oversee implementation in coordination with National Designated Authorities.
- ❖ [Green Climate Fund](#) repository



# GCF Accreditation process



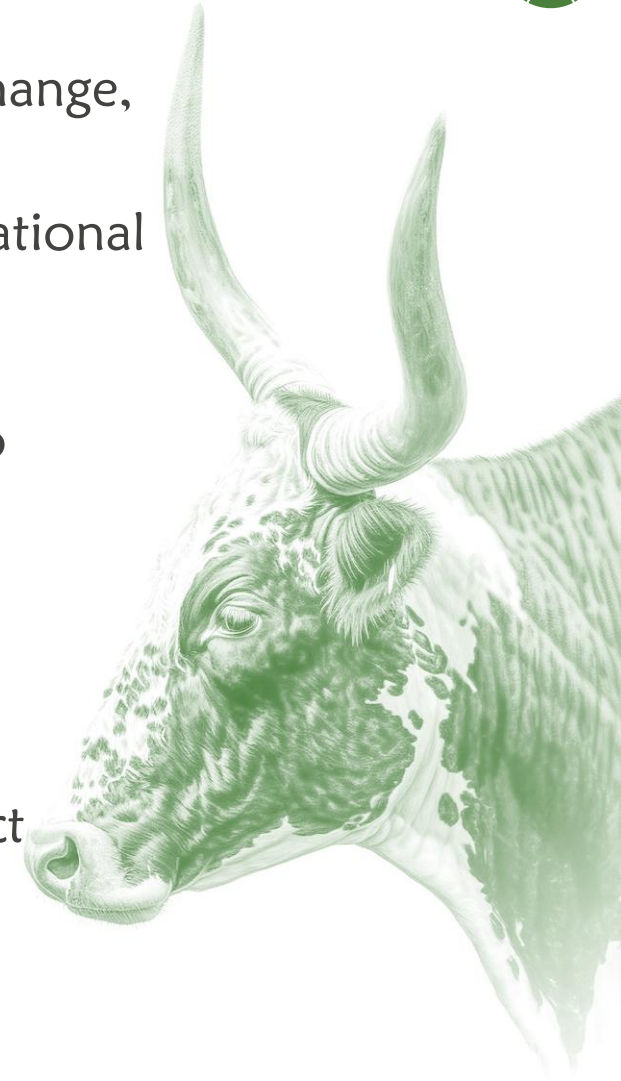


## 2. Global Environment Facility (GEF)

- ❖ Supports action on global environmental challenges, including climate change, biodiversity loss, pollution, land degradation, and ocean health.
- ❖ Seeks to generate global environmental benefits while also supporting national development priorities, especially in developing countries where environmental pressures and development needs are closely linked.

GEF manages several specialized funds and programmes that are relevant to climate action:

- Least Developed Countries Fund,
  - Special Climate Change Fund
  - Small Grants Programme,
- ❖ GEF resources are delivered through GEF Agencies, which support project design and implementation, while the Fund itself operates through replenishment cycles
  - ❖ [Global Environment Facility](#) Repository





### 3. Adaptation Fund

- ❖ Supports developing countries in adapting to the adverse effects of climate change
- ❖ Distinctive feature: direct access modality, which allows eligible countries to access finance through accredited national institutions rather than relying only on multilateral intermediaries
- ❖ The Fund supports a wide range of adaptation activities, including climate-resilient infrastructure, ecosystem-based adaptation, disaster risk reduction, sustainable agriculture, water management and capacity building.
- ❖ Access is through accredited National, Regional or Multilateral Implementing Entities, which submit proposals and manage implementation in line with national priorities.
- ❖ [Adaptation Fund](#) Repository





## 4. Fund for Responding to Loss and Damage

- ❖ Established to assist developing countries in responding to climate related economic and non-economic loss and damage
- ❖ The Fund will provide finance in the form of **grants** and **highly concessional loans**, and may also deploy **additional instruments**, such as **guarantees**, **direct budget support**, **equity**, **insurance mechanisms**, **risk-sharing mechanisms**, and **pre-arranged finance**, taking into account debt sustainability and guidance from the COP and CMA
- ❖ The Board continues to develop the Fund's operational modalities, access modalities, financial instruments, and funding structures as part of its ongoing operationalization





## 5. Multilateral Development Banks

Public international financial institutions owned by sovereign states that provide long-term development finance through instruments such as loans, guarantees, equity, technical assistance and blended finance.

