



The New Collective Quantified Goal on climate finance

Quantitative and qualitative elements

Technical cooperation outcome



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Executive Summary

- At the 29th Conference of the Parties (COP 29) in Baku, Parties are expected to agree a New Collective Quantified Goal (NCQG) for climate finance from a floor of \$100 billion per year, taking into account the needs and priorities of developing countries.
- A new goal for climate finance needs to mark a transformative shift in unlocking developing country ambition to ensure that the world can achieve the goals of the Paris Agreement (PA).
- To achieve this, the goal should be based on the evidenced needs of developing countries, uphold the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC) and support just transition pathways.
- Based on modelled projections using the United Nations Global Policy Model (UN GPM), **developing countries require around \$1.1 trillion for climate finance from 2025**, rising to around \$1.8 trillion by 2030.
- Provided that key reform and coordination efforts are undertaken in global economic governance to support developing countries' growth and development outlooks, **developed countries could anticipate a funding equivalent of three quarters of the investments¹ needed** in developing countries for climate mitigation and adaptation, as well as supporting their response to loss and damage as a consequence of climate change.
- Accordingly, **the NCQG contribution target for developed countries would be \$0.89 trillion in 2025**, reaching \$1.46 trillion by the fifth year of implementation.
- This would imply a target of around **1.4 per cent of developed countries' Gross Domestic Product (GDP) per year from 2025** until 2030 when the target should be reviewed, equivalent to around 2 per cent of developing countries' GDP.
- To ensure that **the quality** of finance delivered by the NCQG improves on past experiences of the \$100 billion goal, key principles should guide the outcome and translate into concrete elements that are integrated into the final agreement.
- For the NCQG to deliver a higher quality of climate finance, it should be **based on developing countries' needs** and priorities, ensure an **effort-sharing approach** among developed countries based on CBDR-RC, focus on **expanding fiscal space** rather than increasing debt, **improve the effectiveness** of finance in delivering high quality climate action and implement safeguards so that climate finance is **adaptable** to changing needs, **transparent**, and **accessible**.
- A more **pro-development international financial architecture (IFA)** is a critical foundation for maximizing the effectiveness of future climate finance flows and development outcomes, and will ultimately be the most cost-effective route to global achievement of the PA.
- While the NCQG is not a sufficient or suitable avenue to tackle all of the barriers developing countries face in adequately financing their climate and development plans, the final outcome can signal the importance of deeper cooperation on IFA reform.
- For the best chance at delivering a meaningful outcome, **the NCQG should thus be focused on one part of the challenge, namely agreeing a goal of climate finance provision** from developed countries to developing countries that can boost trust and cooperation and unlock the ambition all Parties agree is needed.

¹ For the purposes of this report, investment is understood as the activity of building productive assets, as a result of which productive capacity is increased. Thus, needed investment in developing countries is understood to include both public and private, domestic and international investments, whether profit-returning or not.



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Abbreviations

| | |
|----------------|--|
| CBDR-RC | Common But Differentiated Responsibilities and Respective Capabilities |
| COP | Conference of the Parties |
| DRM | Domestic Resource Mobilization |
| ETF | Enhanced Transparency Framework |
| GDP | Gross Domestic Product |
| GFSN | Global Financial Safety Net |
| GHG | Green House Gas |
| GNI | Gross National Income |
| GST | Global Stock Take |
| IEA | International Energy Agency |
| IFA | International Financial Architecture |
| IFFs | Illicit Financial Flows |
| IFIs | International Financial Institutions |
| IHLEG | Independent High-level Expert Group on Climate Finance |
| IMF | International Monetary Fund |
| IPCC | Intergovernmental Panel on Climate Change |
| LDCs | Least Developed Countries |
| LICs | Low-Income Countries |
| MDB | Multilateral Development Bank |
| MICs | Middle-Income Countries |
| NAPs | National Adaptation Plans |
| NCQG | New Collective Quantified Goal |
| NDCs | Nationally Determined Contributions |
| NDRs | Reports on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Co-operation and Development |
| PA | Paris Agreement |
| SCF | Standing Committee on Finance |
| SDGs | Sustainable Development Goals |
| SDRs | Special Drawing Rights |
| SIDS | Small Island Developing States |
| UN | United Nations |
| UN GPM | United Nations global policy model |
| UNCTAD | United Nations Conference on Trade and Development |
| UNEP | United Nations Environment Programme |
| UNFCCC | United Nations Framework Convention on Climate Change |



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Introduction

Facing an alarming rise in poverty, erupting geopolitical tensions, and accelerating climate devastation, humanity is in the crosshairs of multiplying existential threats. The only way out is together: any other route leads to further crises.

In the words of UN Secretary-General António Guterres, “we must take the first decisive steps towards updating and reforming international cooperation to make it more networked, fair and inclusive – now”.²

By adopting the Pact for the Future in September 2024, world leaders took a step forward in this direction, pledging a new beginning in multilateralism. It states that our challenges “can only be addressed collectively, through strong and sustained international cooperation guided by trust and solidarity for the benefit of all and harnessing the power of those who can contribute from all sectors and generations”.³

This spirit of cooperation and solidarity is the cornerstone of any successful strategy to tackle climate change. Accomplishing the goals of the Paris Agreement (PA) will require a momentous multilateral effort, entailing profound structural transformations of every economy and society. This will only be achieved with the help of an unprecedented global investment push that can simultaneously bring down emissions, adapt to a changing climate, and unlock climate-resilient development.

However, the capacity to deliver such a vision is not distributed equally. Without financial support, many developing countries – who have contributed least to climate change but disproportionately suffer its consequences – will not be able to deliver their climate plans. Inaction anywhere is a threat everywhere, so a scenario where regions, countries or communities are left behind is not an option.

To recognize this and enshrine a cooperative foundation to the climate regime, the UNFCCC and PA calls on Parties to undertake climate action “on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities” (CBDR-RC).

To this end, Article 9 paragraph 1 of the PA commits developed country Parties to provide financial resources to assist developing country Parties, and paragraph 3 elaborates that developed country Parties should take the lead in mobilizing climate finance, taking into account the needs and priorities of developing country Parties and noting the significant role of public funds. At COP 15 in 2009, developed countries committed to jointly mobilize \$100 billion per year to address the needs of developing countries by 2020.⁴

² UN (2024). Secretary-General’s remarks at the Opening Segment of the Summit of the Future Plenary. 22 September 2024. Available at: <https://www.un.org/sg/en/content/sg/statement/2024-09-22/secretary-generals-remarks-the-opening-segment-of-the-summit-of-the-future-plenary-bilingual-delivered-scroll-down-for-all-english-and-all-french>

³ UN (2024). *Pact for the Future, Global Digital Compact and Declaration on Future Generations*. Summit of the Future Outcome Documents. United Nations. New York.

⁴ UNFCCC. *Background note on the USD 100 billion goal in the context of UNFCCC process, in relation to advancing on SDG indicator 13.a.1*. Available at https://unstats.un.org/sdgs/tierIII-indicators/files/13.a.1_Background.pdf



The goal of the NCQG must be to transform the climate finance landscape and herald a new era of mutual trust, cooperation, and climate action.

According to the OECD, this goal was exceeded in 2022 for the first time, reaching \$115.9 billion.⁵ However, celebrations from recipients have been muted since the majority of reported contributions have come in the form of loans, mitigation has been prioritized at the expense of adaptation and loss and damage needs, and methodologies for what counts as climate finance varies widely between contributors. The \$100 billion goal has been plagued by such criticisms, where persistent ambiguities have ultimately damaged trust between developed and developing country Parties.⁶

As per Decision 1/CP21 Paragraph 53, countries decided in 2015 to deliberate on a new collective quantified goal (NCQG) to raise the floor on climate finance above the current \$100 billion annual target.⁷ The discussions on the NCQG are expected to conclude at COP 29 (November 2024), where Parties are anticipated to agree a goal for provided and mobilized climate finance from developed to developing country Parties. This presents an opportunity to reinvigorate solidarity in the climate regime, learning from the shortcomings of the \$100 billion goal, including setting a more realistic quantum that is fit to address the needs of developing countries and dealing with longstanding issues around the quality of climate finance.

A strong outcome for the NCQG at COP 29 is a crucial anchor on the road

to COP 30, by which time all Parties are expected to have presented updated Nationally Determined Contributions (NDCs). Considering the intensity of accelerating climate impacts and the quickly closing window of opportunity to meet the PA goals and the Sustainable Development Goals (SDGs), the NCQG must be grasped as an opportunity to energize ambition for climate action at all levels and unlock climate resilient development. As long as developing countries struggle to stay afloat amidst cascading crises, the collective task of tackling climate change will be at risk.

This report proposes recommendations for the NCQG outcome to ensure that it can address the needs and priorities of developing countries in achieving climate-resilient development in line with just transition pathways.^{8,9} The next section models a best-case scenario for climate and development goals to propose a quantum target for the NCQG. The third section considers the qualitative aspects of the NCQG, outlining principles to guide discussions and a framework for their operationalization in the final outcome. The report closes with conclusions.

The necessity to massively scale up financing for developing countries' climate goals is undeniable. If the NCQG is to truly reflect the needs and priorities of developing countries, it should start with a strong evidence base, establishing a goal

⁵ OECD (2024). *Climate Finance Provided and Mobilised by Developed Countries in 2013-2022. Climate Finance and the USD 100 billion Goal*. OECD Publishing, Paris. Available at: <https://doi.org/10.1787/19150727-en>.

⁶ Skounti S and Erzini Vernoit I (2024) *Rebuilding Confidence and Trust After the 100billion: Recommendations for the New Collective Quantified Goal (NCQG)*. The IMAL Initiative for Climate and Development. Finance Working Group. Available at <https://odi.org/en/publications/rebuilding-confidence-and-trust-after-the-100billion/>

⁷ UNFCCC (2019). FCCC/PA/CMA/2018/3/Add.2.

⁸ Decision 3/CMA5 elaborated the scope of the Work Programme on Just Transition Pathways to discuss both national and global dimensions of pathways to achieving the goals of the PA outlined in Article 2, including energy, workforce and job creation, social protection, poverty eradication, resilience and adaptation, inclusivity, and international cooperation such as the urgent delivery of means of implementation (capacity-building, climate finance, and technology development and transfer) to facilitate just transition pathways, especially for developing country Parties.

⁹ The High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities formed by the UN Secretary General elaborated that "Just transitions incorporate the need for transformative development pathways that allow developing countries to both provide for minimum needs and industrialise with the latest clean technologies, while creating opportunities for green jobs and decent livelihoods, more energy security and financial resilience." HLEG (2022). *Integrity Matters: Net Zero commitments by Businesses, Financial Institutions, Cities and Regions*. United Nations. New York and Geneva.





