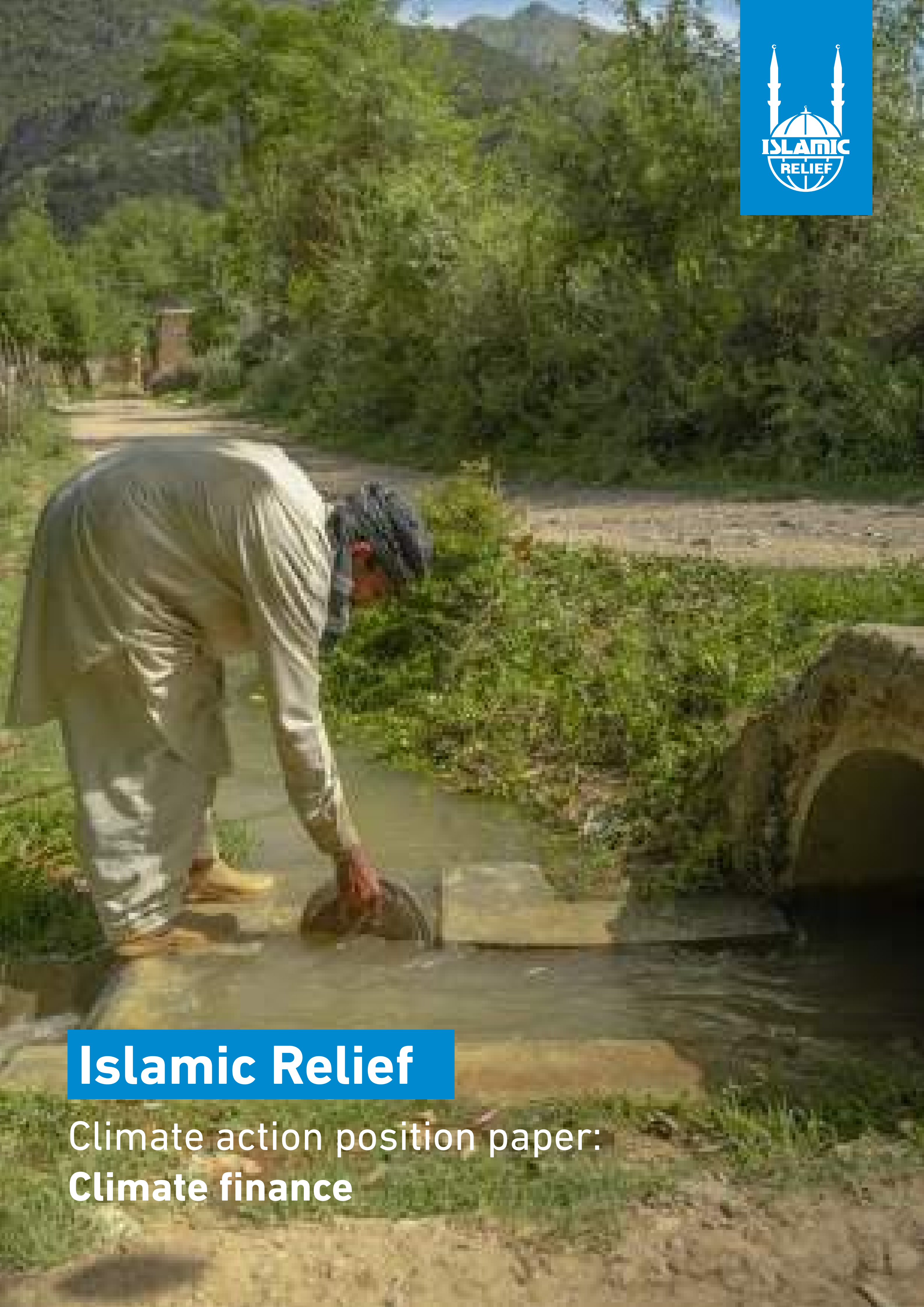


Islamic Relief

Climate action position paper: **Climate finance**

Climate action depends on funding

'Climate finance' refers to international funding that provides resources to developing countries in order to address climate change and, specifically, to support mitigation and adaptation actions and address loss and damage.

