

Rebuilding Confidence and Trust after the \$100 billion: Recommendations for the New Collective Quantified Goal (NCQG)

Said Skounti and Iskander Erzini Vernoit





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Rebuilding Confidence and Trust after the \$100 billion:

Recommendations for the New Collective Quantified Goal (NCQG)



The IMAL Initiative for Climate & Development

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Any errors remain the authors' own.

About the Imal Initiative for Climate and Development

The Imal Initiative for Climate and Development (IMAL) is the first independent non-profit climate think-tank in North Africa — based in Morocco, with an African, Arab and Mediterranean perspective. The think-tank aims to serve African and Arab countries by working to support the transition to a green economy and a lasting multidimensional resilience. The think-tank is named after 'imal', the word for 'future' in Tamazight, the ancient indigenous language group (sometimes called Berber) still widely spoken in Northern Africa today.



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Acronyms and abbreviations

AF Adaptation Fund

AOSIS Alliance of Small Island States
COP Conference of the Parties
CPI Climate Policy Initiative

DAC OECD Development Assistance Committee

ETF Enhanced Transparency Framework

EU European Union
GCF Green Climate Fund
GDP gross domestic product
GNI gross national income
GPGs global public goods
GST Global Stocktake
G77 Group of 77

IMAL Imal Initiative for Climate and Development IPCC Intergovernmental Panel on Climate Change

MDB multilateral development bank
NCQG New Collective Quantified Goal
NDCs Nationally Determined Contributions
NGO non-governmental organisation

NGO non-governmental organisation ODA official development assistance

OECD Organisation for Economic Co-operation and Development

TED Technical Expert Dialogue

UNCTAD UN Conference on Trade and Development

UNEP UN Environment Programme

UNFCCC UN Framework Convention on Climate Change

UK United Kingdom US United States

WRI World Resources Institute



+ Executive Summary

Efforts continue in 2024 under the United Nations Framework Convention on Climate Change (UNFCCC) to find consensus on the New Collective Quantified Goal (NCQG) for climate finance. The mandate from the 21st Conference of the Parties (COP21) is for the NCQG to be agreed prior to 2025, that is, at COP29, to replace the \$100 billion per year goal that has been set as the floor. However, the formal deliberations on the NCQG following COP26 have proven contentious.

While this moment is in many respects unprecedented, as the first formal mandate to agree a finance goal under the UNFCCC, there is some precedent from 2009-10 — the last time countries agreed a finance goal, when the promise of \$100 billion in annual climate financing was put forward for COP15 in Copenhagen. Copenhagen's failure, arguably the most acrimonious moment in the history of the UNFCCC, serves as a cautionary example for what could go wrong in 2024. If the NCQG suggested by developed countries continues to be deemed inadequate by developing countries, this increases the risk that COP29 may collapse or end without the NCQG being agreed — which would have serious implications for the UN climate regime.

The past is prologue: the wider experience of the \$100bn, having accentuated mistrust of developed countries among developing countries, is colouring the debate on the NCQG. Though developed countries had a decade to reach \$100bn, it was not reached in 2020 or even 2021. In addition to delays, debate over fundamental questions of accounting for this finance also fed frustrations. Driving scepticism about the developed countries' commitment to the Paris goals, the \$100bn experience has contributed to the unfortunate end of the 'esprit de Paris' spirit of collaboration.

The central assumption of this report is that, in learning and applying the lessons of the \$100bn experience, the NCQG can avoid further exacerbating the trust deficit. Ideally, it can also seize a limited window of opportunity to rebuild confidence — and unlock action at a scale commensurate with the climate crisis.

One central lesson of the \$100bn is that, while papering over divergent expectations may work for negotiations, it has not worked for subsequent delivery or confidence therein. This report concludes that it is in the areas where expectations have diverged most sharply that the \$100bn experience has been most corrosive to trust. In such cases, where clarity has been acutely lacking, areas of 'constructive ambiguity' have become unhelpful, toxic ambiguities¹ — predictable points of contention that might have been avoided with greater clarity and forthrightness in the initial commitments made.

¹ As this report explores, such ambiguities have tended to put developing countries at a disadvantage, often obliging them as recipients to accept the interpretation that developed countries choose.

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This report explores five areas of the \$100bn experience where interpretations have notably diverged:

- The commitment that climate finance be 'new and additional', while enshrined in general terms, has been subject to divergent interpretations, with persistent questions and mounting resentment about whether claimed increases to climate finance are additional to, or in fact subtractive from, existing finance pledges and flows, including notably in development finance.
- 2. Ambiguity surrounds the question of fair shares of climate finance from individual developed countries, amid a variety of frameworks for effort-sharing. This makes it difficult to avoid generalisations about collective failure, inducing general mistrust, even where it would have been more constructive and accurate to attribute failures to specific countries.
- 3. Understandings continue to differ on what it means to 'achieve a balance' in finance between different thematic areas of climate action, amid divergent readings of Paris Agreement Article 9.4. Here, developed countries' finance mobilization consistently favours mitigation, despite many developing countries having greater focus on adaptation and loss and damage.
- 4. Expectations around concessionality and grants versus non-concessional debt-based instruments is a major area of divergence between developed and developing countries. Here, most international climate finance to date has taken the form of loans, of which much is not even concessional.
- 5. Understandings diverge on the appropriate institutional channels for finance, notably the view from many developing countries that there is under-emphasis of UN climate funds relative to multilateral development banks largely dominated by developed country shareholders. Here, they note ambiguity in COP Decision 1/CP.16 that 'a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund'.

With pragmatism about limits to what may be possible in negotiations, it may not be realistic to expect clarity in the NCQG decision on each of these areas of toxic ambiguity. Nevertheless, it is reasonable to seek some measure of improvement in clarity in the next climate finance goal, to ensure that not every flaw of the \$100bn is repeated, to reduce areas of unnecessary ambiguity where possible, and to thus prevent future acrimony that may be avoided.

Noting these problematic ambiguities and other experiences around the \$100bn, this report proposes the following recommendations for the design of the post-2025 goal to repair trust and rebuild confidence among Parties:

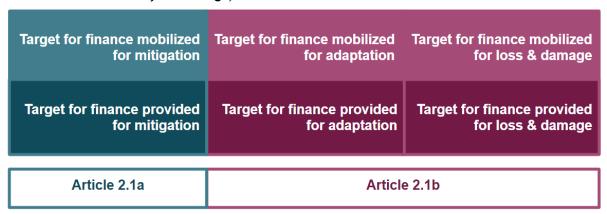
- 1. A needs-based approach to setting the quantum: 'Taking into account the needs and priorities of developing countries'.
- II. A constituent structure of thematic subgoals: Mitigation, adaptation, and loss and damage.
- III. A structure with a core provision goal: Within the mobilization goal (to include private investment mobilized), differentiating a public finance provision goal.



- IV. **Operationalisable definition(s) of additionality**: COP29 can offer a mandate to develop consensus on such definitions post-2024, to clarify NCQG additionality.
- V. Consensus on effort-sharing arrangements among developed countries: Process to develop, at minimum, indicative guidance on individual responsibilities.

The second and third recommendations, on the NCQG structure, are illustrated in Figure 1, represented in its three vertical and two horizontal dimensions respectively.

Figure 1 Recommended NCQG structure with layers for different types of finance and thematic pillars (corresponding to elements of Article 2.1 of the Paris Agreement, which sets the aims of the NCQG)



Source: IMAL Initiative for Climate & Development

Overall finance needs in developing countries for implementation of the Paris Agreement are estimated to be over a trillion dollars per year until 2030, across mitigation, adaptation, and loss and damage. Developing countries face acute fiscal limits to spending, along with poverty and development challenges, which are prioritised first, underscoring the necessity to provide grants and concessional public finance, as a key solution to overcome developing country constraints.

Amid concerns about the feasibility of financing existing Nationally Determined Contributions (NDCs)² and keeping warming to 1.5°C, the NCQG must be recognised by developed countries, as it is by developing countries, as a mechanism to enhance implementation, notably by overcoming fiscal space limits that are a central barrier. While developed countries have noted that confidence that finance will be forthcoming is important for ambition in setting NDCs, it would be dangerous to perceive the NCQG purely as confidence building for NDC target-setting and to forget NDC delivery.

By identifying lessons learned from the \$100bn experience and presenting recommendations for an improved NCQG, this report offers a basis for enhancing clarity and accountability, building trust and confidence for necessary action.

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² NDCs represent nationally determined aims by a country in terms of, inter alia, reducing national emissions and adapting to climate change impacts, updated every five years. The coming NDC cycles are to be crucial for limiting global warming, according to the Paris Agreement and Convention.



+ 1. Context: The \$100bn experience and the erosion of confidence

The 2024 New Collective Quantified Goal (NCQG) decision will be undertaken in a difficult context of eroded trust, following years of confidence being undermined in the context of the \$100 billion annual funding goal. This chapter explores this historical context, starting with: (1) Copenhagen and the origins of the \$100bn across 2009-2012; moving to (2) Paris in 2015 and the years leading up to the \$100bn deadline in 2020; then (3) the \$100bn commitment period from 2020-2024; and finally (4) the crucial wider present-day context of polycrisis and lack of political will among developed countries to provide finance at scale.

1.1. 2009-2012: Copenhagen and the acrimonious origins of the \$100bn

Under the UN Framework Convention on Climate Change (UNFCCC), developed countries are obligated to provide financial resources to assist developing countries in their climate adaptation and mitigation efforts. For example, according to Article 4 of the Convention, '[t]he developed country Parties and other developed Parties included in Annex II shall also assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects.' However, this did not manifest itself in any collective quantified finance goal until 2009.

The first collective quantified goal for climate finance emerged in 2009, in the run-up to 15th Conference of the Parties (COP15) in Copenhagen. As the first episode in the \$100bn experience, this history offers key lessons for the NCQG and illustrates the risks for COP29.

The \$100bn emerged in June 2009, when the United Kingdom (UK) was the first UNFCCC Party to propose a sum of \$100bn each year in climate finance from developed countries for developing countries to combat climate change (Adam, 2009). This offer to developing countries, made by the then-UK Prime Minister Gordon Brown (Brown, 2009), was intended to help secure an agreement at Copenhagen that would replace the Kyoto Protocol and support more countries to reduce emissions. It was less than developing countries called for, and less than what the research literature indicated was needed, and yet the proposal by the UK Prime Minister nevertheless did include certain modalities, noted below, which proved too much for the \$100bn as ultimately agreed.

Crucially, the \$100bn in 2009 was a counter-offer, known to be well below what was being called for by developing countries. At the time, the Group of 77 (G77) and China (Adam, 2009), including key members such as India (Wynn, 2009), had suggested that Annex II countries commit to devoting 1% of their gross domestic product (GDP) per year to climate finance for developing countries, which would have equalled around



\$400 billion on a grant-equivalent basis annually. This 1% GDP quantum, however, was a suggestion that developed country officials opposed, with one UK official describing it as an 'obviously fantasy figure' (ibid.).

