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# IFA Reform and the NCQG – How Are They Interlinked?

Romie Niedermayer, David Ryfisch

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**Authors:**
Romie Niedermayer, David Ryfisch

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**Layout:**
odenthal-design.de

**Publisher:**
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Office Bonn:
Kaiserstr. 201
D-53113 Bonn
Phone +49 (0)228 / 60 492-0, Fax -19

Office Berlin:
Stresemannstr. 72
D-10963 Berlin
Phone +49 (0)30 / 5771328-0, Fax -11

Internet: www.germanwatch.org
Email: info@germanwatch.org

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# Introduction

A 'poly-crisis' confronts the international community, most notably developing countries. The progress on the Sustainable Development Goals (SDGs) has stalled or in some cases even been reversed.[1] The resurgence of multiple conflicts is adding to the growing impacts of climate-related disasters and associated loss in biodiversity. Consequently, developing countries face an increase in financial needs to continue progressing on the SDGs, including on climate and biodiversity.[2] This is juxtaposed with developing countries' decreasing fiscal space, as a growing number of countries are under debt distress. The high costs of capital, which are partially associated with the crisis, and partially associated with real and perceived risks, further exacerbate the situation and limit countries' ability to act on climate change.

In response to these SDG financing needs as well as a shift towards an increasingly multipolar world, the reform of the international financial architecture (IFA) is intended to deliver a leap in SDG financing, as well as a more equitable and just governance architecture. Since the reform agenda has further developed across multiple international agendas, actors, and proposals, the discourse on making the IFA fit for purpose and fairer has evolved and is evolving through different tracks, places, and paces.

The IFA reform agenda first appeared within the UNFCCC space when Mia Mottley asked for a dedicated issuance of special drawing rights (SDRs) for climate action at COP27.[3] The explicit link between the IFA reform and climate action has since intensified, inside and outside the realm of the UNFCCC. The surge in momentum has coincided with the negotiations on the New Collective Quantified Goal (NCQG) on Climate Finance in the UNFCCC. The negotiations surrounding the NCQG are to conclude at COP29. The NCQG will ideally create a fair architecture for climate finance for the upcoming years. It will support countries in their capacity to accelerate the implementation of climate actions that contribute towards achieving Article 2 – the long-term goals – of the Paris Agreement. United by the common goal of bridging the financing gap while addressing complex responsibility, capacity, and equity questions, the NCQG and the IFA reform appear inherently interconnected. With the concluding negotiations of the NCQG, the international community has the opportunity to establish a strong link between the IFA reform agenda and the climate finance agenda under the UNFCCC, with them potentially providing positive impulses for one another. At the core of both agendas is the push towards a more equitable and just system, challenging how the current system benefits some players more than others and how some countries exert significantly more influence than others.

This working paper analyses the extent to which the IFA reform processes and the NCQG influence each other and explores the possible implications and benefits of this connection. The paper first outlines the status of the NCQG negotiations and the IFA reform agenda. Afterwards, this paper discusses the extent to which the NCQG can provide impetus for the wider IFA reform, and vice versa.

# NCQG

The NCQG is the successor of the commitment of developed countries to pay USD 100 billion for mitigation and adaptation measures in developing countries annually from 2020 through 2025.[4] Article 9 of the Paris Agreement outlines the responsibility of developed countries to provide financial resources and mobilise finance from a variety of sources to support mitigation and adaptation efforts in developing countries. Article 2 emphasises the importance of addressing climate change within the framework of sustainable development and poverty eradication, as well as aligning financial flows with the goals of the Paris Agreement. At the 2018 Katowice Cli-

mate Conference, as part of the Katowice Climate Package, Parties agreed to initiate a process to establish the NCQG.[5] Currently, in a process lasting three years, Parties to the UNFCCC are aiming to reach an agreement on an NCQG from a floor of USD 100 billion yearly before 2025.[6] Parties first agreed to hold 12 technical expert dialogues (TEDs), four per year, to exchange views on different elements associated with climate finance. They further decided to hold annual high-level ministerial dialogues (HLMDs) and to deliberate on the NCQG at each COP. After two years and limited progress, the Parties decided to adjust the process by reducing the number of TEDs to three in the last year of negotiations and to accompany these with ad hoc work programme meetings instead. The co-chairs of the ad hoc work programme are to develop a substantive framework as the basis for negotiations ahead of COP29 (see Figure 1, on the NCQG process).