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informed by both the costed climate plans of developing countries and the top-down projections of the best-case scenario for financing just transition pathways for mitigation, adaptation and loss and damage needs. Ultimately, the goal of the NCQG must be to transform the climate finance landscape and herald a new era of mutual

trust, cooperation, and climate action. This report explores what such an NCQG could look like, helping Parties to deliver concrete outcomes that form the building blocks of the multilateralism the world needs.





A Quantum to match the Climate Challenge

The 2025 round of NDCs are intended to represent a significant increase in ambition. By confirming the availability of necessary finance, the NCQG outcome will be crucial in giving developing countries the confidence they need to submit their updated plans.

For the NCQG to serve this purpose, the quantum should respond to the evidenced needs of developing countries. However, developing an evidence-based estimate for developing countries' climate finance needs is a highly complex challenge.

While aggregate costings such as the NDRs are helpful in this respect, they are not capable of taking account of the globally connected nature of delivering climate plans.¹⁰ Furthermore, aggregates suffer from a reverse causality problem: existing climate plans represented in NDCs were often within the realm of what each country could credibly afford, rather than being based on the most ambitious route to achieving PA goals.¹¹

A global macroeconomic analysis can provide a more accurate projection of the best-case scenario for global achievement of the PA and SDGs, from which an estimate of investment needs for climate action in developing countries can be extracted. Such an analysis should incorporate a feasible approach to achieving mitigation and adaptation goals while managing loss and

damage, as well as a strategy for resilient development and tackling inequalities.

Estimating the NCQG

Excessive emissions and consequent climate impacts, stalled economic development, and widening inequalities are three of many challenges that make the global economy unsustainable.^{12,13} Addressing these challenges requires a globally-coordinated policy package including a sustained global investment push; the estimates of which should inform the NCQG. Analysis confirms the existence of such a policy package that can deliver broad based sustainability and a just transition including avoiding the IPCC's catastrophic emission scenario, reducing inequalities and putting the world economy back on track toward sustainable development.¹⁴ For a deeper discussion on the model and a comparison of the economic outlooks of the baseline and best-case scenarios, please see Annex I.

¹⁰ UNCTAD (2023). *Considerations for a new collective quantified goal: Bringing accountability, trust and developing country needs to climate finance*. United Nations publication. Geneva.

¹¹ Indeed, there is a strong case to be made that current costings are in fact an over-estimation of what can be credibly afforded, considering that many countries revised NDCs in the middle of the pandemic before the full impact of ongoing economic scarring and macroeconomic shocks could be assessed.

¹² UNCTAD (2019). *Trade and Development Report 2019: Financing A Global Green New Deal*. United Nations publication. New York and Geneva.

¹³ UNCTAD (2020). *Trade and Development Report 2020: From global pandemic to prosperity for all: avoiding another lost decade*. United Nations publication. New York and Geneva.

¹⁴ IPCC (2023). *Sixth Assessment Report*. Inter-Governmental Panel on Climate Change.



A proposal for the NCQG can be developed from the best-case scenario by extracting the projection of the funding needed for adaptation and mitigation, assessing what is required from external financing, and augmenting this figure with the additional support required for loss and damage.

1. Investment needs for adaptation and mitigation are extracted from the model projections.¹⁵ These needs are anticipated to reach \$956 billion in the first year – or approximately 2 per cent of developing countries' GDP – and \$1.5 trillion by 2030. In doing this, we assume that inflation will return to its 20-year averages of approximately 2.3 per cent in developed economies and 7 per cent in developing ones.
2. External financing needs are then determined by subtracting the potential for domestic government spending on climate in this scenario from total mitigation and adaptation investment needs, assuming that developing countries will resort to as much Domestic Resource Mobilization (DRM) as is feasible given the projections.¹⁶ Taking into account the positive effects of income redistribution and additional investment on GDP, and the positive effect of the latter on tax revenues, we project DRM's capacity to cover mitigation and adaptation needs in developing countries to be approximately \$220 billion in the first year and \$347 billion in the fifth year, equaling

around a quarter of these investment needs.¹⁷ This would leave \$736 billion and \$1.161 trillion to be funded externally to cover mitigation and adaptation needs in the first and fifth years respectively. Obtaining the maximum from DRM in developing countries requires that their financial efforts are shielded from the risk of capital account volatility and exchange rate instability: for developing countries to fund their share of the investments, which require large imports of capital goods, their currencies should remain relatively stable. The proposed capacity for DRM's contribution is thus conditional on a more pro-development International Financial Architecture (IFA), and can be thus understood as a best-case, upper-bound estimation.¹⁸

3. The estimate of external financing needs is then augmented with an assumed initial target of \$150 billion per year for loss and damage, arriving at a goal of \$300 billion per year by 2030 in line with both estimated and recorded assessments of loss and damage.¹⁹ Future loss and damage support needs are incredibly difficult to predict considering the highly uncertain and complex nature of climate change impacts. Estimations for recorded loss and damage costs in developing countries in 2022 stood at around \$109 billion, which excludes smaller events, slow onset impacts and non-economic losses.²⁰ In 2018, costs for loss and damage in developing countries were projected to be \$116–435 billion

¹⁵ Global data on the cost and macroeconomic impact of adaptation is still preliminary and incomplete. Our analysis is based on existing studies on the cost of strengthening available infrastructure and rebuilding the infrastructure damaged by climate events.

¹⁶ See below for further discussion on considerations related to DRM's contribution.

¹⁷ For the scenario to be moderately successful relies on more progressive taxation (aiming at distribution as well as fiscal balances over time), as well as social transfers to alleviate inequities of income and social security.

¹⁸ Expecting more from developing countries' DRM would lead to a significant increase in unsustainable debt burdens, fueling the vicious cycle which currently keeps developing countries from realizing PA and development ambitions. As demonstrated by the crises of recent years, developing countries are particularly exposed to external economic shocks, which makes estimating a safe level of public spending extremely difficult. With this in mind, no target for DRM is completely reliable or safe for developing countries to commit to.

¹⁹ UNCTAD (2023). *Taking responsibility: Towards a fit-for-purpose Loss and Damage Fund*. United Nations publication. Geneva.

²⁰ Richards J et al. (2023). *The loss and damage finance landscape*. The loss and damage collaboration. Available at <https://www.lossanddamagecollaboration.org>



in 2020, rising to \$290–580 billion in 2030.²¹ \$150 billion per year earmarked for loss and damage from 2025 would be a reasonable target to respond to this evidence. However, since under-ambitious mitigation and under-resourced adaptation persist, support for loss and

damage will likely need to progressively increase. An indicative target for annual contributions of \$300 billion by 2030 is proposed, however should be revised depending on recorded and estimated loss and damage needs in the coming years as required.

Table 1
NCQG estimate, USD billion

| | | 2025 | 2029 |
|-----|--|--------------|----------------|
| (A) | Investment needs for Adaptation and Mitigation in developing countries | 956.4 | 1,508.0 |
| (B) | DRM contribution | 220.0 | 347.0 |
| (C) | External Financing Needs (A-B) | 736.4 | 1,161.0 |
| (D) | Support for loss and damage | 150.0 | 300.0 |
| (E) | NCQG (C+D) | 886.4 | 1,461.0 |

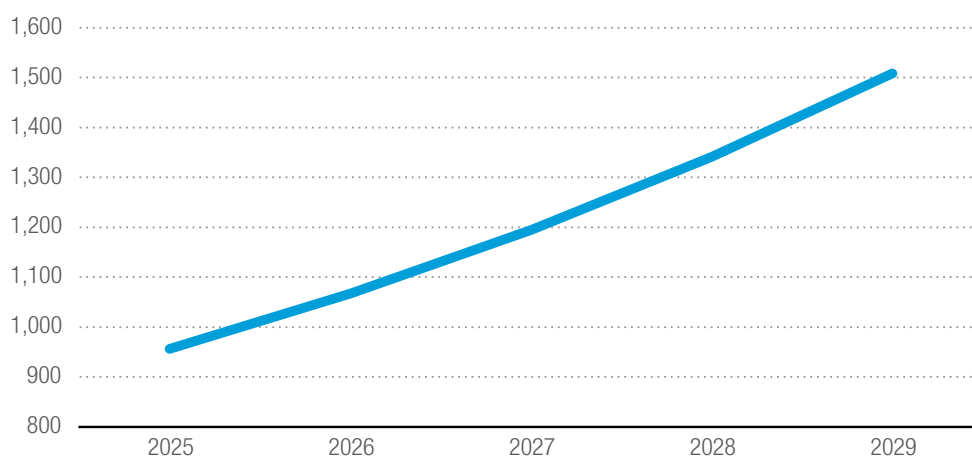
Source: UNCTAD Secretariat calculations based on the United Nations Global Policy Model.

Table 1 indicates that the estimate of the NCQG in the first year of implementation is around \$0.89 trillion, provided that key coordination measures that can better support developing countries are implemented at the international level. As the global economy develops and growth continues to unfold, these

numbers change over time (figure 1). Indeed, for the fifth year, the estimate increases to approximately \$1.46 trillion.

This projection implies an NCQG target of almost 1.4 per cent of developed countries' GDP from 2025, or around 2 per cent of developing countries GDP.

Figure 1
Additional required investment for Adaptation and Mitigation in Developing Economies (USD billion)



Source: UNCTAD Secretariat calculations based on the United Nations Global Policy Model.

²¹ Markandya A and González-Eguino M (2019). *Integrated Assessment for Identifying Climate Finance Needs for Loss and Damage: A Critical Review*. In: Mechler R et al., eds. *Loss and Damage from Climate Change*. Springer Cham. 343–362.

Discussion

Sector-specific studies on mitigation, adaptation and loss and damage²² are broadly compatible with this target. The International Energy Agency (IEA) estimates that annual investment, public and private, in clean energy in developing countries will need to more than triple from \$770 billion in 2022 to \$2.2-2.8 trillion per year by the early 2030s, remaining around these levels to 2050.²³ Excluding China makes the needed investment increase even steeper, rising sixfold from \$270 billion today to \$1.6 trillion by the early 2030s.²⁴

The United Nations Environment Programme (UNEP) estimates annual adaptation needs to be \$215-387 billion for developing countries alone in the coming decade.²⁵ According to UNEP, this requires a 10-18 times increase from current international public adaptation finance flows. This analysis is in line with the fact that while identified mitigation costs were estimated to be higher than adaptation, developing country Parties have pushed for at least a doubling of finance for adaptation by 2025,²⁶ indicating that the NCQG may have a bigger role to play in supporting the total needs of adaptation compared to the total needs of mitigation.

