Climate Finance: Current Status and Challenges of Sustainable Scaling

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Climate finance (CF) stands at the core of the UNFCCC negotiations for the last two decades. The reason is – low-income countries as nano-emitters are hit first and hardest from increasing climate impacts, with their least capacity to adapt. The CF agenda remains the most rancorous, with no operationalization yet of its nature and pledged scale, though the regime including the Paris Agreement has provisions of support to developing countries. The Paris Agreement is a retreat from stronger commitments on CF under the Convention. Currently, there are gaps in orders of magnitude between supply and demand/need of CF. Less than a quarter of total CF has been delivered to addressing adaptation actions. This inadequacy is compounded by a blurring of CF and ODA, which are qualitatively different.

This sorry state can be ascribed to several factors: First, some ambiguity in operational meaning of CF provisions has been intentionally built in by the rich countries, which allow them the leeway for subjective interpretations. This inhibits any agreement yet on what CF is. Second, poor adaptation financing can be attributed to the inefficacy of market mechanisms for adaptation and to the problematic framings that do not consider it as a global public good, though adaptation is recognized as a global responsibility. The US-declared withdrawal from the process is likely to further pauperize climate funding. The donors appear interested more in supporting and ensuring transparency at the recipients’ end, than being transparent of their own support. So mutual trust and poor communities continue to suffer. Looking at the trend, the future looks not promising. While concluding, the discussion will shed some light on possible options for sustainable scaling of climate finance.