A clear call: The NCQG must strengthen quality and access in climate finance

Introduction

Climate finance is a central point in climate negotiations in 2024. Deliberations on the New Collective Quantified Goal (NCQG) kicked off in 2022 and are set to conclude at this year's 29th Conference of the Parties (COP) in Baku, Azerbaijan. COP29 must deliver a new finance target that meets the needs of poor nations and reboots trust in multilateralism.

Many stakeholders were dissatisfied with NCQG outcomes from COP28 in 2023. Delegates expected to advance common views on at least some substantive matters. In the end, COP28 secured an outcome that fundamentally focused on defining the process for discussions in 2024, leaving contentious aspects unresolved. The NCQG High-Level Ministerial Dialogue held at COP28 did not contribute a great deal either. It did not provide the political guidance needed to ease technical discussions on the most difficult topics, with ministers opting to read prepared statements as opposed to addressing matters in a more conducive manner. A huge effort is therefore needed between now and COP29 to progress agreement on critical areas of the goal, including its scope and structure (what the goal will cover), the contributor base (who will be responsible for delivering the goal), transparency arrangements (including what to count as climate finance and how) and critically, the goal's quantum.

Agreeing the NCQG quantum will be one of the hardest issues to solve at COP29, but setting a dollar figure itself will not be enough, and however high it is, it will not be sufficient. The quality of climate finance matters too as we seek to establish an impactful goal – one that strengthens access and quality in climate finance going forward. The need to prevent climate finance from exacerbating the debt burden in developing countries has been a recurring message throughout NCQG discussions in 2022, 2023 and 2024. Similarly, many developing countries reiterated persistent challenges in accessing climate finance. Hence, access and quality remain chief areas of concern for developing nations and they require amplified attention as NCQG negotiations enter their final stage.

Deliberations on the NCQG resumed in 2024 with the 9th Technical Expert Dialogue (TED-9) held back-to-back with the 1st meeting of the Ad Hoc Work Programme on the NCQG (AHWP-1) in Cartagena, Colombia in April. At these meetings, delegates discussed links between the different components in the NCQG and shared initial views on the elements needed for the construction of a negotiating text.

Having unpacked the most contentious issues in NCQG debates in our previous policy brief COP 28: time to harness progress and shape an inclusive new goal on finance, this second brief focuses on quality and access considerations. Looking ahead to upcoming NCQG meetings (TED-10 and AHWP-2) to take place during the 60th session of the Subsidiary Bodies (SB60) in June, we provide key messages on Christian Aid's top priorities on these matters.

Key messages

- The NCQG is a unique process in climate finance as it places the needs and priorities of developing countries at the centre of discussions. **Quality in climate finance is not less important than quantity**.
- NCQG must ensure that developed countries deliver **new and additional public finance at scale.** This should be a central element of the new goal, based on Common but Differentiated Responsibilities and Respective Capabilities (CBDF-RC).
- NCQG outcomes must acknowledge the debt problem and guarantee access to high quality, fit-for-purpose finance going forward. **Climate finance must not exacerbate countries' debt burden**.
- **The bulk of climate finance must be delivered through grants**. New and additional instruments should be considered as a complement to public grant-based finance.
- The NCQG must have **sub-goals signalling dedicated support for mitigation, adaptation and loss and damage** at a minimum. This will facilitate more predictability, balance, and better tracking.
- For climate finance to be high quality, more transparency is key. **What exactly constitutes climate finance under the NCQG, and how to count it, must be clarified.**
- **A mechanism to track the delivery of the NCQG must be established.** The Enhanced Transparency Framework (ETF) could be the backbone, but it must be complemented.
- **Enhanced access to climate finance is central to its effectiveness**. NCQG outcomes should lead to commitments to strengthening countries' institutional capacity to access climate finance.
- Access should not be understood just in terms of access by governments**. Communities at the front line need to access finance faster,** including indigenous groups, women and subnational actors.