At COP 27, the Independent High-level Expert Group on Climate Finance (IHLEG) released an important report that similarly argued for a global investment push and estimated climate-related investment needs for developing countries.²⁷ In this study, needs are considered in three priority areas: energy transition; adaptation and resilience including loss and damage; and the restoration of natural capital through sustainable agriculture, food and land use practices, and biodiversity. Building on the approach used by Bhattacharya (2022)^{28,29} the report aggregates estimates from different studies and country level assessments for these needs, concluding that developing countries excluding China will need to collectively spend \$1 trillion per year by 2025 and \$2.4 trillion by 2030, and thus calls for an increase of \$1 trillion in external financing by 2030.

The IHLEG report also includes a proposal for how to cover the investment gap, including expectations for around \$653 billion to come from DRM by 2025 (as compared to the proposal above for \$220 billion), an almost sixfold increase in the mobilization of private finance and only a very modest increase in grant-equivalent support. However, based on our analysis above, covering around 25 per cent of climate finance needs in developing

²² IPCC (2023). *Climate Change 2023: Synthesis Report*. Available at <https://www.ipcc.ch/assessment-report/ar6/>

²³ IEA (2023). *Scaling Up Private Finance for Clean Energy in Emerging and Developing Economies*. IEA, Paris. Available at <https://www.iea.org/reports/scaling-up-private-finance-for-clean-energy-in-emerging-and-developing-economies>

²⁴ IEA (2024). *Reducing the Cost of Capital*. IEA, Paris. Available at <https://www.iea.org/reports/reducing-the-cost-of-capital>

²⁵ UNEP (2023). *Adaptation Gap Report 2023*. Available at <https://www.unep.org/resources/adaptation-gap-report-2023>

²⁶ UNFCCC (2020). *First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement*. UNFCCC Standing Committee on Finance Technical Report: 8 (18)

²⁷ Songwe V et al. (2022). *Finance for climate action: Scaling up investment for climate and development*. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. London.

²⁸ Bhattacharya A et al. (2022). *Financing a big investment push in emerging markets and developing economies for sustainable, resilient and inclusive recovery and growth*. Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science, and Washington, DC: Brookings Institution. Available at <https://www.lse.ac.uk/granthaminstitute/publication/financing-a-big-investment-push-in-emerging-markets-and-developing-economies/>

²⁹ Based on aggregates provided by different analysis by Stern (2021) and the IEA along with disaggregated country analysis to build country by country numbers from 2025 to 2030 using 2019 as the base.



countries with DRM represented the upper-bound in the best possible scenario.³⁰

A similar argument could be made for reassessing the anticipated contribution from mobilized private finance as proposed in the IHLEG report: according to the UNFCCC, private finance mobilization in relation to the \$100 billion goal has fallen short of expectations, with a 60 percentage point gap in 2020 compared to the 2016 Roadmap to \$100 billion.^{31 32} The most recent assessment of the \$100 billion goal by the OECD showed that private finance mobilized by public climate finance reached \$21.9 billion in 2022.³³ This means private finance mobilization represented 19 per cent of what the OECD calculates towards developed countries' climate finance contributions to developing countries. In the six years before 2022, the average proportion made up by private finance mobilization was 17.5 per cent, never exceeding 20 per cent. To this end, 20 per cent marks an ambitious but reasonable assumption for what could be mobilized on current trends. If applied to the external financing needs identified in the projection above, this would imply a mobilization target of approximately \$177 billion out of a total NCQG of \$886 billion in 2025, leaving around \$709 billion to come from public financing.

While DRM and private finance must play a significant role in global delivery of the PA and SDGs, it is important to have pragmatic expectations. Indeed, a repeat of overoptimistic targets that lead to underestimating the need for grant-based and highly concessional finance would likely lead to stalled action, rising costs and further tensions.³⁴ To this end, the scenario and consequent NCQG presented here represents not only the most feasible strategy to keep warming well below 2°C while achieving the SDGs, but also the most cost-effective route for all Parties.

While the proposed NCQG target may seem large compared to current climate finance flows to developing countries, it should be noted that compared to other significant expenditures, both historical and contemporary, it appears feasible. As figure 2 below shows, 1.4 per cent of GDP of developed countries is close to what the US provided each year for four years to rebuild 16 countries ravaged by World War II in Western Europe. It is also much smaller than the military expenditure of NATO countries,³⁵ and around one third of the total fossil fuel subsidies of selected developed countries. Finally, it is dwarfed by the Covid-19 fiscal response in developed countries.

A repeat of overoptimistic targets that lead to underestimating the need for grant-based and highly concessional finance would likely lead to stalled action, rising costs and further tensions.

³⁰ If anything, the assessment of DRM's potential would likely need to be revised downwards in any realistic outcome, since the conditions presented in the scenario of high levels of macroeconomic cooperation and deep reforms in global economic governance will not be in place upon establishment of the NCQG. Short of initiating wide-ranging reforms of the IFA and redistributive policies at the national level prior to agreeing the NCQG, Parties would be advised to anticipate a lower contribution from DRM during the initial years of implementation.

³¹ UNFCCC (2016). *Roadmap to \$100 billion*. Available at <https://unfccc.int/sites/default/files/resource/climate-finance-roadmap-to-us100-billion.pdf>

³² UNFCCC (2022). *Report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation*. Available at https://unfccc.int/sites/default/files/resource/J0156_UNFCCC%20100BN%202022%20Report_Book_v3.2.pdf

³³ OECD (2024). *Climate Finance Provided and Mobilized by Developed Countries in 2013-2022*. Climate Finance and the USD 100 billion Goal. OECD Publishing, Paris. Available

³⁴ CPI (2023). *Global Landscape of Climate Finance 2023*. United States: Climate Policy Initiative. Available at <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/>

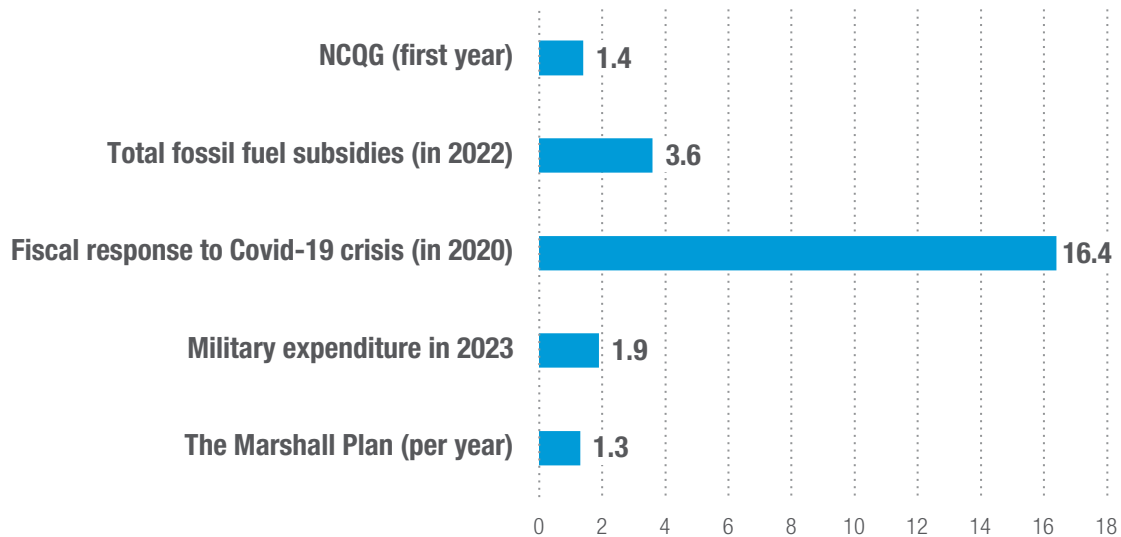
³⁵ Average military expenditure of NATO countries was used as a proxy in the absence of data for military expenditure of developed countries.





Figure 2
NCQG compared to other expenditure

(as a percentage of GDP of developed countries)



Source: UNCTAD secretariat calculations, based on various sources.³⁶

Limitations

It is important to note the limitations of this proposal for the NCQG, namely the gap with regards to biophysical considerations, the global nature of its projections, and challenges of incomplete information on adaptation investment needs.

Firstly, these projections do not include estimations for necessary interventions such as ecological preservation and future unknowns such as maladaptation and possible increases in loss and damage costs. Since the UN GPM is economic and not a biophysical model, its insights

relate to the production and distribution of economic resources –and their impact on certain natural resources for which markets are well established such as fossil fuels– but it does not include details on emissions of specific gasses and their climate and sector level impacts.

Secondly, since the basis for these projections is a global economic model, it is not as detailed as a market-level or country-level analysis, although it does provide insights on the international linkages that escape more granular approaches. This means that some important details are hidden behind generalizations.

³⁶ NCQG was calculated using the UN GPM; Total fossil fuel subsidies for nine developed countries (Australia, Canada, Germany, France, Italy, Japan, South Korea, United Kingdom and United States) was calculated from Simon B, Liu A, Parry I and Vernon N, (2023). *IMF Fossil Fuel Subsidies Data: 2023 Update*. Working paper, IMF, Washington, DC.; Fiscal response to Covid-19 crisis in 2020 includes data on additional fiscal spending and foregone revenue, and was taken from the IMF Database of fiscal responses to Covid-19, available at: https://www.imf.org/en/Topics/imf-and-covid19/~/_/media/Files/Topics/COVID/FM-Database/SM21/revised-april-2021-fiscal-measures-response-database-publication-april-2021-v3.ashx; Data on military expenditure refers to average military expenditure of NATO member states, taken from Tian N, Lopes da Silva D, Liang X, and Scarazzato L, SIPRI Fact Sheet, April 2024, *Trends in World Military Expenditure, 2023*. The data on the Marshall Plan was taken from Tarnoff C (2018). *The Marshall Plan: Design, Accomplishments, and Significance*. Congressional Research Service 7-5700 www.crs.gov R45079.





For example, the proposal for 25 per cent of investment needs to be covered by DRM hides significant variation across developing countries: some developing countries will be capable of much more than this, while others, and in particular debt-distressed countries and Least Developed Countries (LDCs), cannot be reasonably expected to achieve this, even by 2030. The utility of this number is not as a standard or expectation to hold all developing countries to, but rather to be able to extract a realistic external financing goal for the NCQG that is inclusive of all developing countries.

Finally, while the analysis is based on existing studies on the cost of strengthening available infrastructure and rebuilding the infrastructure damaged by climate events, global data on the cost and macroeconomic impact of adaptation is still preliminary and incomplete. Consequently, it should be emphasized that these projections are likely to be underestimations, and thus represent the minimum target for the NCQG.

Concluding remarks

Quantifying the NCQG requires first and foremost an estimate of developing countries' climate investment needs. This should be grounded in a feasible scenario

in which the global economy achieves enough reduction of emissions to stabilize the climate. Provided that the international community delivers the best-case scenario and considerable efforts are undertaken to support developing countries with key reform and coordination policies at the multilateral level, developed countries can fund at least three quarters of the climate investments needed in developing countries. Adding to this an appropriate amount for loss and damage puts the NCQG at around \$0.89 trillion from 2025 and \$1.46 trillion by 2030, about 20 per cent of which may be reasonably expected to come from private finance mobilization. This would imply a target of close to 1.4 per cent of developed countries' GDP from 2025, or close to 2 per cent of developing countries' GDP.