| 2022 | | | | 2023 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | | Q3 | Q4 |
| TED1 | TED2 | TED3 | TED4 | TED5 | TED6 | TED7 | TED8 | | TED9 | TED10 | TED11 | |
| | | | | | | | | | Ad hoc work programme | Ad hoc work programme | Ad hoc work programme | |
| | | | 1. high-level ministerial dialogue | | | | 2. high-level ministerial dialogue | | | | | 3. high-level ministerial dialogue |
| | | | CMA4, COP27 | | | | CMA5, COP28 | | | | | CMA6, COP29 |

**Figure 1: NCQG work plan**

No substantive decisions were made in Dubai (COP28) or Sharm el-Sheikh (COP27). Despite the three meetings under the ad hoc work programme in April, June, and September 2024, substantial uncertainty and disagreement persist over most elements of the NCQG. Major points of contention include the quantum of the goal, the quality of climate finance, and the contributor base, as well as the goal's scope, structure, and timeline. Neither potential political trade-offs nor areas of broader convergence, such as transparency and access, have been fully resolved. Recognising the fine variance of different positions, a noticeable trend is that developed countries are pushing for a larger investment goal, including a wide variety of sources without strong quality standards, and an expansion of the contributor base. Developing countries mostly push for more grant-equivalent public provision, for the factors dis-enabling climate investment to be addressed, and for a balance between mitigation, adaptation, and loss and damage finance. It remains unclear which sources and standards are included in the NCQG. For the final meeting of the ad hoc work programme, the co-chairs presented an input paper that focused on the interconnections between the core elements of the NCQG, outlining six different package options for the setup of the NCQG.[7] Additionally, discussions were held on various text options regarding the preamble, context, transparency, disincentives, and access. Unfortunately, no significant breakthroughs were achieved. Four weeks ahead of COP29, the co-chairs published the substantive framework in the shape of a decision text and including multiple options for the crunch issues.[8] It is now up to the political level to reach an agreement during COP29.

# IFA reform agenda

Over the past 24 months, the IFA reform agenda has gained momentum, despite many uncertainties. Some areas have seen more progress than others, although the potential impact of individual

elements remains unclear. IFA reforms are intended to produce a more equitable IFA, redirecting more resources towards achieving the SDGs. Initially centred on reforming the Bretton Woods institutions, the agenda has since expanded to encompass other public financial institutions, as well as debates on international taxation and debt relief. Other elements sometimes discussed as part of IFA reform include trade, fossil fuel subsidies, accountability, private finance mobilisation, and combating illicit financial flows. Moreover, this year's International Development Association (IDA) replenishment, the availability of loss and damage funding, and the cost of remittances are on the agenda.[9] However, this working paper focuses on four commonly referenced overarching elements of the reform agenda (see Figure 2, below).