Enhancing quality in climate finance

1. Climate finance must be adequate. Debt-generating instruments must be limited

Climate finance must be adequate – this means it should be available at the scale required and delivered through financial instruments that are appropriate to the needs and circumstances of developing countries. The need to prevent climate finance from exacerbating debt burdens in developing countries has been a recurring message throughout TED meetings in 2022, 2023 and 2024. Developing countries have stressed that the qualitative scope of the NCQG should encompass considerations of climate finance and its impact on debt levels.[1] As put by one group of Parties, a major lesson from the $100 billion goal is that climate finance has deepened levels of indebtedness in developing countries. In Latin America and the Caribbean, for example, 81% of public climate finance for region has come in the form of loans.[2]

The majority of the world's most climate-vulnerable developing economies are also among the world's most indebted. There are 54 countries suffering from 'severe debt problems',[3] and many of these are also on the frontline of the climate crisis, experiencing devastation from more frequent climate extreme events such as tropical storms, droughts, rising sea levels and increasing temperatures.[4] The greatest share of these 54 countries are in sub-Sahara Africa (24), followed by Latin America and the Caribbean. Together, these countries represent more than 50% of people living in extreme poverty and 28 of the world's top 50 most climate-vulnerable countries.[5]

As explained by Shakira Mustapha (2022) 'unlike grants, debts have to be repaid: the principal plus interest. A debtor country tends to prioritise these payments over other types of government expenditure given the potential negative legal, financial and reputational effects associated with missing a debt payment. When the government can no longer pay its bill, a country enters debt distress, potentially threatening macroeconomic stability and setting back a country's development for years.'[6] Research by Christian Aid's partners Debt Justice and Climate Action Network (CAN) International shows that, in many countries, vital resources are diverted towards servicing debt repayments over addressing the climate crisis, hampering countries' ability to invest in adaptative measures and prepare for extreme climate events.[7] Figures from Debt Justice show that lower-income countries spend up to five times more on debt repayments than on measures to reduce the impacts of climate change.[8] Zambia, for example, has experienced devastating climate impacts such as flooding, extreme temperatures and droughts, causing significant effect on livelihoods and food insecurity. Yet, this decade, Zambia is due to spend over four times more on debt payments than on addressing the impacts of the climate crisis.[9]

Christian Aid's 2024 report Between Life and Debt shows that developing countries' external debt payments are often significantly higher than spending on essential public services such as healthcare and education. In 2023, African governments spent on average more than twice as much on external debt payments as healthcare, and slightly more on external debt payments than education. In total, 32 of 47 countries where there is data spent more on external debt payments than healthcare in 2023, while 26 of 47 spent more on external debt payments than education.[10]

NCQG outcomes must acknowledge the debt problem and guarantee access to high quality, fit-for-purpose finance going forward. Climate finance must not exacerbate countries' debt burden. The form of financing has significant implications for the intended beneficiaries. The financial instrument used, and the manner of delivery, can influence how well finance addresses the needs of developing countries and impacts on debt levels. The differences between the different areas of climate action (eg, mitigation, energy, adaptation, loss and damage) will influence the type of finance available, and the financing mix required to address it, reflecting the intricate interplay of public finance, private finance and alternative modalities in some cases. However, a foundational tenet of climate justice is that financing to achieve climate goals should not impose additional burden or injustice on those with lower levels of responsibility and less capability.[11] Finance that is meant to support climate-affected countries should not aggravate their situation by reducing countries' fiscal space to address other vital development priorities. When this occurs, basic social services can be affected, and frontline communities can see their basic rights diminished. In extreme circumstances – when food or emergency assistance in response to extreme weather events cannot be provided because of a country's liquidity shortfall – people's lives are at risk.[12]

It is important to learn from lessons of the $100 billion goal and produce a clearer finance target this time around. The $100 billion goal was hampered by ambiguity in the language used to describe the goal and what can be counted towards it. The original pledge (from the wording in the Copenhagen Accord onwards) stated that developed countries will 'jointly mobilise' $100 billion from a wide variety of sources (public and private, bilateral and multilateral, including alternative sources of finance) but it lacked precision around expected proportions from each, and any reference on the adequacy of instruments to address different areas of climate action.[13] The NCQG should have a more nuanced structure. We should expect a goal with far more granularity than the $100 billion has, which, lacking any disaggregation, is little more than a number.

Grants must be provided for adaptation and loss and damage, and they should be considered for a just energy transition and energy access to the greatest extent possible. Grants (transfers made in cash, goods or services for which no repayment is required) must be provided for projects that are not revenue generating such as adaptation and loss and damage interventions, as well as knowledge management and capacity-building activities. To the greatest extent possible, grants should also be considered for just energy transition and energy access projects. Grants are also critically important for pipeline development, especially in less mature sectors and riskier geographies.[14] For instance, considering the special circumstances of LDCs, small island developing states (SIDS) and fragile states, whose economic and socio-political conditions are unlikely to meet conditions for loan-based investments or indeed other types of instruments, grants become even more vital.