They Include:

- ❑ African Development Bank (AfDB): supports both adaptation and mitigation through sovereign and non-sovereign operations as well as dedicated climate-focused windows and special funds
- ❑ World Bank Group: plays a major role in financing both mitigation and adaptation through its different institutional arms
- ❑ European Investment Bank: financing climate action and environmental sustainability through loans, guarantees, equity investments, advisory services, and donor partnerships.





## 6. Subregional African development banks and development finance institutions

❑ Bringing climate finance closer to regional markets.

Example:

- the Development Bank of Southern Africa (DBSA): is accredited to both the GEF and GCF and uses facilities such as its Climate Finance Facility to catalyze private investment
- the West African Development Bank (BOAD) has an active climate finance portfolio
- the Trade and Development Bank (TDB) became a GCF-accredited African regional direct access entity in 2025





## 7. Bilateral Climate Finance Opportunities

Financial resources provided directly from one country to another to support climate mitigation, adaptation, and resilience-building efforts.

### Sources of bilateral funds include:

- German Development Cooperation (GIZ, KfW, IKI)
- United Kingdom – FCDO
- Canada – IDRC and Global Affairs Canada
- France – Agence Française de Développement (AFD)
- Japan – JICA





## 7. National/Domestic public Funding

- ❖ Financing climate and environmental action through domestic budgets, public investment programmes, and dedicated national climate or environmental funds.
- ❖ Public finance provides the foundation for implementing national priorities, including those outlined in NDCs, NAPs, and other strategies, while also helping to mobilize additional finance through co-financing, guarantees, subsidies, and public infrastructure investment.
- ❖ Countries have established national financing vehicles to channel resources, such as:
  - Rwanda's Fund for Environment and Natural Resources for Rwanda (FONERWA)
  - South Africa's Green Fund





## 8. Philanthropic Climate Finance sources

- ❖ Financial resources provided by private foundations, charitable trusts, high-net-worth individuals, and philanthropic networks to support climate mitigation, adaptation, and resilience-building initiatives.
- ❖ Not governed by intergovernmental agreements; driven by the strategic priorities and mission mandates of individual foundations and philanthropic institutions.
- ❖ Philanthropic climate finance prioritizes investments that combine climate action with broader social and development outcomes

**Major Philanthropic Climate Actors:** Gates Foundation, ClimateWorks Foundation, Rockefeller Foundation, *Children's Investment Fund Foundation (CIFF)* , *IKEA Foundation*, *Bezos Earth Fund*





## 9. Private Sector Climate Finance

- ❖ Financial resources mobilized from commercial and institutional actors to support climate mitigation, adaptation, and resilience investments.
- ❖ Driven by risk-return considerations, market performance, and long-term financial viability.

**N/B:** Scale of global private capital far exceeds public climate finance flows, making private sector engagement essential for achieving the investment volumes required under the Paris Agreement.

- ❖ Public climate finance alone cannot meet global mitigation and adaptation needs; therefore, mobilizing private capital has become a central objective within the climate finance architecture.





# Private Sector Climate Finance/1

Private sector climate finance is mobilized through a diverse group of financial and corporate actors, including:

- Commercial banks
- Institutional investors, such as pension funds and insurance companies
- Private equity firms
- Venture capital funds
- Infrastructure funds
- Sovereign wealth funds
- Corporate balance sheets (direct corporate investment in climate-aligned assets and operations)





# Private Sector Climate Finance/2

- ❖ Private sector and market-facing financial institutions are also accredited under some climate finance mechanisms, especially the GCF, where they can channel climate finance through lending, guarantees, equity, and other financial intermediation instruments.