Responding to the \$100bn proposal, many developing countries in 2009 were clear in opposing the \$100bn as insufficient. The G77 chief negotiator at the time said that 'the required financing for short term must exceed \$100 billion by huge margins', and that developed countries should instead commit to providing 'about \$400 to \$500 billion in the short term on annual basis' (Democracy Now, 2009).

Notably, the proposed \$100bn also represented less than what research and analysis at the time had indicated was needed for adaptation and mitigation. Commissioned by the UK Government at the request of Gordon Brown, then the UK Finance Minister and not yet Prime Minister, the Stern Review on the economics of climate change had indicated in 2006 that the costs of climate change impacts to developing countries could range up to \$100bn a year (Stern, 2006). In 2007, the UNFCCC published a paper offering a similar conclusion, indeed with a higher upper range, noting that the estimates it cited were 'very much in line with this [Stern Review] estimate' (UNFCCC, 2007). A 2008 update to the UNFCCC paper found that estimates had gone up higher still, noting UN Development Programme (UNDP) estimates for costs in 2015 (UNFCCC, 2008). In 2009, the Stern Review's lead author, Nicholas Stern, economist and former adviser to the UK Prime Minister, noted that 'Based on recent estimates of the developing world's extra requests as a result of climate change, rich countries should be providing annual financial support — in addition to existing foreign-aid commitments — of about \$100 billion for adaptation and \$100 billion for mitigation by the early 2020s' (Stern, 2009). In this sense, research pointed to needs of \$100bn exclusively for adaptation in purely public finance from developed countries — rather than a combination of both mitigation and adaptation, and of both public finance and private finance. The \$100 and \$200 billion suggested by Stern effectively called for a thematic quantified goal for adaptation, itself a goal for provision of public finance rather than mobilization — not the \$100bn as later agreed.

Nevertheless, despite the issues noted above, to its credit the UK Prime Minister's proposal was acknowledged for shining a light on potential sources as well as the imperative of additionality. It specified metrics for ensuring additionality to existing development finance targets (Wynn, 2009), something that the present \$100bn goal lacks. Moreover, it proposed new sources for public funds such as levies and taxes, including on international aviation and shipping (ibid.). The \$100bn as agreed, of course, could not secure agreement on either of these elements.

The \$100bn that was ultimately agreed owes in part to the United States (US) and its State Department, whose then Secretary of State proposed the \$100bn goal as a bargaining tool. News coverage at the time noted criticisms that the US was scant on

³ 'Brown also said a climate fund must not simply divert rich countries' existing commitments to aid overseas development. Up to a tenth of such existing promises could be used, he proposed, where steps met both development and climate goals...' (Adam, 2009).

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details, acknowledging that the US, among other things, had not specified what exact sources the \$100bn would be derived from, nor the institutional vehicles for its channelling, nor the country's share of the \$100bn (Friedman and Samuelsohn, 2009).

In the Copenhagen Accord, 'developed countries commit to a goal of mobilizing jointly \$100 billion dollars a year by 2020 to address the needs of developing countries', as well as 'approaching USD 30 billion for the period 2010-2012' (UNFCCC, 2009). It also included the commitment that: 'Scaled up, new and additional, predictable and adequate funding as well as improved access shall be provided to developing countries, in accordance with the relevant provisions of the Convention, to enable and support enhanced action on mitigation' (UNFCCC, 2009). Despite the unhappiness of other African representatives (Sheppard, 2009), the Chair of the African Heads of State on Climate Change moved that the African countries should support the \$100bn, acknowledging its inadequacy while arguing it was better than having no deal at all (Vidal, 2009). According to one representative of a development-focused non-governmental organisation (NGO), 'To slash the figure from \$400bn to \$100bn is a high-risk strategy — on the one hand Africa could be showing its willingness to compromise; but on the other it is placing its trust in the US and other developed countries to deliver. Whether this strategy is wise or naive remains to be seen' (Vidal, 2009). From a small island developing state point of view, the chief negotiator for Tuvalu likened the \$100bn proposition in the Copenhagen deal, which was for 2°C rather than 1.5°C, to 'being offered 30 pieces of silver to betray our people and our future' (Al Jazeera, 2009).

The COP took note of the Copenhagen Accord and the commitment by developed countries, but did not agree to it, amid the aforementioned opposition from various developing countries. This included frustrations on the \$100bn but also extended beyond this to other frustrations, notably about process issues, the insufficiently ambitious 2°C goal, and the perceived non-application of the principle of differentiated responsibilities (de Castro Muller, 2009).

Many of the finance commitments were essentially formalised under the COP the following year, in Cancun in 2010 (UNFCCC, 2010). The COP recognised that 'Developed country Parties commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries.' It took note of the 'collective commitment by developed countries to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010-2012, with a balanced allocation between adaptation and mitigation; funding for adaptation will be prioritised for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa'. It also decided, without further precision, that 'In accordance with the relevant provisions of the Convention, scaled up, new and additional, predictable and adequate funding shall be provided to developing country Parties, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change.'



The commitment by developed countries of \$30 billion over the 2010-2012 period was referred to as the 'Fast Start Finance' initiative (Curtin, 2013). Six months after Copenhagen, and months before Cancun, various developed countries had already made individual commitments totalling \$31.32 billion, according to the World Resources Institute (Ballesteros, 2010). However, significant questions were also raised at the time, including on whether these pledged funds were truly 'new and additional'. The World Resources Institute analysis concluded that some of the resources were 'restated or renamed commitments made in the past', and that generally the information provided was 'insufficient' to establish that pledges were indeed new and additional — and recommended enhanced transparency measures (ibid.).

However, at the end of the 'Fast Track' period, by COP18 in Doha in 2012, the high-level commitments from Cancun around the nature of the finance, notably its additionality, appeared to not have been kept. Research by Oxfam (Bose, 2012), for example, concluded that of the climate finance during this period:

- two-thirds was not new; that is, most was pledged before the Copenhagen conference
- over three-quarters was not additional to existing overall official development assistance (ODA) commitments
- less than a quarter went to adaptation
- more than half was given as loans rather than grants
- less than a quarter was channelled through multilateral funds

The World Resources Institute (WRI) underscores Oxfam's finding of non-additionality, concluding that only Norway met the standard that only funding exceeding the commitment to allocate 0.7% of gross national income (GNI) could be considered genuinely new and additional, during the fast-start period (Fransen and Nakhooda, 2013).

Developing countries in 2012 hoped for, but did not receive, new interim or even annual targets of climate finance from developed countries for the period 2013-2020. The late Saleemul Huq, a renowned scientist and adviser to vulnerable developing countries, expressed how the developing countries were disappointed, stating, 'All we have is a vague promise that they will try and provide funding at the same level as they did in the last years, which was roughly (US) \$10 billion a year.' (IIED, 2012).

Clearly, by 2012, the path to \$100bn was off to an uneasy beginning - it being debatable whether even the \$30 billion Fast Start Finance commitment was met on the terms expected. The seeds of ambiguity had been sown and, as indicated above, some of the signs of future acrimony were in evidence from the first years of the \$100bn.



1.2. 2015-2019: From Paris, through Marrakesh, toward the goal

COP21 in Paris in 2015 reaffirmed the \$100bn goal while agreeing the mandate for the NCQG. This was in addition to further items relevant to both goals:

- Decision 1/CP.21, paragraph 53, decided that, 'in accordance with Article 9, paragraph 3, of the Agreement, developed countries intend to continue their existing collective mobilization goal through 2025 in the context of meaningful mitigation actions and transparency on implementation; prior to 2025 the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries' (UNFCCC, 2016a).
- Article 9 of the Paris Agreement contains provisions concerning finance:
 - Paragraph 1 stipulates that 'Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention'.
 - Paragraph 2 notes that 'Other Parties are encouraged to provide or continue to provide such support voluntarily'.
 - Paragraph 3 notes that 'As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts'.
 - Paragraph 4 says provision of scaled-up resources 'should aim to achieve a balance between adaptation and mitigation'.
 - Paragraphs 5 and 7 establish biennial obligations for developed countries to communicate information regarding their finance and support.

COP21 decisions also included urging developed countries to develop a 'concrete road map' to the \$100bn, which was ultimately presented in the run-up to COP22 in Marrakesh in 2016. This item from COP21 responded to calls for forward clarity made for years by developing nations and civil society organisations. The 2016 Roadmap aimed to 'build confidence and provide increased predictability and transparency about the actions developed countries are and will be taking to achieve the US\$100 billion goal' (UNFCCC, 2016b).

Although contested, the 2016 Roadmap sought to project confidence about the past and future. It asserted that '[s]ince 2010, funding has increased significantly, from \$52 billion to \$62 billion between 2013 and 2014' (ibid.). To provide analytical support for the preparation of the roadmap, developed countries asked the Organisation for Economic Co-operation and Development (OECD) to analyse the pledges made.



According to the OECD analysis, 'pledges made in 2015 alone will boost public finance from an average of \$41 billion over 2013-14 to \$67 billion in 2020' (OECD, 2016).

In the years that followed, debate over progress toward the \$100bn revolved increasingly around the *ex post* assessments of annual climate finance flows by the OECD, developed at the request of the developed countries — with OECD figures facing a lack of acceptance both among developing country governments as well as among independent civil society.⁴

Among governments, India was especially critical of the OECD's estimates and assumptions for monitoring climate finance — producing some noteworthy rebuttals and contesting that the actual figures were much smaller (Climate Change Finance Unit, Department of Economic Affairs, Ministry of Finance, Government of India, 2018). According to India, a crucial element in the definition of climate finance is that it must be new and additional, but the OECD does not take this criterion into account in its reports (ibid.). The OECD undertakes no effort to measure and distinguish what is additional and what is not.⁵ Also, India stresses that only the grant-equivalent elements of any declared funding should be considered, and not the gross face value of all loans and credits. Furthermore, India questions the OECD's automatic qualification of financing declared by multilateral development banks (MDBs) as climate finance, pointing out that the mere declaration of project elements as mitigation or adaptation by MDBs does not necessarily guarantee that they are indeed climate related.

Among independent civil society, some of the most notable critiques were produced by Oxfam, which even went so far as to produce shadow reports that were cited by NGOs and developing country governments alike (Oxfam, 2023). For instance, according to the OECD, total climate finance provided and mobilized by developed countries for developing countries reached \$78.9 billion in 2018, up by 11% from \$71.2 billion in 2017 (OECD, 2020). However, according to Oxfam (2020) estimates, climate finance averaged \$59.5 billion over 2017-2018, based on climate finance reported by developed countries, yet 'net climate-specific aid' (measured in grant-equivalent terms) was only around \$19-22.5 billion (Oxfam, 2020). The OECD usage of Rio Markers⁶ to classify climate finance in the Climate Finance for Development dataset is a methodological approach which, while simple, has led to inflated climate finance figures (Krauss, 2023) — an issue also referenced in Oxfam and other critiques.

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⁴ Notably, the Climate Action Network (CAN), as the world's largest network of non-governmental organisations (NGOs) working on climate change and the main representative of the Environmental NGO observer constituency at the UNFCCC, has not accepted the OECD figures, often deferring to the shadow analysis of Oxfam, one of its members.