Grants should also be the primary vehicle for the most vulnerable and resource-constrained countries such as LDCs. The 46 LDCs have contributed only marginally to the climate crisis but are the most vulnerable to the impacts of climate change. Christian Aid works in nine of them. In 2020, 18 LDCs were among the 20 countries with the highest levels of vulnerability and lowest levels of readiness to tackle climate change impacts.[15] These countries grapple with the detrimental impacts of climate change, widespread poverty and an array of complex developmental challenges. They require more fiscal space for investments in adaptation and to cover the costs of loss and damage resulting from climate impacts [Box 1].

Box 1: The 2024 Christian Aid report *Between Life and Debt*. The Christian Aid publication Counting the Cost 2023: A year of climate breakdown investigated the economic cost of the most extreme climate change-related events in 2023. Cyclone Freddy was among the top 20. The 2024 Christian Aid report Between Life and Debt shows that the debt crisis is now taking its toll on Malawi's public spending. Between 2022 and 2026 Malawi's real public spending per person (excluding interest payments) is expected to fall by 32% – and in 2026 it will be over 10% lower than it was in 2015.[16] These cuts are happening in a country in which just 15% of children complete secondary school, and just under half have access to healthcare.[17]

There are cases in which loans may be appropriate. Concessional loans, for example, provided over a longer term can be important in providing upfront capital investment for large-scale climate-compatible projects that can generate profit eg, energy, transportation, infrastructure. However, in agreement with Shakira Mustapha (2022), given that debt vulnerabilities are high and fiscal space is limited in many developing countries (especially the most vulnerable such as LDCs) providing the bulk of climate finance through debt instruments is not appropriate from an equity point of view.[18] Throughout NCQG meetings from 2022 to 2024, many developing countries emphasised that a large amount of climate finance has been provided in the form of loans, at concessional and non-concessional rates, even for adaptation efforts which largely support activities that do not generate revenue. Such an approach can lead to an increase in a country's debt burden which is increasingly problematic.

Loans should be largely concessional, limited to areas prone to profit and granted only under sustainable conditions. Loans at commercial rates should not be considered climate finance under the NCQG. Between 2016 and 2020, loans accounted for over 72% of public climate finance provided, including both concessional and non-concessional loans, while grants continued to remain low at 25%.[19] Loans have been used for mitigation but also for adaptation. Geographically speaking, loans accounted for more than three-quarters of total public climate finance in Asia (88%), in the Americas (81%), in Europe (79%) and in Africa, 61% of the total.[20]

For Christian Aid, debt-generating instruments must be limited to avoid adding further debt burden and reducing fiscal space for other development and climate priorities in vulnerable nations. In agreement with RMI's Climate Finance Access Network, loans should be limited to projects that in themselves provide scope for returns from which repayments can be made and where the borrower has the capabilities and institutions to ensure that debt is sustainable, so social justice and priorities in recipient countries are not undermined. This also means that loans need to be designed with arrangements on how to avoid debt stress when the projects eventually fail to deliver the expected returns.[21] Climate disaster clauses for example (also known as 'debt suspension clauses') have risen with prominence in multilateral debates [Box 2]. Barbados Prime Minister Mia Mottley has spent recent years pushing the Bridgetown Initiative – a drive to offer smaller, poorer countries better lending terms from bilateral and multilateral institutions (such as the World Bank and the International Monetary Fund [IMF]).[22] While such clauses are helpful, and should be applied systematically, they are insufficient for addressing the debt burden faced by many countries today. They only pause rather than forgive debt from vulnerable countries hit by climate disasters, and savings from debt suspension clauses can be insignificant compared to the cost of the crisis response. To reach more impact, these types of clauses need to be included by major lenders (such as multilateral development banks [MDBs]) and across a much larger swath of debt instruments including bond and loans from the private sector.[23] More substantial debt relief and debt workout mechanisms are also needed.[24]

Box 2: Disaster-linked debt suspension clauses in debt contracts. This is a form of contingent agreement included in a loan contract stipulating that a borrowing government can temporarily suspend debt service payments in the event of a climate disaster or extreme event so money can be redirected towards rescue, relief and rebuilding efforts. Grenada and Barbados are prominent examples of countries that have adopted climate disaster clauses as part of debt restructurings (Grenada in 2015 and Barbados in 2018),[25] but their wider application is still limited. Some countries, including the UK, are now including them as an option in their bilateral lending, for example in existing loans contracts with Guyana and Senegal.[26] The question of MDB adoption is pivotal for mainstreaming efforts. The Inter-American Development Bank has been a leading MDB in this area, yet the African Development Bank Group announced recently its commitment to adopt climate-resilient debt clauses.[27] The World Bank also recently introduced its Climate Resilient Debt Clause (CRDC) to defer principal and interest payments and other loan charges in case of certain disasters. For now, this is only available to members of the Small States Forum (SSF) and SIDS.[28]

Finance should be delivered through grants to the greatest extent possible. Other instruments should be considered as a complement to public and grant-based finance. The NCQG must ensure that sources and instruments to provide and mobilise climate finance have a strong focus on public, grant-based finance, particularly for adaptation and loss and damage. New and innovative instruments are important and need to be explored, but they should be considered as a complement (not a substitute) to public and grant-based finance.

