African Centre for Technology Studies
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Policy Brief

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The New Collective Quantified Goal: The Imperative for Adequate, Appropriate and Accessible Finance for Africa's Adaptation Efforts

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Overview

This policy brief summarizes key takeaways from a series of advocacy events facilitated by the African Centre for Technology Studies (ACTS) in collaboration with the Adaptation Research Alliance (ARA) between November 2024 and March 2025. The events facilitated rigorous discussions on the New Collective Quantified Goal (NCQG) and climate finance and more broadly with climate change leaders and actors throughout Africa. These discussions were critical in evaluating the tensions that arose in Baku over the NCQG with a view to preparing for upcoming deliberations in Belem.

300 Billion vs Africa's Climate Reality

The NCQG of USD 300 Billion per year by 2035 reached at the dying hours of COP29 until 2030 was one trillion less than what was being asked for and therefore a small and inadequate commitment in relation to the needs of developing countries. CPI (2024) suggests that Africa's climate finance flows must at least quadruple annually until 2030 to meet the investment needs for implementing its current NDCs given that only 23% of its climate needs are financed. Notably, this figure would include financing all sources: private, public and alternative sources and did not take account of inflationary impacts or the time value of money.

Key Messages

1. There is a need to raise the financial commitment by developing countries matched by a system of accountability not only for emissions but also for climate finance contributions.
2. There is a strong imperative for African countries to push for non-debt climate finance so as not to worsen their domestic debt stock, further weakening their economies as they simultaneously advocate for a restructuring of the global financial system which has structural biases against developing economies.
3. Access to climate finance by African countries and more so the most vulnerable African countries remain significantly constrained need to expand access modalities and enhance predictability to allow for planning and make finance flexible to the prevailing conditions on the ground.
4. Recent geopolitical shifts, especially with the US pulling out of the Paris agreement requires African countries to put pressure on the US and developing countries to act to reduce emissions and climate finance to the harm they have caused to the detriment of developing countries.

There was also no agreement as to the form that this finance would be given to developing countries. Needless to say, the NCQG did not reflect a consensus between developed and developing countries. African countries therefore left Baku with a tremendous disappointment and a sense of realism.

Linked to the quantity of climate finance that needs to be availed is the need to prioritize financing for adaptation in Africa. Just last year many parts of Africa experienced significant weather the increasing veracity and frequency. Examples include prolonged droughts in Morocco extreme heat wave in South Sudan, floods in Botswana, and South Africa, typhoons in Mozambique which left many people dead and displaced. A recent study estimates that damage from climate change globally to farming, infrastructure, productivity, and health will cost an estimated $38 trillion per year by 2050 and see a 19 percent reduction of income (Kotz et al., 2024). When looking at reduction of income, Africa fares the worst globally, with some countries facing up to a 30 percent reduction in income in 2049 due to climate change (ibid). This startling estimates emphasize the need to skew financing for adaptation in Africa to secure our future.

Below are four key reflections about the NCQG from the series of engagements ACTS had with African climate leaders.

1. Need to raise the financial commitment by developing countries and for accountability

A recurring point of discussion in climate change discourse has been the quantity of climate finance. The Independent High-Level Expert Group on Climate Finance (IHLEG) in a recent report estimated that developing countries outside of China require USD 1.6 trillion per year to finance the clean energy transition, USD 250 billion for adaptation and resilience, USD 250 billion for loss and damage, USD 300 billion for natural capital and sustainable agriculture and USD400 billion to support a just transition Bhattacharya et al (2024). These figures are significantly higher than the 1.3 trillion that developing countries proposed in Baku and falls even significantly further short of the 300Bn that was reached. It is also important to note that the IHLEG estimated that these costs go up after 2030 which serves to emphasize the urgency of climate action supported by commensurate financing.

Learning from the previous USD 100 billion per year goal, which seems to only have been achieved in 2022, 2 years later than the 2020 target, there has been growing apprehension among developing countries about whether the 300 billion per year goal, which is way below the desired finance, will be achieved. Unsurprisingly, various institutions who have been tracking climate finance, like the Overseas Development Institute (ODI) have pointed out that many developing countries have not been paying their 'fair share' of climate finance including some countries who are members of the Champions Group on Adaptation Finance like the US, Australia, Canada, Italy and the United Kingdom (Pettinotti et al., 2023).

There is a need to develop an accountability system to hold developed countries will be held accountable for their pledges and instill transparency and accountability for progress. There is a need to raise the commitment among developed countries.

2. Vigilance concerning the quality of climate finance

Developing countries face a significant cost of capital and many of them have significant stock of national debt. It has been the case that climate finance to developing countries has previously been given in the form of market rate loans and hardly in the form of grants or concessional loans. The NCQG agreement mentions in passing the need to solve the challenges of access and affordability of climate finance without providing any concrete suggestions about that would be achieved as there was insufficient detail in the agreement about the form that the funds will take. African countries are should therefore be keen to note the form in which developing countries are directing climate finance and how it could potentially exacerbate their domestic debt. The discussion about the quality of finance of course fits well within the broader discourse on reforming the global financial architecture to be more equitable and responsive to the needs of developing countries.