On the other hand, a scenario based on current policy trends not only makes total financial needs increase drastically (for example because of damages that could have been averted) but means developing countries will be less capable of contributing to costs via DRM. For these reasons, it is in the interests of all Parties to adequately finance the NCQG to this level, alongside ensuring the appropriate global macroeconomic conditions for the best-case scenario to be realized.





Qualitative Elements of the NCQG

Just as important as the quantity of finance committed via the NCQG is the quality of these resources. If developing countries become increasingly indebted, weighed down by lengthy application processes or lack avenues to suitable finance to deliver climate priorities, the NCQG will have done little to address the shortcomings of the \$100 billion commitment.

High-quality climate finance can be understood as that which helps developing countries to achieve their objectives for all three pillars of climate action (mitigation, adaptation and loss and damage), advances sustainable development, and upholds the goals of the PA including the imperative of a just transition and principles of equity and CBDR-RC.³⁷ In short, high-quality climate finance should translate into climate-resilient development. If these prerequisites are met, it should also act to boost trust across the multilateral climate regime, establishing a virtuous cycle of promises delivered by both contributors and recipients, and in turn reinforcing support from citizens in developed and developing countries.

The NCQG outcome can ensure an improvement in the quality of finance and associated outcomes by establishing guiding principles that are then operationalized via the structure and delivery of the new goal. The following principles elaborate on the considerations for the NCQG put forth in UNCTAD 2023,³⁸ which were developed to respond to the challenges encountered with the \$100 billion goal. By ensuring that these principles are considered in the development of the final outcome at COP 29, Parties can be confident that they are delivering a higher-quality climate finance regime.

Principles for a high-quality NCQG

1. Led by developing countries' needs and priorities

The NCQG must be adequate, firmly anchored in both the qualitative and quantitative needs of developing countries, with a target and structure that respond to lessons learned from the annual \$100 billion goal, and commitment to support nationally-led climate plans, including NDCs, and financing strategies.

2. Aligned with an effort-sharing approach based on CBDR-RC

Targets for contributions should be based on a fair effort-sharing approach among developed countries that allows collective understanding of the distribution of responsibilities and thus encourages accountability and predictability.

3. Expanding fiscal space for climate-resilient development

Instead of exacerbating debt issues, the goal of the NCQG should be to expand the fiscal space for developing countries to deliver NDCs and complementary development goals. This means inverting the current trend where most climate finance is delivered as loans and only a small proportion as grants.

³⁷ Cozzi P, Narvaez R, Osses F, Eyassu Melkie M, Nguyen C (2022). *The new goal on climate finance: it's about quantity and quality!* Climate Finance Access Network. Available at <https://cfanadvisors.org/wp-content/uploads/2022/11/SECOND-TECHNICAL-PAPER-V5.pdf>

³⁸ UNCTAD (2023). *Considerations for a new collective quantified goal: Bringing accountability, trust and developing country needs to climate finance.* United Nations publication. Geneva.



If this were achieved, it would refocus the NCQG on how it can address developing countries' needs rather than on the incentives and risk tolerance of different providers.

4. Effective in advancing the Paris Agreement and Sustainable Development Goals

Higher quality climate finance should translate into higher quality climate ambition and in turn, action. A high integrity outcome with a clear definition of climate finance would prevent resources with little climate focus being counted towards the goal, thus tackling greenwashing and encouraging a focus on delivering NDCs, National Adaptation Plans (NAPs) and related development plans, including necessary loss and damage response. It should also mean better outcomes for people, advancing just transitions, gender equality and support for women, girls and most-affected communities. A stronger focus on the effectiveness of climate finance would encourage more ambitious NDCs from developing countries who can have the confidence to put forth actionable plans at COP 30.

5. Adaptable to changing needs

Developing countries' needs and priorities will change depending on global support for mitigation, adaptation and loss and damage, and the adverse effects of exogenous shocks. Moreover, political and economic conditions can shift, rapidly rendering needs assessments out of date, whether in relation to financing, capacity building or technology needs. Accordingly, the NCQG must be adjustable to ensure suitability in a highly dynamic world.

6. Improving transparency and accountability

Controversies around climate finance reporting have hampered the \$100 billion goal and should be remedied with consistent, standardized formats that assess contributions and allow better comparison

of relative fiscal effort. Action in this regard would enable deeper scrutiny of finance flows, including identifying best and worst performers, and encouraging good practice.

7. Enhancing access

The fragmentation³⁹ of funding channels has hindered the realization of climate action and exacerbated distributional inequity in current climate finance flows. Simplifying, harmonizing and enhancing access to climate finance through the NCQG is necessary to unburden developing countries from high transaction costs, lengthy administrative processes and delayed disbursement.

8. Supported by a pro-development environment in global economic governance

At the same time as Parties progress negotiations on establishing an NCQG, debates around reforming or transforming the IFA have gathered fresh momentum. While external to the UNFCCC negotiations, the reality is that broader global economic governance reform, by unlocking additional suitable sources of financing and tackling the systemic inequities facing developing countries, will play a role in whether the NCQG has the transformative impact the world needs. The final outcome of the NCQG can send strong signals to influence ongoing reform efforts, indicating targets and expectations from complementary elements of multilateral governance, and bringing greater coherence across institutions.

Translating Principles for Quality into the Structure of the NCQG

High-level principles for the NCQG will remain wishful thinking if they are not translated into specific outcomes in the structure of the new goal. This section explores how these principles could be operationalized across different elements of the final outcome.

³⁹ Robertson M and Watson C (2024). *Enhanced Access in the New Collective Quantified Goal on climate finance (NCQG): A case for access done strategically*. ODI. Available at <https://odi.org/en/insights/enhanced-access-in-the-new-collective-quantified-goal-on-climate-finance-ncqg-a-case-for-access-done-strategically/>



Table 2
Operationalizing Quality Principles into the NCQG Outcome

| Principles | Operationalization in NCQG Outcome |
|--|---|
| Led by developing countries' needs and priorities | <ul style="list-style-type: none"> Quantum target based on top-down (UN GPM projections) and bottom up (NDRs) understandings of developing country needs. Distinct quantum goals for mitigation, adaptation and loss and damage to ensure the principle of adequacy. Enhanced support for needs-reporting in developing countries. |
| CBDR effort-sharing approach | <ul style="list-style-type: none"> Goal for finance provision from developed country Parties. GNI or GDP-based effort-sharing approach to determine respective contributions. Consideration of weighted adjustments based on historic responsibility. Any consideration of separate targets for additional provision and mobilization from non-state sources, such as multilateral sources, indicates Parties' responsibilities in this respect. Continued encouragement of voluntary provision of climate finance. |
| Expanding fiscal space | <ul style="list-style-type: none"> Minimum terms of conditions for debt instruments counting towards the NCQG such as interest rates, grace periods, maturity periods, service fees and climate-resilient clauses. Commitment for a substantial portion of new climate finance provision from developed countries to come in the form of grants, particularly for adaptation and loss and damage. |
| Effective | <ul style="list-style-type: none"> Agreed approach to counting climate finance delivered as part of the NCQG that distinguishes it from development finance and other financial commitments, excludes market rate loans, and ensures a high degree of focus on climate-specific activities. Ambition in NDCs augmented in line with availability of appropriate finance. Increased recognition for just transition needs, including transition support for affected communities. |
| Adaptable | <ul style="list-style-type: none"> A 'minimum floor' goal from 2025 with a share of GNI/GDP target to reach by 2030. Review mechanism every 5 years to allow for goal and structure adjustments according to emerging needs, aligned to support NDC enhancement, Global Stock Take (GST) cycles and ongoing processes and agreements such as the Global Goal on Adaptation and the Just Transition Pathways Work Programme. |
| Transparent | <ul style="list-style-type: none"> Mandatory assessment of non-grant instruments for their grant-equivalence as part of the Enhanced Transparency Framework (ETF), with a clear accounting system that improves on shortcomings of the ODA system to avoid inadvertently incentivising loan instruments. Improved guidance and rigorous standards for what can be counted as climate finance, with a way of tracking that which counts towards the NCQG. Accounting framework with clear methodology for reporting climate-related ODA to prevent double counting. Improved guidance on what can be considered mitigation, adaptation and loss and damage. Publishing of project documentation alongside tracked NCQG provision. |
| Accessible | <ul style="list-style-type: none"> Harmonized and simplified access procedures across different climate finance providers. Safeguards to ensure access for particularly under-resourced countries including direct access, simplified application and disbursement processes, and a minimum floor target. Easing eligibility criteria such as co-funding and leverage ratios to ensure suitability for recipients and funded activities. A minimum requirement for local institutions and civil society actors receiving climate finance. A minimum requirement for the use of UNFCCC-based funds. |
| Pro-development global economic governance | <ul style="list-style-type: none"> Recognition of the preconditions needed in global economic governance to improve outcomes from climate finance and unlock further ambition in developing countries. Encouragement of action in non-UNFCCC processes for example to establish a multilateral debt restructuring initiative, tackle Illicit Financial Flows (IFFs), strengthen international tax cooperation, expand the Global Financial Safety Net (GFSN), rechannel Special Drawing Rights (SDRs), regulate volatile financial flows, reform IFIs towards more equitable governance, reform Multilateral Development Banks, and meet ODA commitments. |

Source: Based on UNCTAD analysis.

The Quantum

To support an effort-sharing approach based on CBDR-RC, NCQG provision could be based on a share of GNI, or if preferred, GDP.⁴⁰ This will infer greater accountability for contributors and predictability for recipients, allowing judgments of progress to be based on relative fiscal effort which is more indicative of impact than absolute terms. This will also allow the main goal of the NCQG to remain focused on Parties to the PA, which does not prevent inclusion of non-state contributors in sub-goals. If the quantum were to be based on all possible contributors, for example, including targets for new multilateral sources, the private sector or philanthropy, it would increase the likelihood of further ambiguities around the goal. Since these stakeholders are not subject to reporting obligations under the Convention and the PA and thus cannot be held accountable, their inclusion would make tracking progress towards achieving the NCQG less transparent and more difficult. These sources can and should be acknowledged, but the core focus of the NCQG should be on what developed country Parties can provide.

While a share of GNI/GDP goal might mean a small fluctuation on a year-by-year basis, particularly in periods of crisis, the accountability benefits conferred by this approach far outweigh any impacts of fluctuation. As evidenced in recent trends in climate finance, the total provided will change for a variety of global, regional and domestic reasons, and an absolute goal is not any less likely to see decreases in real-term finance provision during periods of instability.

