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How the Global Stocktake can enhance global cooperation: the case of international finance

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Using a bottom-up approach, the Deep Decarbonization Pathways Initiative has been working with seven emerging countries to investigate their needs, including needs depending on international actors, to accelerate national climate action. Improved access to accessible, affordable, and long-term climate finance is a necessary condition to reach their national and climate development goals. Although international

financial cooperation is most needed for climate action in the least developed countries and other developing countries, it is also necessary for the transition in emerging economies—although different modalities and kinds of cooperation could be relevant. A similar bottom-up approach in the Paris Climate Agreement’s Global Stocktake would make it possible to identify priority areas for international cooperation in order to accelerate national climate action at the national level, based on the realities of each country.

Identifying global enabling conditions

According to the latest Intergovernmental Panel on Climate Change’s [sixth assessment report](#), current policies are inadequate to reach the Paris Agreement’s targets and [could lead to 2.7°C of warming](#) above pre-industrial levels. Accelerated climate action is therefore needed, and the transformation to simultaneously mitigate and adapt to climate change requires [“the right scale of finance of the right kind”](#). Emerging markets and developing countries (EMDCs) excluding China would need \$2 trillion/year by 2030 to help cut their emissions and cope with climate impacts, of which half could come from domestic sources and the other half from international finance. Current investments in EMDCs excluding China are only at \$500bn.

[DDP](#) research on seven countries (Argentina, Brazil, China, India, Indonesia, Mexico, South Africa) shows that the quality of finance - cost, accessibility, and duration of financial cooperation and credits - is crucial to transform their economies. The research also explores the barriers finance has to face to the nationally defined investment priorities of the seven countries. The findings have been [submitted](#) to the United Nations Framework Convention on Climate Change’s Global Stocktake (GST).

Research teams from each country used low emissions scenarios to identify the conditions that will enable their respective countries to achieve their climate and development goals: those are the “global enabling conditions.” Areas of global enabling conditions that are common to all countries were then identified, and after a series of collective discussions, access to affordable and high quality international finance was identified as a common global enabling condition that can help each country accelerate towards a carbon-neutral future.

Finance to implement key transformations

The DDP Initiative findings emphasize that not all types of financing are beneficial in reaching climate and development targets. Climate finance must be accessible, affordable, and long-term. Accessibility of finance means that the time required to apply for and receive finance is not too long and that reporting conditions imposed by donors do not place heavy administrative burdens on national institutions. Affordability ensures that rates are affordable for national actors, and long-term finance is necessary for the implementation of long-term projects.

The country research teams have also identified specific areas of transformations where additional finance is needed to implement their climate and development strategies. These include transformations that: 1) rely on small actors such as farmers and small and medium sized enterprises; 2) require big investments like infrastructure projects; 3) rely on non-mature technologies or markets; 4) require significant upfront action; 5) require institutionalized markets that do not currently exist; and 6) require the expansion of a market currently too small for large-scale activities.

The areas of transformation identified above are important for a climate-neutral economy but are facing barriers in accessing climate finance. For example, transformations that rely on small actors like farmers and SMEs have limited financial capacity and the actors are seen as having low creditworthiness. Another example are technologies for transforming the energy and transport sectors which are in the early stages of maturity and which can be seen as

risky.

Collaboration between national and international actors is therefore needed to overcome these barriers. At the domestic level, countries need to have clear and stable policies and strategies to inspire confidence among investors and establish macroeconomic stability to reduce country credit risks. At the international level, financial actors must develop mechanisms to finance transformations with the characteristics defined above. While there are already many existing climate finance initiatives, they remain insufficiently grounded in the finance priorities and barriers that countries are facing at the national level.

The Global Stocktake: A critical juncture for increased ambition

The [GST](#) has so far not received much input from UNFCCC's Parties, nor has it been able to organize discussions that address questions of how the climate implementation and ambition gap could be bridged. To do so, we propose organizing discussions around systemic transformations and their enablers. The process used in the research in the DDP with seven emerging economies provides insights into how the GST could improve participation from Parties. This three-step process—information collection at the national level, analysis, and collective discussions—ensures that the GST is grounded into the realities of each country. This would allow for a successful COP28 that is focused on increasing national ambition and accelerating national actions. Further, the GST process should identify areas of international collaboration based on national inputs and encourage the need for continuous work on these. This could ensure ownership and leadership in countries that can lead to stronger and better implementation of policies.

This year's GST is a critical juncture to ensure that the world is on course to reaching the Paris Agreement's goal of limiting global warming to below 2°C. Ensuring that climate finance answers the needs of emerging countries in the Global South is a crucial piece of the puzzle that will lead countries into a carbon-neutral future.

