

GREEN CITIES, INFRASTRUCTURE AND ENERGY PROGRAMME (GCIEP)

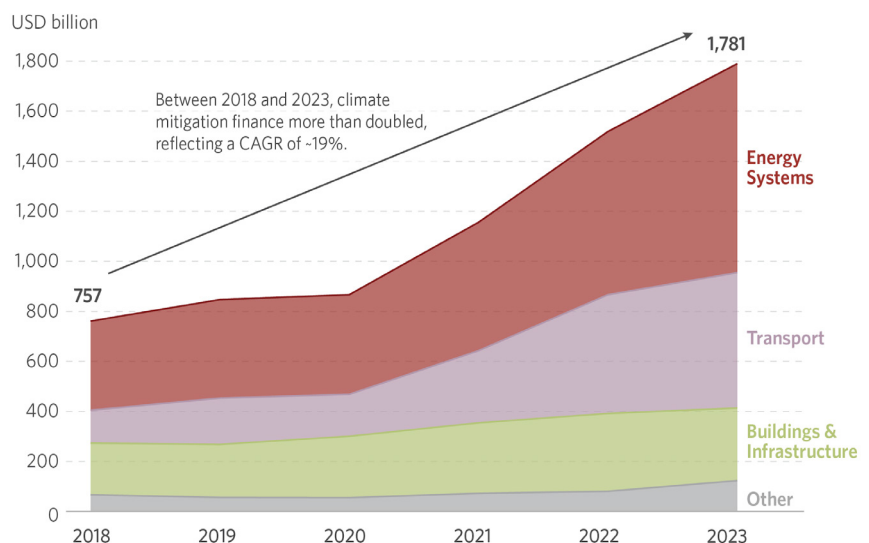
Unlocking climate finance in Ghana and Mozambique

At its core, climate finance is designed to support mitigation and adaptation actions that address climate change. To meet global climate goals and transition to a low-carbon economy, annual investment in excess of US\$4.35 trillion must be in place by 2030. GCIEP has directly supported the governments of several countries, notably Ghana and Mozambique, to attract and access climate finance for infrastructure, taking a distinct approach that reflects different starting points and end goals.

In Mozambique, the government lacked a coherent national climate finance strategy, which limited its ability to coordinate donors, climate funds and investors. GCIEP therefore, supported the development of a 'National Climate Finance Strategy' to align stakeholders and define investment priorities.

In Ghana, the government already had financial institutions capable of mobilising investment, including the Development Bank of Ghana (DBG). The focus of support therefore, shifted toward designing a 'Climate Finance Facility' within DBG to mobilise concessional and private capital for climate-aligned infrastructure investments.

In both countries, GCIEP provided bespoke technical assistance



Climate mitigation finance by sector (Other sectors include Others & Cross-sectoral, Industry, Waste, AFOLU, Water & Wastewater, Information and Communication Technology, and Unknown sectors). **Credit:** Climate Policy Initiative.

tailored to the most binding constraint in the national climate finance ecosystem. These efforts are especially important in a context where traditional development assistance and climate finance flows are evolving, requiring countries to strengthen institutional capacity and investment readiness.

The challenge

While the impacts of climate change are acute in many countries, including in Ghana and Mozambique, mobilising sufficient finance to meet low-carbon development goals and adaptation needs remains a significant challenge. Climate finance can encompass local, national or transnational funding from public, private and alternative sources.

Despite growing global commitments, climate finance is not flowing where it is most needed (source: UNFCCC). This is less a problem of absolute scarcity than of misalignment between the available

funding and the projects that need it. While capital is available, it doesn't always match the type of finance/financial instruments needed by projects. Additionally, many projects are not "investment-ready" or lack the proper pipeline to attract funds (World Bank). At the same time, institutions often lack the capacity to connect the dots, and this creates a significant gap between financial resources and actionable opportunities (Green Climate Fund, GCF).