Several financial instruments (eg, equity investments, guarantees, green bonds, payment for environmental services, debt-for-nature swaps) and structuring approaches (blended finance, public–private partnerships, etc.) have been mentioned throughout TED discussions in 2022 and 2023. Each instrument and approach is unique, and the context in which they are used matters to assess their impact. While they may present some benefits in specific countries and be relevant for certain areas of climate action, they also present drawbacks and risks. For example, they may add to debt burdens and open the door to conditionality which can be associated with austerity measures that typically impact the poorest communities the most.[29]

For instance, an instrument that has gained renewed traction is the idea of debt-for-climate (or debt-for-nature) swaps. These constitute a mechanism for creditors to provide debt relief in return for a government commitment to an environmental project. There are different methodologies of debt swaps and there have been numerous examples, including in the Seychelles, where government commitments have focused on marine biodiversity and sustainable fishing. This type of arrangement can assist debt-burdened states in easing their debt and mobilise climate action in situations where it may not have otherwise been possible. The debt write-offs can also assist in upgrading a county's credit rating (as seen with Belize) making further government borrowing cheaper. But despite being portrayed as a 'win-win' solution, debt swaps have noteworthy limitations. They can only be used in situations where the state is already in debt – they don't unlock new resources, which is key – they are about the repurposing of debt payment. Reports by NGOs and CAN international[30] also express the concern that most debt swaps have not delivered adequately on their claimed promises. The amount of debt included in the swap has often been minimal compared to the total debt burden and has not included a sufficient degree of debt cancellation to have an impact on total debt levels.[31] This may prove challenging for countries already in debt distress that also face primary deficits.[32] Another key concern is the lack of country ownership. As noted by Iolanda Fresnillo (2020), in previous debt swap experiences, particularly in debt-for-equity swaps, the interests of the creditor country have been imposed over the needs of the debtor country.[33]

From our perspective, the chief focus should be on innovative approaches for generating new and additional financing from taxation. A body of research is now available to show how innovative sources of finance such as taxes and levies (shipping or aviation levies for example) can be created worldwide to raise new finance. The 2023 Christian Aid report The Loss and Damage Fund. Where does the money come from? is a contribution to this discussion, as is the Christian Aid Ireland co-authored counterpart report The cost of inaction.

2. High quality climate finance needs balance and predictability

The NCQG must have sub-goals signalling dedicated support for mitigation, adaptation, and loss and damage, at a minimum. This will facilitate more predictability, balance, and better tracking. When thinking about high quality climate finance, we must think about predictability. Predictability in how climate finance is provided is an important issue for developing countries. As put by Paolo Cozzi et al, 'it is not enough to know that there will be a sufficient amount of climate finance available at some point in the future, it is important to have clarity on available resources in the short-term as well as over an extended period'.[34]

This issue can be linked to debates about the structure of the NCQG ie, whether it should be a singular goal (like the current $100 billion goal) or whether it should differentiate between different types of climate action. To ensure more predictable finance in the future, the NCQG's structure should contemplate a quantified figure (overall quantum) and within that dedicated ratios for thematic areas or 'sub-goals' to reflect the needs and priorities of developing countries, including mitigation, adaptation and loss and damage response. By structuring the NCQG with distinct thematic areas, the outcome can strategically be oriented to foster more balanced and more predictable finance. Proposals for sub-goals to address adaptation, mitigation and loss and damage response were reiterated by developing countries at recent NCQG meetings (TED-9 and AHWP-1) in Cartagena. There are still of course questions that need to be addressed. For instance, should a dollar figure be attached to each sub-goal? Or is this something to be set at a later stage, once quantified information on needs is more robust and consistently available? Thoughts might emerge in coming TEDs, but one thing that can be highlighted is that the NCQG could inform the scale of funding for the Loss and Damage Fund that has been recently adopted. This could be done by ensuring that funding to address loss and damage is anchored as a thematic sub-goal in the NCQG.[35]