⁵ The OECD is controlled essentially by the developed countries. Within the UNFCCC process, developed countries have tended not to support resolving common definitions of climate finance and the additionality, as explored in greater depth in a later chapter:

⁶ Rio marker methodology was elaborated by developed countries under the Development Assistance Committee (DAC) of the Organisation for OECD in order to track the mainstreaming of Rio Conventions' considerations into development cooperation practices (OECD, 2012).



1.3. 2020-2024: The commitment period and multi-year delay

The outset of the commitment period in 2020 was characterised by fundamental uncertainty about whether the \$100bn goal for 2020 would be met, uncertainty which did not help trust or confidence. Part of the uncertainty was due to delays in data availability, which means the OECD is not able to publish its assessment on a given year until almost two years after that year. For example, in 2020, the OECD only shared its figures for 2018, while OECD figures for 2019 only came in 2021, and the OECD figures for 2020 only came out, finally, in 2022.

In the run-up to COP26 in Glasgow in 2021, after the postponement of the COP from 2020 due to the Covid-19 pandemic, tension reached new heights, with the \$100bn 'failure' becoming a key point of debate. When the 2019 figures were released by the OECD in 2021, Jan Kowalzig, senior policy adviser at Oxfam, expressed 'grave concern' regarding the figures at the time, highlighting that it 'damages the carefully crafted balance of trust in the international climate regime around the Paris Agreement' (Lo, 2021). Saleemul Huq, adviser to developing countries, said 'the test from the perspective of the Vulnerable Developing countries' was to 'show us the 100 Billion in cash before November or don't expect us to bother coming to Glasgow for COP26' (Huq, 2021).

At this time, the developed countries, acknowledging their failure to meet the \$100bn goal, drew up and released a forward-looking 'Delivery Plan' for scaling finance, coordinated by the Governments of Canada and Germany, before COP26 (Wilkinson and Flasbarth, 2021). The document provided assurances that the \$100bn threshold would be crossed by 2023. Reactions were mixed. More than 100 civil society organisations had signed a letter setting expectations — which the Delivery Plan did not ultimately meet — including on committing to exceed the \$100bn in future years, so as to meet the \$100bn on average, as well as seeking balance between mitigation and adaptation — noting they would not welcome anything less (Farand, 2021).

The COP26 agreed text, after much negotiation, 'Notes with deep regret' that the \$100bn 'has not yet been met', but 'welcomes the increased pledges made by many developed country Parties and the Climate Finance Delivery Plan'. Outside the negotiations, COP26 saw attention diverted away from the \$100bn by talk of 'trillions' in capital, which various developed country actors claimed was available from private investors (Huq and Erzini Vernoit, 2022). Leaders of the UK, US and European Union (EU) claimed a desire to 'mobilize and align the trillions of dollars in capital over the next three decades to meet net-zero by 2050, the majority of which will be needed in developing and emerging economies' (The White House, 2021). In parallel, there was the announcement that the 'amount of finance committed to achieving 1.5°C' was 'now at scale needed to deliver the transition', while '\$130 trillion of private capital is committed to transforming the economy for net zero' by the Glasgow Financial Alliance for Net Zero (2021). Of course, such statements, while moving the discussion away from the \$100bn, did not dwell on the fact that the sum was a stock of capital,



already invested across a diverse universe of different assets based on selective criteria, rather than a target for investment flows.

More generally, COP26 saw the beginning of developed countries pivoting and laying blame elsewhere for not meeting the \$100bn — notably at the door of the multilateral development banks, or even at the door of developing countries who were implicitly faulted for not having the right 'enabling environments' to attract private finance (UNFCCC, 2022).⁷ This moment saw the beginnings of a big effort by developed countries and associated actors to raise pressure on the management of MDBs to scale their finance, with insistence by the US Climate Envoy John Kerry that this should not require new finance from donor countries (Volcovici and Jessop, 2022). In this sense, this push on MDBs arguably came at the expense of proper self-assessment by developed countries and introspection about increasing their own budgetary spending.

It was not until 2022, after Glasgow and in the run-up to COP27 in Sharm el-Sheikh, that the OECD (2022) figures on finance flows in 2020 came out, confirming that developed countries had failed to achieve the \$100bn by 2020 — even according to the OECD's debated accounting methodology. This set the tone for COP27, which was also marked by wider divisions between developed and developing countries, notably on the ultimately successful effort to establish the Loss and Damage Fund and arrangements for financing.

In 2023, in the run-up to COP28 in Dubai, the debate continued, with mounting criticism of developed countries, who offered some assurances but with unclear evidence. The COP President-designate, Sultan Ahmed Al Jaber, stated that 'Expectations are very high. Trust is very low,' describing the failure to meet the \$100bn goal as 'dismal' (Civillini, 2023). In 2023, developed countries were finally able to offer definitive assurance, from their point of view, that the \$100bn threshold would be met. In a letter, Ministers from Germany and Canada wrote 'we are confident the goal will be met this year [2023]' but that 'data on climate finance delivered in 2023 will not be available until 2025 due to data requirements and reporting processes in place.' (Auswärtiges Amt., 2023). COP28 saw the first Global Stocktake (GST) assessment of progress towards the Paris Agreement goals, which noted 'with deep regret' that developed countries had not reached the target of \$100bn even in 2021 (UNFCCC, 2023a).

It was not until 2024 that developed countries were able to cite OECD analysis as evidence of having crossed the \$100bn threshold. According to the analysis, released on 29 May 2024, developed countries were finally able to surpass the \$100bn threshold in 2022, mobilizing \$115.9 billion according to the OECD (2024). The composition of these flows did not see major improvements in terms of the key areas of concern for developing countries, such as the proportion of grant and concessional finance versus

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⁷ This represents a continuation of how concepts of 'enabling environments', 'policy reform', and 'good governance' have come to be politically charged within UNFCCC discussions about climate finance for developing countries. See summaries by the Third World Network for more information — here and here for further background on how developed countries have employed these concepts and how they have been resisted by developing countries, as well as more recent context here.



non-concessional loans, or the proportion of adaptation finance (see Chapter 2 for a more detailed discussion). Ostensibly exceeding the \$100bn by \$15.9 billion in 2022 helps to ensure that even if the \$100bn was not met on time, it may yet be met on average over the multi-year commitment period, assuming climate finance does not fall significantly in 2023 or 2024. Some developing countries, such as the Arab Group (Saudi Arabia on behalf of the Arab Group, 2024), and civil society are calling for surpassing the \$100bn in a way that compensates for shortfalls in years past (Farand, 2021). However, developed countries have avoided undertaking this as a formal commitment.

As the end of the \$100bn commitment period approaches, developing countries' confidence in multilateral cooperation for climate action, as well as their trust in developed countries, has been damaged — not only by the failure to meet the \$100bn by 2020, but also by them failing to meet various expectations for climate finance associated with the goal, expectations arising most notably from COP16 (Lo, 2023) (see Section 1.1). While some developed countries may frame the \$100bn as only an aspirational goal in a legal sense, for developing countries the \$100bn is not simply a matter of voluntary aid or generosity, but a minimal obligation to be honoured in line with fundamental notions of climate justice — that those with capacities who have historically contributed most to the crisis should also take the most significant steps to remedy it (Abnett, 2022). The failure on the \$100bn, therefore, provoked serious responses. The Alliance of Small Island States emphasises: 'The impact this has had on trust cannot be underestimated' (AOSIS, 2021). 'Their credibility is now shot', said Saleemul Huq of developed countries, adding that the broken finance promise could 'sour everything else' (Abnett and Twidale, 2021).

1.4. The present day: Wider polycrisis and the lack of political will

The experience then has been of the failure to meet the \$100bn goal, debates over its accounting and divergent expectations over its delivery. This experience on its own would have been enough to drive a deficit of trust and confidence. However, this deficit was arguably exacerbated by the wider context in which the experience was set - a context of various changes and challenges witnessed since 2009, as examined below.

First, since the \$100bn was first proposed in 2009, recognition of its inadequacy has grown as the understanding of developing countries' climate finance requirements has improved. COP26 in 2021 saw the results of the first report on the determination of the needs of developing countries, including in finance, which shows that developing countries will need trillions in finance by 2030 to implement their national commitments under the UNFCCC (UNFCCC, 2021). At COP28 in 2023, the first Global Stocktake, a collective assessment of the progress towards Paris Agreement goals, underlined these needs. It highlighted 'the growing gap between the needs of developing country Parties, in particular those due to the increasing impacts of climate change compounded by difficult macroeconomic circumstances and the support provided and mobilized for their efforts to implement their nationally



determined contributions, highlighting that such needs are currently estimated at USD 5.8-5.9 trillion for the pre-2030 period' (UNFCCC, 2023a).

In addition, beyond needs assessments, outside the UNFCCC context there is a growing body of literature and commentary on climate-related reparations and climate debts owed to the Global South. The 'climate debt' has been defined as the huge financial burden that has been placed on the Global South to mitigate and adapt to climate impacts, despite these having been driven by the carbon-intense way of life and industrialisation of the Global North (Global Justice Now, 2022). Emissions from richer countries caused an estimated \$2.3 trillion worth of damage to lower income countries between 1961 and 2000 alone (Adow, 2020). One recent study by Fanning and Hickel (2023) estimates debts presently being incurred at \$100-238 trillion by 2050. To account for some of this, advocates have argued that countries in the Global North should pay large financial reparations to the Global South (Global Justice Now, 2022).

Second, since 2009, the world has undergone significant disruptions, which have rendered the economic circumstances of developing countries more difficult and made their financing of climate action more challenging. Mounting losses and damages from climate change are already occupying part of the limited budgets of governments in developing countries. The UN Environment Programme (UNEP) shows that African countries spent at least 0.95% of their public budgets on adaptation in 2019, with Botswana and Seychelles spending more than 4% (UNEP, 2023). An average of 4% of African countries' GDP will be used to adapt to climate change (Harvey, 2022). For Mohamed Adow, of Power Shift Africa: 'Despite only having tiny carbon footprints compared with those of the rich world, these African countries are suffering from droughts, storms and floods which are putting already stretched public finances under strain and limiting their ability to tackle other problems.' (Harvey, 2022).

On top of climate change losses and damages, other exogenous shocks have also brought increased costs in recent years. The Covid-19 crisis and recovery effort led to unprecedented levels of government spending. The pandemic, together with geopolitical tensions in the Middle East and Ukraine, have led to increases in the costs of key goods and commodities, which many developing country governments must subsidise. Global inflation jumped from 2.72% to 8.71% between 2021 and 2022 alone (Statista, 2024).

Such wider economic challenges, in forcing developing countries to take on more debt under unfavourable market conditions, ushering in the 'worst debt crisis ever', have significantly diminished the ability of developing countries to self-finance their national climate-related needs. These sovereign debt repayments have massively and disastrously diverted fiscal resources away from even such development priorities as healthcare and education, not to mention climate change adaptation and mitigation (UNEP, 2023). According to the 2023 International Debt Report of the World Bank, developing countries paid a record \$443.5 billion in 2022 to service their public debt (World Bank, 2024). In 2024, according to a recent study, 'debt service is absorbing

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⁸ See: https://afrodad.org/debt-service-watch-the-worst-debt-crisis-ever/



41.5% of budget revenues, 41.6% of spending, and 8.4% of GDP on average across 144 developing countries' (Norwegian Church Aid, 2024). In such a context of fiscal crisis, non-concessional and non-grant climate finance become increasingly difficult for these countries to justify. This underscores the significance of concessional and grant financing to enable these countries to work around their budget crises and actually undertake climate action and implement NDCs and other domestic climate policy ambitions.