Following COP27 in Sharm el-Sheikh, multiple events maintained the momentum around the agenda, including the Summit for a New Global Financing Pact in June 2023, the Africa Climate Summit in September 2023, and the World Bank and International Monetary Fund (IMF) Spring and Annual Meetings, as well as the G20 processes. Several of these processes have translated into milestone documents that have provided guidance for subsequent action. These include the Paris Pact for People and Planet[10] as well as the Paris Roadmap,[11] the Nairobi Declaration,[12] the World Bank Evolution Roadmap,[13] the Capital Adequacy Framework recommendations,[14] and the MDB triple agenda.[15] The most recent addition promoting several elements of the IFA reform agenda is Pact for the Future,[16] agreed on at the Summit for the Future in September 2024. Two separate documents have also provided an important impetus: the Bridgetown Agenda, now in its third iteration, and the V20's Accra-Marrakech Agenda. Throughout the process, new initiatives have emerged, most notably the Global Solidarity Levies Task Force[17] and the Expert Review on Debt, Nature and Climate,[18] with the latter building on the success of previous expert groups like the G20 Independent Expert Group on Strengthening Multilateral Development Banks. Within the UN process, countries were able to agree on the Terms of Reference for the UN Framework Convention on International Tax Cooperation.[19]

Across the agenda, progress has been mixed. But despite the uncertainty and the geopolitical volatility, the agenda has nonetheless started delivering on some aspects and largely managed to maintain momentum. While there are no clearly defined components of the IFA reform agenda, the main discourses in the IFA reform can be summarised as MDB reform, IMF reform, debt relief, and international taxation (see Figure 2).

**MDB reform**

- Bigger, better, bolder/more effective banks

**IMF reform**

- IMF reform
- SDR rechannelling & issuance
- Climate in IMF instruments (DSA & Art. IV)
- Governance reform

**Debt relief**

- Debt restructuring
- Debt cancellation
- Debt-for-climate swaps
- Debt pause clauses

**International levies and taxation**

- Aviation levy
- Shipping levy (IMO)
- Fossil fuel extraction levy
- Billionaire taxes in G20
- Financial transaction tax

**Figure 2: Four pillars of instruments under the IFA reform agenda**

Among the first components of the IFA reform agenda to take off was the **multilateral development banks (MDBs)** reform. The G7+3 pushed the World Bank to enter an evolutionary process, asking for an updated vision and mission for the World Bank. This process culminated in the Evolution Roadmap. This happened alongside an MDB-oriented reform process in the G20, starting with the G20 Independent Review of MDBs' Capital Adequacy Frameworks and related recommendations. Since then, the Expert Group on Strengthening Multilateral Development Banks has come up with the MDB triple agenda: making them 'better', 'bigger', and 'bolder' (see Figure 3).[20] Under the current Brazilian G20 Presidency, the G20 Finance Ministers used the term 'more effective' instead of 'bolder'.[21] The G20 has agreed on a Roadmap Towards Bigger, Better, and More Effective MDBs, which among other aspects will guarantee a regular review of the progress and continued engagement.[22]

The SDR issuance in 2021 in response to the COVID crisis invigorated the IFA reform to a degree. Yet, while there has been some progress on climate, the **IMF**'s efforts have fallen significantly short of what is needed. Its leader, Kristalina Georgieva, has tried driving the IMF's climate agenda but has faced resistance from within it.[23] Progress on IMF reform has been limited, with the most significant advancements being on SDR rechannelling.[24] Some SDRs have been rechannelled to the Resilience and Sustainability Trust. Those developing countries with access to it – only those with a concurrent IMF programme – have presented a strong demand for these resources. The African Development Bank (AfDB) and Inter-American Development Bank (IADB) have developed a hybrid mechanism that allows them to benefit from SDRs; however, no SDRs have been rechannelled to this mechanism. The IMF's key competency is nevertheless its surveillance instruments – the Article IV consultation and debt sustainability analysis. The reform's aim is for the surveillance instruments to reflect transition and physical risks more adequately and to positively account for the growth effects of public climate investments, not to simply count them in the same way as any other spending. Progress on this crucial aspect has yet to occur. In addition to advocating for technical reforms within the Bretton Woods institutions, countries of the Global South consistently push for governance reforms to address the dominance of Global North countries. They call for a more equitable and inclusive decision-making process within these institutions. The IMF is also a good example of how the different IFA reform elements overlap. There is a general demand for the IMF to collaborate more closely with the MDBs to leverage each other's competencies. Also, the IMF has an important role in helping to shape the consensus around new sources of finance such as taxation. The IMF has provided ample analysis on maritime taxes, international carbon price floors, etc., in an attempt to position itself in a global policy coordination role.