Both Ghana and Mozambique flagged significant conditional funding requirements in their respective Nationally Determined Contributions (NDCs). According to Ghana's NDC, updated in 2021, infrastructure and climate investment needs alone exceed US \$ 9.3-15.5 billion to meet targets, yet climate investments historically cover only a fraction of this requirement, based on analysis by Climate Policy Initiative (CPI) in 2023. Mozambique's NDC

3.0 flags that "access to climate finance and investment is of utmost importance given the country's level of poverty and its reliance on international support to implement its national climate agenda" without attaching a specific number to it. Fiscal constraints including debt restructuring, the financial losses caused by recurring drought and other natural disasters and reduced ODA and climate finance further limit the ability of governments to finance climate action directly.

Even if funding were available, both countries have limited pipelines of mature, bankable climate projects capable of attracting investors. Investment readiness is hindered by a combination of factors including: weak project preparation capacity; inadequate data (including on how men and women are differently affected by climate investments); absence of government strategic direction; and limited institutional capacity or institutional fragmentation. Across both countries, potential investors and investees face significant information, institutional or capacity challenges:

- In **Ghana**, systemic constraints include limited understanding of green investment models among financial institutions, cultural resistance to sustainability initiatives in some sectors, insufficient awareness of the economic opportunities of climate investments, and banks that often perceive green projects as high risk with long payback periods, discouraging financing.
- In **Mozambique**, the establishment of a sustainable finance ecosystem was held back by mutually reinforcing barriers: the absence of a national sustainable finance strategy, aligned fiscal policy and climate-related regulatory frameworks. Institutions were left without the architecture needed to systematically mobilise or channel climate capital. This is compounded by pervasive capacity gaps across government, the central bank and commercial banks – where limited understanding of climate risk and sustainable finance principles constrains both policy design and private sector uptake.



GCIEP's approach and technical solutions

GCIEP designed bespoke approaches in each country, focusing on the most critical constraints to climate finance mobilisation and tailoring interventions to the national context.

Ghana: leveraging existing structures

Following initial GCIEP engagement with key development partners including the Ministry of Finance and Ghana Infrastructure Investment Fund, DBG emerged as a natural focal point for GCIEP's climate finance workstream. Established in 2020 and modelled on KfW (the German Development Bank), DBG was set up with backing from the World Bank, the European Investment Bank and the African Development Bank, with a mandate to provide long-term wholesale financing and de-risking services to Ghana's financial sector. Green and climate finance sits at the core of DBG's mandate, making it well-positioned to serve as a climate finance intermediary. However, GCIEP's earlier engagement with DGB revealed that it lacked a dedicated facility to structure and channel climate capital effectively. DBG also recognised this gap and identified the need for a bespoke Climate Finance Facility to intermediate concessional and private capital toward GCF-aligned investments. This created a clear and well-grounded rationale for GCIEP to work directly with DBG on

designing such a facility, rather than establishing a parallel structure.

Meanwhile, under Phase 1's support, GCIEP delivered a targeted 3-day capacity building session for DBG through a Green Project Appraisal and Carbon Accounting training programme was delivered. This equipped senior-level participants with the skills to assess the bankability of green projects against international climate finance standards, strengthen alignment with Ghana's NDCs and apply carbon accounting methodologies to quantify climate impact. By enhancing DBG's ability identify, structure and appraise climate-smart investments, including opportunities to monetise carbon outcomes, the training contributed to building a stronger pipeline of bankable green projects. Crucially, this contributed to laying the technical and institutional foundation required for Phase 2 support, ensuring that DBG was better positioned engage in the design and operationalisation of a dedicated Climate Finance Facility.

Building on this foundation, the GCIEP country team conducted structured interviews with DBG leadership to define the vision, mandate and priority sectors of the Climate Finance Facility. Drawing on a review of the KfW facility within DBG and targeted global case studies, the team assessed DBG's climate finance readiness and identified key gaps. Findings were synthesised into a comprehensive concept covering capitalisation

strategy, investment pipeline and governance options – which was presented to DBG leadership through both a virtual session and a final in-person presentation. With this in hand, DBG has a clear path to raise funding to expand climate finance availability for the country.