## Example:

- In Kenya: KCB Bank Kenya Limited
- In Nigeria: the Development Bank of Nigeria (DBN)
- In Zambia: Zambia National Commercial Bank PLC (ZANACO)





# Climate Finance Instruments

- ❖ Financial tools and structures used to mobilize, allocate, and deploy resources for climate mitigation, adaptation, and resilience-building activities.
- ❖ While climate finance sources identify where funding originates, instruments define how that funding is structured and delivered
- ❖ Climate finance instruments can broadly be categorized into:
  - grant-based instruments, i.e. Grants
  - debt instruments; i.e. Concessional, senior, Subordinate and non-concessional loans
  - equity instruments, i.e. Equity investments
  - risk mitigation instruments, i.e. Guarantees and risk-sharing instruments
  - market-based instruments i.e Green bonds and sustainability-linked bonds





# Categories of Climate Finance Instruments

- ❑ **Grants** - non-repayable financial transfers provided to support climate-related projects or programs
- ❑ **Concessional Loans** - debt instruments offered at below-market interest rates, longer grace periods, or extended repayment terms.
- ❑ **Senior loans** - debt instruments that have priority in repayment over other forms of debt.
- ❑ **Subordinated (Junior) Loans** - used to absorb higher levels of risk and improve the credit profile of a project.
- ❑ **Non-Concessional (Market-Rate) Loans** - market-based interest rates and are typically suitable for climate projects with strong revenue-generating potential and robust financial performance
- ❑ **Equity Investments** - involves providing capital in exchange for ownership stakes in a project or company.





# Categories of Climate Finance Instruments/2

- ❑ **Guarantees and Risk-Sharing Instruments** - financial instruments that reduce investment risk by covering certain losses in the event of default or underperformance
- ❑ **Green Bonds and Sustainability-Linked Bonds** - debt securities issued to finance environmentally sustainable projects, with proceeds earmarked for climate mitigation or adaptation activities. Sustainability-linked bonds tie financial terms to the issuer's performance against predefined environmental target
- ❑ **Blended Finance** - refers to the strategic combination of two or more instruments, example concessional public or philanthropic capital with private investment to improve the risk-return profile of climate projects.



# Climate Finance Flows

- ❖ Movement of financial resources from their source to their final use in climate mitigation, adaptation, and resilience-building activities.
- ❖ Climate finance does not move directly from donor to beneficiary in most cases; rather, it flows through multiple layers of institutions, financial intermediaries, and implementing entities before reaching projects on the ground

