# *The role of Climate Finance in the fight against Climate Change*

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There is no largely applied definition of the concept of Climate Finance or Sustainable Finance. The United Nations Framework Convention on Climate Change (UNFCCC) defines it as any financial transaction that aims to reduce vulnerability and emissions, meaning in adaptation or mitigation fields, and increase our chance to face the negative impacts of climate change (GÚZMAN, 2021). Therefore, this analysis will discuss the Climate Finance Framework and its mechanisms in climate governance.

The current architecture of Climate Finance is forged by several international commitments and goes from Stockholm, in 1972, to COP 15 in Copenhagen. Although the finance framework is highlighted in the discussions of the last three COPs, there was a long path between the first conference until the arrangement of the Green Climate Fund (GCF), the main character in financial global governance.

Besides GCF, there are two other funds that belong to the UNFCCC framework: the Adaptation Fund (AF) and the Global Environmental Facility (GEF), established 20 years after Stockholm. GCF, AF and GEF can improve the status of climate finance, even though they are not the only ones. There are also multilateral institutions funds such as The World Bank Group, with the Partnership for Market Readiness (PMR) or Euroclima+, from the European Union.

Furthermore, there are development banks, such as KfW (Germany) and JBIC (Japan). Annex I countries are also the main investors in the global architecture of Climate Finance, being represented by their development and international cooperation agencies like the Agence Française de Développement (AFD), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the

Japan International Cooperation Agency (JICA), that act as bilateral institutions.

In addition, it is important to locate Brazil in this discussion. The country is a receiving one, being part of the group of countries Non-Annex I, but it is not in the center of the investments neither it fulfils all the requirements needed to be a part of this complex system of sustainable finance.

## Vulnerable countries and climate finance

The Democratic Party candidate, Joe Biden, made an incisive campaign on the environmental agenda. During his campaign, the current president has made clear, in several statements, that the combat on climate change is one of the main agendas of this government. With a structured plan to lower carbon emissions and the USA returning to the Paris Agreement, political initiatives have shown that it is Biden's political interest to reinsert the USA on multilateral negotiations.

Taking into account the new government's engagement on the agenda, some initiatives over the climate issue were observed. Yannick Glemarec, executive-director of the Green Climate Fund (GCF) showed excitement about the United States' promise to release an amount equivalent to 3 billion dollars to the fund, while activists press the country to increase the amount (PAÍSES, 2021). That would establish a more effective climate policy inclined to support vulnerable countries, as one of the topics on Biden's campaign: climate justice.

The GCF was created in the scope of the United Nations Framework Convention on Climate Change (UNFCCC) in order to contribute to global efforts in the fight against climate change and to guarantee adequate and predictable financial resources to developing countries (UNFCCC, 2011). It is the main climate financial mechanism within the UN. The economic initiative allows these countries to have means to ensure climate commitment while investing in national development, as many of these countries argue that their impact through carbon emissions derives from social and economic development, already obtained by developed nations.

Moreover, vulnerable countries are more affected by climate change and need adaptation plans as well as mitigation strategies. In this scenario, it is important to highlight the role of the Adaptation Fund, established by the Decision 10 of the 7th Conference of the Parties as part of the Marrakesh Accords. The fund is considered by vulnerable countries as extremely necessary because of its focus on concrete adaptations projects and its direct access modality (UNDP, 2017).

Nevertheless, many multilateral and bilateral cooperation endeavours, as climate finance, were found to allocate more adaptation finance to nations with a higher level of need, strategic importance to the donors and higher levels of good governance. As in the case of multilateral donors, they were found to also prioritise well-governed nations (SAUNDERS, 2019). That practice becomes a huge obstacle for vulnerable nations to obtain the support needed.

## Climate Finance in Brazil

The global architecture for Climate Finance is mainly related to international agreements and multilateral organizations. As we already mentioned, the Green Climate Fund is the main mechanism established by the United Nations and has significantly helped developing countries. Although these mechanisms have been created to every region, Latin America and the Caribbean are under-represented between the continents contemplated.

In addition, GCF has approved only 38 projects in Latin America and the Caribbean in 10 years against 138 implemented around the world, being 77 only in Asia and the Pacific. Brazil has only 4 projects in the implementation process and that shows the access gap between regions. The problems related to this can be summarized in the bureaucracy of the Fund but also in the lack of readiness in the country and within the states (OSUNA, 2021).

The lack of resources invested in Latin America and the Caribbean is closely connected to the depletion of financial resources available on the Adaptation Fund for these countries, which is one of the few funds with direct access. The region has a low rate of credentials on funds with this access modality, which increases compromised access. Beyond that, there are still obstacles to access donations because in many cases countries are considered to have an average or high income (SCARDAMAGLIA, 2019).

Article nine on the Paris Agreement obliges countries from Global North to donate to those Non-Annex I in order to catalyze, improve mitigation and adaptation actions and it is the main framework for climate finance nowadays. Besides GCF and UNFCCC structure, the architecture implies bilateral and multilateral organizations such as development banks, but also implementing organizations like GIZ (Germany), USAID (United States of America) and JICA (Japan) (GÚZMAN, 2021).

Furthermore, Brazil has projects within almost all organizations listed in the bilateral institutions contributors. The Amazon Fund is a national framework, meaning that it received investments from Germany and Norway and it is the main recipient structure in Brazil. The Fund gained media attention after presidential declarations accusing the foreign governments of 'vested interests'.

However, Brazil has shown its refusal in fulfilling all the requirements that this type of finance demands. There is a global established goal that aims to fight against climate change and protect the most vulnerable countries. These funds were discussed in high level panels with the consent of the UNFCCC signatories and it is made for a purpose and that cannot be avoided or changed — and that should be considered at least a bad habit.

To improve and accelerate the access for climate funds and lead the field, Brazil has to invest in readiness, especially in the Rural Environmental Register (CAR) and the observance of the Forestry Code, identify gaps and opportunities, draw a functional Measurement, Reporting and Verification (MRV) system and transparency systems. There are great paths to pursue within climate finance, especially in the forestry sector, and Brazil can improve and increase its ambition for the Paris Agreement.

## Overview and conclusions

Political action plays a central role in international cooperation against climate crisis. It is clear that states and government leaders influence and take part in the climate international framework, as they have been the center of international studies for many years. However, it is essential to acknowledge that individuals and other spheres are also crucial to the effective implementation of mitigation and adaptation strategies. The pressure of activism, civil society and the market are displaying pot]ential to make real political changes in climate cooperation.

Therefore climate finance mechanisms prove to be indispensable, considering climate change impact on vulnerable countries. Many different people are subject to the negative impacts of climate change and adaptation plans when well implemented are keys to strengthening these populations. The financial mechanisms raise awareness on the different responsibilities in the climate crisis.

The fight against this crisis requires nations to be able to take care of their basic and specific necessities as well as their development while investing in mitigation and adaptations plans. It is also necessary to consider the problems mentioned in climate finance funds and take political action to guarantee that the countries are assisted with equity and fairness. Latin America and the Caribbean should also be a part of the solution with more investments of the funds mentioned, with a fair share of the projects and accessibility to funds with direct access modality.

Finally, political action needs to be taken in Brazil to guarantee the continuation of fund investments at bilateral and multilateral levels. It is important to show subnational initiatives that have been taken to fight against climate change and work towards a more effective action at the national level. Furthermore, it became clear the necessity of maintaining national funds to continue the investments on national and local projects.

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