3. High quality climate finance needs transparency

As noted by Cozzi et al (2022), transparency – as it relates to what is and is not being counted toward the NCQG – is critical to ensuring that the scale of the climate finance being provided and mobilised is indeed on an appropriate scale and in line with the needs and priorities identified.[36] At present, no universally agreed modalities to account for climate finance under the UNFCCC exist, and self-reporting has led to different results, conflicting views on the accuracy and relevance of the data,[37] creating confusion and mistrust in relation to where the progress really is. Several Parties and observer organisations have highlighted the importance of ensuring the NCQG is set in line with the existing provisions under the UNFCCC and the Paris Agreement, which underscore the need for 'new and additional' climate finance and 'progression beyond previous efforts' (articles 4.3. and 9.3 respectively). Vulnerable countries are concerned with the additionality of climate finance in relation to development finance. The Alliance of Small Island States (AOSIS) for example has called for climate finance to be distinct and therefore additional to current and future development finance.[38] Similarly, LDCs have called for climate finance to be additional to official development assistance (ODA).[39] At NCQG meetings in Cartegena last month, many developing countries reiterated this view.

Broadly speaking, there is agreement that climate finance should be 'new and additional' but there is lack of clarity on what this means. There is no agreed baseline against which any claim of additionality can be made, which allows contributor countries to take different views of what counts as 'additional' resource. Provider countries might, for example, consider that additional resources consist of newly disbursed or committed finance in the reporting year; some might use 2009 as the baseline year; and others might consider additional flows as those that exceed the target of 0.7% of GNI for ODA agreed by developed countries. This lack of consensus makes it increasingly difficult to disentangle climate finance from traditional ODA flows and raises concerns around potential double counting.[40]

Another issue relates to the climate specificity in contributions. For instance, to answer the question: *how far short are we from the $100 billion pledge?* depends on the accounting method. For example, the OECD estimated that climate finance reached $78.9 billion in 2018 and $71.2 billion in 2017, but using a different accounting approach Oxfam offered a considerably bleaker estimate of just $19 billion to $22.5 billion in 'climate-specific net assistance' per year for the same period. Oxfam also uses the grant equivalence of loans rather than the face value, and a lower estimate for the amount of climate finance attributable to projects identified as being 'significantly' focused on climate change mitigation or adaptation. These differences in accounting have led to different progress results. They reflect systemic issues and gaps in accounting that have eroded trust over the years. The era of different estimates of progress needs to end.

What exactly counts as climate finance under the NCQG and *how* to count it must be clarified. For climate finance to be high quality, enhanced transparency is key. Parties must reach consensus on the elements that will count as climate finance under the new goal, as well as how to count it. For instance, Parties must decide whether climate finance should focus on grants rather than loans (and for what type of action) and *exactly how* loans should be counted (grant equivalent versus face value). At TED-9 and AHWP-1 meetings, many countries opposed the idea that loans at a market rate can be counted as climate finance under the NCQG, noting that only the grant equivalent of concessional loans could be considered.

Deliberations should address the barriers to having clear information on progress on the delivery of the goal. When adopting the NCQG, it is crucial that countries move towards common approaches for accounting climate finance, including 'climate specificity', 'new and additional' and 'grant equivalence' of non-grant instruments to prevent ambiguity, overestimation and double counting.

The NCQG must have transparent and clear mechanisms to track the delivery of climate finance on a regular basis. The Enhanced Transparency Framework (ETF) is a solid system to build from but it should be modified and complemented to be fit for purpose. The ETF is an already agreed mechanism for transparency under the Paris Agreement, and many Parties see value in building on it as opposed to creating something new. But whether or not, and to what extent, the ETF can serve as the mechanism that is fit for purpose to monitor progress of the NCQG is something to be assessed once there is more clarity about the structure of the goal and its different components.

But besides data collection (which can be done through country reports under the ETF), another question is *who* exactly will *compile* the information from these reports, *verify it* and *assess* the collective delivery of flows on a regular basis to support accountability. Some Parties suggested establishing a dedicated assessment, possibly delegating mandate to the Standing Committee on Finance to do this, building on their experience with the Biennial Assessment and Overview of Climate Finance Flows.