A share of GNI/GDP target, while novel compared to the current \$100 billion

target, is not a new concept. Indeed, during negotiations for the climate finance goal achieved in 2009, members of the Group of 77 and China had suggested that Annex II countries commit to devoting 1 per cent of their GDP per year to climate finance for developing countries, which would have equaled an annual target of around \$400 billion.^{41,42}

A share of GNI/GDP goal should be identified with the aid of top-down projections such as that described in the previous section, as well as bottom-up analyses from climate plan costings such as NDRs. This would allow the target to be based on tangible evidence of need from countries while also averting issues around using incomplete information as a basis for the NCQG. As discussed in the previous section, while extremely useful for understanding the real gap between provision and country ambition, the NDR finance gaps are aggregates of diverse and incomplete costing methodologies and are thus vast underestimates of actual need. Furthermore, using the NDRs alone prioritizes the needs demonstrated by those developing countries who are best able to design and cost robust climate strategies, which in turn underemphasizes the significant need in countries with greatest necessity for capacity building and climate finance provision. In this respect, developing countries need greater support to provide more comprehensive and sophisticated needs-based assessments in the future. The NCQG could include a target for grants for technical assistance to support this work.

Parties should avoid an outcome with a long-term aspirational or cumulative goal with no effort-sharing mechanism, as this is likely to suffer from delayed action and free-rider issues. The outcome should also not

⁴⁰ While a target based on GNI would allow comparability with ODA, a target based on GDP would be more useful as a macroeconomic indicator.

⁴¹ Adam D (2009). *Gordon Brown puts \$100bn price tag on climate adaptation*. The Guardian. Accessed 27 September 2009. Available at: www.theguardian.com/environment/2009/jun/26/gordon-brown-climate-adaptationcost

⁴² Skounti S and Erzini Vernoi I (2024). *Rebuilding Confidence and Trust After the 100billion: Recommendations for the New Collective Quantified Goal (NCQG)*. The IMAL Initiative for Climate and Development. Finance Working Group. Available at <https://odi.org/en/publications/rebuilding-confidence-and-trust-after-the-100billion/>



broaden out to infer achievement of Article 2.1c: in this respect, the NCQG could be understood as complementary to achieving Article 2.1c, but ongoing discussion in the Sharm el-Sheikh Dialogue will clarify how this can be operationalized in future outcomes.

Outcome-oriented goals would also not be advised: besides implying a heavy reporting cost on recipients with limited institutional capacity, existing equity issues around the distribution of climate finance between developing countries would likely be exacerbated. Considering that greatest mitigation activities may not be achieved in those countries typically excluded from current climate finance such as LDCs or Small Island Developing States (SIDS), this would further entrench inequities in the distribution of climate finance by directing the majority of finance towards the biggest developing countries where the greatest emissions reductions can be achieved. Conversely, accelerated achievement of climate goals in all developing countries will be a direct consequence of improved availability of climate finance. To signal willingness to scale up ambition, developing countries can use the 2025 NDC cycle to signal those activities which are conditional on the provision of adequate financing in line with the NCQG outcome.

Temporal Scope and Review Mechanisms

A short-term time frame of five years for the initial goal and review cycles every five years would allow the NCQG to align with NDC and GST processes. This would be composed of an initial 'minimum floor' goal from 2025, and a more ambitious target based on a share of GNI/GDP to be reached by 2030. Basing the quantum on a percentage of GNI or GDP would imply minimal tinkering with the actual target itself during review processes, which would instead be more focused on qualitative aspects. This would allow

the NCQG to remain consistent and coherent with these processes, while also addressing challenges associated with assessing adequacy as needs change. Recommendations for adjustments could be based on a tracking framework that encapsulates both quantitative and qualitative aspects (see below), formalized in Standing Committee on Finance (SCF) assessments, ETF reporting and the GST.

Structure of the Quantum

Sub-goals for mitigation, adaptation and loss and damage should be distinguished and specified according to assessments of needed finance, both in terms of quantity and suitable financing modalities. With regards to quantity, the thematic distribution of climate finance is currently misaligned: adaptation finance constituted only around 5 per cent of global climate finance flows (public and private) between 2021 and 2022.⁴³ Adaptation in highly climate-vulnerable and low-emitting countries should be recognized as a priority in the NCQG, requiring significantly scaled-up support.

In terms of modalities, adaptation and loss and damage should primarily be supported through grants, while mitigation is more suitable for concessional financing. Loss and damage support and adaptation investments have the characteristics of public goods: steep upfront costs, long investment timelines, and lack of clear revenue streams, which make them broadly unsuitable for private investors. Indeed, adaptation is primarily focused on avoiding future losses, rather than on generating profit, signalling a much greater role for public investment.

On the other hand, mitigation investments, such as renewable energy infrastructure, have well understood cash-flow generating activity, so this sub-goal could comprise a broader mix of sources. At the same time, there is a strong case for highly concessional and grant-based support for

Accelerated achievement of climate goals in all developing countries will be a direct consequence of improved availability of climate finance.

⁴³ CPI (2023). *Global Landscape of Climate Finance 2023*. United States: Climate Policy Initiative. Available at <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/>



mitigation projects with low or no return case. To this end, care must be taken to ensure suitable financing is available for different countries' needs: many countries and in particular LDCs may struggle to take on even concessional loans, underscoring again the importance of grant-based instruments to ensure these countries do not continue to be held back from achieving their NDCs and SDGs.

Indeed, the majority of existing climate finance is delivered as debt. More than 17 per cent of public climate finance going to LDCs comes in the form of market-rate debt.⁴⁴ This debt financing only adds to existing pressures in terms of debt sustainability: 34 of the 67 countries eligible for concessional finance from the the IMF's Poverty Reduction and Growth Trust are considered highly vulnerable to both debt and climate distress.⁴⁵ Considering the significant sovereign debt challenges currently facing many developing countries, the dominance of debt further restricts the fiscal space needed to invest in ambitious NDCs.

Operationalizing a structure made up of sub-goals and expectations on financing modalities will be reliant on clear definitions for mitigation, adaptation and loss and damage to aid reporting and ensure a high degree of integrity in disbursed resources. Such definitions are important for building the trust of both contributors and recipients: contributors so that they can confirm that their support is having a strong impact on climate goals, and recipients so that they can be sure that available financing is resourcing climate-resilient development plans such as NDCs. Just transition considerations should be

mainstreamed across these definitions to ensure transition support qualifies for inclusion in NCQG-tracked climate finance.

Sources

The goal for climate finance counting towards the NCQG should be primarily led by the public sources of finance provided by developed countries. Finance mobilization from a variety of sources can still be encouraged but must be accounted for on a grant-equivalent basis and avoid double-counting. Potential IFA reforms could unlock additional multilateral financing for climate goals, but these should not be a basis for decreasing ambition for bilateral contributions through the NCQG.

Similarly, considering that private finance mobilization for climate plans in developing countries has fallen far short of expectations⁴⁶ (particularly for LDCs), basing a goal on a significant scaling up of private sector financing would represent a risky gamble for an NCQG outcome that should be focused on fortifying trust and confidence. According to the World Bank's Chief Economist, "private capital mobilization efforts have been judged harshly, at least in tone, because of their failure to meet what was, in retrospect, an unrealistic goal."⁴⁷ In other words, the problem is not with anticipating a role for private finance, but with overestimating its potential contribution. To this end, while private finance can and should continue to play a role in achieving the PA, the NCQG outcome will be more meaningful if focused on bilateral, public contributions. For that finance which is mobilized, contributors could enhance reporting, both to maintain high degrees of integrity

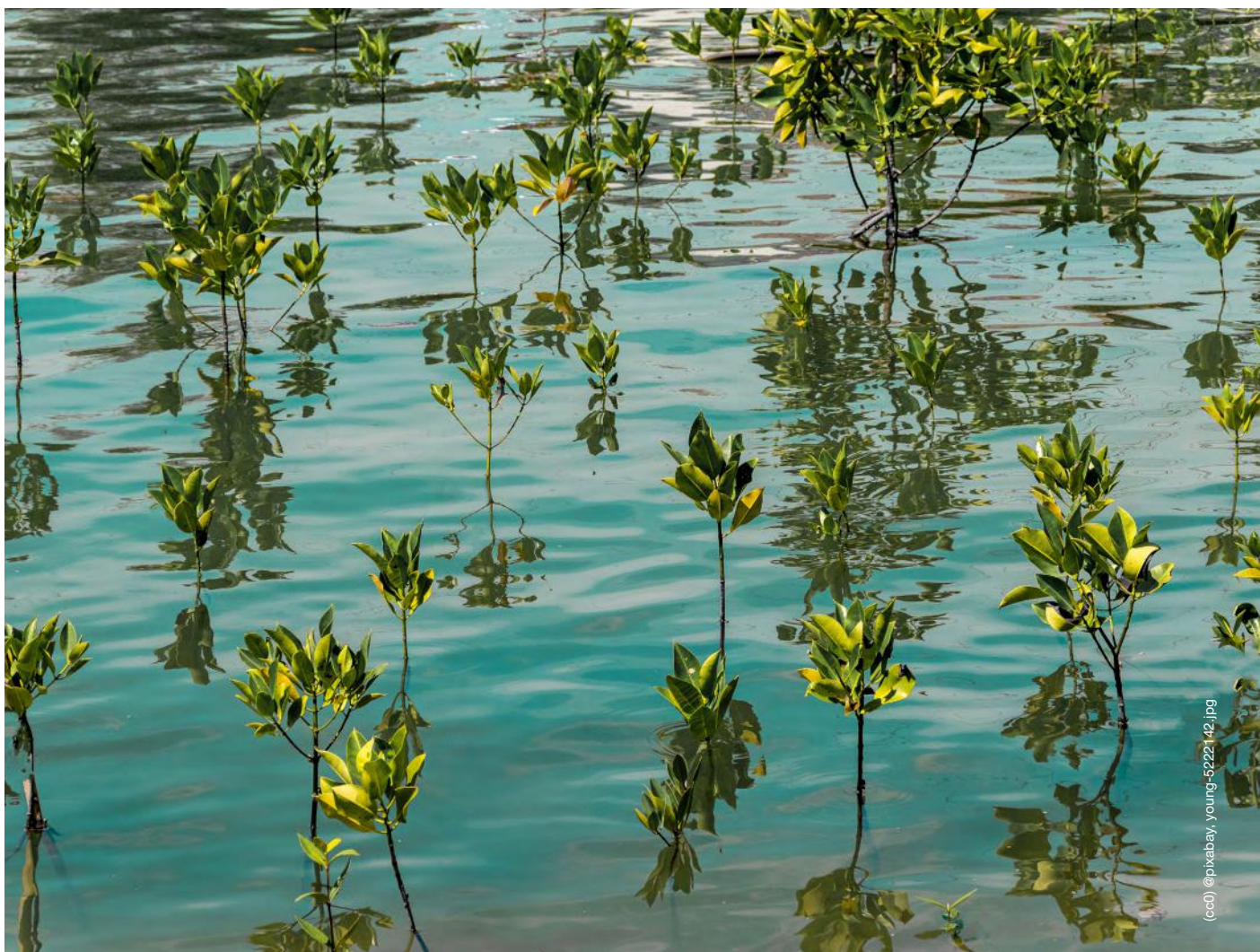
⁴⁴ Idem.

