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UNCTAD

The new collective quantified goal on climate finance

Report Summary

Quantitative and qualitative elements

At 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. To accomplish 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.

UNCTAD's proposals are two-fold:

Quantitative Elements

- Based on modelled projections using the United Nations Global Policy Model, d**eveloping 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 investments* 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.

Qualitative Elements

- 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.
- A higher quality NCQG would 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 guarantee that climate finance is **adaptable** to changing needs, **transparent**, and **accessible**.
- A more **pro-development international financial architecture (IFA)** is a further 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 common goals. To this end, the final outcome can signal the importance of deeper cooperation on IFA reforms.

* 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.

Division on Globalization and Development Strategies