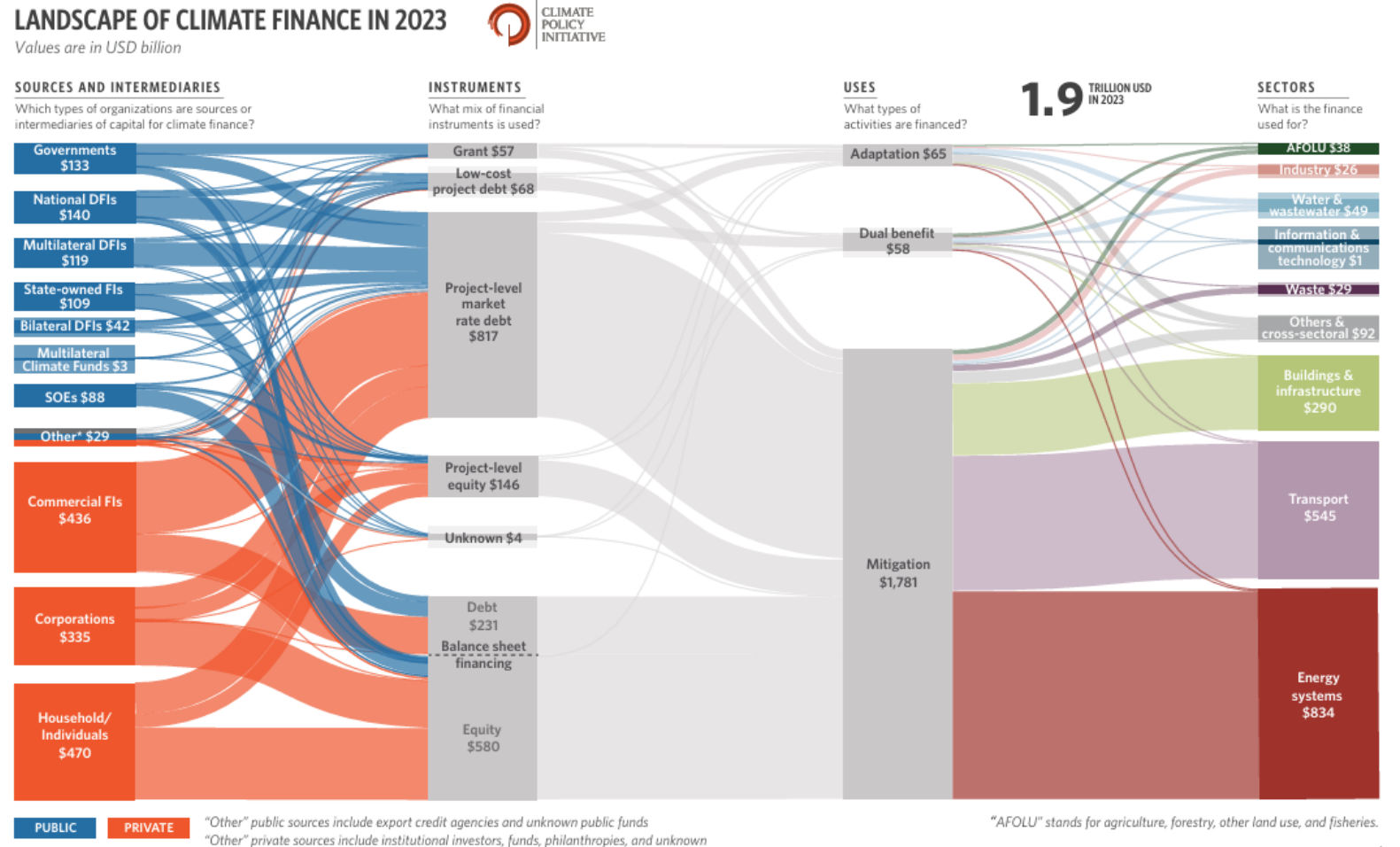


Figure: Landscape of Climate Finance in 2023 (USD 1.9 trillion).  
Source: Climate Policy Initiative

# Mitigation vs adaptation finance flows

- ❖ Understanding the imbalance between climate finance flows towards mitigation activities and adaptation finance is important when positioning proposals