More than 50 countries of the Global South are suffering from **debt** distress.[25] Currently, there is no functioning sovereign debt restructuring architecture that enables countries to exit an economic crisis successfully. The established G20 Common Framework, intended to facilitate debt restructuring for eligible countries on a case-by-case basis, has not been able to resolve the well-known challenge to debt restructuring of things happening 'too little, too late'. A case in point: in the few successful instances, the process under the Common Framework has dragged on for too long. Within the reform agenda, most progress has been made on debt relief measures such as debt pause clauses and debt-for-climate swaps. Several developed countries are now offering debt pause clauses for their loan products, at least for the most vulnerable countries. Some bilateral and multilateral development finance institutions have implemented debt-for-climate swaps. While these measures have provided some relief, they fall short of bringing permanent relief. The Expert Review on Debt, Nature and Climate is intended to resolve some of the existing challenges by providing innovative ideas and recommendations.[26] The expert group has just published its interim report.[27] Overall, there is a large risk that unless there is a further reaching reform of the debt architecture, the debt problems could repeat themselves within ten to fifteen years. Some actors have hence asked for a separate UN body to address the problem.

The discourse on **taxation** is currently progressing in multiple fora. Yet, while progress has been made, there is still a long way to go, with considerable uncertainty regarding the final form of the

policy instruments. Within the United Nations, countries are negotiating the details of a United Nations Framework Convention on International Tax Cooperation.[28] Having agreed on the Terms of Reference in July 2024, they aim to conclude the negotiations on the framework convention by 2027. The aim is to enhance the inclusion and effectiveness of international tax cooperation. In the meantime, two early protocols will be negotiated alongside the convention. Members of the International Maritime Organization (IMO) have deliberated on a potential levy on shipping emissions for some time. These negotiations will conclude in April 2025. The G20 under its Brazilian Presidency has focused on cooperating on a potential future introduction of a high-net-worth-individual wealth tax.[29] The Pact for the Future highlights this particular tax alongside a general expressed intention to improve tax cooperation. Finally, but importantly, France, Kenya, and Barbados initiated the Global Solidarity Levies Task Force. It has since grown to include, among others, Antigua and Barbuda, Colombia, Denmark, the Marshall Islands, Senegal, and Spain. It works towards assessing the potential impact of proposed levies and ultimately aims to create coalitions of front-runner countries. The coalitions will be announced at COP30.[30]

# Interlinkage

There is a tremendous gap between available finance for the SDGs and climate on the one hand, and developing countries' financing needs on the other.

A growing debt burden, resulting from high capital costs, limited fiscal space, and challenges in mobilising additional domestic resources in developing countries, worsens the gap. The worsening gap limits the capacity to act on climate change. Developed countries – bi- or multilaterally – provide a significant share of their climate finance on non-concessional or limited concessional terms. This risks deepening the debt burden for developing countries. Yet the debt distress in a growing number of developing countries limits their borrowing capacity. In that case, international climate finance in the form of grants is the only way for these countries to act on climate change. The longer countries remain in debt distress, the more they will need grant financing.[31] Hence, unless creditors decide to provide debt relief and countries start reforming the debt architecture, most climate finance will need to be provided in grants. This exemplifies how the international climate finance agenda, and thereby the negotiations on the NCQG, links directly to the debt reform agenda.

