

Development Policy Committee Analysis:

Finland's international climate finance needs clear direction

Finland's international climate finance needs a transparent long-term operating model, as well as a plan for increasing and targeting the financing. This is the conclusion of the Development Policy Committee's (DPC) recent analysis report "Finland's International Climate Finance Needs Clear Direction". The recommendations presented in the report outline actions towards more responsible, just and effective climate finance.

International climate finance refers to the obligation of industrial nations to channel funding to developing countries to support their actions to mitigate climate change and to help them adapt to the effects of climate change. Climate finance can reduce inequality and address the needs of the poorest and most vulnerable groups in particular.

The need to increase climate finance is enshrined in the UN Framework Convention on Climate Change and the Paris Agreement, since the current sums are insufficient to meet the international targets. In addition, funding is often channelled to purposes other than providing support for the most vulnerable. In the United Nations Climate Change Conference in Glasgow, it was agreed that industrial nations should deliver on the previously set annual climate finance pledge of USD 100 billion as soon as possible. The negotiations for the amount of funding post-2025 will be held in the coming years, and there is significant pressure for increasing the funding to developing countries. It is also important to allocate climate finance equally between mitigating climate change and adapting to its effects.

Finland must increase climate finance and improve its guidance

According to the DPC survey, Finland's public climate finance has been channelled to developing countries through a wide variety of avenues, forms and instruments. Most climate finance has been channelled through development policy investments and multilateral organisations and funds. The percentage of grant-based support is still greater than that of development policy investments in the appropriations budgeted for 2022–2026. As a whole, climate finance would increase by EUR 189–225 million annually.

The DPC analysis report proposes that it is time for Finland to fully adopt international climate finance as part of wider climate policy and the implementation of the UN 2030 Agenda for Sustainable Development. A clear plan extending over several government terms and including an increase in development cooperation appropriations to the 0.7 per cent of GNP required by Finland's commitments by 2030 should be drawn up to guarantee sufficient funding. At the same time, the amount of climate finance should be increased without decreasing the funds allocated to other forms of development cooperation. Climate finance should be considered as a whole, and a broad base of actors is required for its implementation. The guidance system of climate finance and division of responsibilities requires clarification.

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The Development Policy Committee is the only body monitoring and evaluating Finnish development cooperation and policy on a systematic and broad basis. The government appoints the Committee for the duration of its government term. Its members come from the parties represented in Parliament, unions and civil society organisations, and universities of the UniPID network.