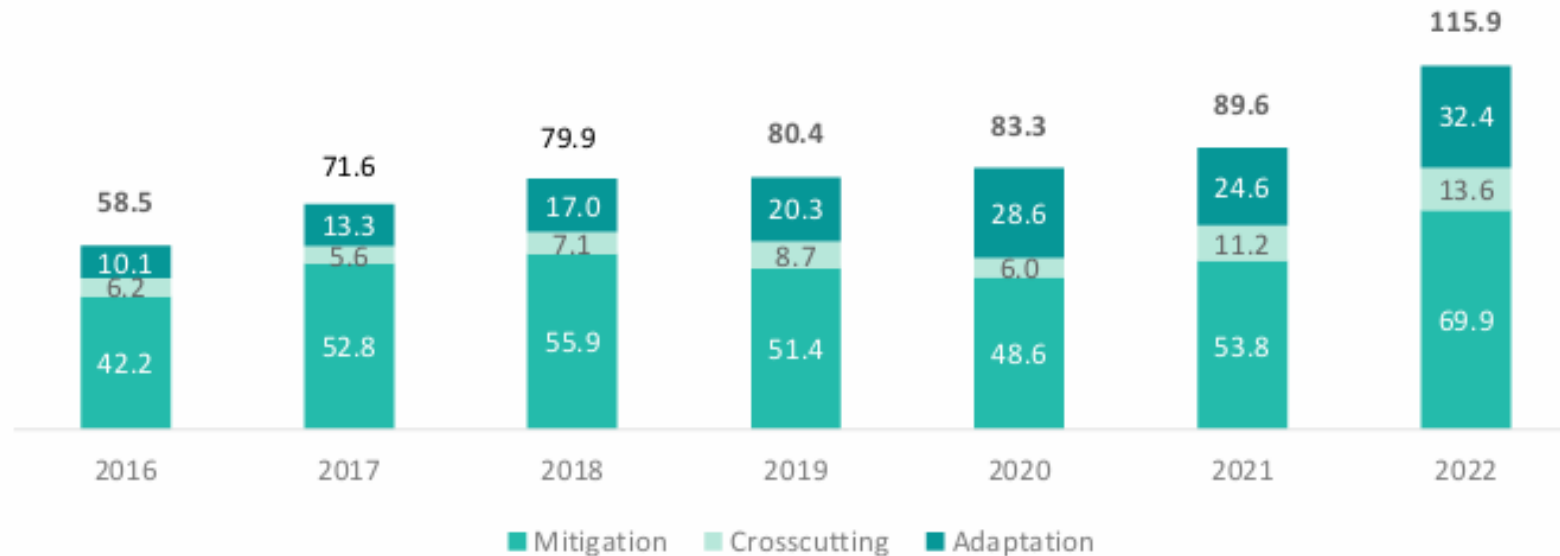


Figure: Climate finance provided and mobilized in 2016–2022 per climate theme (USD billion)  
Source OECD 2024





# Global Finance Needs Vs. Flow

- ❖ While climate finance has increased steadily over the past decade, the scale of financing remains far below what is needed to align global development pathways with the Paris Agreement.
- ❖ This financing gap reflects structural constraints in capital mobilization, policy alignment, risk allocation, and investment readiness across sectors and regions (CPI, 2025).
- ❖ Climate finance gap: the difference between actual annual financial flows directed toward mitigation and adaptation activities and the estimated annual investment needs required to achieve net-zero emissions and climate resilience.