Figure 2 Climate finance in context (figures in trillions)



Source: Climate Policy Initiative, 2023.

Third, the 2020-2024 period has demonstrated in growing clarity that developed countries do not lack public financial resources in moments of need — and that failures on provision of climate finance to meet the \$100bn are the result of political factors in developed countries. It has not gone unnoticed among developing countries just how much money can be mobilized by developed countries when those governments have the political will to do so, while the \$100bn remains unmet (Schalatek, 2021). The biggest shocks to developed countries in the early part of this decade, namely the Covid-19 pandemic and the war in Ukraine, are proof of this, with trillions of dollars mobilized in short order. For instance, to deal with the Covid-19 crisis, advanced economies undertook fiscal measures of over \$14 trillion in less than two years, whereas emerging and low-income countries collectively undertook less than \$3 trillion in such measures (IMF, 2020). Of course, such fiscal measures were undertaken urgently despite potential aftereffects to national debt and inflation, illustrating how far developed countries will go when an issue is recognised as a national emergency. Moreover, annual global military expenditure has reached a record high of \$2.24 trillion, with military spending by NATO [North Atlantic Treaty Organization] member countries averaging over 2.6% of GDP and expected to remain high in the context of conflict and geopolitical tensions. Meanwhile, implicit and explicit fossil fuel subsidies from the EU and US alone amounted to over \$1 trillion in 2022 (Black et al., 2023).

Such high levels of public spending and subsidies by developed countries during the 2020-2024 period underscore the importance of political will and suggest considerable potential for increasing official development assistance (ODA) from developed

⁹ Global spending grew by 19 per cent over the decade 2013–2022 and has risen every year since 2015 (Stockholm International Peace Research Institute, 2023).



countries and, within that, the international climate finance qualifying as ODA. In comparison with the great spending above, members of the OECD Development Assistance Committee (DAC) spent only \$223.7 billion on ODA in 2023, which includes not only ODA-eligible climate finance but also all assistance for development generally as well as humanitarian aid. This sum represents only 0.37% of combined DAC GNI, only about half of the GNI-ODA target of 0.7% (Si, 2024).

Historical precedent also demonstrates that there is considerable room for increasing international assistance, particularly where there is the political will to do so, linked to self-interest. In the past, the United States was even able to average 2% of its GNI in annual assistance spending over a multi-year period, as with the US's Marshall Plan for Europe after the Second World War (Congressional Research Service, 2022; Morgenstern and Brown, 2022). This particular instance of large-scale international assistance was motivated arguably less by altruism and more by geopolitical aims to contain the influence of rivals, in this case the Soviet Union in Europe (Machado, 2007). The Cold War history of political efforts in the US to unite domestic support — and contain opposition — for such increases in assistance spending provides an instructive example. It suggests the more active efforts that would need to be undertaken by political actors in developed countries today, to persuade the public and political elites that such increases are necessary and in the enlightened self-interest of their country on the international stage (ibid.) amid rivalries.



+ 2. Areas of ambiguity in the \$100bn goal

The \$100bn goal was established with high expectations and yet significant ambiguities, in such a way that it later became difficult to avoid divergences later. In particular, the goal was agreed alongside progressive language that responded to key concerns from developing countries; however, though progressive, such language was imprecise. While at the time these ambiguities were constructive in facilitating agreement by developed countries, they became toxic ambiguities later. Five key areas of ambiguity, discussed in greater depth in this section, are as follows:

- 1. On additionality
- 2. On effort-sharing frameworks
- 3. On thematic balance
- 4. On grants, concessionality and forms of finance
- 5. On institutional channels

2.1. Lack of clarity on additionality

The climate change crisis has led to additional pressures on developing countries to face the added costs of climate impacts and climate action, creating a need for 'new and additional' finance for mitigation, adaptation and loss and damage. According to the Intergovernmental Panel on Climate Change (IPCC), '[r]esources that prioritize climate at the expense of non-climate development finance increase a population's vulnerability to any given level of climate shocks, and the additionality of climate finance is therefore essential' (Kreibiehl et al., 2022).

Indeed, there is a longstanding legal precedent, predating the \$100bn goal, to the principle that developed countries should provide 'new and additional' climate finance. Article 4.3 of the UNFCCC establishes the commitment that 'the developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1', a paragraph on basic reporting obligations (UN, 1992).

Concurrent with the \$100bn commitment, the Copenhagen Accord in 2009 did establish that 'Scaled up, new and additional, predictable and adequate' funding 'shall be provided to developing countries' to 'enable and support enhanced action on mitigation', plus 'new and additional resources... approaching USD 30 billion for the period 2010-2012' for mitigation and adaptation (UNFCCC, 2009). Having taken note of the Copenhagen Accord, the COP decided in Cancun that 'scaled-up, new and additional, predictable and adequate funding shall be provided', without specifying how much.¹⁰ The Paris Agreement does not use the term 'new and additional', but says

¹⁰ Some developed countries argue that this legal commitment does not apply to the entirety of the \$100bn.



under Article 9.3 that 'Such mobilization of climate finance should represent a progression beyond previous efforts'.

However, despite agreed usage of the term, there is no agreed definition of 'additionality'. Currently, countries can self-define additionality in their biennial reports, which permits wide divergence in interpretation of the concept. Despite the importance accorded by UNFCCC agreements to climate finance having to be 'new and additional', there is still a lack of clarity regarding its meaning — including the methodology for calculating what is additional and what is not. Current discussions under the UNFCCC, on definitions of climate finance, recognise calls for further work to achieve a clear understanding of additionality (UNFCCC, 2023b).

Without an agreed methodology for additionality, various analyses of finance toward the \$100bn reveal a big problem - a lack of genuine new and additional grant-equivalent climate finance beyond committed development aid, or even beyond prior aid flows. According to the Center for Global Development, of the \$78.9 billion in climate finance reported by the OECD (2020), only \$43.6 billion was new and additional finance from 2009 (Mitchell et al., 2021). CARE International concludes that 52% of the Global North's public climate finance is non-additional when compared with the amount of development finance that developed countries contributed in 2009, the year the \$100bn was initially committed (Hattle and Nordbo, 2023). However, CARE also shows that 93% of climate finance provided between 2011 and 2020 was not additional when compared with the decades-old commitment to spend 0.7% of GNI on ODA (ibid.). Such non-additionality was presaged by the aforementioned findings from the World Resources Institute from 2010 that Fast Start Finance could not be determined to be new and additional. Unresolved ambiguities in UNFCCC definitions of additionality, coupled with such assessments - showing that that much climate finance under the \$100bn represents a displacement or relabelling of existing climate finance or of existing ODA commitments — have provoked mounting concerns regarding non-additionality among developing countries and civil society, in disconnect with the position of developed countries (Brown and Bird, 2010).

A key concern expressed in the context of the \$100bn is that increases in climate finance are coming at the expense of finance for other development priorities, such as poverty eradication, water, hunger, health, sanitation, or women and children — a phenomenon understood to be counterproductive as it increases vulnerability to climate change impacts (Kreibiehl et al., 2022). According to John Nordbo of CARE Denmark, 'The idea that support for climate activities can be a substitute for investment in poverty alleviation is dysfunctional, deceitful, and unjust' (CARE International, 2023). In the context of efforts by developed countries to reform the World Bank to focus more on climate change and 'global public goods (GPGs)', African finance ministers have expressed concern that a non-additional zero-sum game approach would mean a deprioritisation and less finance for the fight against poverty (Adegoke, 2023; Roy, 2023). In 2023, Africa's Governors of the World Bank Group called on the institution to 'include food security, water and affordable energy access as GPGs, with human capital development and digital transformation, as cross-cutting



priorities' and not only the response to climate change, pandemics, and conflicts, arguing that these 'should all benefit from the allocation of additional concessional resources' with 'an unbiased approach' (African Caucus of Finance Ministers and Central Bank Governors, 2023).

The issue of additionality to development finance was predicted by some developed country decision-makers, even in the period before the \$100bn goal was set. In 2009, in proposing his original conception of the \$100bn goal, then-UK Prime Minister Gordon Brown said a climate goal must not simply divert countries' existing commitments to development assistance: 'Even when we [the UK] have achieved our 0.7% target of national income we will also be contributing additional finance on top. I believe that additionality to aid in this way is an important principle to which all developed countries should commit'. He recommended that only up to a tenth of such existing promises could be used, where development and climate goals overlapped (Wynn, 2009). Similarly, Rajiv Shah, former Head of the US Agency for International Development, affirmed, 'While there is a lot of overlap between the climate and development, it is not the same thing. If we start cutting vaccines for poor countries to meet climate obligations, we will be doing a disservice to the world' (Ives, 2018).

Figure 3 Positions of developed and developing countries on the need for a common definition of climate finance and mention of 'new and additional'

Submissions of views on the operational definition of climate finance				
Primarily providers of CF	Need common definition?	Mentions new and additional?		
Canada	No	No		
Environmental Integrity Group	No	No		
EU	No	No		
Japan	No	Yes		
Norway	No	No		
US	No	No		
Independent Association for LAC		No		
Primarily recipients of CF African Group	Yes	Yes		
Alliance of Small Island States	Yes	Yes		
India	Yes	Yes		
Indonesia	No	Yes		
Kenya	Yes	Yes		
LDCs	Yes	Yes		
Like-minded developing countries	Yes	Yes		
Philippines	Unspecified	Yes		
Solomon Islands	Unspecified	Yes		
Vanuatu	Yes	Yes		

Source: UNFCCC Standing Committee on Finance, 2019. (Note: CF is climate finance; LAC is Latin America and the Caribbean; LDCs is least developed countries.)



However, developed countries essentially did little to act upon these issues. As CARE International notes, the OECD assessments of climate finance flows do not attempt to distinguish how much reported climate finance can be considered additional to development assistance (Hattle and Nordbo, 2023), effectively turning a blind eye to the frustrations cited above. While the OECD staff may have some agency in this, it is crucial to note that the OECD is controlled essentially by the developed countries. Within the UNFCCC process, developed countries have tended not to support resolving common definitions of climate finance and additionality, as shown in Figure 3. This opposition contrasts with the clear consensus among developing countries on the need to establish a clear, common definition to advance efforts on climate finance and avoid double-counting, as shown above.

In some cases, developed countries have very explicitly relabelled existing development finance programming as climate finance, which does acknowledge the important role of wider development to climate resilience, but poses a problem for additionality. In the case of the UK, the government cut its overall ODA while seeking praise for a pledge to increase its climate finance for COP26 (Rowling, 2024). Later, when asked why a given country programme was classified as 30% climate finance, the government clarified that it now routinely counts 30% as climate finance from all 'humanitarian work being carried out in countries that fall into the bottom 10 per cent in terms of recognised climate vulnerability rankings' (UK Parliament, 2024).