While many developing countries struggle to mobilise additional domestic resources, developed countries are increasingly limiting their public resources. These budget constraints limit the availability of highly concessional finance for climate action. And even if the above-mentioned debt architecture is reformed, highly concessional finance in the form of grants will remain absolutely necessary. While decarbonisation is taking off and the private sector plays an important role, highly concessional finance will remain necessary for adaptation as well as loss and damage. This calls for the identification and use of new sources of finance that could potentially translate into highly concessional finance. New levies and taxes could provide this finance. Many of the proposed levies also target polluters, finally making them pay for the climate damages that their actions have caused. Hence, new levies and taxation could provide additional national and international resources that countries could use to engage in climate action. If developed countries decided to use at least a share of their revenues for climate finance, it would provide new highly concessional financing. This displays a strong linkage between the availability of new and additional highly concessional finance – as currently debated within the NCQG – and levies and taxation.

As to the international financial institutions (IFIs), the link between the MDBs and climate finance under the UNFCCC is well-established. The MDBs have been a significant provider and mobiliser of climate finance for over a decade. In 2022, they contributed about 50% of the climate finance provided and mobilised under the existing USD 100 billion climate finance commitment.[32] The IMF, in contrast, has not historically been linked to climate finance.[33] While the IMF's direct linkage with

the provision and mobilisation of climate finance might be limited, the IMF plays an instrumental role in questions of debt sustainability, the creation of additional fiscal space, and enablers and dis-enablers of climate finance. Through its surveillance instruments – debt sustainability analysis and the Article IV consultation – the IMF can significantly influence countries' borrowing capacity and dis-enablers of climate finance such as high capital costs. Moreover, through these surveillance instruments and also its other analytical contributions, the IMF can further influence other enablers, e.g. regulatory frameworks, and dis-enablers of climate finance, e.g. subsidies. The IMF's SDRs can also link to the NCQG, at a minimum by reducing the aforementioned dis-enablers, but potentially also as a source of climate finance. Hence, the IMF's reform agenda also closely links to the NCQG debates.

# Who is responsible?

The mandates for the NCQG and the IFA reform lie in different spaces. However, these mandates and responsibilities overlap in some cases. They can conflict, creating tensions and cross-signalling.

The NCQG lies within the mandate of the UNFCCC, and the UNFCCC has a special role in the climate finance landscape. The NCQG will provide the framework for climate finance for years, potentially even decades, ahead. Yet, the financial flows associated with climate finance happen largely outside the UNFCCC. The UNFCCC therefore does not have a mandate over a significant portion of climate-relevant financial flows. At the same time, all UN member states, as well as the European Union, are Parties to the UNFCCC. Therefore, any impulse sent through UNFCCC decisions should in theory be taken up elsewhere, as long as countries are the main decision-makers in those respective bodies.

Several mandates associated with the IFA reform agenda lie within other multilateral institutions. This holds for the MDBs and the IMF: their respective boards decide on the implementation of proposed reform elements. Moreover, some other international organisations and UN bodies have progressed reform agenda elements. The IMO is responsible for the debates around a global levy on shipping emissions, and the UN Framework Convention on International Tax Cooperation could eventually take up other proposed taxes and levies, once the convention is fully operational. As indicated above, many of the relevant shareholders and stakeholders are also Parties to the UNFCCC.

Moreover, there are other actors in the IFA reform space who might not have a direct mandate but can exert significant influence over the likelihood of implementation. The G20 is a case in point. It accounts for a significant share of the shareholding of IFIs. It is also the main creditor of developing countries, besides the private sector and the MDBs. The G20 Common Framework is a debt restructuring framework explicitly driven by the G20. Expert groups and task forces, generally mandated by a select group of countries including the G20, have proven to infuse momentum and help steer the conversation. The expert groups working on the Capital Adequacy Framework review recommendations and on strengthening MDBs are another example. More recent groups include the Global Solidarity Levies Task Force and the Expert Group on Debt, Nature and Climate.

As indicated at the beginning of this section, the countries that are shareholders of IFIs or members of formal or informal groups, or that have mandated expert groups, are all also Parties to the UNFCCC. Therefore, there is a strong argument that different spaces can send impulses even though the decisions do not fall within their specific mandates. It is worth highlighting that the UNFCCC offers a more inclusive space in which all developing countries have a seat at the table. Since many governance structures of IFIs such as the World Bank Group (WBG) or the IMF are often dominated by developed countries, signals from the UNFCCC can offer an opportunity to advance the interests of developing countries in particular.

