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Harnessing Inclusive Climate Finance for Youth Empowerment at COP28

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Key Highlights

Inclusive climate finance refers to the intentional and equitable allocation of financial resources, investments, and opportunities to address climate change impacts. The inclusivity of climate finance has been a subject of ongoing discussion and scrutiny. While it is not accurate to say that youth are excluded from climate finance, there are concerns about limited representation and engagement. This policy brief underscores the need to address any existing barriers and enhance the inclusion of youth in climate finance mechanisms to ensure their perspectives and contributions are considered. The key highlights include:

(i) There is a significant gap in the inclusion of youth in climate finance, with only 4.2 per cent of the total climate finance being directed towards youth-related initiatives, despite youth constituting a quarter of the global population, totalling 1.8 billion. Addressing this gap is crucial in effectively tackling climate change and ensuring equal access to funding mechanisms.

(ii) Addressing the critical shortfall in meeting the Paris Agreement's Article 9 commitment to mobilize US$ 100 billion annually for climate finance, particularly impacting youth-led initiatives, requires urgent attention, as evidenced by the under-representation of youth in funding allocation processes, the complexity of application procedures, and the absence of dedicated funding streams tailored to the unique needs of youth-led projects.

(iii) The dual challenge of limited financial skills and inadequate capacity development among youth in the climate finance landscape hampers their access to funding opportunities and participation in implementing innovative climate-related initiatives, emphasizing the crucial role of initiatives such as the Climate Investment Fund's youth fellowship programme in addressing these challenges and promoting youth inclusion in climate finance.

(iv) Despite recent strides, the segregation of youth to the Green Zone at Conference of the Parties (COP) events, excluding them from critical negotiations in the Blue Zone, raises concerns about youth representation and engagement, exemplified by the lack of youth presence in the 24-member transition committee overseeing the ground-breaking Loss and Damage Fund established during COP27.

(v) There is a critical need for transformative actions that include the Global Environment Facility (GEF) establishing a dedicated funding platform within the United Nations Framework Convention on Climate Change (UNFCCC) to empower youth in climate action, fostering innovation and enhancing the impact of youth-driven projects.

(vi) Interventions by institutions such as multilateral development banks (MDBs) include boosting youth capacity in climate finance through national literacy frameworks and mentorship programmes; and enhancing advocacy by the UNFCCC for formal youth advisory boards within climate finance institutions, while promoting diversity and equal opportunities, and ensuring inclusive decision-making.

Introduction

The urgency of addressing climate change has become increasingly evident, and global efforts, as epitomized by the Conference of the Parties (COP), play a pivotal role. COP28 presents a crucial opportunity to reinforce commitments towards sustainable practices and inclusive policies. Amidst the myriad challenges posed by climate change, the focus on empowering youth has gained prominence. Recognizing the potential of young individuals as catalysts for change, there is a growing consensus on the need to integrate their perspectives into decision-making processes. In this context, inclusive climate finance emerges as a key instrument for fostering youth empowerment, ensuring that financial mechanisms are accessible and responsive to the needs of the younger generation.

Despite the critical role of inclusive climate finance in addressing global environmental challenges, there exists a pronounced gap in empowering youth within this framework, hindering their active participation and contributing to sustainable development. According to UNICEF (2023), a mere 4.2 per cent of the total climate finance is directed towards youth, despite youth constituting a quarter of the global population, totalling 1.8 billion. The problem stems from systemic barriers and a lack of dedicated mechanisms that comprehensively engage youth in the financial aspects of climate initiatives. Financial resources allocated for climate action often bypass opportunities for meaningful youth participation, hindering the development and implementation of policies that align with the diverse needs and innovative solutions youth can bring to the table. Youth, who represent a substantial portion of the global population, face systemic barriers in accessing climate finance opportunities, limiting their capacity to engage in climate-resilient projects and initiatives (GCA, 2019). Additionally, the International Finance Corporation (IFC) reports that lack of tailored financial instruments and support mechanisms for youth-led climate initiatives contributes to the under-representation of young entrepreneurs in the climate finance landscape (IFC, 2021).

This policy brief aims to address these challenges and advocate for the harnessing of inclusive climate finance as a catalyst for youth empowerment at COP28, ensuring that the unique perspectives and innovative capacities of young individuals are integral to global climate action.

Limited Climate Funds for Youth Initiatives

The allocation of climate funds is a critical aspect of global efforts to combat climate change. Article 9 of the Paris Agreement (2015) obligates developed countries to support developing countries by mobilizing and contributing climate finance from all sources possible to take care of the global commitments of mobilizing US$ 100 billion per year towards climate change mitigation. However, this target is yet to be met. This shortfall in meeting the pledged amount adversely constrains the availability and accessibility of funds directed towards climate-related initiatives, particularly in developing nations and interventions targeting the youth. For example, from all the 55 African countries that submitted their Nationally Determined Commitments (NDCs), the associated implementation costs totaled to US$ 2.8 trillion from 2020-2030 (Meattle and Padmanabhi, 2022). However, Africa's annual climate finance flows stand at only US$ 30 billion.