Last, a further area of concern around ambiguous additionality occurs where announced increases for one thematic area of climate action are not clearly additional to existing climate finance for other areas. COP28 saw an instance of this, when, in the context of insufficient transparency and inadequate pledging for the Adaptation Fund, civil society queried whether 'new' pledges toward the Loss and Damage Fund were indeed additional, or whether they were 'effectively being taken away from funding that might go towards climate adaptation and wider development finance objectives' (CARE International, 2023).

2.2. Lack of clarity on effort-sharing frameworks

The failure on the \$100bn has been collectively blamed on developed countries, compromising confidence for ambition-raising and creating a sense of general mistrust among developing countries directed at developed countries as a whole (Rowling, 2021). However, not all developed countries have made the same effort and, while it remains a collective failure, not all countries are equally to blame. Notably, the United States, as the largest historic cumulative emitter (for example, from 1800 to 2022) (Statista, 2022) and the largest economy among high-income countries, arguably represents the largest gap to the delivery of the \$100bn, having not delivered its fair share according to a range of estimates, as noted below (Gabbatiss and Evans, 2022).

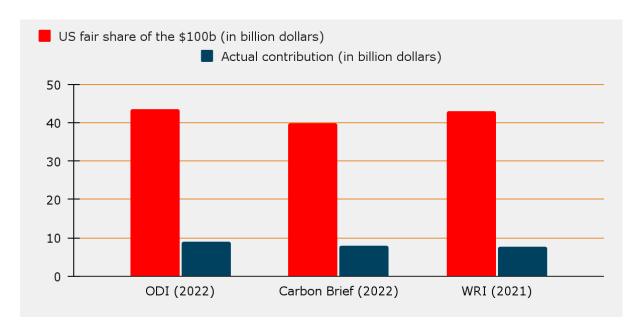
In only stipulating that developed countries were to mobilize \$100bn by 2020, without offering guidance on individual contributions or an effort-sharing framework for establishing fair shares, the \$100bn decision was ambiguous and opened the door to the worst-performing countries hiding behind a collective failure. Rather than



poor-performing individual countries shouldering accountability and responsibility for letting the collective down, this induced mistrust in developed countries collectively.

Various estimates have been proposed by different independent organisations in the Global North for what 'fair share' contributions by individual developed countries to the \$100bn might be. The Overseas Development Institute (ODI), Carbon Brief and the World Resources Institute (WRI) have each calculated fair shares of the \$100bn based on metrics for both responsibility and capability, combining data on historical emissions and revenue data (Thwaites et al., 2021). Here, attention is focused on the 23 countries designated under Annex II of the UNFCCC, which are obliged to provide climate finance (Beynon, 2023). Different methodological choices by each organisation yield different numbers, but despite this, there is an important convergence around key conclusions.

Figure 4 Different methodologies, same result: the United States is arguably the country most responsible for the \$100bn failure



Source: IMAL based on ODI (Colenbrander, Pettinotti and Cao, 2022), Carbon Brief (Gabbatiss and Evans, 2022), and WRI (Thwaites, Gonzalez and Bos., 2021)

Despite different methods, each analysis converges in its own way on the notable conclusion that the US had the largest fair share responsibility among individual countries and also had the largest deficit between its fair share and what it actually contributed: these indicate a roughly \$30 billion undershoot by the biggest high-income historical emitter, which is arguably one of the main reasons for the \$100bn failure. Of course, in 2009, when the US announced it would help mobilize the \$100bn a year by 2020, it was unclear from the beginning exactly how much of the \$100bn the US would contribute (Friedman and Samuelsohn, 2009), arguably deliberately. According to Carbon Brief (2022), the United States should contribute \$39.9 billion as part of the \$100bn; according to WRI (2021), the US should be



responsible for \$43 billion; and according to ODI (2022), the US should be responsible for \$43.51 billion. However, despite this, the US had only contributed \$7.6 billion by 2018, according to WRI; \$7.6 billion according to Carbon Brief; or \$9.7 billion according to ODI — as shown in Figure 4.

The need for clarity on fair shares contributions, however, goes beyond the US and extends a general under-performance by developed countries. According to WRI estimates, only five developed countries met their fair share in nominal terms. Nevertheless, the assessment has not been made in grant-equivalent terms, and a significant proportion of even these five countries' contributions took the form of loans, which do not represent the same fiscal effort as other countries that may be contributing greater amounts in grant-equivalent terms.

In allowing individual countries to provide less than their fair share without accountability, the ambiguity around fair shares has likely led to less climate finance flowing to the Global South than would be the case under a robust fair shares framework. Given the large unmet needs in the South, the matter of individual responsibilities cannot remain addressed. Given its complexities, a burden-sharing framework is unlikely to be developed in its entirety by the time of the NCQG decision at COP29; however, a formal process may be initiated at COP29 for the development of a burden-sharing framework over the course of the following 12-24 months.

2.3. Lack of clarity on thematic balance

Article 9, paragraph 4 of the Paris Agreement reads:

"The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation."

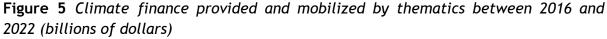
In many respects, this call for 'a balance' is an acknowledgment of some 20 prior years of advocacy for adaptation finance by developing countries and civil society, documented in research (Khan et al., 2020). It is a response to the acknowledged and quantified imbalance in finance flows, pre-COP21, for mitigation versus for adaptation (Buchner et al., 2014). As cited earlier, the \$100bn was originally put forward by Nicholas Stern as being appropriate for adaptation finance alone, with a further \$100bn needed for mitigation, but this original vision was not maintained.

Of course, there are political economy factors that reproduce such imbalances — notably the comparative profitability factor, as well as the preferences of developed countries. Some of the large donors clearly favour mitigation, including France and Germany, spending 31% and 18% of climate finance on adaptation respectively in 2019 (CARE International, 2023). Adaptation tends to focus on creating public benefits,



offering less returns financially compared with mitigation, if any, which has meant less scope for loans in adaptation than in mitigation. For institutions of different profiles, this compounds other structural challenges, and hence: (1) profit-seeking private finance tends to overwhelmingly flow to mitigation rather than adaptation (OECD, 2023); (2) MDBs as loan-based institutions have historically tended to focus on mitigation; and (3) bilateral public finance from developed countries has tended to focus on mitigation. Of course, providing a loan for a mitigation project with expectation of repayment tends to require less grant-equivalent budgetary outlays or fiscal effort by a government, relative to a grant for adaptation for the same nominal finance amount. Moreover, given that the benefits created by adaptation are public goods that are traditionally understood as being more local than global, at least relative to mitigation, there has arguably been more motivation for developed country governments to focus on mitigation.

Therefore, despite the Paris Agreement call for thematic balance, international public climate finance still clearly favours mitigation. Analysis of climate finance provided and mobilized by developed countries highlights the imbalance and illustrates how adaptation finance has remained low. According to OECD DAC data, in the years that followed COP21, of the international public climate-specific finance allocated to developing countries from 2017 to 2021, around 33%, or one third, was dedicated to supporting adaptation efforts, albeit with a further 14% going to cross-cutting projects for both adaptation and mitigation (UNEP, 2023). Per the OECD, total adaptation finance provided and mobilized by developed countries increased in 2022, reaching \$32.4 billion, compared to \$10.1 billion in 2016 (OECD, 2024). According to the same report (ibid.), the share allocated to adaptation has also progressively increased over the years, rising from 17% in 2016 and 25% in 2019 to 28%. Despite this increase, mitigation finance remained dominant, growing by \$27.7 billion over the same period and accounting for 60% (\$69.9 billion) of the total in 2022.





¹¹ While the MDBs currently provide slightly more adaptation finance than developed countries, they are likely to continue to favour mitigation over adaptation due to their business model of loan-based support (Oxfam, 2023).



Source: OECD, 2024.

In light of the inadequacy of current adaptation finance, the proportion of adaptation finance under the \$100bn has been criticised, particularly by African countries, as running contrary to the 'balance' called for in the Paris Agreement. Being vulnerable to climate change impacts, while only responsible for 4% of global emissions (Al Jazeera, 2023), many African countries understandably prioritise adaptation finance over mitigation finance. However, the balance of international climate finance in Africa does not appear to be 'taking into account country-driven strategies, and the priorities and needs of developing country Parties'. According to the Climate Policy Initiative (2022), mitigation finance represents 49%, while adaptation finance only 39% and cross-cutting finance 12% of current flows globally. Furthermore, Kenya's 2020 NDC update identifies 71% of the stated investment needs as being for adaptation (Government of Kenya, 2020). However, in contradiction with this, as the Climate Policy Initiative notes, 55% of international public climate finance for Kenya in 2018 was directed to mitigation, while the share devoted to adaptation amounted to only around 23%, with cross-cutting measures at 22% (Mazza et al., 2021). The same report notes that, when looking at climate finance in Kenya as a whole (including private finance), the picture is even more unbalanced, with nearly 79% in 2018 directed to mitigation, while the share devoted to adaptation amounted to only around 12%, with cross-cutting measures at 8.5% (ibid.). Another CPI report published in 2021 on the landscape of climate finance in South Africa revealed that, between 2017 and 2018, mitigation activities accounted for 81% of total climate finance, while adaptation made up only 7%, and cross-cutting activities around 12% (Cassim et al., 2020). Pressure from Africa for more adaptation finance led to the commitment on doubling adaptation finance at COP26, 'in the context of achieving a balance' (UNFCCC, 2022). The Glasgow Climate Pact calls on developed countries to double adaptation funding for developing countries from 2019 levels by 2025, in response to calls by African countries to close the adaptation gap.

At the same time, ambiguity around understandings of 'balance' has not helped its operationalisation. While many developing countries share the expectation that this means a '50:50 balance' (Chin-Yee, 2016), an expectation acknowledged even by a webpage of the UNFCCC, this is not universally agreed. Moreover, it is unclear whether such parity should be sought on a grant-equivalent basis, or on a nominal basis, between quantities of public finance (permitting different proportions grant-equivalent finance within public finance) or even between nominal quantities of public and private finance (hence requiring much more public finance for adaptation under the \$100bn, given more modest leverage ratios). Implementation, therefore, has varied. Among developed countries as of 2023, only Denmark, New Zealand, the Netherlands and the European Commission 'attempt to ensure that at least 50% of total future public support will go towards adaptation', according to CARE (2023). The Green Climate Fund (GCF) 'aims to deliver a 50:50 balance between adaptation and mitigation in its portfolio' (GCF, 2022). As of March 2024, in grant-equivalent terms, 54% of its financing was for adaptation, and 46% for mitigation, resulting in a split in nominal terms of 56% for mitigation and 44% for adaptation. Meanwhile, various MDBs,



dealing chiefly in loans, have set targets for parity but in nominal terms - unlike the GCF.