⁴⁵ IMF (2024). List of LIC DSAs for PRGT-Eligible Countries As of September 30, 2024. Available at: <https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf>

⁴⁶ UNFCCC (2022). *Report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation*. Available at https://unfccc.int/sites/default/files/resource/J0156_UNFCCC%20100BN%202022%20Report_Book_v3.2.pdf

⁴⁷ Cull R, Gill I, Pedraza A, Ruiz-Ortega C, Zeni F (2024). *Mobilizing Private Capital for the Sustainable Development Goals*. Policy Research Working Paper 10838. Office of the Chief Economist and Senior Vice President. World Bank Group. Washington DC.





(cc0) @pixabay, young-5222142.jpg

across finance sources but also to share best practice in successful mobilization.

Reporting and Tracking

Improving transparency around climate finance provision depends on Parties agreeing a harmonized and rigorous methodology for reporting. This, in turn, necessitates agreeing a common definition of climate finance (and mitigation, adaptation and loss and damage as discussed above) as the basis for a common reporting approach. If a definition remains out of reach before the NCQG agreement, countries should at the very least develop a positive and negative list of what can be counted towards the NCQG goal

to protect the integrity of contributions. To tackle double-counting, finance counted towards the NCQG should be distinguishable from ODA and other financial commitments such as on biodiversity, while new accounting methodologies will be needed to respond to scenarios where there is significant overlap in objectives.

Considering that more and more development finance is climate-mainstreamed, this is particularly challenging, and indeed if developing countries are going to successfully mount climate-resilient developmental strategies, it will require aligning development and climate finance towards the same mission. However, the trend of decreased ODA for



non-climate development objectives poses a threat to broader resilience, raising concerns that long-standing development issues like poverty reduction and health are being relegated in relation to climate goals.⁴⁸ To this end, climate finance needs distinct but complementary reporting alongside ODA, ensuring that the separate GNI/GDP goal for climate finance permits higher combined expectations for external assistance that go well beyond 0.7 per cent of GNI.

Agreement on how to count the finance contributed towards the NCQG should also distinguish between instruments and modalities of financing, with a particular consideration to excluding commercial rate loans. A concrete action the NCQG can take to improve tracking is mandatory grant-equivalent reporting.⁴⁹ Grant-equivalent reporting is already the norm for countries reporting ODA, however for this to work, it is critical that the NCQG outcome improves upon the shortcomings of the ODA accounting methodology whereby developed countries are arguably incentivized to provide loans, albeit concessionally, over grants.⁵⁰ Including grant equivalent reporting in ETFs would mean that even when deploying a variety of instruments, contributions can have a degree of comparability, rather than the situation at the moment where grant financing is treated the same as market-rate debt by aggregators such as the OECD.⁵¹

Considering that the ETF guidelines are due to be reviewed by Parties in 2028 after two rounds of reporting, there is an opportunity to implement a range of improvements including aligning reporting

frequency with NCQG timescales, rigorous guidelines for what can count as climate finance towards the NCQG, measures to prevent double-counting, only counting disbursements, mandatory publishing of project documentation and mandatory grant-equivalent reporting. In addition to the ETF reporting, the crucial work of the SCF in assessing climate finance flows can continue with an aggregate report on the NCQG to replace the report on progress towards the \$100 billion goal in the context of its biennial assessment and overview of finance flows.

With an NCQG target based on share of GNI or GDP provision from developed country Parties, the biggest priority is to capture progress in achieving this target. While conversations elsewhere such as the Sharm el-Sheikh Dialogue on Article 2.1c might surface other financial flows whose tracking would improve the global picture of climate finance, the NCQG should avoid exploring these considerations too deeply to prevent an unwieldy process beyond the existing mandate. Considering that a large proportion of current and anticipated climate finance flows are bilateral, the outcome should make particular effort to improve the transparency of bilateral contributions, including use of channels, recipients, thematic balance and types of financing. This would be aided, for example, by the publishing of project documentation as part of NCQG reporting.

Finally, considering the importance of the qualitative principles that must underpin the NCQG to ensure a vast improvement on the \$100 billion goal, any reporting framework should also capture progress on these principles.

⁴⁸ Steele P (2015). *Development finance and climate finance: achieving zero poverty and zero emissions*. International Institute for Environment and Development. Available at <https://www.iied.org/sites/default/files/pdfs/migrate/16587IIED.pdf>

⁴⁹ In 2018, the grant equivalent system became the standard for measuring ODA by the OECD. The system aims to better reflect donor effort by reporting ODA credit differently for grants and loans. For more information see: <https://www.oecd.org/en/topics/sub-issues/oda-standards.html>

⁵⁰ Cutts S J (2022). *Giving Credit Where Credit's Due: The Need to Address Flaws in the Calculation of ODA in Loans*. Publish What You Fund. Available at https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2022/03/Giving-Credit-Where-credits-Due-Paper-March-2022.pdf

⁵¹ Skounti S and Erzini Vernoit I (2024) *Rebuilding Confidence and Trust After the 100billion: Recommendations for the New Collective Quantified Goal (NCQG)*. The IMAL Initiative for Climate and Development. Finance Working Group. Available at <https://odi.org/en/publications/rebuilding-confidence-and-trust-after-the-100billion/>



Access

Calls to improve access are not new, and as recently as COP 26, new initiatives were being launched to identify and address barriers to access.⁵² These efforts, however well-intentioned, fell short in translating to concrete reforms, remaining focused on high-level recommendations which were not enough for access channels to act.

The NCQG can initiate a more direct attempt at reforming access by calling on climate finance channels to cooperate in the establishment of a more unified access regime. Considering that the majority of current climate finance is not channeled through UNFCCC funds,⁵³ any strategy to enhance access must go beyond UN-led institutions to include the more than 100 providers involved in distributing climate finance. The NCQG outcome can emphasize that all must be willing to coordinate with access-improving efforts for this landscape to serve its purpose. Considering the principles that underpin the climate negotiations, there is an additional layer of responsibility to ensure the managers of these funds align with equity considerations. Indeed, developed country Parties should be the first line of defense by ensuring their contributions go through channels that have timebound commitments to improving access.

Necessary reforms include streamlining and harmonizing access procedures including establishing direct access, enhancing transparency in funding criteria,

easing eligibility criteria where necessary to ensure wide accessibility, speeding up disbursement timelines and offering dedicated support to developing countries in their efforts to secure climate finance.^{54,55,56}

Coordinated efforts on these reforms can help redress the current imbalance where recipients bear a high burden to prove that they can meet criteria in order to assuage different institutions' risk aversion, when instead climate finance should be distinguished by its willingness to take risks on ambitious projects and go where market rate financing will not.⁵⁷ These challenging requirements prevent many national and subnational entities in developing countries from being able to access financing, despite being best positioned to achieve transformational outcomes. This is compounded by debt issues, where restricted fiscal space prevents many countries from accessing existing financing opportunities, underlining that access is not just a question of reforming processes, but also of addressing debt distress and ensuring suitable funding opportunities for countries in this position.

These challenges have led to equity concerns where contributions are overly concentrated in a few middle-income countries (MICs) while the needs of the lowest income countries (LICs) are neglected. While the primary goal should be to scale up the total pool of contributions, the new goal can initiate specific safeguards to ensure a wider and more equitable spread of disbursement between developing

⁵² UK Government (2021). *Principles and Recommendations on Access to Climate Finance*. Available at <https://webarchive.nationalarchives.gov.uk/ukgwa/20230401054904/https://ukcop26.org/wp-content/uploads/2021/11/Principles-and-Recommendations-on-Access-to-Climate-Finance.pdf>

⁵³ Including the Global Environment Facility, Least Developed Countries Fund, Adaptation Fund, Green Climate Fund, Special Climate Change Fund and the recently agreed upon Loss and Damage Fund.

⁵⁴ Shakya C and Holland E (2021). *Access to Climate Finance: Workshop Report*. IIED, London. Available at <https://www.iied.org/sites/default/files/pdfs/2021-03/10213IIED.pdf>

⁵⁵ Falduto C, Noels J, Jachnik R (2024). *The New Collective Quantified Goal on climate finance Options for reflecting the role of different sources, actors and qualitative considerations*. OECD, Paris. Available at [https://one.oecd.org/document/COM/ENV/EPOC/IEA/SLT\(2024\)2/en/pdf](https://one.oecd.org/document/COM/ENV/EPOC/IEA/SLT(2024)2/en/pdf)

⁵⁶ Robertson M and Watson C (2024). *Enhanced Access in the New Collective Quantified Goal on climate finance (NCQG): A case for access done strategically*. ODI. Available at <https://odi.org/en/insights/enhanced-access-in-the-new-collective-quantified-goal-on-climate-finance-ncqg-a-case-for-access-done-strategically/>

⁵⁷ Shakya C and Holland E (2021). *Access to Climate Finance: Workshop Report*. IIED, London. Available at <https://www.iied.org/sites/default/files/pdfs/2021-03/10213IIED.pdf>





Image by Chris Chesneau from Pixabay

countries. This can include funding targeted at strengthening the national and subnational institutions critical to delivering ambitious climate action, particular attention to the needs of LDCs and SIDS, and financing options for local and civil society recipients.⁵⁸

A Pro-Development IFA

In parallel to discussions around the NCQG, an important debate on multilateral governance has been underway, indicating the need for systemic reform to better serve the needs of developing countries in a climate-changed world. Debt crises, high costs of capital, an insufficient global financial safety net, illicit financial flows (IFFs) and unilateral trade measures are a snapshot of the challenges holding back development. Consequently, efforts around the NCQG have also seen greater attention to such

barriers to action and their connection to closing the climate finance gap.

While these issues form a foundational backdrop to any action the NCQG can unlock, there is an understandable skepticism around expanding the NCQG beyond its mandate and thus erecting further stumbling blocks to an agreed outcome. However, as demonstrated by the projection outlined in the previous section, without a more pro-development environment, DRM in developing countries will remain stunted, external financing needs in developing countries will only grow and climate and development targets will flounder.

