GLOBAL MONEY, GLOBAL GOALS: RETHINKING TRANSNATIONAL FINANCE FOR THE SDGs

Abstract

Despite substantial efforts to mitigate climate change (CC) by initiating measures to increase climate finance (CF), lower emissions, and control the consequent heating, CC is becoming a more significant risk by the day. More targeted and effective measures are required to control the factors that cause CC and reverse the damage already done. Extensive investment is required to achieve both these objectives, making CF an essential part of the efforts to combat CC effectively. The availability of funds has indeed been one of the most significant impediments for many countries, reducing the momentum of their efforts to control emissions and institute other measures. One way of addressing the issue is to direct efforts towards scaling transnational finance. It can be achieved via 1) Supporting lower-middle-income countries (LMICs), 2) Expanding and delivering concessional finance, 3) Aligning with the Paris Agreement and UNFCCC's goals, and 4). Addressing the mitigation and adaptation gaps.

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Introduction

The 2020s have seen a rising number of climaterelated natural disasters, with 2023 marked with floods, hurricanes, and droughts. Governments and businesses were compelled to examine the financial risks and their potential exposure to liability in greater detail. As per world economic forum, three of the costliest natural disasters of the decade occurred in 2022, and insurers felt the pinch. Dystopian flooding in Pakistan caused $40 billion in damages, catastrophic summer heatwaves in Europe cost over $10 billion, and Hurricane Ian devastated Florida and South Carolina for $100 billion. There is a substantial aggregate unequivocal risk to the economy and the financial system from climate change (CC). Potential sources of risk include uncertainty about where the economy will go in the future, how the climate will change, and how the different parts of the model will change concerning CC. The top five climate risks identified by policymakers for the next thirty years are physical, regulatory, technological, stakeholder, and legal (Stroebel & Wurgler, 2021). We need financial resources and sound investments to combat climate change.

Climate finance (CF) has arisen as a potent instrument for combating CC, directly facilitating many Sustainable Development Goals (SDGs) via specific financial structures. CF allocates resources to diminish emissions (SDG 13: Climate Action), improve adaptation (SDG 13.1), alleviate risks for at-risk populations (SDG 1: No Poverty), and strengthen resilience in essential sectors like as agriculture and water (SDG 2: Zero Hunger). The Green Climate Fund's $100 million initiative in Bangladesh's Sundarbans promotes cyclone-resilient infrastructure and mangrove restoration, reducing emissions by 1.5 million tons CO_2e per year and enhancing the livelihoods of 1 million coastal inhabitants, thereby connecting Climate Finance to Sustainable Development Goal 11 (Sustainable Cities) and Sustainable Development

Goal 14 (Life Below Water) (Climate Impact Partners. (2023)).

The term "climate finance" is yet to have an international definition. As per the United Nations Framework Convention on Climate Change (UNFCCC), "CF refers to local, national, or transnational financing—drawn from public, private, and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address CC." Finance is one of the most critical components required to address CC. It is covered by a wide range of mechanisms—funding sources, financial instruments, projects and activities, institutional arrangements, oversight, and governing bodies. CF is critical for mitigation and adaptation. Effective climate mitigation requires significant investments and extensive international cooperation (K. Zhang & Liang, 2020), which reduces the cost of emissions. Furthermore, large-scale investments are required to adapt to and decrease CC impacts.

CF is equally essential for adaptation, as significant financial resources are needed to adapt to the adverse effects and reduce the impacts of a changing climate. Pacific Small Island Developing States are particularly sensitive to Green Climate Fund (GCF) post-2020 allocation changes. The GCF must help climate-vulnerable developing nations. Transnational finance—cross-border funding flows from developed to developing countries, including multilateral funds like the GCF and private investments—must increase to mobilize the scale of resources needed for effective adaptation.

Scaling transnational finance

Transnational finance needs to go up to address the climate challenges. The method of increasing transnational finance is classified into four broad themes:

1. Support lower-middle-income countries (LMICs),
2. Expand and deliver concessional finance,
3. Align with the Paris Agreement and UNFCCC's goals, and
4. Address the mitigation and adaptation gaps.