Enhancing access

Accessing climate finance is a top concern for poor nations with low financial capability to deal with climate impacts. Throughout TED meetings in 2022, 2023 and 2024, delegates from many developing countries reiterated persistent challenges in accessing climate finance. Drawing on a survey conducted with 45 developing countries, the Standing Committee on Finance reports that countries identified multilateral climate funds (such as the Green Climate Fund [GCF]) as the most challenging source of finance to access, followed (in order) by private finance, MDBs and development finance institutions, and bilateral sources.[41]

A variety of funding actors no doubt broadens the finance landscape for climate projects and for development projects that intertwine with climate objectives, but it is also true that these different funding channels have their own selection criteria, complex application requirements, lengthy revision stages and sometimes accreditation processes that can take years to complete. This results in high transaction costs and a heavy administrative burden for recipient countries, many of which have limited resources and institutional capacities.[42] This can naturally lead to a situation where finance flows to countries with higher capacities rather than those with the greatest needs.[43]

Paradoxically, the GCF – the largest dedicated multilateral fund focused on climate – is one of the hardest sources to access[44] (Box 3). Billions of dollars are being channelled to the GCF, but to apply for finance from this body requires (to start with) completing a very costly and demanding accreditation process (Box 4). Countries that urgently need support often struggle to attain the necessary accreditation. Pacific island countries for example have faced significant challenges in getting accredited for direct access from the GCF due to low capacity in public financial management.[45] A similar situation can be found with LDCs. Of 46 LDCs only 11 have a national direct access entity (DAE).[46] National entities in these countries find it difficult to meet accreditation standards and require more time and support to enhance the necessary technical and institutional capacities. On average, it takes national DAE candidates from LDCs 688 days to be accredited.[47]

Yet, surprisingly, although one of the GCF's distinctive features is the provision for developing countries to access support through national entities (meaning that climate finance is channelled to the country directly),[48] most climate finance is allocated to international organisations that have the capacity to undertake accreditation. The GCF portfolio in the LDCs for example is mostly led by 'international access entities', accounting for 62 of 77 approved projects.[49]

Box 3. Accessing funding from the Green Climate Fund (GCF): Evans Davie Njewa, Chair of the UNFCCC LDC Group, Head of Climate Change at the Malawi Ministry of Natural Resources and Climate Change and former board member of the GCF, describes wide-ranging challenges faced by Malawi and other LDCs accessing financial resources from the GCF:

'Climate data to inform the development of project proposals is challenging. Data is not sufficiently available in Malawi, and indeed in many LDCs, most of which suffer from low capacity to conduct robust scientific assessments. It is crucial therefore to access support eg, readiness to conduct studies as part of project design and preparation. Clearly defined and costed needs can also be a challenge in Malawi especially for adaptation projects because Malawi's NAP [National Adaptation Plan] is not ready yet; and also, because the needs and priorities change very often even because the planned activities are not fully implemented. Accreditation to direct access to the GCF is a challenging process in many developing countries. It has been difficult for Malawi because the nominated local entities have faced difficulties to qualify due to reasons ranging from absence of business models, past experience in managing climate change projects and periodic adjustments of the templates used. Strengthening capabilities of climate-related institutions in our countries is key. It is important to help DAEs [direct access entities] meet the required fiduciary and safeguards standards. Peer-to-peer efforts (eg, communities of practice for DAE) can help NDAs and DAEs to evolve and strengthen. These types of networks can help embed capacity within institutions and reduce reliance on external consultants.'

Box 4. GCF accreditation. Only accredited entities can submit funding proposals to the GCF. There are two types of accreditation modalities for accessing the fund: DAEs and international access entities (IAEs). The 'direct access' route allows funds to flow directly to institutions in recipient countries that include national, subnational, non-governmental and regional organisations that have met the accreditation criteria. A DAE needs to be nominated by the country's national designated authority (NDA), normally a ministry or national agency that oversees the relationship with the fund. The 'international access' route involves using an IAE which can include UN agencies, MDBs, international financial institutions (eg, World Bank), regional institutions (eg, Africa Finance Corporation) and private finance institutions (eg, commercial banks such as HSBC, Credit Agricole and MUFG Bank). IAEs can also be international non-profit organisations (eg, Safe the Children, WWF, Conservation international).

The GCF's head, Mafalda Duarte, visited London in March 2024 and met with civil society organisations, including Chistian Aid. She outlined her vision to shake up and improve how the fund operates to simplify procedures and make it easier to access, especially for countries with limited capacities that have received little to no funding so far. Setting out simpler rules and processes are key items on her reform agenda, with the goal of moving away from 'a one-size-fits-all approach' to more proportional approaches that might consider different project type/size, risk levels, context in which interventions will be implemented, level of capacity of national stakeholders, etc.[50] Interestingly, doubling the number of DAEs with approved GCF funding represents a core commitment in the new GCF 2024-2027 strategy,[51] together with objectives to improve speed (approval rate, feedback), simplicity (accreditation and re-accreditation) and complementary (aligning requirements with other financial entities under the UNFCCC).[52] These commitments are a good sign, and civil society should follow their implementation closely.