The final outcome and structure of the NCQG can send strong signals to influence ongoing reform efforts, indicating expectations from complementary elements of multilateral governance, and bringing greater coherence across institutions. This should not detract from the key priority

⁵⁸ Watson A and Moyles O (2024). *Why should the NCQG focus on enhancing access to climate finance?* ODI. Available at <https://odi.org/en/insights/why-should-the-ncqg-focus-on-enhancing-access-to-climate-finance/>





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of the NCQG to deliver a goal of climate finance provision for developing countries from developed countries. Parties will have further opportunity to elaborate on the priorities for these issues in the coming months, particularly in the Sharm el-Sheikh Dialogue on Article 2.1c. The reform challenge is widespread and profound, but a meaningful outcome that tackles one part – the dearth of adequate climate finance – is a critical step the NCQG can take.

Concluding remarks

A major lesson from the \$100 billion target is that numerical targets are not enough to instate a climate finance regime that addresses the needs and priorities of developing countries. Delivering a higher quality of finance⁵⁹ must be just as important as an evidence-based quantum in the final outcome. Key principles can guide the establishment of a high quality NCQG, including being based on developing

countries' needs and priorities, ensuring a CBDR-aligned effort-sharing approach including in establishing the quantum, focusing on expanding fiscal space rather than increasing debt, improving the effectiveness of finance in delivering high quality climate action and implementing safeguards so that climate finance is adaptable to changing needs, transparent, and accessible. These principles must be operationalized into concrete actions in the final outcome to prevent another decade of frustration and to strengthen trust between Parties and in the collective mission to prevent catastrophic global warming. Finally, the NCQG outcome can highlight the pro-development global economic governance regime necessary to maximize the quality of climate finance flows: without addressing structural inequities at the global level, developing countries will continue to struggle to deliver ambitious, climate-resilient development plans.

⁵⁹ As defined in the introduction to this section.





Conclusion

The NCQG, expected to be agreed at COP 29 in 2024, offers an opportunity to set a target that is evidence-based, ambitious and can address the needs of developing countries, whether financial or otherwise.

Ideally, the NCQG would serve to rebuild trust between developed and developing countries, paving the way for more ambitious NDCs for COP 30 and putting the global community firmly on the path of achieving collective goals. For the NCQG to accomplish that, however, it must align with the ambition of delivering national and international just transitions: reducing GHG emissions, addressing inequalities within and between countries, and delivering climate-resilient development.

The target for the NCQG can improve on the shortcomings of the \$100 billion goal by directly responding to evidence of the needs of developing countries, considering both bottom-up analyses such as the NDRs and top-down analyses such as macroeconomic projections. Modelling a best-case scenario of climate-resilient development and achievement of the PA in line with a just transition indicates external financing needs of approximately \$0.89 trillion in 2025, rising to \$1.46 trillion by 2030. This would imply an NCQG target of close to 1.4 per cent of developed countries' GDP from 2025, or close to 2 per cent of developing countries' GDP. This best-case scenario depends on the achievement of key reform and coordination policies at the multilateral level, ensuring that developing countries have the conditions they need for development. While these sums may seem large, they are relatively smaller than past major public investment

initiatives from developed countries, and vastly smaller than future losses should the world exceed 1.5 degrees of warming.⁶⁰

However, the NCQG should not only focus on the quantum of finance but also on its quality. This means enshrining a goal that is framed by guiding principles, based on the needs of developing countries, CBDR-RC and ensuring that climate finance is accessible, effective, transparent, adaptable and does not exacerbate debt burdens. These principles need to be translated into specific elements in the final outcome, for example, a CBDR-RC-aligned, effort-sharing approach can be achieved with a goal based on share of GNI or GDP focused on finance provision from developed country Parties. Distinct quantum goals for mitigation, adaptation and loss and damage are necessary to ensure the principle of adequacy, with a commitment to raise ambition in NDCs in line with availability of appropriate finance. The structure should also reflect just transition needs, including transition support for affected communities, and improve guidance on what can be considered mitigation, adaptation and loss and damage to deliver a higher quality of climate action. Along these lines, a clear understanding of what is counted towards the NCQG is needed to increase accountability, potentially excluding market rate loans, ensuring a high degree of focus on climate-specific activities, and

Ideally, the NCQG would serve to rebuild trust between developed and developing countries, paving the way for more ambitious NDCs for COP 30 and putting the global community firmly on the path of achieving collective goals.

⁶⁰ CPI (2023). *Global Landscape of Climate Finance 2023*. United States: Climate Policy Initiative. Available at <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/>





marking a clear distinction to development finance and other financial commitments.

A review mechanism every 5 years can allow for goal and structure adjustments according to emerging needs, aligned to support NDC enhancement, GST cycles and ongoing processes and agreements such as the Global Goal on Adaptation and the Just Transition Work Programme. To support this effort, developing countries will need enhanced support for needs-reporting. Similarly, developing countries need a more facilitative access regime, starting with harmonized and simplified access procedures across different climate finance channels. Safeguards can be implemented to ensure access for particularly under-resourced countries and subnational actors including direct access, simplified application and disbursement processes, and a minimum floor target. Easing eligibility criteria such as co-funding and leverage ratios will also ensure suitability for recipients and funded activities.

Achieving all of this in a final outcome would present a turning point for developing countries, but long-term success in delivering a more effective climate regime will

be held back as long as systemic inequities persist in the IFA. Key areas for reform include debt restructuring, strengthening the GFSN, increasing affordable financing by IFIs and MDBs, meeting ODA commitments, addressing IFFs and strengthening cooperation on tax, improving regulation of the private sector, and reforming IFIs to better represent developing countries.⁶¹ The NCQG outcome should signal the need for action in these areas, but to avoid straying beyond the mandate and compromising a meaningful outcome, should be focused primarily on agreeing a goal of climate finance for developing countries provided by developed countries.

Parties are on the cusp of a historic agreement. The path chosen will set the tone for climate finance ambition for the coming years, presenting a flash point to transition into a new era of cooperation and importantly, action. The world needs collective action to deliver the development and climate plans that will prevent catastrophic warming and devastating levels of poverty. A climate finance regime based on the evidence of developing countries' needs is one step further towards this goal.

⁶¹ UNCTAD (2023). *Trade and Development Report 2023: Growth, Debt, and Climate: Realigning the Global Financial Architecture*. United Nations publication. New York and Geneva.



Annex I

The UN Global Policy Model (UN GPM) attempts a complex and realistic representation of the interaction between the climate and the economy, inspired by the concept of strong sustainability and attempting to address just transition considerations from a multidimensional perspective.^{62,63,64,65} It attempts to take into account institutional conditions, including obstacles to developing, obtaining and adopting new technology, such as patents and profitability expectations. It adopts the principle of effective demand, by which economic growth is driven and constrained by aggregate spending, which is different to mainstream models which assume that price signals, or similar market mechanisms, can readily induce sufficient investment and innovation for a socially optimal equilibrium.⁶⁶ The UN GPM also takes into account global spillover effects of national efforts, thus allowing a comparison of scenarios of different degrees of international coordination, and also credibly proposing the upper limit and the optimal pace of investments, depending on their effect on global emissions.

Projecting the NCQG target using the UN GPM starts by comparing two scenarios: a baseline scenario that outlines the consequences of inaction and a best-case

scenario modelled on a policy package for achievement of the PA and SDGs described below. Defining the traits of such a package requires consideration of the dynamics of aggregate demand – as it is affected by income distribution, fiscal policies, and the international trade and financial system – as well as the evolution of carbon emissions and their impact as byproduct of economic activity. The necessary policy package would have to include action on public investment (as a ‘driver’ of private investment through a crowding-in effect), wage growth, social protection, the rules that govern international trade and investment, and south-south and north-south cooperation.^{67,68}

In the **baseline** scenario of current policy trends, the global economy will face slower growth and higher instability throughout the next ten years.⁶⁹ As labour shares across the world continue on their decreasing path, household spending will weaken, further reducing the incentive to invest in productive activities. At a minimum, this will mean lacklustre employment creation and stagnant wages in developed countries as well as slow (or negative) expansion of domestic markets in developing countries. Both outcomes will worsen as governments continue to engage in a global race to the bottom with cuts to labour costs.

⁶² Yilmaz SD and Godin A (2024). *Strongly Sustainable Development Trajectories: The Road to Social, Environmental, and Macroeconomic Stability – Introduction*. International Journal of Political Economy, 53(1):1–3.

⁶³ Moreno A et al. (2024). *Low-Carbon Transition and Macroeconomic Vulnerabilities: A Multidimensional Approach in Tracing Vulnerabilities and Its Application in the Case of Colombia*. International Journal of Political Economy, 53(1):43–66.

⁶⁴ Magacho G, Espagne E, Godin A, Mantes A and Yilmaz D (2023). *Macroeconomic exposure of developing economies to low-carbon transition*. World Development 167: 206-231.

⁶⁵ Semieniuk G, Campiglio E, Mercure J-F, Volz U and Edwards NR (2021). *Low-carbon transition risks for finance*. WIREs Climate Change, 12(1): 678.

⁶⁶ Keynes JM (1936). *The General Theory of Employment, Interest and Money*. Palgrave Macmillan.

⁶⁷ UNCTAD (2019). *Trade and Development Report 2019: Financing a Global Green New Deal*. United Nations publication. New York and Geneva.

⁶⁸ UNCTAD (2020). *Trade and Development Report 2020: From global pandemic to prosperity for all: avoiding another lost decade*. United Nations publication. New York and Geneva.

⁶⁹ UNCTAD (2023). *Trade and Development Report 2023: Growth, Debt, and Climate: Realigning the Global Financial Architecture*. United Nations publication. New York and Geneva.



Aggregate demand expansion will slow down further, as governments continue to reduce social protection benefits and abstain from infrastructure investment, including in adaptation, which will also make supply constraints tighter. In the meantime, abundant credit creation will continue to fuel destabilizing financial transactions while failing to stimulate private productive investment. Finally, lacking sufficient investment in mitigation and international agreement on technology transfer, carbon emissions will continue to increase.

In stark contrast with current trends, the **best-case scenario** used to calculate the NCQG examines the possible outcomes in terms of growth, employment, labour incomes and carbon emissions of an internationally coordinated policy package consisting of income redistribution, fiscal expansion and state-led investment centred on economic development, social protection and green technology for both mitigation and adaptation. The outcomes presented are plausible within the range of options that emerge from robust estimates of the effects of each policy.

1. Realistic estimates of the expansionary effects of labour share improvement, consistent with the findings of other empirical research,^{70 71 72} indicate a positive effect on the growth of GDP, without taking into account any feedback effects from other countries. Thus, for example, in the United States a 1 per cent increase in the labour share is estimated to drive up GDP by 0.38 per cent. The model does not assume that labour shares are adjusted uniformly; distributive impacts come from the postulated policy package of real wage growth, employers' social security contributions, transfers and more progressive taxation.