Figure 1: Scaling Transnational Finance

1. Support lower middle-income countries (LMICs)

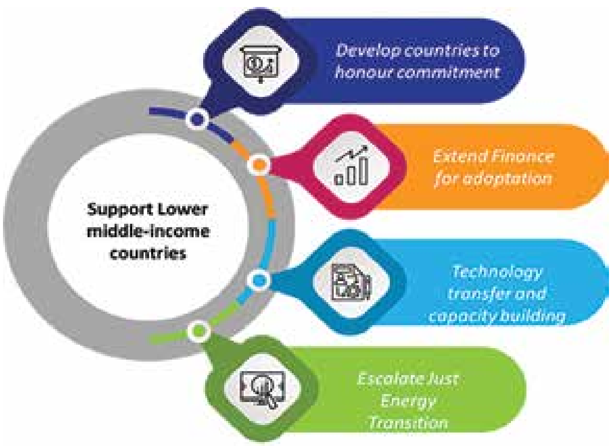
a. *Develop countries to honor commitment:* The LMICs need tremendous support to meet the challenges of climate change. As per OECD, Financial support to LMICs can be provided by honoring a commitment of $100 billion annually by 2020 made in COP15 in 2009 by developed countries. Though this amount is miniscule when compared with the requirements. Wealthy nations are yet to honor their commitment of $100 billion annually in climate funding, which was intended to commence in 2020. The United States, the most significant underperformer in delivering the pledged assistance, is currently the second-largest emitter of greenhouse emissions. According to Jake Schmidt, a senior strategic director of international climate at the Natural Resources Defense Council, the United States allocates less funding for international climate finance than Spain, despite Spain's economy being 16 times smaller.

b. *Extend Finance for Adaptation:* The adaptation finance needed by LMICs is immense and should be designed to address the specific and complex set of vulnerabilities. International investment aimed at climate adaptation is neither contextualized nor specifically directed to enhance the adaptive ability of individuals residing in communities that are particularly susceptible to climate shocks and affected by conflict.

c. *Technology transfer and capacity building:* Along with the transfer of funds, the technology transfers and capacity building are critical instruments of leverage. It is essential to ascertain the most effective methods for scaling up strategies to enhance the targeting and efficacy of adaptation funding (to facilitate capacity building) and technology transfer (to assist local communities in adapting). From a research standpoint, methodologies are required to assess the sufficiency of existing climate adaptation responses and to further analyze the circumstances under which climate adaptation technology may provide beneficial or detrimental effects in agriculture and food systems.

d. *Escalate Just Energy Transition partnerships:* To phase out coal and scale up renewables, the "Just Energy Transition Partnership" (JETP) was announced in COP 26. Countries like South Africa and Indonesia are utilizing monies from the Clean Technology Fund to invest in their JETPs to expedite the early decommissioning of coal power facilities, enhance renewable energy, and facilitate a just transition.

Figure 2: Support Lower middle-income countries



2. Expand and deliver concessional finance.

a. *Concessional financial instruments:* Among all sources of money, concessional financing from bilateral donors is the most critical component. Whilst the total amount of official concessional financing has increased, it is still insufficient to meet the most pressing demands. Developing countries are insisting that the developed world should provide public grants and low-interest loans through expanded aid to meet climate goals. However, contributors prefer to lend money for carbon-cutting projects and mobilizing private finance where possible.

b. *Address unfair debt burden:* Debt burden arises primarily due to loans extended for CF. Debt-heavy investments are unsustainable alternatives that often come with unfavorable conditions, particularly as many developing countries are already in debt burdens, which has been aggravated by the pandemic. Providing climate finance in the form of loans would be tightening the shackles of this debt trap at the worst possible time.

c. *Increase bilateral funding:* The other way of providing concessional finance is by increasing bilateral funding by developed nations. Many countries this year have made commitments towards the same. France declared its intention to allocate EUR 20 million in subsidies to the Global Shield Against Climate Risks, which supports the most vulnerable nations in addressing climate-related loss and damage. The United Kingdom (UK) declared an augmentation in financial assistance for climate change to the most impoverished African nations. UK Foreign Secretary James Cleverly said that the UK would allocate GBP 200 million to the AfDB's Climate Action Window, which directs climate funds to at-risk African nations.