But beside challenges connected to accreditation and direct access, developing countries face wide-ranging technical, human and financial constraints during the different stages of the project cycle – from the project inception and design phase through to implementation, monitoring and close.[53] For instance, identifying climate priorities that could be developed into project pipelines and developing project proposals continue to be areas for improvement. Also, high quality data is often noted as a key shortcoming that jeopardises proposal success. A strong climate rationale that relies on past and current data on climate and economic systems, predictions and projections is often needed for proposals, yet this information is often unavailable in poorer countries.[54]

For Christian Aid, the NCQG is a unique process in climate finance as it places the needs and priorities of developing countries at the centre of discussions. But climate finance is not just about a target set by UNFCCC negotiators – it is also about an ensemble of different institutions, stakeholders and processes needed to design and implement climate projects in line with national priorities and needs on the ground.[55] Country ownership and increased capacity is vital. The NCQG presents an opportunity to highlight systemic challenges and ensure that we set the stage for improved access going forward. More especially:

NCQG outcomes should lead to commitments to strengthening countries' institutional capacity to access climate finance and support direct access arrangements that respond to national needs. Alongside efforts to simplify access procedures in climate funds, limited capacity within countries to secure funding and manage the entire project cycle must also be addressed. NCQG outcomes must emphasise the significance of building long-term institutional capacity. That involves the need to support the strengthening of climate finance architecture at the national level to enable multiple stakeholders and levels of government to intervene and benefit.[56] Readiness support activities are available under the GCF. These should be increased to support countries to plan for, access, deliver and monitor climate finance. Furthermore, readiness support should also focus on supporting DAE accreditation, making this a reality for countries that have not yet been accredited for direct funding. More broadly, readiness funding should not be a one-off measure but take a more programmatic approach, becoming available to countries for several years and on a renewable basis.[57]

Moreover, 'access' should not be understood just in terms of access by governments. Local communities need to be able to access finance faster. A principle of greater 'locality' should be embedded in the NCQG. NCQG outcomes should signal support for decentralised access arrangements that enable subnational governments and local communities to access climate finance more easily. Much of the focus on improving access to finance tends to be on developing country institutions to comply with funders' requirements, while less attention is given to improving access to climate finance from subnational institutions, including local organisations and NGOs.[58] Decentralising direct access away from just the national level should be conducted with the intention to enhance access to indigenous communities, women, provincial and municipal governments.[59] Indeed, several delegates at TED-9 and AHWP-1 emphasised the significance of embedding language to improve on gender responsiveness of climate finance, indigenous peoples, youth, children and future generations as part of the qualitative section in the NCQG outcome, either as qualitative references or quantitative targets (eg, percentages or dollar value going to initiatives led by women or indigenous peoples).

We are of the view that the NCQG could signal the need to support and scale up existing initiatives that support small-grant initiatives for local communities. For example, the Global Environment Facility (GEF) Small Grants Programme provides grants ranging from about $20,000 to $50,000 directly to local communities, including indigenous peoples, community-based organisations and other non-governmental groups through non-accredited non-state actors. Since its inception in 1992, the programme has provided over $724.9 million for projects around the world and is considered as a good modality for enhancing support targeting the subnational level.[60] Similarly, it could call on governments to earmark small, flexible grant-based funding for locally led programmes, with the inclusion of subnational actors. Christian Aid has programmatic experience of this [Box 4].

Box 4: Devolved climate finance in Kenya supported by Christian Aid and partners. Kenya's transformational County Climate Change Fund (CCCF) mechanism is an example that demonstrates how to get climate funds to the local level and involve the most vulnerable people in deciding how to spend them. The CCCF mechanism – initially piloted as the Climate Adaptation Fund in different counties in Kenya by the International Institute for Environment and Development (IIED), Christian Aid and other organisations in a consortium – pioneered a mechanism to facilitate the flow of climate finance to county governments. This simultaneously empowered local communities, through strengthening public participation in the management and use of those funds and building their resilience to a changing climate. It is a practical example of how climate finance can support climate-resilient development with subnational actions in the driving seat. Following the successful pilot, its expansion became one of the priorities in the National Climate Change Action Plan of Kenya for 2018-2022.[61]

