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Qualitative elements

Summary

The New Collective Quantified Goal on Climate Finance

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

The NCQG outcome can ensure an improvement in the quality of finance and associated outcomes by establishing guiding principles that are then operationalized via the structure and delivery of the new goal.

Operationalizing Quality Principles into the NCQG Outcome

Principles	Operationalization in NCQG Outcome
Led by developing countries' needs and priorities	• Quantum target based on top-down (macroeconomic projections) and bottom up (NDRs)* understandings of developing country needs. • Distinct quantum goals for mitigation, adaptation and loss and damage to ensure the principle of adequacy. • Enhanced support for needs-reporting in developing countries
Fair, Effort-sharing approach between contributors	• Goal for finance provision from developed country Parties. • GNI or GDP-based effort-sharing approach to determine respective contributions. • Consideration of weighted adjustments based on historic responsibility. • Any consideration of separate targets for additional provision and mobilisation from non-state sources, such as multilateral sources, indicates Parties' responsibilities in this respect. • Continued encouragement of voluntary provision of climate finance.
Expand fiscal space	• Minimum terms of conditions for debt instruments counting towards the NCQG such as interest rates, grace periods, maturity periods, service fees and climate-resilient clauses. • Commitment for a substantial portion of new climate finance provision from developed countries to come in the form of grants, particularly for adaptation and loss and damage.
Effective in delivering climate action	• Agreed approach to counting climate finance delivered as part of the NCQG that distinguishes it from development finance and other financial commitments, excludes market rate loans, and ensures a high degree of focus on climate-specific activities. • Ambition in NDCs augmented in line with availability of appropriate finance. • Increased recognition for just transition needs, including transition support for affected communities.

* Reports on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

Principles	Operationalization in NCQG Outcome
Adaptable to changing needs	• A ‘minimum floor’ goal from 2025 with a share of GNI/GDP target to reach by 2030. • Review mechanism every 5 years to allow for goal and structure adjustments according to emerging needs, aligned to support enhancement of Nationally-Determined Contributions, Global Stock Take cycles and ongoing processes and agreements such as the Global Goal on Adaptation and the Just Transition Pathways Work Programme
Improving transparency and accountability	• Mandatory assessment of non-grant instruments for their grant-equivalence as part of the Enhanced Transparency Framework, with a clear accounting system that improves on shortcomings of the system for Official Development Assistance (ODA) to avoid inadvertently incentivising loan instruments. • Improved guidance and rigorous standards for what can be counted as climate finance, with a way of tracking that which counts towards the NCQG. • Clear methodology for reporting climate-related ODA to prevent double counting. • Improved guidance on what qualifies as mitigation, adaptation and loss and damage. • Publishing of project documentation alongside tracked NCQG provision.
Enhancing access	• Harmonized and simplified access procedures across different climate finance providers. • Safeguards to ensure access for particularly under-resourced countries including direct access, simplified application and disbursement processes, and a minimum floor target. • Easing eligibility criteria such as co-funding and leverage ratios to ensure suitability for recipients and funded activities. • A minimum requirement for local institutions and civil society actors receiving climate finance. • A minimum requirement for the use of UNFCCC-based funds.
Supported by a pro-development global economic governance	• Recognition of the preconditions needed in global economic governance to improve outcomes from climate finance and unlock further ambition in developing countries. • Encouragement of action in non-UNFCCC processes. These include efforts to establish a multilateral debt restructuring initiative, tackle Illicit Financial Flows, strengthen international tax cooperation, expand the Global Financial Safety Net, re-channel Special Drawing Rights, regulate volatile financial flows, reform International Financial Institutions towards more equitable governance, reform Multilateral Development Banks, and meet ODA commitments.

Source: Based on UNCTAD analysis.

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