



T20 **Brasil 2024**
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T20 Policy Brief

Task Force 03

REFORMING THE INTERNATIONAL FINANCIAL ARCHITECTURE

Financing Climate and Health Solutions

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Abstract

Climate change threatens to undo decades of global health progress and widen existing health inequities. In the face of this crisis, low- and middle-income countries require at least \$11 billion USD per year this decade to adapt to the health impacts of climate change. Yet health-specific climate action remains underfunded, with only around 6% of adaptation funding and 0.5% of multilateral climate funding currently allocated to the health sector to protect health in the face of climate change. A multisectoral approach is fundamental to unlocking finance for maximum impact.

Since 2021, emerging economies holding the G20 Presidency have ensured the relevance of the G20 as the most effective space for progressing reforms of the global finance architecture. A community of 50 institutions and governments endorsed a set of *Guiding Principles for Financing Climate and Health Solutions*, released at COP28 in December 2023. The operationalization of the *Guiding Principles* through G20 can mobilize financing toward community-driven solutions that mitigate the worst harms of climate change, give power to communities to build resilient health systems, and ensure a more equitable approach to safeguarding human health in the era of climate change. By raising climate change and health equity on the G20 agenda, with a dedicated ministerial declaration, Brazil's Presidency is a powerful platform to move from rhetoric to action.

Diagnosis of the Issue



Climate change threatens to undo decades of global health progress and widen existing health inequities (IPCC 2022). There are profound inequities in the burden of climate health risks and impacts, in the ability to adapt to climate change, and in access to finance, with low- and middle-income countries (LMICs) and vulnerable and marginalized communities most deeply affected. 3.3 billion people worldwide are highly vulnerable to climate change and face elevated health risks as a result (IPCC 2022).

By 2050, climate change is projected to cause an additional 14.5 million deaths and \$12.5 trillion USD in economic losses worldwide (World Economic Forum 2024). Climate-induced impacts will account for a further \$1.1 trillion USD in extra costs to healthcare systems, creating a significant additional burden on already strained infrastructure and medical and human resources (World Economic Forum 2024). Despite the known consequences, funding for mitigation and adaptation at the climate-health intersection falls well short of current demand.

The overall adaptation finance needs of developing countries are 10-18 times as great as current international public finance flows (UNEP 2023). An estimated 6% of adaptation funding and 0.5% of multilateral climate funding are currently allocated to projects that protect or improve human health, according to the World Health Organization (WHO 2023). LMICs require at least \$11 billion USD per year this decade to adapt to the health impacts of climate change, including to respond to increases in infectious and diarrheal diseases and heat-related mortality, and to fund initiatives to increase the resilience of health systems (UNEP 2023). From an equity perspective, this is particularly problematic — countries that have contributed least to climate change, and

those that are most vulnerable to climate-induced health risks (acute and long-term), are likely to experience significant climate variability (Bathiany 2018).

Moreover, LMICs have limited access to financing due to a range of issues, including unattractive financing terms and lack of capacity to fully assess funding needs, build business cases, and seek appropriate financing options. A 2021 survey conducted by the WHO found that 70% of Member State respondents noted “insufficient budget/financing” as a barrier to implementing national health and climate change plans and strategies, and 54% of respondents cited “lack of information on opportunities” as a challenge when accessing international funds for health and climate change work (WHO 2021).

It is imperative to protect people from the harmful health impacts of climate change by pursuing ambitious mitigation and adaptation goals, preventing the worst climate risks, and building climate-resilient communities (including critical water, food, and health systems). Countries are increasingly prioritizing action on climate and health. Over 90% of Nationally Determined Contributions (NDCs) to the Paris Agreement include health priorities, including maximizing the health co-benefits of mitigation, and implementing health adaptation and resilience actions. Nearly a third of NDCs now allocate climate finance to health actions and/or plans (WHO 2023).

A dynamic, coordinated, collaborative, and multisectoral approach is fundamental to unlocking finance for maximum impact. While there are opportunities across sectors to advance climate solutions that protect and promote human health and support economic growth and development, dedicated adaptation financing at the nexus of climate and health is required to build and advance sustainable and resilient health systems. The Canadian Climate Institute estimates that each dollar invested in proactive adaptation measures can return \$13-\$15 in direct and indirect benefits. Furthermore, if adaptation

measures are combined with global emissions reductions, future adaptation costs could be reduced by three-quarters (Canadian Climate Institute 2022).