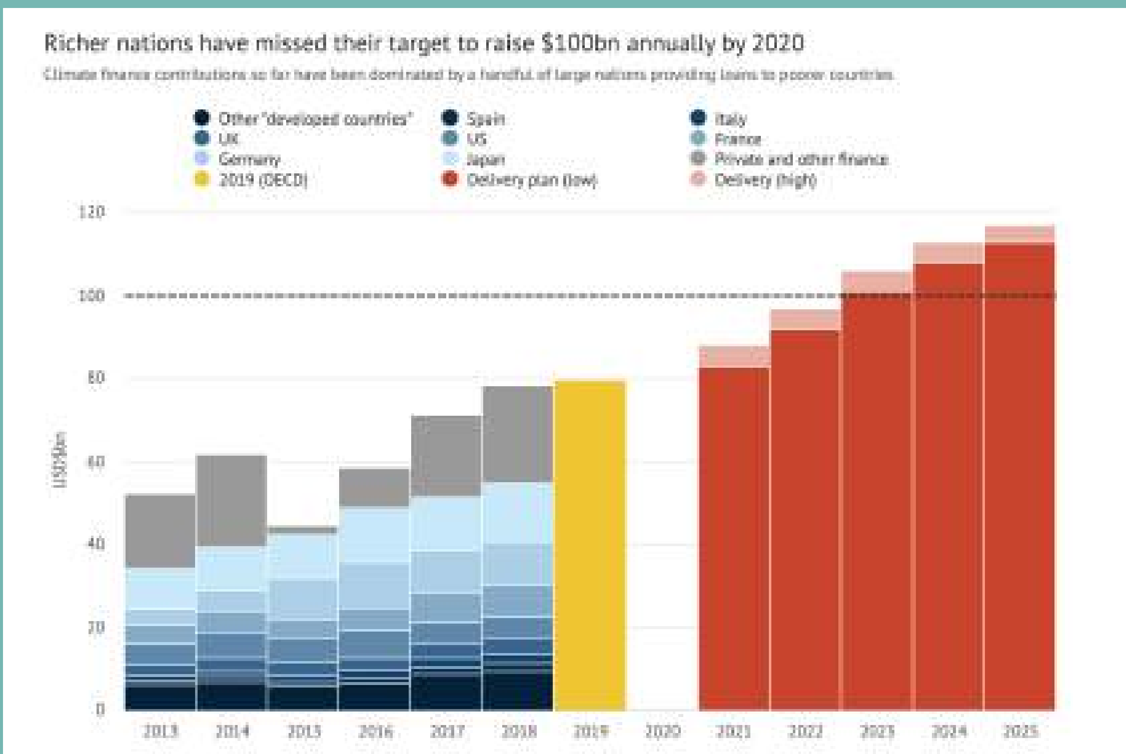
Countries who have historically profited and continue to profit most from industrial and agricultural processes that lead to global heating must make the biggest contribution to eliminating greenhouse gas emissions. They must provide for mitigation, adaptation and repairing Loss and Damage in countries who are the least responsible for creating the climate crisis, and least able to cope with the impact.

Without sufficient finance, it is impossible to bring justice and develop the necessary spirit of global cooperation required to tackle climate change, particularly for countries experiencing the worst impact of the climate crisis. The Paris Agreement committed to mobilising $100bn a year for climate finance. This has not been achieved, and it is vital to deliver $600bn at a minimum before 2025.

The Intergovernmental Panel on Climate Change IPCC[1] found that by 2030, mitigation investments need to increase by at least five-fold in Southeast Asia and developing countries in the Pacific, seven-fold in Africa and twelve-fold in the Middle East to limit warming below 2°C. This shortfall is most pronounced for agriculture, forestry and other land use, where recent financial flows are between ten and 29 times below what is required to achieve the Paris Agreement's objectives.

The agreement demands a balance between finance for adaptation and finance for mitigation. However, currently only a small proportion is spent on climate adaptation and very little to address Loss and Damage, despite these being the most pressing issues for many developing countries. There is an urgent need to scale-up support to ensure 50 per cent of public resources support adaptation, with an additional dedicated finance facility to address Loss and Damage.

Climate finance should be public and disbursed for public and publicly accountable programmes and projects, rather than private, for-profit initiatives or public-private partnerships. Climate finance must be new and additional to existing international financial commitments, such as overseas development aid. A gender-responsive approach to finance should be adopted to fund transformative and positive change within societies.



