

## Open Letter: Taking Stock of Progress on Climate Finance

In 2009, developed countries committed to a goal of mobilizing jointly USD 100 billion in climate finance a year by 2020 to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation. In 2015, alongside the adoption of the Paris Agreement, this goal was extended through to 2025. Building on joint work to publish the Climate Finance Delivery Plan in 2021 and its Progress Report in 2022, Canada, Germany and other contributors continue to work together to raise ambition on climate finance.

Today, the Honourable Steven Guilbeault, Canada's Minister of Environment and Climate Change and Jennifer Morgan, German State Secretary and Special Envoy for International Climate Action issued the following statement:

"As we look towards COP28 and beyond, we recognize the importance of demonstrating progress on past commitments, including on climate finance, to set the stage for productive discussions on climate action. Now more than ever, we need strong and concerted efforts on all fronts to tackle the mounting challenges – ambitious action on mitigation and adaptation, climate finance, and efforts to transform financial flows are vital to keep the prospect of a low-carbon, climate-resilient future alive. As re-emphasized by COP28 President-Designate Dr. Sultan Al-Jaber during the 2023 pre-COP, we recognize the urgent need to deliver on the USD 100 billion climate finance as a way to unlock the resources required to meet growing needs and support such efforts. Together with other contributors, our collective commitment to fully delivering on the goal no later than by the end of 2023 remains unwavering.

In September, we published an [open letter](#) charting the way forward on climate finance, outlining steps in the lead-up to COP28 to show tangible progress towards reaching the USD 100 billion goal. Since then, we have continued to work closely with the contributor community to reaffirm our confidence that the goal will be met no later than in 2023. Today, we are pleased to share a positive update.

### An update on climate finance in 2021 and beyond

[Figures](#) published this week by the Organisation for Economic Cooperation and Development (OECD) showed that we **collectively provided and mobilized USD 89.6 billion in climate finance in 2021**. This represents a substantial increase relative to the USD 83.3 billion in climate finance delivered in 2020, reflecting important efforts from contributors to increase climate finance. Notably, this **amount exceeds the [forward-looking scenarios](#) for 2021 released two years ago** by the OECD. This demonstrates that collectively climate finance is increasing beyond what was previously projected and represents an improvement beyond what has been outlined in the [Climate Finance Delivery Plan](#).

We are pleased to see the OECD Secretary General share a positive outlook to 2022, where we expect numbers to exceed projections. Based on preliminary information gathered from bilateral contributors and multilateral providers for that year, including data already made public by some key providers of climate finance,<sup>1</sup> the OECD has stated earlier today that **the goal looks likely to have already been met as of 2022**.

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<sup>1</sup> The [European Union](#) and its Member States climate finance figure will be published by end of November. At the time of publication, publicly available data for 2022 includes: Denmark (DKK 1.949 million (EUR 264.5 million) in public, grant-based climate finance, and further mobilized from mainly private sources DKK 1.923 million (EUR 256

Canada, Germany and the contributor community recognize the importance of providing final and complete data on climate finance provided and mobilized in 2022 as soon as possible. **That is why we are working with contributors and in collaboration with the OECD to ensure that 2022 figures are released in due course, without compromising the quality or accuracy of the underlying data.**

### [An update on the Climate Finance Delivery Plan Progress Report's four action areas](#)

We recognize the urgency to deliver on the USD 100 billion goal and support our partners in developing countries. Nevertheless, improving the quality of climate finance remains essential in making sure of the effectiveness and impact of each dollar provided. In 2022, our joint [Climate Finance Delivery Plan Progress Report](#) outlined four action areas to focus our collective efforts on – **adaptation finance, private finance mobilization, access to climate finance and finance from Multilateral Development Banks (MDBs)**. While significant challenges remain, we believe the climate finance landscape has evolved positively, with all stakeholders taking important steps to improve action on these four action areas.

We acknowledge that climate finance needs are large and rapidly growing. To respond to these needs, we need action and cooperation from all actors – domestic, international, public and private – to shift the trillions of dollars required to transition to a net-zero and climate-resilient world.

In tandem with the 2021 data on climate finance, the OECD has released two thematic reports on [adaptation finance](#) and [private finance mobilized](#). These reports provide a factual assessment of the current state of play, as well as valuable insights on remaining challenges and actionable recommendations to continue moving the needle in the right direction.

### Adaptation finance

As we work to double our collective provision of **adaptation finance** as urged by the Glasgow Climate Pact, we must work together towards sustained efforts on adaptation finance. As set out in the Climate Finance Delivery Plan Progress Report, this doubling implies an increase by contributors from the USD 20 billion provided and mobilized in 2019 to USD 40 billion by 2025. In this regard, we urge MDBs to commit to ambitious adaptation finance targets, announcing revised and enhanced 2025 projections. Data shared by the OECD shows a decrease in climate finance for adaptation in 2021 (USD 24.6 billion) relative to 2020 (USD 28.6 billion), with a parallel increase in the level of cross-cutting finance, which partly supports adaptation activities. We are firmly of the view that overall trends to scale up finance for adaptation continue to hold, including as contributors respond to the Glasgow Climate Pact, which was adopted at the end of 2021.