In the health sector, focusing on prevention and the adoption of known healthcare interventions could increase the GDPs of lower-income countries by \$4.4 trillion by 2040 (Remes 2020). As these investments lead to better health, they grow economies, create jobs, strengthen the capacity of health systems to respond to climate impacts, and foster social inclusion and gender equity, especially as women comprise around 70% of the health workforce (WHO 2019).

Other sectors are taking action to reduce emissions, leading to meaningful health co-benefits. For example, air pollution causes an estimated 7 million premature deaths worldwide per year (WHO). Policy innovations to reduce vehicle traffic in dense urban settings will improve air quality and reduce health impacts. The introduction of congestion pricing in London, England led to modest reductions in the pollutants NO₂ and PM₁₀, resulting in increases in life expectancy (Tonne 2008). But adaptation financing is still needed in the health sector to strengthen systems, upskill workers, and update disease-specific programs to effectively address the unfolding climate crisis.

To address the climate crisis effectively and equitably, a paradigm shift is required in how countries and global actors collectively invest in our most valuable asset – people. There is a need to utilize existing capital more strategically and, where possible, mobilize additional financing and resources to ensure we do our utmost to safeguard human health. The G20 Health Working Group, under the leadership of the Government of Brazil, is uniquely positioned to lead this effort given its focus on health equity and climate change.

Recommendation

With constrained resources and multiple overlapping global challenges, investing in mutual climate and health goals will improve health, foster development, and ensure a more resilient and sustainable future.

This policy brief lays out four recommendations for G20 Member States to consider, in line with the COP28 *Ministerial Declaration on Climate and Health* endorsed by 150 countries and the *Guiding Principles for Financing Climate and Health Solutions* endorsed by 50 organizations:

- **Acknowledge:** In the G20 *Declaration on Climate Change and Health Equity and the One Health Approach*, acknowledge the importance of combating climate change to protect health by 1) addressing the insufficient, fragmented, and inaccessible financing that currently jeopardizes such action in LMICs, and 2) committing to building the core policymaking and implementation capacities to increase the scale, quality, equity, and impact of financing climate and health solutions. These core tenets, outlined in the *Guiding Principles for Financing Climate and Health Solutions*, will ensure an equitable, demand-driven approach.

- **Strengthen:** Agree to strengthen international cooperation to improve coordination and efficiency across partners and multilateral finance mechanisms to enhance the transparency and accountability of finance commitments and flows for climate-health solutions through the G20 Working Groups of the Joint Finance and Health Task Force, International Financial Architecture, Sustainable Finance Working Group, Health Working Group, Environment and Climate Sustainability Working Group, and others.

- **Embed:** Embed health priorities into the broader G20 climate and finance initiatives by undertaking efforts to mainstream climate action within public health programming to ensure health systems are resilient and can protect and promote health in the face of climate risks, and by mainstreaming health in climate change programming and investments to maximize human well-being across all climate action. This is critical for existing sources of financing, including the Global Fund, the Green Climate Fund, the Adaptation Fund, and related mechanisms.

- **Accelerate:** Accelerate climate health financing through ongoing and new initiatives and instruments that should leverage existing platforms and financing mechanisms to maximize efficiency and avoid duplication of efforts.

The G20 has been a powerful forum for coordinating meaningful and substantial reforms of the global finance architecture, with economic and financial coordination at the core of its agenda each year. Since 2022, the country Presidencies – Indonesia, India, and Brazil – have leveraged G20 to build consensus and call for the reform of multilateral development finance institutions to be better equipped to deliver on global goals. The 2021 commitment to rechanneling Special Drawing Rights and the 2022 Independent Review of Multilateral Development Banks’ Capital Adequacy Frameworks are foundations to modernize and reform the international financial architecture to be fit for purpose. In 2023, the Indian G20 Presidency included climate as one of the core priorities for the G20 Health Working Group for the first time and embedded the priority in the G20 New Delhi Leaders’ Declaration.

To continue this progress, the 2024 Brazilian G20 Presidency set an ambitious agenda to reform the global financial architecture to address the climate crisis, focusing on increasing equitable access to resources for LMICs who are shouldering a higher burden of the health risks caused by climate change (G20 Brazil 2024, World Bank).