Youth-focused initiatives in climate finance encompass the Green Climate Fund (GCF) Youth Engagement Programme and the Climate Investment Fund (CIF) Youth Fellowship. GCF, operating under the United Nations Framework Convention on Climate Change (UNFCCC), actively involves youth in climate finance through education, capacity building, and support for youth-led climate projects. The CIF Youth Fellowship, in collaboration with six multilateral development banks (MDBs), including the World Bank and the Asian Development Bank, offers a year-long programme. Successful candidates engage with CIF's and MDBs' cutting-edge climate finance and action initiatives, covering areas such as nature-based solutions, clean energy, adaptation, resilience, energy access, and gender and social inclusion. This comprehensive fellowship contributes to developing a new generation of climate finance leaders.

There has been recent efforts towards responding to the financing needs of the youth. For instance, the African Development Bank (ADB) announced a new US$ 1 billion facility to accelerate climate financing for Africa's youth businesses under YouthAdapt 2022, a joint initiative between the Bank and the Global Centre on Adaptation. The initiative aims to find solutions to accelerate, innovate, and scale up climate adaptation actions in Africa. According to ADB (2023), YouthAdapt has provided more than US$ 1.5 million to 33 young entrepreneurs across 19 African countries, with some of the funded projects having a 200 per cent return on investment. Access to similarly large pools of consolidated funds for youth-led organizations can accelerate climate action. Unfortunately, the current financial system under the UNFCCC does not have provisions for a dedicated climate fund to finance youth-led climate actions. The GEF provides funding for projects that address global environmental issues, including climate change. While the GEF may support projects with components that involve or benefit the youth, it does not have a specialized funding platform exclusively for youth within the UNFCCC. The GEF funding is channeled through projects and programmes that align with the priorities and goals of the relevant environmental conventions.

Despite the recognized importance of youth engagement, there is a noticeable inadequacy in the allocation of climate funds specifically earmarked for youth-led initiatives and activities. There are various challenges associated with the limited financial support for youth-focused climate projects. First, youth-led initiatives often face challenges in accessing climate finance due to their under-representation in the allocation process. Existing funding structures may not adequately consider the unique needs and innovative solutions proposed by youth-led projects, resulting in limited financial support. Second, the complexity of application procedures for climate funds can be a deterrent for youth-led organizations. Cumbersome administrative processes may disproportionately disadvantage younger activists and organizations with limited resources, hindering their ability to secure necessary funding. Finally, traditional climate finance mechanisms may not be tailored to the specific requirements of youth initiatives. The absence of dedicated funding streams or instruments that recognize the distinct characteristics of youth-led projects contributes to the limited financial support available.

Limited Capacity Building Opportunities

While funding levels are part of the complexities explaining youth exclusion, part of the inability of the youth to access funds is associated with their limited skills and capacity to tap into existing opportunities. Inadequate capacity development on the climate finance landscape restricts youth participation in the climate financing space because they lack essential financial skills necessary to navigate complex funding mechanisms, comprehend budgeting, financial management, and effectively package and communicate their project proposals convincingly to secure funding. This hinders access to available climate finance opportunities, limiting youth participation and success in implementing innovative climate-related initiatives.

Various organizations, such as the African Youth Initiative on Climate Change (AYICC), African Climate Finance Hub (ACFH), and Pan-African Climate Justice Alliance, are actively involved in building the capacity of African youth on climate change and finance. AYICC, a youth-led initiative empowers young people across the continent through workshops and training programmes focusing on climate change and finance. ACFH seeks to improve African countries' access to climate finance by providing training for stakeholders, including youth, facilitating a better understanding of the climate finance landscape. PACJA, a continental coalition, advocates for climate justice in Africa, conducting awareness campaigns and training programmes to enable youth participation in climate finance discussions and initiatives.

The challenges in capacity building for youth in climate finance are manifold, encompassing four key dimensions. First, many youths lack sufficient financial literacy in the context of climate finance, hindering their ability to understand and navigate complex funding mechanisms, investment strategies, and financial instruments related to climate-related projects. Second, there is a shortage of specialized training programmes and capacity building initiatives focused on educating youth about climate finance. This includes programmes that provide hands-on experience, case studies, and practical knowledge relevant to the unique challenges and opportunities in this field. Third, climate finance concepts are often inadequately integrated into formal education systems. There is lack of curriculum development that incorporates climate finance principles, limiting the exposure of youth to these critical concepts during their educational journey. Last, youth often face challenges in accessing networks and platforms that connect them with experienced professionals, mentors, and organizations involved in climate finance. The absence of robust networking opportunities hampers the exchange of ideas, collaboration, and mentorship crucial for capacity building.