Mozambique: Building the strategic foundation

Upon the government's request, GCIEP supported creation of a coherent national framework for climate finance mobilisation, improving coordination and credibility with donors. GCIEP's approach in Mozambique focused on building the foundational architecture for a sustainable finance ecosystem, working primarily through the Climate Finance Unit (CFU) at the Ministry of Economy and Finance. During GCIEP's Phase 1 support, this meant co-developing a National Sustainable Finance Strategy (ENFC) and Roadmap, producing a Green Fiscal Report, supporting the NDC revision, and strengthening the CFU's capacity to engage with the GCF, including preparing a multi-year readiness proposal and supporting two institutions through the accreditation process. During the final phase, focus shifted toward implementation infrastructure: developing a web-based Climate Finance Dashboard and Knowledge Repository and establishing the ENFC as Mozambique's national sustainable finance governance body. GCIEP team also supported the Climate Finance Office's



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Akwidaa, Ghana

strategic engagement at COP30 to better position itself to compete for climate finance.

The participation of Mozambique in COP30, alongside the presentation of the National Climate Finance Strategy, delivered visible results for the country. It helped position Mozambique as a reference point within the Community of Portuguese Language Countries — CPLP, attracting interest from countries such as Guinea-Bissau and São Tomé and Príncipe, which expressed their willingness to visit Mozambique to learn from its experience with a view to replicating it in their own contexts.

Additionally, this participation increased the country's international visibility and created funding opportunities. Through cooperation mechanisms, Mozambique secured access to USD 400 million from the Adaptation Fund and, at a later stage, also accessed the Loss and Damage Fund.

Throughout both phases, key to the success was for GCIEP to act as an embedded technical partner, providing expertise and drafting support while deliberately building ownership within government counterparts.

Outcomes and uptake

Results

Governments in both countries now have strong policy foundation and institutional mechanisms for mobilising climate finance. Ghana is advancing the design of the DBG Climate Finance Facility (CFF), positioning DBG as a key intermediary for climate investment. Each country benefited from structured climate finance frameworks, investment pipelines and improved engagement with international investors and climate funds. Engagement with ministries, financial institutions and development partners has improved coordination across climate finance initiatives.

Sustainability

Key to the success of GCIEP's support is that it is built on local demand and existing institutions and processes, rather than depending on an ODA-funded project for the long term. In Ghana, embedding the facility within DBG ensures domestic institutional ownership and financial longevity. In Mozambique, the national strategy provides a long-term framework, and the enhanced government capacity enables them to engage effectively with climate finance providers to invest in strategy aligned projects.

Scalability

GCIEP's approaches developed can be replicated across other geographies. The examples of Ghana and Mozambique clearly demonstrate that a demand-driven and locally responsive approach can yield impressive results.

Key learning points

- Climate finance pathways must be tailored to national contexts: Countries have different aspirations and goals and begin with enormously different starting points in terms of institutions, policy frameworks and financial systems. Tailored technical assistance can address the most binding constraint in each country.
- **Locally-owned and led institutional intermediaries are critical for sustainably mobilising climate finance:** Development banks such as DBG can play a catalytic role by mobilising concessional capital, de-risking investments and serving as a intermediary for Multilateral Development Banks (MDBs), Development Finance Institutions (DFIs) and financial institutions.
- **Project preparation remains a major bottleneck:** Even where financing is available, countries often lack bankable project pipelines. Dedicated project preparation facilities are critical to bridge this gap, as Ghana intends to demonstrate.
- **Capacity building and ecosystem development are essential:** Climate finance initiatives must include training, awareness building, access to data and market development. Without this, funding mechanisms may struggle to achieve scale.

GCIEP is a demand-driven initiative focused on sustainable green cities and climate-resilient infrastructure in lower-income countries. As the flagship programme of the UK's Centre of Expertise for Green Cities, Infrastructure and Energy, GCIEP supports the UK Government's mission to accelerate investment in, and delivery of, infrastructure and urban development that is responsible, reliable, inclusive, low-carbon and climate-resilient.

A significant proportion of GCIEP's work is carried out in seven priority countries: Ethiopia, Ghana, Indonesia, Philippines, Mozambique, Vietnam and Zambia, where a Deep Offer programme provides long-term, systemic interventions focused on transformative change and infrastructure financing.

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The UK's Green Cities, Infrastructure and Energy Programme accelerates the delivery of sustainable green cities and climate-resilient infrastructure – tackling climate change and extreme poverty.