Source: Carbon Brief https://www.carbonbrief.org/analysis-why-climate-finance-flows-are-falling-short-of-100bn-pledge/

[1] IPCC (2022) 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 & New York: Cambridge University Press. In Press

Finance must be grants, not loans

Climate finance should be provided without conditions, and it should not create debt. The impacts of the climate emergency in poorer countries worsen existing debt problems. The countries that struggle the most with debt tend to be the most vulnerable to the impact of climate breakdown, while the climate crisis worsens existing debt vulnerabilities.

Excessive reliance on loans means that climate finance makes climate vulnerable countries more vulnerable to debt, which in turn reduces the ability of these countries to adapt and to address Loss and Damage, or to invest in public services and social protection.

Investments in climate adaptation and in Loss and Damage are unlikely to generate substantive financial returns from which loans could be repaid. This means that finance should be primarily delivered in the form of grants, with extremely soft loans used only under clear and specific conditions.

There needs to be a permanent and independent mechanism, under the auspices of the United Nations, that provides fair, transparent, comprehensive and timely debt resolution, taking into consideration individual countries' climate vulnerabilities, as well as human rights and gender inequality.

Finance for Loss and Damage

The cost of Loss and Damage in developing countries is projected to be $290-$580 billion by 2030. Therefore, it is essential to substantially scale-up finance for vulnerable countries and communities to be able to recover from the climate impacts they are already facing, and to rebuild their livelihoods and economies. Finance for averting and minimising Loss and Damage has been mobilised in the form of funding for mitigation and adaptation. However, finance for addressing Loss and Damage is lacking, and only comes from insufficient and unreliable humanitarian aid. Support must also be provided in the form of grants so that addressing Loss and Damage does not increase the debt and poverty levels of people, communities and countries already coping with multiple crises.

There needs to be sufficient Loss and Damage finance on the basis of equity, historical responsibility and global solidarity, applying the polluter pays principle. The United Nations must establish a process to identify the scale of funding needed to address Loss and Damage, as well as suitable mechanisms to deliver the finance to developing countries. National level systems to distribute Loss and Damage finance will ensure country ownership, gender responsiveness and self-determination over how finance is used.

Source: Kiara Worth, Earth Bulletins

Access to finance for communities should be assured to fund locally-led initiatives

Successful adaptation must be driven by, and connect with, local priorities and the knowledge of local people. Impacts of climate breakdown need to be dealt with where they occur.

Funders should work to the principle of **devolving decision-making to the lowest appropriate level:** This involves giving local institutions and communities more direct access to finance and decision-making power over how adaptation actions are defined, prioritised, designed and implemented, as well as how progress is monitored and how success is evaluated.

Providing patient and predictable funding that can be accessed more easily to support long-term development of local governance processes, capacity, and institutions through simpler access modalities and longer-term and more predictable funding horizons. This will ensure that communities can effectively implement adaptation actions.

Implications for Islamic Relief

Islamic Relief works with the poorest and most marginalised people who are most likely to benefit from equitable climate finance and investment in public services and social protection. We will continue to advocate for the implementation and expansion of international commitments to fund countries and communities' response to the climate crisis.

As we build our partnerships with government, multilateral funders, foundations and other institutional donors, we will be able to access increased finance for our activities with climate vulnerable communities. Through our relationships with donor representatives inside countries of strategic intervention, we will be able to generate long-term funding for programmes led and designed at national, provincial and local level.

In humanitarian and development work, the most effective responses are those where local partners and communities are able to lead the delivery. Our contribution of expertise, tools, capacity, funding and access to other actors in the humanitarian system helps saves lives, reduces the impacts of climate related disasters and helps build long-term community resilience. Our business model of obligation and voluntary giving enables us to resource programme, innovation and thought leadership, and leverage increased institutional funding to achieve impact at scale. Islamic Relief can act as a beneficial intermediary between international funders and locally-led climate adaptation.

To fully benefit from overall climate finance, Islamic Relief must invest in building greater capability for programme design at country level. This should incorporate policy work and the best technical knowledge, relationship-building with governments and other actors and proposal development for securing long-term funding from institutional donors. The current Monitoring, Evaluation, Accountability and Learning (MEAL) framework calls for project proposals to include climate vulnerability and capacity assessments in their needs analysis. Adopting these will provide a firm basis for activating funding allocated for climate finance.

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