3. Constrained access to climate finance

The large multilateral funds, notably the Green Climate Fund (GCF) and the Global Environmental Facility (GEF) and the Adaptation Fund have bureaucratic systems and processes and only grants access to accredited entities. Accreditation by these funds requires that countries or organizations to prove that they have financial systems in place in order to ensure financial prudence and to prevent corruption and so on, have elaborate monitoring and reporting frameworks which often necessitates applicants to more international consultants. Whereas these conditions obviously serve a purpose, they equally create bottlenecks in the channeling and distribution of climate finance and therefore remain prohibitive to countries and organizations in Africa and delay climate action by preventing climate funds from reaching the ground where it counts. Many of the accredited entities are UN agencies, multilateral development banks and similar institutions that have massive overheads which leave very little finance trickling to much smaller grassroots organizations that are actually implementing adaptation initiatives.

Further to this, the Climate Policy Initiative that international climate finance flows to the top 10 recipients in Africa (USD 17.6 billion), typically the more developed African economies, far outstrips the finance received by the amount channeled to the most vulnerable countries in Africa (USD 17.6 billion), mostly in the Sahel region (CPI,2024). These disparities become even more pronounced when looking at private investments, where ten countries received 76% of the total private climate finance in Africa, while the remaining countries received only 16% (ibid). This proves or indicates that access remains constrained for most African countries suggesting limited absorption capacity in terms of structures due to underdeveloped regulatory frameworks, higher investment risks, and the lack of a pipeline of bankable projects.

To enhance access, there is a need for multilateral climate funds to enhance predictability of climate funding to developing countries through providing allocations per country for a certain period. The funds should also embrace flexible access modalities to enable developing countries to respond to emerging issues such as the extreme weather events witnessed in Africa last year earlier highlighted. Presently, developing countries are forced to reorganize their public finances, within an already limited resource setting, to respond to climate-induced weather events, which are increasing in veracity and frequency, a situation which is far from ideal.

Refreshingly, there have been laudable steps in operationalizing the loss and damage fund. In the recently released discussion draft on access modalities for the Loss and Damage Fund by the UNFCC, there are proposals to have three access windows – rapid disbursement, an intermediate window in case of a specific extreme event and a chronic needs window to cater for slow onset events and ongoing impacts. African climate leaders also welcome the proposal in the discussion paper to do away with accreditation and have national ministries to apply for the funds which will hopefully reach the grassroots to help meet the most acute needs. African climate leaders continue to call for the expansion and rethinking of access modalities for multilateral climate funds to realize progress.

4. Focusing on the finance goal in a dynamic geopolitical context

Climate change and climate finance discourse take place within a geopolitical context which has changed significantly over the last few months when the US and developed European countries –including the UK, France, Germany and the Netherlands - made significant and abrupt aid budget cuts. More significantly, the US pulling out of the Paris agreement for the second time, had ushered in great uncertainty and has rolled back the gains that the world has made over the years in relation to climate action. Other countries have also cut aid abruptly to the humanitarian and development system. At this critical moment, it is imperative that African countries, organizations and leaders sustain the push for a movement in the developing world which will champion and advocate for climate action and highlight the historical role that they have played to create the current conditions, to the detriment of developing nations. Climate finance should, therefore, not be viewed as benevolence but rather a form of redress to developing countries for the harm that they have suffered because of the actions of the developing nations.

With multilateralism and global cooperation under threat from the world's biggest economies, there is a need to stay focused on the goal of mobilizing adequate financing for climate action and avoid being sidetracked and inundated by discussions on the changing political environment, however important. To this end, there is a strong imperative for developing nations to explore alternative sources of climate finance. One clear way is to leverage on the market-based financing mechanisms and private sector investment.

This includes putting domestic legislation and structures in place to leverage opportunities such as the recent win that came out of COP29 regarding approval of methodological guidelines and standards for the Article 6 carbon markets which instills some integrity in the market, paving the way for countries to trade mitigation units among themselves as opposed to voluntary markets which are unregulated. There is also an opportunity to catalyze investment in sustainability-linked instruments such as green bonds and further readying domestic capital markets to absorb climate investment by instituting robust regulations, creating dedicated green segments in line with the 2001 Marrakech pledge.

5. Africa's road to Belem (Conclusion)

COP29 failed to yield a more robust financial outcome for Africa which means that the continent's climate needs will continue to be severely underfunded. With the US pulling out of the Paris agreement shortly after Baku, there is a new impetus for developing countries to be ambitious in reducing emissions as well as financing climate adaptation in the developing world. This will go a long way into reducing the trust deficit between developed and developing countries, leading to more productive discussions in Belem.

African countries have been making significant steps in working towards the Paris agreement. 48 African countries have submitted their enhanced or updated Nationally Determined Contributions (NDCs). At least six African countries have enacted in Climate change laws including Kenya, Benin Republic, Nigeria, Uganda, Mauritius, and South Africa. While this is commendable, African countries need to be more deliberate to work towards creating structures, institutions and other internal capacities to absorb available climate finance. This requires creating a pipeline of bankable projects in-country, appropriate legislation and regulations, reforming the local financial services industry and reducing risks associated with the country which can be an impediment to private sector investment.

Further Reading

Bhattacharya A, Songwe V, Soubeyran E and Stern N (2024) Raising Ambition and Accelerating Delivery of Climate Finance. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.

CPI. 2024. Landscape of Climate Finance in Africa 2024. https://www.climatepolicyinitiative.org/publication/landscape-of-climate-finance-in-africa-2024/

Pettinotti, Laetitia, Yue Cao, Tony Mwenda Kamninga, and Sarah Colenbrander. A Fair Share of Climate Finance?: The Adaptation Edition. ODI, 2023.