Climate finance must be available to all developing countries. The designation of specific 'recipient' countries eligible for funding is not acceptable, but specialised access features for LDCs and SIDS should be considered. As a way forward in enhancing access, some countries have proposed options such as defining floors for groups of countries that are particularly vulnerable and capacity constrained such as the LDCs and SIDS, building on the policy of the GCF which allocates 50% of its adaptation target to the LDCs, SIDS and African states. [62] Climate finance must of course be available to 'all developing countries' and the designation of specific 'recipient' countries eligible for funding cannot be accepted. But having specialised access features, such as defined instruments or minimum floors for the most vulnerable and capacity-constrained countries could be an option to operationalise enhanced access and ensure sufficient resources reach these populations.

The NCQG should send a strong signal to actors across the broader climate finance landscape to enhance access. While discussion on access can often be dominated by access to climate funds under the UNFCCC regime (ie, operating entities of the UNFCCC Financial Mechanism),[63] it is important to note that NCQG discussions unfold as part of a much wider conversation that is calling for a global architecture reform [Box 5]. The NCQG should therefore send a strong signal to actors across the broader climate finance landscape (eg, MDBs and development finance institutions) to stimulate radical shifts in their investments, terms and conditions and instruments to channel climate finance (eg, debt suspension clauses, concessionality terms) and, critically, enhancements in access (eg, addressing the rising cost of borrowing capital ie, interest rates). Addressing some of these challenges requires engagement with organisations and processes outside the UNFCCC regime, such as the G20, shareholders of the World Bank, IMF and development finance institutions, as well as through bespoke, robust initiatives such as the Taskforce on Access to Climate Finance led by the UK. The NCQG should support a wider call for reform and reflect it, perhaps, in the preambular part of its text decision.

Box 5: How can the global architecture reform help in delivering climate finance?

The global financial architecture reform that has been championed by the World Bank and mainstreamed to other MDBs focuses on the problematic narrative of bigger and better banks expanding their financial capacity under business as usual. It is based on deepening engagement with the private sector, but fails to acknowledge that the type of projects designed to attract profit-seeking private investors and generate quick returns might not match the public interest. It conceives governments as de-risking agents for private investments, under the dangerous delusion that we can solve today's global problems without mobilising new and additional sources of international public financing at scale. The bigger narrative threatens to perpetuate the unjust economic structures, and what Professor Daniela Gabor refers to as a 'Wall Street (Climate) Consensus', which ignores the role of the highly inequitable global financial architecture in causing this crisis and the Bank's role within it.[64]

A fit-for-purpose global financial architecture reform must increase the fiscal space to free resources for climate and development needs. MDBs are currently unsuited to an expanded role in climate finance because they focus on capitalisation while maintaining business as usual. Their focus is on loans rather than grants and they implement harmful conditionalities. MDBs also lack transparency and inclusion and need to ensure they 'do no harm'. It is equally contradictory for the World Bank to play a more prominent role in providing climate finance while still funding fossil fuels. Global architecture reform of the financial system should also democratise economic decision making and increase voice and participation from the global South.

Final message

Preparations for COP29 in November should place a renewed focus on trust-based multilateralism and solidarity with the world's vulnerable countries. The NCQG must meet the needs of poor nations by increasing new and additional public and grant-based finance according to fair share principles and common but differentiated responsibilities and respective capabilities. With temperatures rising, the costs of climate responses will increase too, and climate finance cannot fuel a cycle of debt dependency. Debt burdens can significantly impede countries' abilities to adapt to a changing climate and reduce public spending to cover other basic needs. We should strive for a world where economic growth is harnessed for countries' own development, focused on fostering stronger and more climate-resilient economies and societies. Innovative and bold approaches for generating additional financing from taxation must be pursued and led by wealthy countries.

For the post-2025 era, accountability in climate finance delivery is fundamental. Transparency is the basis for regaining trust. This will require clarity of what constitutes climate finance in the context of the NCQG and better methodologies for accounting. The post-2025 climate finance space will also demand more flexibility, simplification, and coherence to ensure that more finance is accessed by vulnerable countries that are also disproportionally affected by the climate crisis. The NCQG is an opportunity to ensure that future sources of climate finance flow to the most vulnerable countries and are accessible by national and subnational actors and communities at the front line. The NCQG must acknowledge the significance of building long-lasting national institutions and capabilities from the bottom up.

We will actively engage in the NCQG debates. This is a process of vital importance to ensure equity and justice are brought to the centre of decision making. We hope to witness an outcome at COP29 that meets expectations and delivers on its promise.

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