2.4. Lack of clarity on grants and concessionality

As Oxfam notes, 'When the \$100-billion-a-year goal was set in 2009, many may have expected that most of it would be provided as grants or other forms of highly concessional finance' (Zagema et al., 2023). The Paris Agreement, for instance, affirms 'the need for public and grant-based resources for adaptation'. The Glasgow Pact calls for scaling 'grants and other highly concessional forms of finance'. However, such language remains imprecise, and once again, ambiguity and flexibility of interpretation have not been kind to developing countries.

Today, amid 'the worst debt crisis ever', developing countries face growing challenges in attempting to finance their NDCs and other national climate policy objectives. These countries often lack the financial means to meet these needs on their own, in the context of an increasingly fraught economic context in which their spending abilities are more and more stretched. As of 2023, according to the UN Conference on Trade and Development (UNCTAD), 'nearly a third' of 'low or lower-middle-income developing economies' are 'on the precipice of debt distress', with 'a rising number inching towards default.' (UNCTAD, 2023). As noted earlier, these countries have faced climate change loss and damage in growing frequency and intensity, which increases their borrowing costs (Buhr et al., 2018). This is in addition to other exogenous shocks also requiring heavy spending such Covid-19, which has driven major inflation and increases to commodity costs, along with the conflicts in Ukraine and the Middle East, along with unfavourable exchange costs with an expensive US dollar.

As such, the concessionality of finance and provision of climate finance as grants and concessional finance is vital to developing countries. In the absence of concessionality, the governments of developing countries may not be able to afford loans, and those that have reached debt limits may be unable to accept any financing other than grants. Moreover, vulnerable communities — such as smallholder farmers, oasis communities, or pastoralist nomads in Africa — may already be in precarious positions of indebtedness, and therefore require grants (IMAL, 2024a). In addition, from a reparatory justice standpoint, to the degree that developed countries as historic emitters owe a climate debt to developing countries for the adaptation costs and loss and damages inflicted on them, this should be repaid — rather than provided as lending which developing countries must repay (Kaboub, 2024).

On this basis, developing countries expect concessionality and grant-based finance under the \$100bn. However, although perhaps consistent with the expectations of the developed countries responsible for it, the disappointing reality of the \$100bn with its prominent role for loans, and even non-concessional loans, has run contrary to the expectations of developing countries.

A range of assessments by Oxfam, CARE, and even the OECD and other organisations each indicate that the share of grants in climate finance toward the \$100bn remains



very low. According to the OECD (2023), the proportion of grants within the international public finance has remained fairly constant, ranging from 26.2% in 2016 to 27.6% in 2021. Loans accounted for over 67% of international public climate finance in 2021 and over 70% in 2020, which — as shown below — were largely non-concessional loans (ibid.). Although it may be argued that lending may play more of a role for mitigation, the picture is not much better for adaptation. The UNFCCC Standing Committee on Finance's report on doubling adaptation finance reveals that between 2019 and 2020, loans accounted for 59% of adaptation finance, while grants did not exceed 31% (UNFCCC, 2023b). This predominance of loans is explained by the large role played by the MDBs in adaptation finance, delivering 83% of the overall finance mobilized, according to the report.

\$0.4bn \$1.5bn 60 Other Non-concessional \$1.5bn loans and other JS\$ billion instruments Concessional loans, equity and other non-grant instruments Grants \$17.1bn \$12.5bn 2015-16 ANNUAL 2017-18 ANNUAL 2019-20 ANNUAL AVERAGE AVERAGE **AVERAGE**

Figure 6 Non-concessional loans account for much of public climate finance

Source: Oxfam, 2023.

In addition to the preponderance of loans, another key problem for climate finance under the \$100bn is the non-concessionality of most of the loans. Of the estimated \$66.3 billion in international public climate finance for the annual average of 2019-2020, Oxfam calculated that, while \$20.7 billion, or 31%, was 'concessional loans and other nongrant instruments', \$28.1 billion, or 42%, was provided through 'nonconcessional loans and other instruments on terms not generous enough to qualify as ODA' (Kowalzig et al., 2023). According to Oxfam, therefore, most of the loans provided under the \$100bn at the outset of the commitment period are not even concessional. This finding is reinforced by a more recent investigation by Reuters in partnership with a journalism programme at Stanford University. According to this investigation, between 2015 and 2020, developed countries have loaned developing countries at least \$18 billion at market rates of interest for what is claimed as climate finance, including \$10.2 billion by Japan, \$3.6 billion by France, \$1.9 billion by Germany and \$1.5 billion by the US (Casado Sanchez and Botts, 2024).



This status quo of loans and non-concessionality under the \$100bn, while saving fiscal resources for the developed countries, is adding to hardship in developing countries and feeding frustration against developed countries. '[T]he global south are experiencing a new wave of debt caused by climate finance,' affirms Andres Mogro, former national director for adaptation to climate change in Ecuador, in the Reuters investigation (ibid.). Safa Al Jayoussi, climate justice adviser at Oxfam MENA, pointed out that such debt poses a major risk for countries already facing debt distress, stating: 'Developing countries are dealing with a lot of loans from the World Bank and other institutions that are causing more austerity. Adding more pressure to the countries ... will impact those most vulnerable to climate change. This kind of funding is making adaptation and mitigation to climate change more difficult.' (Millar, 2023).

In recent years, while beset by floods, drought and wildfires not of their making, developing countries with over three billion in population have spent more on debt servicing interest payments than on education or health (UNCTAD, 2024). Perhaps predictably, this crisis has grown to the extent that '[n]et finance flows to developing countries turned negative in 2023' (Harcourt and McNair, 2024). While climate finance may represents only be a small part of the massive new debt taken on by developing countries in recent years, the high use of loans and non-concessional loans under the \$100bn has nevertheless unhelpfully increased the debt burden and overall debt servicing for developing countries already indebted and vulnerable to climate change, placing their governments in a vicious circle. This indebtedness reduces rather than expands their fiscal space to take action to adapt to and mitigate the effects of climate change further down the line.

Clearly, the lack of clarity in the \$100bn commitment regarding grants and concessionality has resulted in a divergence of expectations and helped allow the lack of grants and preponderance of non-concessional loans. This has eroded trust while undermining developing country fiscal space and, by extension, confidence in the ability to self-finance climate action and resilience over the long term. The design flaw of the \$100bn, and indeed any finance target in purely nominal terms, is in creating a perverse incentive for developed countries to scale public finance with non-concessional lending, with the bare minimum of fiscal effort. This suggests the importance of grant-equivalent accounting, as well as the need for general debate over how and even whether non-concessional loans should be counted as provision or mobilization of climate finance under the NCQG.

2.5. Lack of clarity on institutional channels

A lack of clarity on the appropriate role for different institutional channels is another area of ambiguity surrounding the \$100bn goal. This ambiguity has led to divergence over which financial institutions should be prioritised for funding — notably the debate over the respective roles of the UNFCCC climate funds versus multilateral development banks or bilateral institutions. The COP process has established various financing institutions to support climate finance, including the Green Climate Fund

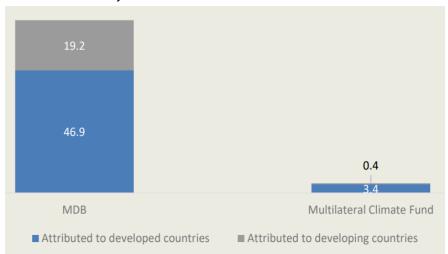


(GCF), the Adaptation Fund (AF), and more recently the so-called Loss and Damage Fund - but public finance under the \$100bn is not limited to these as channels.

In terms of relevant legal provisions, COP Decision 1/CP.16, which designated the GCF, 'as an operating entity of the financial mechanism of the Convention', decided that 'a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund' (UNFCCC, 2010). This followed a commitment under the Copenhagen Accord that, for the \$100bn goal, 'A significant portion of such funding should flow through the Copenhagen Green Climate Fund' (UNFCCC, 2009). However, delivery of such commitments is hard to objectively assess, given the difficulty in interpreting the ambiguity of 'a significant share'. Different interests in different countries have led to divergent expectations of what precise proportion a 'significant share' would entail, with no agreed operational percentage, and frustration among developing countries about the status quo.

Multilateral climate funds channelled only \$3 billion of climate finance in the biennial average of 2021-2022, which represents a meagre 0.5% of the over \$600 billion in global public climate finance channelled during this period (Buchner et al., 2023). For this 0.5%, the GCF played the largest role — but only a large role in a tiny fraction overall (ibid.).

Figure 7 Total public climate finance provided by multilateral development banks versus multilateral climate funds in 2022



Source: OECD, 2024.

For adaptation finance, according to UNEP, the combined multilateral funds — including the GCF, as well as the AF and Global Environment Facility (GEF), through its Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF) — all together only channelled 6% of total multilateral finance for adaptation, due to the dominant role played by loans-based MDBs (UNEP, 2023). This would appear to run contrary to even a non-generous interpretation of a 'significant share'.

However, the resources provided by developed countries to the GCF are inadequate to the agreed 'significant' role it should play. The GCF has built some resources since its



establishment¹² and, as of April 2024, the GCF had approved 253 projects with \$13.9 billion in approved funding.¹³ However, the GCF's capitalisation remains well below expectations (Williams and Mooney, 2023), with pledges and contributions to the GCF trust fund reaching only around \$55 billion, far from the amounts initially forecast (Amighini et al., 2022). Developed country unwillingness to replenish the institution at scale has shaped what the GCF can do and resulted in the GCF's inability to fund certain proposals by developed countries (Lo, 2023). Representatives of developing countries have characterised the projected growth of GCF financing as 'stagnant' and said this 'raises a lot of concern' (ibid.).

Although language was agreed and expectations were built around a 'significant' role for multilateral climate funds such as the GCF, this has not materialised. Instead, developed countries have positioned the MDBs to play the dominant role in climate finance. In 2022, MDBs financed \$48.7 billion for low-income and middle-income economies. Of this total, \$38.2 billion (63%) was allocated to climate change mitigation finance, and \$22.7 billion (37%) was allocated to climate change adaptation finance (European Investment Bank, 2023). The MDBs claimed to have financed \$40.23 billion in 2018 toward the \$100bn commitment, for instance. Within this, the resulting volume of multilateral public climate finance outflows attributed to developed countries included \$46.9 billion for MDBs and \$3.4 billion for climate funds, which are as accounted for in the \$100 billion accounting framework. Developing countries received \$19.2 billion from MDBs and \$0.4 billion from climate funds under this framework (OECD, 2024). However, the role of MDBs is not without controversy, for various reasons.

For example, MDBs finance climate action chiefly with loans. This loan-based nature means that such institutions, once capitalised, may be self-sustaining. So, given the difficult political debates in developed countries on public spending in general and aid in particular, MDBs may present an attractive option as institutional channels to developed countries facing limited budgets insofar as they do not require regular replenishment with grant-equivalent finance (as with the GCF). However, this same loan-based model of MDBs, though more affordable for developed countries, requires developing countries to undertake debt that must be repaid with varying degrees of interest. Meanwhile, many developing countries have instead been calling for more grants and concessional finance, as noted in the prior section.

Moreover, MDB governance is essentially dominated by developed countries, based on the wealth contributed by individual countries to capitalisations, determining their size as shareholders. By contrast, the governance of UN-based funds like the GCF gives a much more balanced role to developing versus developed countries.