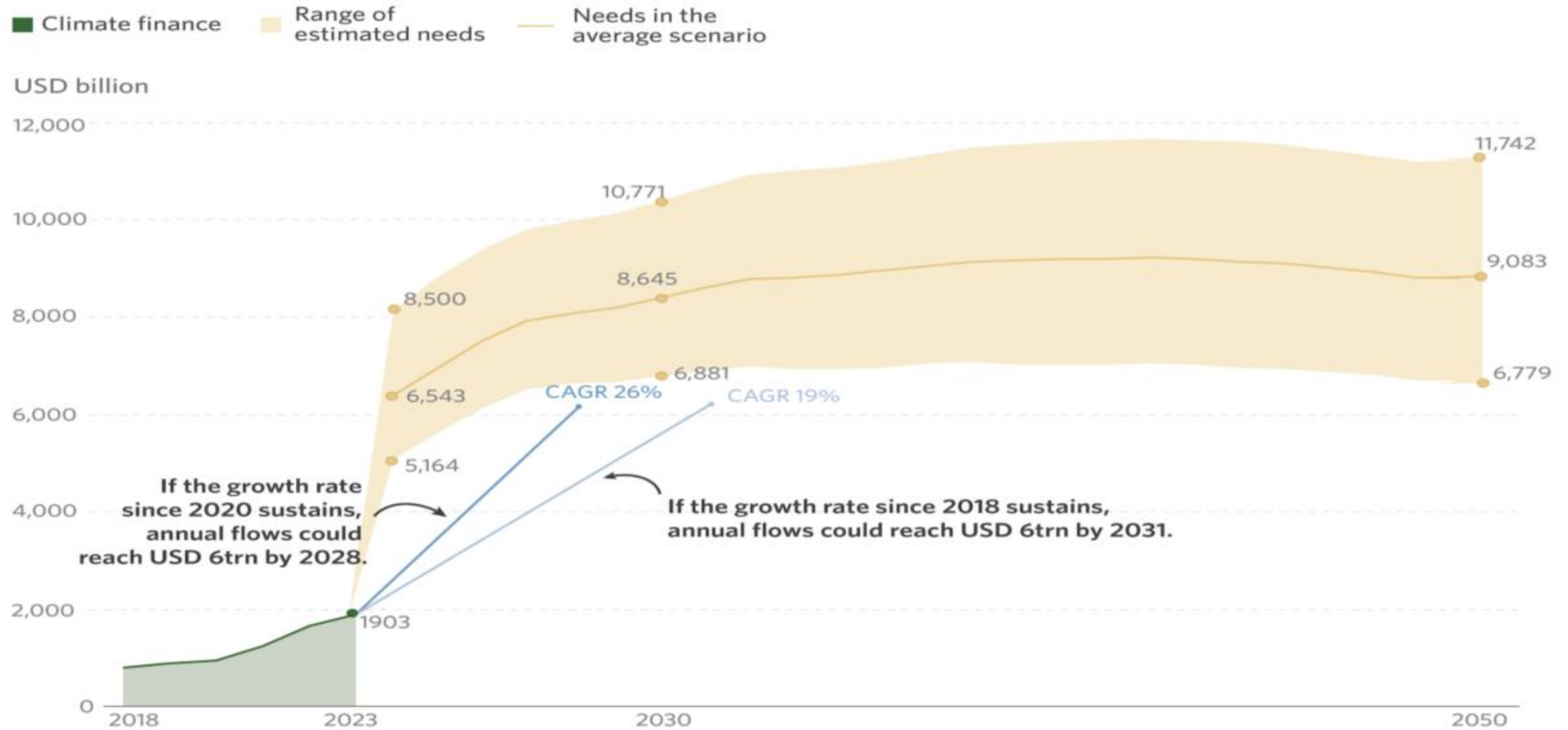


Figure: Global tracked climate finance and estimated annual climate investment needs through 2050: Source CPI 2025



# Climate Finance Flows in Africa

- ❖ Despite the growth in climate finance flows, the resources mobilized remain insufficient to meet the growing needs of the continent.
- ❖ A key challenge in Africa's climate finance landscape is the imbalance between mitigation and adaptation financing.

