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CLIMATE FINANCE FOR DEVELOPING COUNTRIES

The Unresolved Debate at UN Summits

Climate Finance: Latest News

As negotiators gathered in Antalya, Türkiye, for COP31, the familiar dispute over climate finance resurfaced once again.

While wealthy nations highlight rising sums mobilised for climate action, developing countries raise a harder question: how much money actually reaches them, on what terms, and how quickly?

For India and the Global South, this is not mere accounting — it concerns protecting farms, cities and lives from climate impacts while expanding clean energy access.

1. The Widening Gap Between Need and Availability

- The UN Environment Programme's 2026 Adaptation Gap Report estimates developing countries will need approximately $305 billion per year by 2035 for climate adaptation.
- In 2024, developed countries provided only $28.2–$31.7 billion in public adaptation finance.
- Even if the Brazil summit's goal to triple this finance by 2035 is achieved, it would cover only 20–29% of the estimated need.

2. The Unfinished Bargain: Origins of the Dispute

Under the UN Climate Convention, developed nations accepted an obligation to provide financial resources to developing countries — reaffirmed by the 2015 Paris Agreement. Nearly 200 nations committed to limiting warming to well below 2°C, ideally 1.5°C.

This principle reflects historical responsibility: nations most responsible for emissions and with greater financial capacity should support those with fewer resources.

2009 Copenhagen Summit

Wealthy nations pledged $100 billion per year by 2020 — a target missed until 2022, finally reaching $136.7 billion in 2024 (per OECD), exceeding the target for the third consecutive year.

3. Why the Headline Numbers Mislead

The OECD's total includes public finance, multilateral development bank contributions, export credits and private investment linked to public interventions — counting the full-face value of loans, not just grants.

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2024 Finance Breakdown

- Loans: $68.5 billion (67%).
- Grants: just $29.7 billion (29%).

Why This Matters

A grant does not need repayment; even a low-interest loan remains debt. A loan for a revenue-generating power project is not equivalent to a grant for flood protection or heat action plans.

Disbursement Gap

Pledged money is not necessarily disbursed — approval procedures can delay fund transfers for years.

No Common Accounting Standard Exists

The OECD counts the face value of loans, while Oxfam estimates the real 2024 figure at just $32.7–$44.7 billion using a narrower, discounted measure — exposing deep disagreement over what counts as real support.

Private Investment Limitations

Private investment is easier to attract for profitable projects (solar and wind), but far harder for public needs like coastal protection, urban drainage or early warning systems — which prevent losses but generate no direct financial return. Public funding, especially grants, remains essential.

4. The 2024 Azerbaijan Agreement: Progress, But Unresolved

Developed countries agreed to lead in providing at least $300 billion per year by 2035.

A broader ambition was set to scale finance (public + private) to $1.3 trillion per year.

Key Gap

These are different commitments — the agreement did not specify how much should be grants, loans or direct government support.

5. India's Position

India has formally called for at least $1 trillion per year from developed countries, primarily as grants and low-cost loans.

India insists support must be affordable, predictable and accessible — not a rejection of private investment, but recognition that private capital cannot replace the financial responsibility wealthy nations accepted, especially for non-commercial mitigation/adaptation projects.

Access remains a universal concern: complex applications, limited technical capacity and lengthy project preparation processes prevent many developing nations — not just India, but

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also least developed countries and small island states — from using funds that are nominally available.

6. Conclusion

The recurring climate finance dispute reflects an unfinished bargain at the heart of global climate action.

Until funds become genuinely additional, predominantly grant-based and easily accessible, developing nations cannot simultaneously transform their economies and cope with escalating climate costs — making this issue central to any credible, equitable climate agreement.