¹² The first replenishment raised \$9.78 billion from 27 countries, and the second replenishment at COP 28 received pledges of around 12.8 billion dollars.

¹³ GCF, Project portfolio: www.greenclimate.fund/projects/dashboard



+ 3. Key recommendations for the NCQG

In learning lessons from the \$100bn, including around the trust deficit compounded by its lack of clarity on various key issues for developing countries, several core conclusions emerge as recommendations for designing the NCQG in a manner to improve accountability and trust:

- 1. A needs-based approach to setting the quantum: 'Taking into account the needs and priorities of developing countries'.
- 2. A constituent structure of thematic subgoals: Mitigation, adaptation, and loss and damage.
- 3. A structure with a core provision goal: Within the mobilization goal (to include private investment mobilized), differentiating a public finance provision goal.
- 4. Operationalisable definition(s) of additionality: COP29 can offer a mandate to develop consensus on such definitions post-2024, to clarify NCQG additionality.
- 5. Consensus on effort-sharing arrangements among developed countries: Process to develop, at minimum, indicative guidance on individual responsibilities.

Each of these recommendations responds directly to a specific lesson of the \$100bn.

This chapter of the report explores the first three recommendations in greater detail. The first recommendation responds to the lessons of experience from the contention in setting the \$100bn quantum in 2009, which contributed to a historic breakdown of developing country trust in developed countries; the second recommendation is intended to overcome divergence of expectations and interpretations for the mandate for thematic balance, which has also undermined trust (explored in Section 2.3); the third recommendation is intended to help bring clarity where ambiguity has led to mistrust (as explored in Section 2.4).

The fourth and fifth recommendations are previously established by Section 2.1 and 2.2 of this report. Unlike the prior three, the latter two are not issues that are likely to be resolved in their entirety at COP29. This is due to their relative complexity and the arguable need for technical work upon which consensus may be built. However, it is expected that COP29 may at least establish formal mandates for such forward processes, with a view to bringing resolution to these issues within the coming years.

3.1. A cyclical needs-based approach to setting the quantum: 'Taking into account the needs and priorities of developing countries'

As explored above, the \$100bn was decided by developed countries without properly considering the actual needs of developing countries.

Decision 9/CMA3 stipulates that the NCQG must 'take into account the needs and priorities of developing countries' (UNFCCC, 2021). However, precisely how this should be done will be subject to interpretation and a matter of debate.



Reflecting needs in the NCQG is imperative, despite inherent challenges such as the dynamic nature of needs and the difficulties in assessments. Developing the NCQG quantum based on needs is essential as it will create confidence, empowering developed and developing countries to enter into more responsible discussions about the costs of delivering the Paris Agreement's objectives across specific climate actions. These discussions should build consensus over which needs should be financed by developed countries and which by developing countries, which needs require public finance support and which can be met by the private sector, and what levels of concessionality (especially grant proportions of loans) are needed, and what level of delivery as grants. Although this report focuses on the \$100bn and NCQG, it is important to mention that the needs of developing countries are not limited to financial aspects; these needs also include technology transfer and capacity-building to support their mitigation and adaptation efforts — and if these are not met, the costs and quantum of their financial needs may be higher.

If the decision on the NCQG's quantum does not reflect such a nuanced understanding of developing countries' needs, and does not build on the information in NDCs and other national climate policies, this will undermine confidence in achieving the Paris Agreement and further erode the trust between countries. The lack of sufficient funding support via international cooperation would then limit the ability of developing countries to set ambitious NDCs ahead of COP30 and reduce their capacity to deliver these goals, making it unaffordable to undertake mitigation actions in line with 1.5°C, or adaptation actions in line with the Global Goal on Adaptation, as well as exacerbating the loss and damage suffered by vulnerable populations.

Under the NCQG Ad Hoc Work Programme, the Technical Expert Dialogues (TEDs) have addressed the question of the NCQG quantum and how it might be established. However, developed countries have demonstrated an unwillingness to enter into discussions around the quantum (TWN, 2024). Despite this, the mandate to set a quantum remains, along with the directive to be 'taking into account the needs and priorities of developing countries'. The TEDs have explored and affirmed the gaps in data and methodologies for establishing a bottom-up assessment of needs. The key questions are whether, how and to what degree the assessed needs are reflected in the actual quantum of the NCQG — and whether and to what extent developed countries will enter into such discussions in a meaningful way.

COP24 in Katowice mandated the Standing Committee of Finance (SCF) to produce a quadrennial report on the needs of developing countries — a Needs Determination Report (NDR)¹⁴. Published in 2021, the first iteration identifies considerable financial needs. Of 153 parties that submitted their NDCs, only 78 included financial estimates, which totalled between \$5.8 and 5.9 trillion by 2030 (UNFCCC, 2021). This figure from the first iteration has been used to derive provisional proposals for an annualised

¹⁴ The COP, by decision 4/CP.24, paragraph 13, requested the Standing Committee on Finance to prepare, every four years, a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. See: https://unfccc.int/topics/climate-finance/workstreams/needs-report



NCQG quantum of around \$1 trillion per year, as proposed by different developing countries and developing country subgroups. The second iteration of the report is to come in the third quarter of 2024 prior to COP29, and its conclusions are expected to be used as a basis for developing country negotiators to formulate a revised position on the NCQG quantum going into COP29. Future iterations may be used to support future readjustments of the NCQG, if the NCQG can be agreed to be reviewed on a cyclical basis, although clearly there is a need for significant improvements, and capacity-building, for the quality and quantity of reporting by developing countries on their finance needs.

Several developing countries and developing country groups have provisionally quantified the needs for financial support, as noted above, at approximately \$1 trillion, \$1.1 trillion or \$1.3 trillion per year. India, for example, has stated that, to meet climate change targets, 'developed countries need to provide at least USD 1 trillion per year, composed primarily of grants and concessional finance' (UNFCCC, 2024a), having proposed that developed countries devote 2% of their gross national income (GNI) alone to climate action (UNFCCC, 2022b). The Arab Group has put the figure at \$1.1 trillion to be provided by developed countries, not including arrears of \$100 billion (Saudi Arabia on behalf of the Arab Group, 2024) (UNFCCC, 2024b). The Like Minded Developing Countries group has said that at least \$1.3 trillion per year by 2030 is needed from developed countries (Gabbatiss, 2022).

Such demands from developing countries diverge from the recommendations of the report of the International High Level Expert Group (IHLEG), led by Nicholas Stern and Vera Songwe. This report has been cited by various developed country representatives. In concluding that developing countries (though not including China) face a finance gap of \$1.3 trillion per year, the report aligns prima facie with the ballpark of developing country figures demanded. However, where this report diverges is in how this overall sum is constituted and broken down. This divergence was notable in 2024's intersessional UN climate negotiations, where some developing countries criticized the report under the NCQG Work Programme, especially regarding the extent of the finance it assumes will come, not from grant-equivalent transfers from North to South, but from private lending and other private finance, non-concessional international finance, and the domestic revenue mobilization public spending of developing countries themselves (IMAL, 2024b). Other estimates, applying different assumptions to the same data sources identified by IHLEG, suggest developing countries face needs of transfers of approximately \$1 trillion per year in grant-equivalent terms (Ibid).

Although a sum of approximately \$1 trillion seems considerably higher than the original target of \$100bn a year and even than the current grant-equivalent total of ODA, it illustrates how inadequate the \$100bn a year now is in light of the costs associated with climate change as currently understood. Conservative estimates of annual loss and damage costs to developing countries, not including non-economic loss and damage, are at \$400 billion per year (Mechler et al., 2019). The best estimates of adaptation costs to developing countries are at around \$215 billion per year, with the total of domestic adaptation plan financing needs in developing countries coming to



\$387 billion per year (UNEP, 2023). Similar mitigation costings, on similarly grant-equivalent terms, are not readily available in the same sense in the literature (which tends to focus on nominal terms, or looks at different areas of mitigation separately), although it has been estimated at over \$300 billion per year (IMAL, 2024b).

Noting such estimates would not remain static, to respond to 'evolving needs' in a dynamic way, the NCQG would need to be reviewed and readjusted on a cyclical basis. This report holds that such a cyclical review and adjustment should be undertaken on a five-year basis, as argued for by the African Group, rather than, say, a ten-year basis or a single non-changing target as some may have proposed. A five-year cycle would ensure that the NCQG remains consistent with the Paris Agreement ambition ratchet cycle, with new mandates arising from the five-yearly Global Stocktake, to facilitate timely actions and review of the adequacy of finance in light of the five-yearly NDC cycle. The NCQG decision at COP29 must also establish these timeframes.

Under the ad hoc work programme on the NCQG, regarding the quantum, developed countries have sought to refocus the attention away from the quantum of developed country provision and mobilization of climate finance — and onto finance that would not originate from them (TWN, 2024). Specifically, developed countries have sought to focus attention by, inter alia: (i) centring the role to be played by private sector finance, including that flowing without public finance as leverage; (ii) asking developing countries to cover more of the costs themselves via spending their domestic public resources; and (iii) expansion of the so-called contributor base. As part of this formal NCQG process, developing countries have shown greater willingness than developed countries to engage in discussions on quantum in relation to needs — possibly because developed countries are wary of discussions on needs pointing to the necessity of a larger quantum than a discussion not rooted in needs. This tendency is manifest in the submissions to the UNFCCC regarding the NCQG, where developed countries have not mentioned a clear figure for the NCQG final decision.

However, developing countries continue to reiterate proposals for greater ambition in the NCQG climate finance quantum, based on principles of climate justice, noting the historical responsibility of developed nations to account for their impacts, as well as differing capabilities, in light of developing countries' very limited national budgets, debt burdens, and tightening fiscal space in the face of multiple crises (see Section 1.4). As discussed previously (Section 1.4), noting historic spending on other issues, the discrepancy between climate finance and actual needs today results from developed country political priorities rather than a lack of fiscal space in developed countries per se. If, as proposed by India, 2% of developed country GDP — the approximate equivalent of \$1 trillion in grant-equivalent terms — were allocated annually to climate action, this would arguably enable developing countries to meet the bulk of their needs during this critical decade.



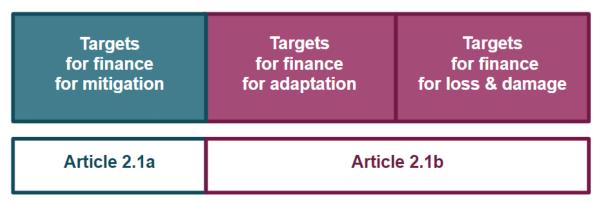
3.2. A structure of thematic subgoals: Quantified targets for mitigation, adaptation, and loss and damage

It is difficult to see how it is possible to be 'taking into account the needs and priorities of developing countries' without taking into account the specific financial needs across mitigation, adaptation, and loss and damage as the key thematic areas of climate-related priority for developing countries.