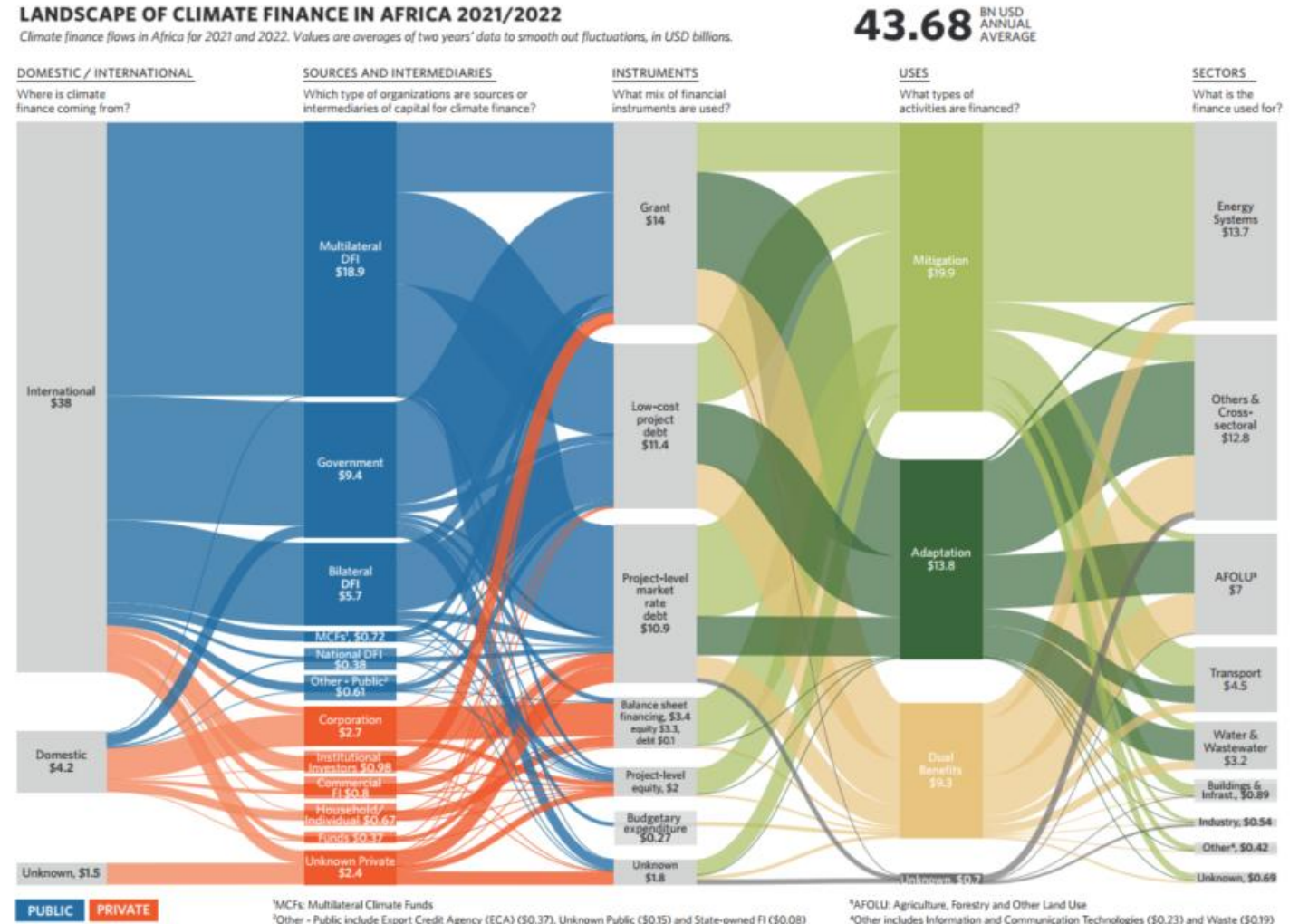


Figure: Landscape of Climate Finance in Africa.