2. Empirical evidence suggests that the sustainable growth strategy is compatible with an increase of global energy demand by 2030 of approximately 14 per cent with respect to 2010. For this to be sustainable, as the strategy generates faster GDP growth (of approximately 4.7 per cent per year), energy demand per unit of output will have to fall by approximately 4.5 per cent per year on average. Compared to the current trend of 1 per cent, this is clearly ambitious. But international evidence suggests that it is feasible. For example, pressed by the second international oil shock in 1979, France, Japan, the United States and West Germany improved energy efficiency by 4 per cent a year or more for five years or longer. Some developing countries, starting from lower levels of efficiency, have also managed sustained improvements. Throughout the 1980s and 1990s, China improved efficiency at an average rate of nearly 6 per cent per year, and at the rate of nearly 7 per cent per year after 2012. Meanwhile, average yearly improvements in India in the 2000s, while the oil-price boom lasted, were of nearly 3 per cent.

3. These energy efficiency gains are still compatible with moderately faster growth of GDP than in the baseline scenario and with sustained rates of employment. However, to ensure a significant stabilization of energy production as economies in the South progress, developed economies will experience a degree of growth moderation.

4. Improving overall energy efficiency is only one dimension of the challenge. Another is to shift from high carbon to low-carbon energy sources. Assuming no meaningful change of policy direction through 2030,

⁷⁰ Lavoie M and Stockhammer E (2013). *Wage-led Growth: Concept, Theories and Policies*, in *Wage-Led Growth An Equitable Strategy for Economic Recovery*, Lavoie M. and Stockhammer E (eds.), 13-39. London: Springer.

⁷¹ Stockhammer E and Onaran O (2013). *Wage-led growth: theory, evidence, policy*. *Review of Keynesian Economics*. 1(1):61-78.

⁷² Storm S and Naastepad CWM (2012). *Macroeconomics Beyond the NAIRU*. Cambridge: Harvard University Press.



the outcomes of the baseline scenario show that instead of decreasing, annual global carbon energy production is set to increase from about 17 billion tons (of “oil-equivalent”) at present to about 20 billion. In this scenario, the annual flow of CO₂ emissions will easily surpass 41 billion tons (from about 37 billion at present).⁷³ Experimenting with a variety of scenarios, it appears possible to achieve a fast deceleration and successive decreases of high-carbon energy production, falling from above 17 billion tons at present towards 15 billion tons of oil-equivalent by 2030, and a significant acceleration in renewable sources of energy, from 2.5 billion to about 3.5 billion tons. Such a combination will result in a fall to about 30–32 billion tons of gross CO₂ emissions by 2030.

5. The improvements in energy efficiency and shifts towards low-carbon energy require technology sharing and financial support, both of which will need to underpin the necessary investment push, including public investment in physical and social infrastructure, and particularly adaptation, as mentioned above. Technology sharing is essential because only a few economies have advanced sufficiently in the production of low-carbon forms of energy to the scale required to be cost-effective.⁷⁴ For those economies where the cost threshold is too high, it will be difficult to join a “green” agenda without adequate support in the form of technology and financing. What is more, a global shift away from fossil-fuel energy, together with the postulated fall in global energy demand relative to output, will imply consistent downward pressure on the global price of fossil-fuel products, even if initially a global fiscal reflation and investment push will cause some degree of oil-price

inflation. Hence, it is likely that such an agenda involves serious term-of-trade losses for most developing economies whose foreign earnings continue to depend heavily on carbon-intensive commodities. Thus, the postulated strategy of fast growth and sustainable development requires a momentous push of public and private investment by both developed and developing economies. This means that in both groups of countries, domestic demands for finance to enable the long-term investment push will be considerable.

As Figure A indicates, in this virtuous, best-case scenario, labor income shares would be higher and the emissions generated by each dollar of economic activity would be on a steep downward path, in both developed and developing countries, while economic growth would be faster, allowing for robust investment and employment creation. The analysis indicates that accomplishing these goals will require additional investment in adaptation and mitigation, on average, in the order of 1.5 per cent of GDP in developed countries and 2 per cent in developing countries, every year for at least a decade.

⁷³ IEA (2024). *CO₂ Emissions in 2023*. IEA, Paris. Available at <https://www.iea.org/reports/co2-emissions-in-2023>

⁷⁴ While this is the case for many low carbon technologies for renewable energy and agriculture, solar and wind are mature technologies, so financing presents a bigger hurdle than technology. However, data sharing and software to run these utilities continue to present access issues.

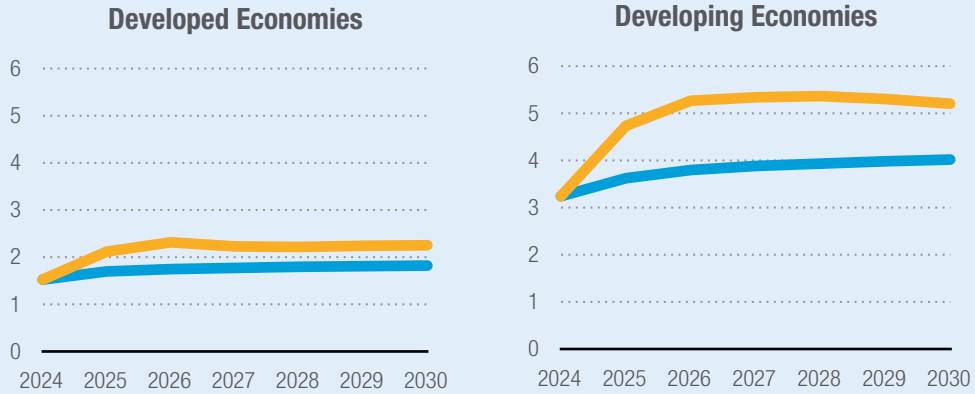




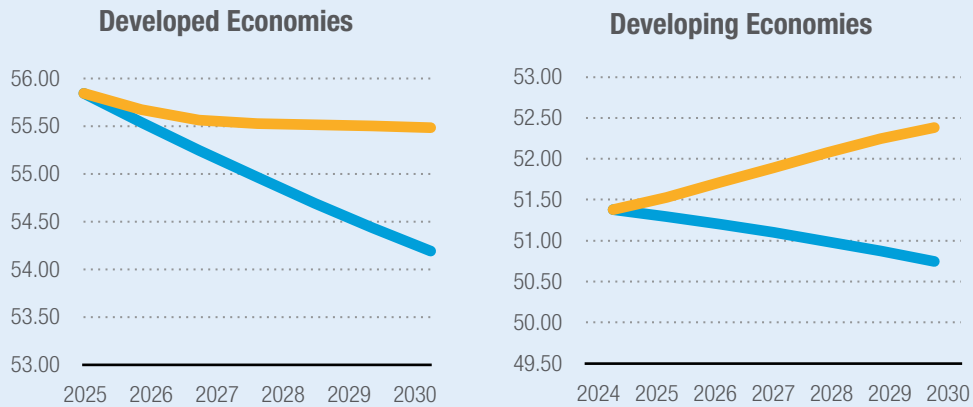
Figure A
Projection outcomes of UN GPM

(blue line: business as usual; yellow line: sustainable path)

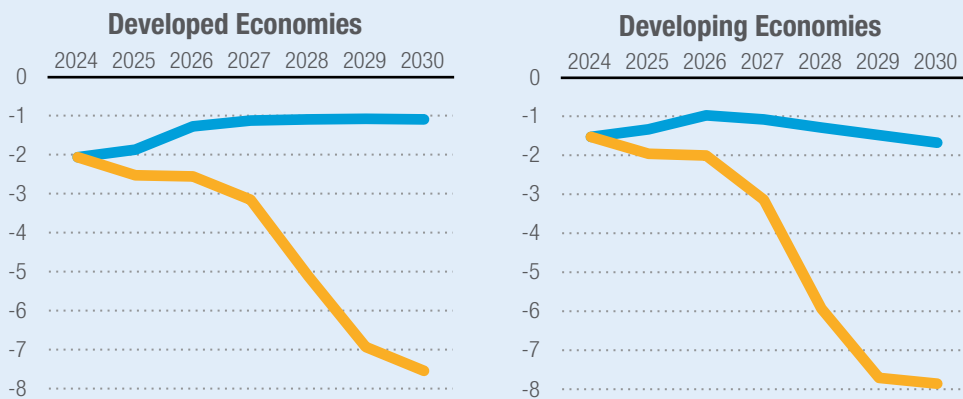
GDP Growth (percentage change, y-o-y)



Labour Income Share (compensation of employees as percentage of GDP)



Carbon Intensity of GDP (percentage change, y-o-y)



Source: UNCTAD Secretariat calculations based on the United Nations Global Policy Model.



This analysis projects the dynamics and impact of a global package of measures –including the transition to renewable energy and the adoption of technology that allows higher efficiency in energy use⁷⁵ – striking a balance between two defining constraints. One is posed by the speed at which the climate deteriorates. It dictates that the longer the transition takes, the less of the natural environment it will be able to preserve. But just as important, the transition cannot be too fast either, for at least two reasons. Firstly, most of the world’s economies are still technologically dependent on fossil fuels. Therefore, producing the investment goods necessary for the transition, including solar panels and electric motors, can potentially generate a large amount of emissions, which offset the future reduction in emissions allowed by using those technologies. The more gradual the pace of investment, the larger the share of it that can be produced using renewable energy avoiding a vast increase in emissions. Secondly, a strong investment push in a few sectors is likely to alter the functioning of other sectors, by affecting prices and supply conditions, generating imbalances that can lead to crises. Accomplishing the energy transition in such conditions of growing unemployment and inequality would be harder as governments would be hard pressed to use their fiscal space for short-term anti-crisis stimulus while businesses and households would cut their spending rather than invest in new technology.

Finally, in this scenario the impulse for investment and structural change in developing countries is provided by the public sector. This is particularly important when climate-related investments are undertaken. Existing data on climate finance



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reveals that developing countries in general depend to a much greater extent on public financing. There are several challenges to mobilizing private finance in developing countries including high borrowing costs and elevated risk-perceptions due for example to vulnerability to climate shocks.⁷⁶ The lack of local currency-based financial instruments, coupled with a high-debt global economic environment poses additional challenges to reliable market financing for developing countries, whether green or not.

⁷⁵ See UNCTAD Trade and Development Report 2022, Development prospects in a fractured world: Global disorder and regional responses. The analysis is based on existing studies of the impact of proposed mitigation measures on the efficiency of energy use. The data provided by these studies and the macroeconomic patterns that emerge from global data on economic growth and sector-level dynamics set a plausible range for the improvements in energy efficiency that can be achieved, as measured by increases in the CO₂ intensity of GDP.

⁷⁶ Buhr B et al (2018) *Climate Change and the Cost of Capital in Developing Countries*. London and Geneva: Imperial College London; SOAS University of London; UN Environment. Available at <https://eprints.soas.ac.uk/26038/>



