UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Considerations for a New Collective Quantified Goal

Bringing accountability, trust and developing country needs to climate finance

Report Summary

UNITED NATIONS
UNCTAD

CONSIDERATIONS FOR A NEW COLLECTIVE QUANTIFIED GOAL

BRINGING ACCOUNTABILITY, TRUST AND DEVELOPING COUNTRY NEEDS TO CLIMATE FINANCE

Article 9 of the Paris Agreement ensures that developed country parties take the lead in mobilizing international climate finance for developing countries based on their needs and priorities. While there is a wide range of estimations on the needs and priorities of developing countries, the flow of finance has, to date, fallen far short of all these assessments. Past political commitments have not been enough to significantly shift contributions, and differences in definitions and accounting of climate finance have further undermined trust.

As per Decision 1/CP21 Paragraph 53, countries decided to deliberate on a new collective quantified goal (NCQG) to raise the floor on climate finance above the current $100 billion annual target. Parties are expected to agree on a new goal at COP29 at the end of 2024. This presents an opportunity to learn from the shortcomings of the $100 billion goal, including setting targets in line with needs; agreeing suitable financing modalities; and building deeper levels of accountability and transparency into the goal.

UNCTAD Considerations for the NCQG

1. Led by developing countries' needs and priorities

The NCQG should be 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 and financing strategies.

2. A Core Goal for developed countries' provision, alongside ambition for other sources

The Core Goal of the NCQG should be measured on a grant-equivalent basis and delivered by additional contributions from developed countries. In consideration of the COP27 outcome and recent discussions around reforming the global financial architecture, complementary targets could be considered for multilateral public finance, private finance and 'innovative sources' such that the NCQG encompasses diverse options for resource mobilisation.

3. CBDR-aligned effort-sharing approach

The NCQG could agree a fair effort-sharing approach among developed countries. Many international institutions employ Gross National Income (GNI) based effort-sharing methodologies to determine budget contributions. Parties could also consider integrating other equity considerations, for example a weighted adjustment according to historic contributions.

4. Thematic and modal sub-goals

A top-level goal may be complemented by sub-goals to bring greater resources to where they are most needed and to improve climate finance tracking. This includes specific sub-goals for mitigation, adaptation, and loss and damage, determined on the basis of assessed needs, and consideration of the right mix of financing instruments for each.

5. Designed for dynamism

Periodic review mechanisms might be agreed for the NCQG to allow for adjustments according to emerging needs, with emerging consensus around 5-year cycles to match the 5-year cycles for Nationally Determined Contributions (NDC) enhancement and Global Stock Takes, responding to and reinforcing these processes.

6. Enhanced support to assess needs-reporting

Developing countries require 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.

7. Consistent and transparent contributor accounting

Reporting issues from developed country contributors would have to be replaced by consistent, standardised formats that assess contributions from a level playing field, including improving biennial reports through the Enhanced Transparency Framework. This includes ending double-counting, assessing non-grant instruments for their grant-equivalence, and improved guidance and rigorous standards for what is considered 'climate finance.'

8. New and Additional but complementary to development finance

Climate finance needs distinct but complementary reporting alongside Official Development Assistance (ODA), and additionality may be measured by ensuring that there are separate GNI goals for climate finance, permitting higher combined expectations for climate plus development assistance that go well beyond 0.7 per cent.