Source CPI & FSD Africa 2024

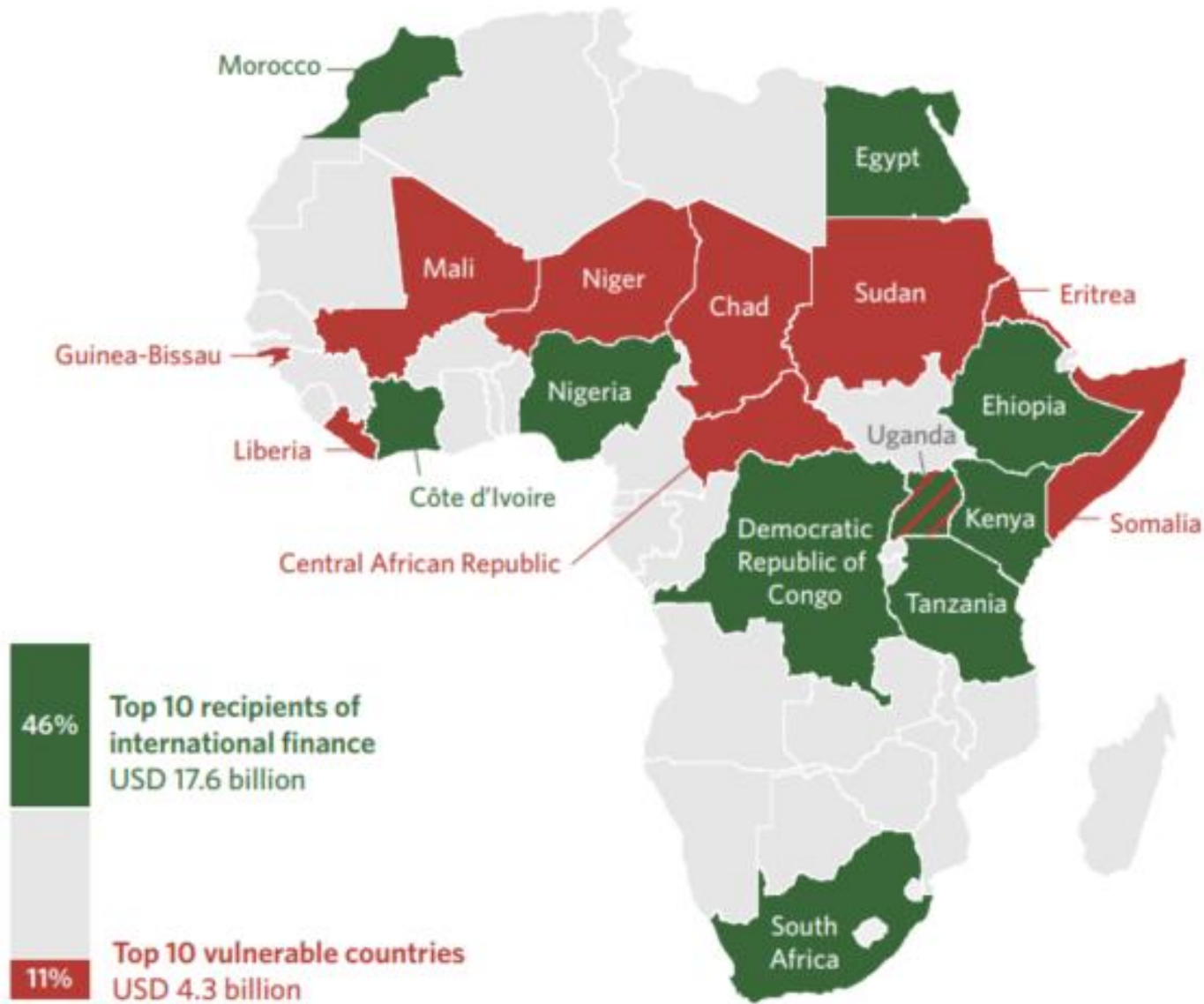


Figure: International Climate Finance Flows to Top 10 Recipients vs. Most Vulnerable African Countries.

Source: CPI 2024



# What are the entry points for livestock systems in climate finance?

- ❑ **Positioning livestock priorities within NDCs, NAPs, LT-LEDS and national agricultural investment frameworks:** provides justification within proposals to major climate funds such as GCF, GEF, and Adaptation Fund.
- ❑ **Adaptation mitigation co-benefits** - Interventions can be designed to address resilience and emissions objectives, while also contributing to broader development outcomes.
- ❑ **Data and Evidence** - Livestock projects that can demonstrate measurable climate outcomes are more likely to access climate finance.
- ❑ **Value chain transformation** - Climate finance increasingly supports livestock interventions that strengthen resilience across production, processing, transport, and market systems.
- ❑ **Blended finance** - mix of public and private investments