Figure 3: Expand and Deliver Concessional finance

3. Align with the Paris Agreement and the United Nations Framework Convention on Climate Change goals.

a. Operationalize *the loss and damage fund:* The provision of a "loss and damage" fund

(LDF) for vulnerable nations affected hard by climate disasters is one of the most significant achievements of the UNFCCC COP27. There must be a concerted effort by wealthy countries to address this pressing global issue, or the damage will worsen. The rich countries earlier opposed the LDF, and they demanded that they would support a fund if the donor base were broadened. Setting up LDF is a historical step, but how it will work is still unknown. It is not clear what the size of LDF will be and how it will function. Quantification, assessment, attribution, payment monitoring, and evaluation and optimization are yet to be finalized.

b. *Stock of progress by Global Stocktake:* The Global Stocktake (GST) of the Paris Agreement assesses the world's progress towards meeting the agreement's purpose and long-term goals, particularly in finance, technology, mitigation, adaptation, capacity building, etc. It is essential to take stock of the implementation of the Paris Agreement. It will independently evaluate the progress countries have made and if their goals were adequate. It will inform everybody, every single day, everywhere in the world, what they need to do to avert the climate crisis.

c. *Implement New Collective Quantified Goal (NCQG):* The developing countries pushed for NCQG on CF, as they want rich countries to take responsibility for a sustainable future; also, they demanded that the CF definition should include the principles or characteristics of the NCQG. The NCQG is expected to be finalized soon, as currently there is a lack of an implementation plan for the same.

d. *Deliver on other climate funds:* Developed countries should provide financial resources to developing countries under the Kyoto Protocol of UNFCCC and other mechanisms of UNFCCC, like the Green Climate Fund (GCF), Clean Development Mechanism (CDM), and Global Environment Facility (GEF), which facilitate the provision of climate finance from the Parties with advanced financial resources to the more vulnerable Parties.

Figure 4: Align with Paris Agreement and UNFCCC goals

Mitigation and Adaptation Gap

a. Inadequate adaptation finance: To increase transnational finance, the gap between the mitigation and adaptation (M&A) needs to be addressed. There is insufficient adaptation finance (AF). There is the gap between current levels of adaptation finance and what is needed to respond to climate impacts. One of the reasons why there is a bias towards mitigation is because the monetary inflows associated with it are observable, and there is difficulty in measuring successful adaptation.

b. Thematic split tilted towards mitigation: While funding is being received for climate mitigation, adaptation losses are out on finance, which results in huge gaps. Globally, the preponderance of climate finance has been allocated to mitigation initiatives, resulting in minimal funding for adaptation efforts. From 2000 to 2019, it was anticipated that 65% of all climate financing was allocated to assist mitigation programs, which are frequently regarded as much more profitable investments. Moreover, the majority of adaptation financing was allocated to impoverished nations, while most mitigation finance was directed towards middle-income countries, which are generally more financially accommodating and conducive to business.

c. Renewable energy is highest in mitigation: Within the mitigation finance sector, energy is receiving the highest funding. The global thematic division indicates that of the $83 billion, $49 billion was allocated to climate mitigation efforts, primarily targeting cleaner energy and transportation, while approximately $28 billion was expended on climate adaptation, chiefly for agriculture, water supply, forestry restoration, coastal fishing, and sanitation. The $49 billion worldwide mitigation investment in 2020 is insignificant compared to India's $250 billion requirement for renewable installations by 2030. The UN Secretary-General emphasized with concern that the adaptation funding requirements of developing nations will surge to $340 billion per year by that time. It is evident that we face an expanding chasm to close.

Figure 5: Mitigation and Adaptation Gap

Future research directions

This study opens several avenues for future research that can deepen the understanding of this domain. One, considering the essential nature of transnational finance, it would be valuable to obtain perspectives from policymakers regarding the obstacles they encounter within this realm. Second, data can be gathered via the administration of interviews with individuals engaged in this field. Likewise, it is possible to conduct interviews with scholars, researchers, economists, and financial experts to provide additional insights for the development of policies. Thirdly, additional research endeavours could delve more profoundly into each theme and potentially propose a theoretical framework for every aspect of CF. MA

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Obituary

CMA Nav Ratan Gupta

The Institute and its members deeply mourn the demise of CMA Nav Ratan Gupta, Director (Finance), Bridge and Roof Company (India) Limited, Kolkata, our Beloved Member of the Institute on 16th January, 2026 at Kolkata.

CMA Nav Ratan Gupta had 34 years of post-qualification extensive experience in Finance and Accounts in Industries and had worked with many Prestigious Companies. Throughout each position, he demonstrated a consistent ability to drive financial performance, ensure compliance, and implement strategies for cost savings and growth. Driven by a deep respect for the skills and values to CMAs fraternity, CMA Gupta inspired his entire family to join on this path thus elevating CMA from individual to family passion.

May God bless the family to have the courage and strength to overcome the irreparable loss.