Following the Glasgow Climate Pact's call for ambition, and as outlined in last year's Climate Finance Delivery Plan Progress Report, contributors have set strengthened goals and commitments to take a step forward on adaptation. We remain on track to meet these goals and commitments and collectively resolve to continue prioritizing adaptation programming. We are also engaging fund recipients in a range of forums to target issues with funding quality and delivery, including recently on the margins of pre-COP when Climate and Development Ministers from contributor countries, Least Developed Countries (LDCs)

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million); [France](#) (EUR 7.6 billion); [Germany](#) (EUR 9.96 billion in total climate finance, including EUR 6.39 billion budgetary resources); [Norway](#) (NOK 15.5 billion). The [United Kingdom](#) has released data for fiscal year 2021-2022 (GBP 1.648 billion).

and Small Island Developing States (SIDS) discussed how to improve access to and scale of quality adaptation finance.

To encourage more progress on adaptation finance, we intend to work to implement recommendations from the OECD. This includes strengthening coordination between adaptation finance providers and recipients, particularly to better leverage private finance, and prioritizing holistic programmatic approaches embedded in national priorities. In tandem, we also encourage climate finance recipients to continue to integrate adaptation in national budget and planning processes, and to request support for those measures in individual dialogues with contributors.

#### Mobilizing private finance

On **private finance mobilization**, 2021 data shows a return to the 2019 level, with USD 14.4 billion mobilized, following a decrease in 2020. Since 2017, private finance mobilized in the context of the USD 100 billion goal has not increased, despite a simultaneous significant growth in public climate finance. Evidently, concerted efforts from public finance contributors and key private sector actors as well as regulatory efforts by developing country partners to foster an attractive investment climate are required to enable progress at the scale required to meet needs.

The OECD has provided actionable recommendations on this front. We will continue to better tailor our public finance to more effectively leverage commercially viable opportunities where available and de-risk investments in sectors and countries that remain less attractive to private finance providers, including through an increased application of guarantees. In doing so, we intend to focus on improving coordination between key actors, including international and domestic actors. Recent momentum on country-led platforms demonstrates progress in the right direction. These platforms, such as Just Energy Transition Partnerships (JETPs), which focus on decarbonization and achieving a just transition, are tailored to each country's specific climate goals. They have aggregated significant sums of development finance and philanthropic resources to help mobilize billions of dollars of private finance to support partner countries' climate goals.

#### Enhancing access

As we seek to improve the effectiveness and increase the impact of climate finance delivered, it is vital to focus our efforts on **enhancing access**, particularly for the most vulnerable. While challenges remain, improvements are underway within various components of the climate finance architecture to improve access, including at the GCF. The Fund recently identified "significantly improving access to GCF resources" as a key operational priority for its second replenishment period between 2024-2027. This renewed focus comes alongside newly approved updates to its readiness and project support programs, both key tools in supporting capacity building and project development in partner countries. Significant progress has also been made through the Taskforce on Access to Climate Finance. Trials of the new approach to access, aligned with the Taskforce's Principles and Recommendations, are exploring simplified, programmatic approaches that enhance the speed, scale and ease of countries' access to climate finance. The Taskforce is focusing on countries with high humanitarian need to ensure that access to climate finance can be improved for those climate vulnerable countries with particularly entrenched access challenges.

Finally, data on climate finance provided in 2021 also points to positive trends on access for the most vulnerable – in 2021, four percent of total finance provided and mobilized was delivered to SIDS and 20

percent to LDCs. In addition, the amount of climate finance delivered using grants increased by USD 7.9 billion overall between 2016 and 2021.

### Partnering with MDBs

Lastly, efforts to optimize **the role played by MDBs in delivering climate finance** and, more broadly, as key actors in an international financial system prioritizing low-carbon, climate resilient development, remain a priority. As evidenced by the 2022 [Joint Report on Multilateral Development Banks' Climate Finance](#) published in October, MDBs are reporting a significant increase in total climate finance commitments for low- and middle-income economies, reaching USD 60.7 billion in 2022 relative to USD 50.7 billion in 2021<sup>2</sup>. The report also confirms that MDBs surpassed the climate finance targets to 2025 previously set at the United Nations Secretary General's Climate Action Summit in 2019.

Beyond this, momentum on reform continues to build. At its Annual Meetings held recently in Marrakesh, the World Bank unveiled an updated vision statement “to create a world free of poverty on a livable planet,” emphasizing a commitment to climate action further illustrated by the Bank's record delivery of [USD 38.6 billion](#) in climate finance between July 2022 and June 2023. Steps to increase the World Bank's lending capacity by over [USD 157 billion](#) over the next 10 years also illustrate that tangible change is underway. Building on this, contributors intend to continue working with MDBs to deliver bold progress on climate.

### Outlook

Taken together, these positive shifts, data on climate finance delivered in 2021 and the partial sample of data available for 2022, provide compelling evidence of assured progress. The OECD's indication that the goal was likely met in 2022 is a welcome update. While meeting the USD 100 billion goal represents an important milestone, there remains much work to be done to further scale up and improve climate finance. Ambitious pledges from contributors, including in the context of the GCF's second replenishment, show that we are continuing to take steps in the right direction. We encourage those who have not yet contributed to GCF-2 to do so with ambitious pledges. We also call on all Parties in a position to do so to join this year's resource mobilization of the Adaptation Fund with new pledges alongside the Least Developed Country and Special Climate Change Funds. In tandem, expanding efforts to address longstanding challenges is essential in amplifying the impact of climate finance. That is why we remain committed to working collaboratively with other contributors and all stakeholders to deliver the goal and enable progress beyond it.

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<sup>2</sup> The scope of accounting for the Joint Report on MDB's Climate Finance differs from the scope of accounting for reporting from the OECD in the context of the USD 100 billion goal. Nevertheless, these numbers indicate progress.