As discussed previously, the \$100bn commitment, of course, did not establish a response to specific thematic areas, beyond the call for a 'balance'. Although \$100bn was first envisioned by academics as being needed exclusively for adaptation finance (see Section 1.1), the \$100bn commitment covered both mitigation and adaptation in a legally indefinite way. To avoid the mistakes of the \$100bn, therefore, this report concludes that it is crucial to establish a dynamic set of thematic subgoals, quantified in absolute terms to link to the needs assessments, that can adapt and be revised at the appropriate time.

To better assist countries in setting and achieving their objectives in their NDCs and other national plans, it is essential to have both an overall goal for the NCQG, which will be the general target to be achieved by developed countries, as well as quantified thematic subgoals for adaptation, for mitigation, and for loss and damage. Such thematic subgoals might also be understood as constituent goals, as these would, taken summed together, constitute the overall goal — while adopting expectations for the degree of overlap and co-benefits, to avoid double counting.

Figure 8 Thematic subgoals for mitigation, adaptation and loss and damage, corresponding to Article 2.1a and 2.1b of the Paris Agreement



Source: IMAL Initiative for Climate & Development

Defining ambitious thematic constituent goals could play an important role in encouraging the provision of greater public funds at scale to meet the support needs of developing countries, notably for the under-funded areas of adaptation and loss and damage, which are under-prioritised under the \$100bn, but also to ensure that mitigation finance is fit for 1.5°C:

- The NCQG can help redress disparities facing adaptation finance by agreeing an ambitious subgoal for adaptation that is in the hundreds of billions per annum,



noting the \$400 billion demand of the African Group of Negotiators in the context of the Global Goal on Adaptation, and the \$215-387 billion finding from UNEP. African countries alone, for example, face particular challenges in adapting to climate change and require \$579.2 billion in overall adaptation finance over the period 2020-2030 (Saghir, 2023).

- Loss and damage must also be enshrined in the NCQG decision as a dedicated subgoal. With current pledges to the Loss and Damage Fund amounting to less than \$1 billion, a failure to include loss and damage as a major component of the NCQG would perpetuate this state of underfunding. Countries like Libya and Pakistan and other developing countries, in recent years, have borne the considerable burdens of disasters. The IPCC predicts an intensification of such devastating extreme events over the coming decades (Kreibiehl et al., 2022). Total residual damage for the following regions, whose countries mainly belong to the non-Annex I group (the Middle East and North Africa, sub-Saharan Africa, South Asia, China, East Asia, Latin America and the Caribbean) is estimated as: \$116 to \$435 billion in 2020; \$290 to \$580 billion in 2030; \$551 to \$1016 billion in 2040; and \$1,132 to \$1,741 billion in 2050 (Markandya and González-Eguino, 2019).
- On the other hand, particularly for industrialising developing countries that emit more, both on an aggregate and per capita basis, there is an imperative for adequate mitigation finance to reduce emissions, which could be supported by an ambitious mitigation subgoal within the NCQG. This is particularly necessary in order to achieve the ambitious COP28 decisions regarding tripling renewable energy, doubling energy efficiency, and 'transitioning away from fossil fuels', noting the lack of proper international public fundings to support just transition from fossil fuels in the Just Energy Transition Partnerships (Tooze, 2024). As noted, estimates vary, but mitigation support needs have been calculated as potentially being around \$300 billion each year in grant-equivalent terms.

Over time, such thematic goals would be subjected to cyclical reviews and adjusted to respond to the evolving specific thematic needs of developing countries, building on the Needs Determination Reports and reflecting the NDCs, National Action Plans (NAPs), and other documents. These would be informed by the latest scientific findings (for example, from the IPCC) as well as by the changing needs of these countries and vulnerable communities.

More detailed assessments are required of needs across mitigation, adaptation, and loss and damage. A needs-based approach requires an in-depth comprehensive understanding not only of specific policy objectives and their financial implications, but also of the appropriate institutions, instruments and mechanisms to which the provision and mobilization of finance can be effectively channelled.

Clear targets for adaptation and mitigation are imperative for the NCQG in order to achieve the long-desired balance (Article 9.4). As explored earlier (Section 2.3), the



distinction between grant-equivalent provision and nominal overall mobilization may lead to different thematic ratios depending on the mode of measurement — but this is inevitable and different modes of measurement are essential.

This report therefore concludes that COP29 can establish the necessary thematic breakdown of subgoals for the NCQG, but will need to also establish the modalities for cyclical review in order to ensure the NCQG remains relevant to developing country needs and priorities, as challenges shift over time. In addition, this thematic approach also points to a need to improve both accounting and reporting modalities and the overall quality of data — this cannot be solved by COP29, but COP29 can initiate the requisite formal processes within the UNFCCC to do so.

3.3. A structure with a core provision goal: Within the mobilization goal, differentiating a public finance provision aim

Under the NCQG, it is imperative to make a clear distinction between the provision of public funds and the wider mobilization of finance, which may include mobilized private investments. The \$100bn goal faced ambiguity regarding the nature of the finance to be mobilized under the \$100bn. The goal did not differentiate between public finance and wider finance that is mobilized, notably from private sources, by public finance from developed countries. Learning the lesson of the \$100bn, which was originally envisioned as public finance for adaptation, it is evident that having a single goal for public and private finance (\$100bn) has been overly ambiguous and not conducive to trust or confidence in delivery.

Figure 9 Distinguishing between provision of public finance, which is part of (and the basis of) mobilization from private sources

Source: IMAL Initiative for Climate & Development



In order to ensure the adequate provision of public finance, it is recommended that the NCQG structure centre a core goal for the provision of international public finance in support of climate action by developing countries. This would be situated within the wider finance mobilization goal. It should be divisible into thematic subgoals — which is to say, each thematic subgoal (for example, for mitigation) should differentiate between the target for (for example, mitigation) finance provided and (for example, mitigation) finance mobilized, as illustrated in Figure 10.¹⁵

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¹⁵ See the prior section on thematic goals for why including loss and damage in the NCQG structure should not be a subject of debate.



Figure 10 Recommended NCQG structure with thematic pillars and layers for different types of finance

Target for finance mobilized for mitigation	Target for finance mobilized for adaptation	Target for finance mobilized for loss & damage
Target for finance provided for mitigation	Target for finance provided for adaptation	Target for finance provided for loss & damage
Article 2.1a	Article 2.1b	

Source: IMAL Initiative for Climate & Development

Such an approach, differentiating between forms of finance, offers various advantages. It would enhance the precision, predictability and responsiveness to the evolving needs of developing countries. This approach helps in distinguishing between investment needs that can be met through private or public investment, and the support provision needs that necessitate grants and concessional finance. In Increased provision of public finance is of crucial importance to help meet the needs of developing countries, which may not be able to afford or attract non-concessional private finance for climate action, especially for certain needs.

Climate finance under the \$100bn has arguably been unfair and unbalanced, with only a fraction allocated in the form of grants, as mentioned above, and most loans not even concessional. A new post-2025 global target for climate finance that does not address this will exacerbate debt distress and fiscal challenges among developing countries.

All the quantified provision elements of the NCQG should be measured in grant-equivalent terms — proper understanding of the provision of public finance necessitates measurement in grant equivalents. Public finance can be deployed through a variety of financial instruments, but it must be assessed in terms of grant-equivalence — while acknowledging assessment in nominal terms may occasionally also be appropriate. Of course, a sum allocated in the form of concessional loans, expressed in nominal terms, differs considerably from the same sum if in grant-equivalent terms. A public loan with 5% grant equivalence is very different from a concessional loan with 35% grant equivalence. The distinction is essential for an accurate assessment of the real economic impact and effectiveness of support measures. By neglecting this distinction, it is possible to overstate the actual

¹⁶ To note: needs reporting by developing countries should be enhanced in tandem, to include reporting needs in grant-equivalent terms, or else coefficients may be applied, notably for mitigation investment needs.

¹⁷ To note: the imperative of measuring provision in grant-equivalent terms is not to exclude the possibility of also having other forms of measurement as well, including on nominal terms, or possibly in terms of specific instrument types.



level of support provided to developing countries and, as under the \$100bn, to compromise trust.

Establishing a core provision goal measured under a grant-equivalent approach helps to recentre grants and concessionality within climate finance - avoiding a perverse incentive for developed countries to inflate their climate finance provision with non-concessional loans. Grants inject new and additional capital into the budgets of developing countries, providing additional finance at no fiscal cost, while concessional loans play an important role in fiscal sustainability. This enables developing countries to invest in climate action and with stronger resilience to climate impacts and other exogenous economic shocks. In this way, by reducing expensive long-term debt and interest obligations, developing countries can allocate more resources more effectively to their objectives, ensuring progress without worrying about a national debt crisis in the future. While such an approach rightfully helps to centre grants and concessional finance, it does not prevent the use of other instruments under an overall mobilization goal, to help meet the trillions of dollars needed by developing countries.

There is a basis and precedent for requiring that a provision goal be measured in grant-equivalent terms, although current modalities require further strengthening. Per Article 13.6 of the Paris Agreement, the Enhanced Transparency Framework (ETF) aims to 'provide clarity on support provided and received by relevant individual Parties in the context of climate change actions under Articles 4, 7, 9, 10 and 11, and, to the extent possible, to provide a full overview of aggregate financial support provided'. Subsequent to COP21, the Modalities, Procedures and Guidelines (MPGs) have been agreed to operationalise the ETF, including common tabular formats for reporting actions and support. The common tabular formats allow for developed country reporting of grant-equivalent values on a voluntary basis. The guidelines are due to be reviewed in 2028, which offers an opportunity to revise the guidelines to make such reporting mandatory for developed countries. It will also be vital to ensure that bilateral and multilateral institutional channels for climate finance track their contributions in grant-equivalent terms. This would only replicate what developed countries already practice for official development assistance under the OECD DAC.

The grant-equivalent approach would, moreover, enable better measurement of effort-sharing among developed countries under the NCQG, which is important for protecting trust from free-riders in a collective goal. It is impossible to compare between developed countries to establish who is performing comparatively well and, who should be doing more, without first being able to compare the genuine fiscal efforts being undertaken on a grant-equivalent basis. The OECD DAC recognised this for development assistance a decade ago.

Such an approach to the NCQG has been proposed under the Ad Hoc Work Programme. Various developing countries have called for a distinction to be made between the provision of public finance to support developing countries, measured in grant-equivalent terms, and wider finance mobilization. Some developed countries have explicitly supported a core goal for public finance in what one negotiator termed



a 'sausage roll' approach. However, other developed countries have called for a so-called 'onion' approach, which has been problematised. That is, some are calling for collapsing provision and mobilization into one single goal, like the \$100bn, with different layers on top, which arguably fails to apply the lessons of the \$100bn regarding the need for distinguishing public finance provision as a matter of transparency and accountability (CARE International, 2023).

A clear structure for the NCQG, which distinguishes public finance provision from wider finance mobilization, could be a powerful signal for rebuilding confidence and restoring trust. Having solely one goal has proved to be unsuccessful. The next goal of climate finance, in structuring itself to distinguish between the two forms of finance, opens the door to establishing an ambitious target for historic and at-scale provision of grant-equivalent public finance, for which the responsibility of governments is clear, and for which needs could not be more urgent.





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