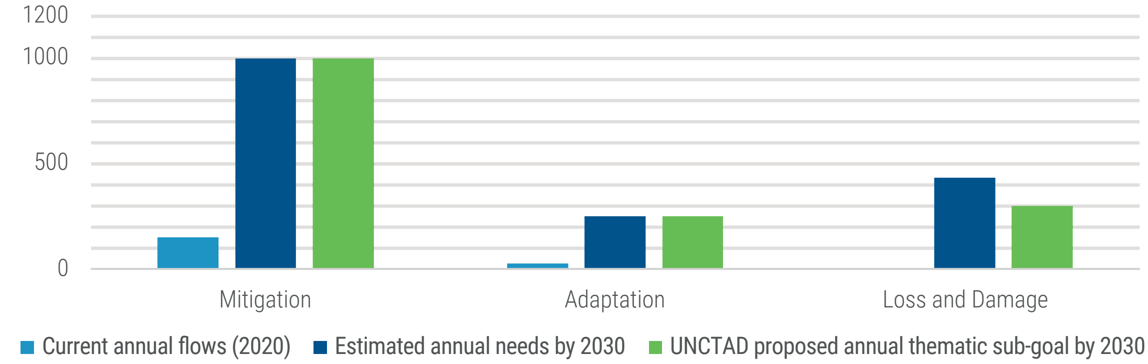
9. Distributional equity

Current bilateral contributions are overly concentrated in a few Middle Income Countries while the needs of the lowest income developing countries are neglected. While the primary goal should be to scale up the total pool of contributions to address this, the new goal may consider specific safeguards to ensure a more equitable approach to disbursing climate finance.

Recommendations for Defining the Quantum

Considering the range of different estimates and developing countries' needs, UNCTAD proposes an annual target of $500 billion as a floor starting from 2025, with a target of $1.55 trillion by 2030. The composition of the $500 billion floor to be established in 2025 may be composed of approximately $250 billion for mitigation, $100 billion for adaptation and $150 billion for loss and damage. This might progressively rise to $1 trillion for mitigation, $250 billion for adaptation and $300 billion for loss and damage by 2030.

Figure 1: Finance flows, needs and proposed NCQG sub-goals for different thematic pillars of climate finance (USD billions).

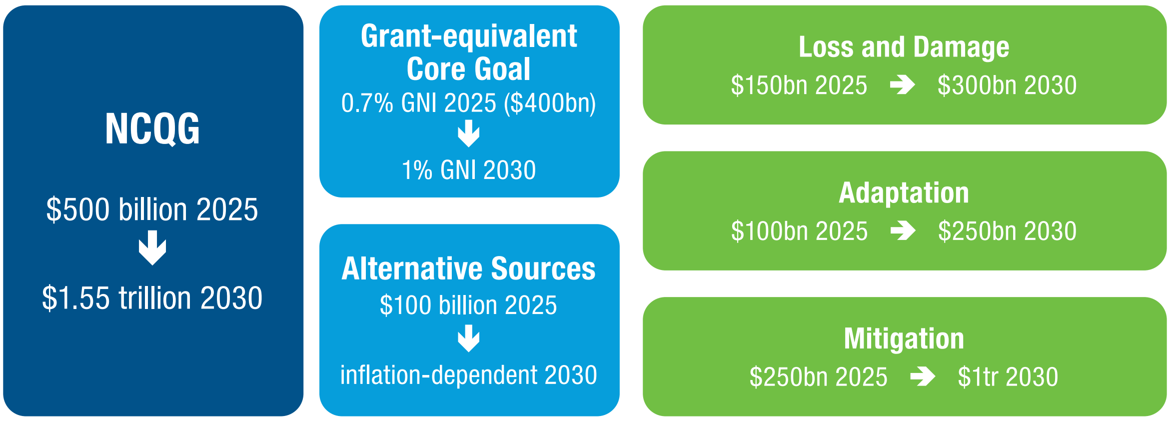


Source: UNCTAD comparison based on various sources.[1, 2, 3]

The composition of the finance – the share of grant, concessional and debt finance – is ever more important given compounding macroeconomic and financial pressures facing developing countries. Financing may be primarily achieved through a grant-equivalent Core Goal for contributions from developed countries, starting at 0.7 per cent of GNI from 2025 ($400 billion) and rising to at least 1 per cent of GNI by 2030.

Complementary targets can be considered for other financing sources; there are several options to consider between now and 2030 that have already gained some momentum: reforming Multilateral Development Banks to expand highly concessional lending, rechannelling unused Special Drawing Rights, novel taxation at the domestic or supranational level, and efforts to improve private finance mobilisation, for example through proactive disciplining measures to shift finance towards climate goals. While not an exhaustive list, projections of these potential sources alone indicate that with collective effort and commitment, proposed NCQG targets can be met.

Figure 2: Simplified structure of NCQG and subgoals.



Source: UNCTAD analysis.

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3. 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. Available at https://link.springer.com/chapter/10.1007/978-3-319-72026-5_14

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