Under-Representation in Decision-Making Platforms

Historically, young people have been left out of decision-making processes that affect their lives. Launched in 2006 during the 12th Session of the Conference of the Parties (COP 12) of the United Nations Framework Convention on Climate Change (UNFCCC) in Nairobi, Kenya, the African Youth Initiative on Climate Change (AYICC) sparked the engagement of numerous African youths in climate issues. Since its inception, the network has experienced significant growth, evolving into the foremost youth movement for climate change and sustainable development in Africa, boasting over 10,000 members across 42 countries. Some of the achievements of the AYICC is organizing the African Youth Climate Justice Caravan, in which 160 youth from 18 countries embarked on a caravan trip from Nairobi, Kenya, across six countries – Kenya, Tanzania, Malawi, Zambia, Botswana, and South Africa.

It was only after global youth voices desperately called for inclusion and intergenerational solidarity in climate negotiations and decision-making processes ahead of the COP27 that the first-ever Youth Pavilion and Youth Climate Dialogue was organized. It was the first-ever youth-led climate forum in the history of COP. Additionally, COP28 has included a Youth theme in the programme, kick-starting discussions on inclusion and youth engagement (COP28UAE, 2023). Despite such efforts, there still exists segregation in terms of the zoning system at the Conference of Parties' (COPs) events, which restrict youth to the Green Zone, a space usually designated for exhibitions, cultural performances, and workshops. At the same time, formal negotiations, including decisions on climate finance, are reserved for the Blue Zone. With COP 28 targeting over 30,000 participants, only a few UNFCCC-accredited participants, such as Parties, world leaders, media, and observers, have access to the Blue Zone (Aykut et al., 2022). It is within this Zone in COP27 (into which youth have no access) that governments took the ground-breaking decision to establish a new Loss and Damage Fund.

The creation of the Loss and Damage Fund is heralded as a significant achievement outcome from COP27. Yet, upon scrutinizing the composition of the 24-member transition committee, a notable absence of youth representation becomes apparent. Furthermore, there is lack of substantiated evidence regarding the socialization of the transitional committee's report and the involvement of youth in the report preparation. This underscores the importance of ensuring youth representation in such platforms, allowing their concerns to be addressed, and fostering effective contributions, particularly in matters of inclusion within climate finance.

Disparities in the International Financial Architecture

More than half of the world's working adults, totaling 2.5 billion individuals, face exclusion from financial services, with the most pronounced impact on low-income populations in emerging and developing economies, where approximately 80 per cent of impoverished individuals lack access (UNCDF, 2013). This financial exclusion is particularly striking among youth, who are 33 per cent less likely to possess a savings account compared to adults, and 44 per cent less likely to engage in formal savings institutions. Geographically, youths' saving-account penetration rates vary significantly, ranging from 12 per cent in Africa to 50 per cent in East Asia and the Pacific.

The hurdles to youth accessing formal financial services are multifaceted, encompassing legal restrictions and high transaction costs. These challenges impede not only individual economic empowerment but also contribute to broader issues of financial inequality. Addressing these disparities is crucial for fostering inclusive financial systems and empowering the next generation to actively participate in and contribute to the global economy.

The need for a more inclusive, equitable, sustainable, and resilient global financial system has also led to a worldwide call for reforms to the international financial architecture. These discussions have taken centre stage in international forums such as the Africa Climate Summit and the 78th United Nations General Assembly and will guide climate finance negotiations at COP28. The youths' participation in such platforms has been limited, hence the call for a specialized youth climate fund and reforms of existing funding institutions to make the platforms more youth-inclusive. Inclusivity in climate finance should involve creating avenues for meaningful participation and representation of young people in decision-making processes (UNFCCC, 2015).

Recommendations

To address the limitations discussed above and pave way for an inclusive and impactful global financial system:

i) The Global Environment Facility (GEF) needs to create a specialized funding platform for youth within the UNFCCC that can significantly promote innovation and amplify the impact of youth-driven projects. In addition, there is a need to reform existing funding mechanisms to make them more youth-inclusive by increasing youth representation in decision-making, availing dedicated youth-targeted grant programmes and streamlining application processes.

ii) Multilateral development banks could increase capacity building of youths on climate finance by supporting countries to develop national frameworks for climate finance literacy targeting the youth and covering funding mechanisms, investment strategies, and financial instruments. In addition, there is a need to establish mentorship programmes pairing youth with experienced professionals in climate finance.

iii) The United Nations Framework Convention on Climate Change (UNFCCC) could encourage the creation of formal youth advisory boards or committees within climate finance institutions, COP organizing committees, and relevant governmental bodies. These boards should comprise diverse youth representatives with expertise in climate action, finance, and policies, ensuring their voices are heard in strategic decision-making processes.

iv) Multilateral development banks and financial regulators could implement policies that promote diversity and inclusion within financial institutions, fostering equal opportunities for all individuals irrespective of gender, ethnicity, or socio-economic background by establishing diversity benchmarks, provide training on unconscious bias, and encouraging transparent reporting on diversity metrics.

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KIPPRA Policy Briefs are aimed at a wide dissemination of the Institute's policy research findings. The findings are expected to stimulate discussion and also build capacity in the public policy making process in Kenya.

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