The G20 Health Working Group will continue to prioritize the topic of climate and health, culminating in a *Ministerial Declaration on Climate Change, Health Equity, and the One Health Approach*. This is an opportunity to advocate for financing to maximize health gains from mitigation and adaptation efforts with a focus on vulnerable populations. Moreover, the International Finance Architecture Working Group and the Joint Finance and Health Task Force are reviewing debt relief and finance reforms to address the current financial crisis facing LMICs and to move toward more sustainable debt burdens.

Equitable and efficient finance to improve health outcomes from mitigation and adaptation efforts will be essential. To that end, a consortium of development banks, multilateral funds, national governments, philanthropies, implementation partners, and the private sector endorsed the *Guiding Principles for Financing Climate and Health Solutions (Guiding Principles)* to build coherence across diverse funders to accelerate the allocation of finance in the countries and communities that need it most.

The *Guiding Principles* were developed by the COP28 Presidency in collaboration with The Global Fund to Fight AIDS, Tuberculosis, and Malaria, The Green Climate Fund, The Rockefeller Foundation, the World Health Organization, and in consultation with over 50 finance and civil society organizations. The *Guiding Principles* have been endorsed by 50 organizations (to date) and released during the 28th session of the Conference of Parties to the UNFCCC (COP28).

In alignment with the Addis Ababa Action Agenda, Paris Agreement, 2030 Agenda for Sustainable Development, and wider efforts to improve the efficiency, effectiveness, and equity of financing for health and for climate, the *Guiding Principles* establish a shared vision for equitable financing by:

- Accelerating transformative climate and health solutions to save and improve lives now and in the future;
- Creating equitable, inclusive, accessible, and holistic approaches to climate and health financing and solutions; and
- Building the core policymaking and implementation capacities of countries, communities, and financing institutions to deliver climate and health solutions.

G20 members play an integral role in creating the policy and finance pathways and necessary market signals for public and private investment that advance country-led climate-health initiatives. The *Guiding Principles* can inform the G20 as it builds a common understanding of financing for climate and health solutions, enhance coordination and efficiency across partners, build the core policymaking and implementation capacities to increase the scale, quality, equity, and impact of financing for climate and health solutions, and enhance the transparency and accountability of finance commitments and flows for climate and health solutions.

Scenario of Outcomes



With a focus on the above policy recommendations, expected outcomes would be the recognition of the following goals in the G20 Health Ministers *Declaration on Climate Change and Health Equity and the One Health Approach*:

- Increased investment in climate-resilient and sustainable low-carbon health systems. Both existing financing, as well as potentially new financing and resources, can be channeled toward health systems interventions that ensure health systems are protected from and prepared to respond to changing environmental dynamics. As health priorities are traditionally disease-focused, the G20 must ensure that the increased investment does not take away from essential health services that must continue to realize Sustainable Development Goals. Instead, climate resilience must be embedded in financing in a way that transforms the sector as a whole. For example, when tied to pandemic preparedness and response objectives, this would mean building preparedness against climate-aggravated infectious diseases with pandemic potential.

- More effective and efficient use of limited resources. In a shrinking financial environment, it is important that limited resources are deployed in ways that avoid duplication, prioritize the most effective interventions, and ensure resources reach the communities most impacted. This requires accountability and transparency mechanisms to achieve a more ambitious impact from the same level of investment, while working to close the financing gap by recognizing that existing investments fall far short of actual needs.

- Enhanced cross-sector coordination between climate change, public health, and financing disciplines. Seemingly intractable problems require joint action to solve. It's imperative to bring together the might and reach of climate change, public health, and

financing sectors to protect health. Additional workload will be required by multilateral/development finance institutions to update their strategic programming frameworks to approach climate-health in alignment with and within the boundaries of their mandates. Increased consultation and active collaboration among the various investors in the space are required to ensure coherence and clear additionality of financing to crowd-in investment without displacing existing financial flows – both domestic and international. By continuing the efforts to center climate-health in the dialogue, demonstrating continued interest by influential voices of the G20, and pushing for adjustments to the global financing architecture, there is a real opportunity to ensure that joint action is realized, encouraged, and facilitated.

- Increased health co-benefits of climate mitigation and adaptation efforts. As we increasingly recognize the opportunities to advance climate change and global health goals simultaneously through strategic action, we can more purposefully deploy resources and interventions to both respond to the climate crisis and improve human health. As a result, we could expect to see reduced morbidity and mortality associated with climate change from cross-sectorial efforts to mitigate greenhouse gas emissions and adapt to a warming world.

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