# Potential impulses from the IFA reform to the NCQG

IFA reforms can support an agreement on an ambitious NCQG, mostly through the prospect of improved availability of climate finance. Ahead of and during COP29, agreements, or at least progress, on IFA reform can increase the likelihood of additional climate finance and thereby infuse trust and confidence into the NCQG deliberations.

Trust and confidence have been largely absent from UNFCCC negotiations – particularly in the area of climate finance. At the same time, it is the core ingredient of successful negotiations. Demonstrable progress on IFA reforms, including improvements in the availability, quality, and accessibility of finance, could support trust building. The Annual Meetings of the World Bank and the IMF provided a last-minute opportunity to signal a likelihood of increased climate finance. They fell short despite some positive signals on the IDA replenishment, which constitutes a relevant source of adaptation finance. This remains an avenue for progress throughout COP29. Other reform agenda elements, such as a path for a capital increase, a further optimisation of the balance sheets, and increased support for country platforms and just transition, saw limited progress.

During COP29, the G20 Leaders' Summit will take place. Under the Brazilian G20 Presidency, discussions on a potential billionaire's tax have been front and centre. While it is unlikely that leaders will make significant progress on the billionaire's tax, a general agreement that at least a share of the revenues would be used towards climate finance could inject significant positive momentum into the NCQG negotiations.

Beyond COP29, as indicated previously, the IFA reform elements could potentially increase the volume of climate finance. This is, however, largely subject to still-undecided elements of the NCQG: the structure of the goals, the definition of climate finance applied, and climate finance accountability, among others. Besides the structural and technical questions of the NCQG, the availability of funds often depends on domestic political will and the willingness to allocate these revenues to international climate action. Questions associated with the quality of climate finance, most notably concessionality, alongside accountability, warrant further discussions.

# Potential impulses from the NCQG to the IFA reform

The UNFCCC has already positively influenced the IFA reform. The NCQG has the potential to expand on this and provide additional momentum. In the past, the Glasgow Climate Pact,[34] the Sharm el-Sheikh Implementation Plan,[35] and the outcome of the first Global Stocktake[36] all highlighted the importance of some elements of the IFA reform agenda. They particularly emphasised the importance of MDBs. However, the language surrounding IFA reforms has generally remained vague, with no concrete policy measures. This is certainly attributable to the aforementioned limited mandate of the UNFCCC associated with the IFA reform.

Despite the limitations in mandate, the NCQG has the potential to strengthen the link between IFA reforms and the UNFCCC by providing clearer direction. The level of detail will also depend on the extensiveness of the NCQG decision. Moreover, different groups might oppose the inclusion of more specific elements on dis-enablers, debt, etc.

With regard to the MDBs, the NCQG could particularly target elements of quality that are closely linked to the MDBs' better and bolder segments of the triple agenda. It is quite likely that the NCQG

will request a harmonisation of access to climate finance procedures, and this should also include the MDBs. In light of the forthcoming NDCs and growing debate around national transition plans, the NCQG could explicitly encourage the MDBs to make progress on the demand to work more as 'MDBs-as-a-system'. This could include a request to set up additional country platforms, including for adaptation. Reflecting the debate around dis-enablers, MDBs could also be encouraged to increase the amount of climate finance in local currency. Even if there is no direct call, some elements in the NCQG might indirectly trigger change in the MDBs over time: the MDBs' Paris alignment processes, including their newly established methodologies, are a case in point.[37]

The IMF has mostly been absent from the UNFCCC. The NCQG provides an opportunity to close that gap. A general request encouraging shareholders to equip the IMF to adequately respond and contribute to the NCQG's fulfilment could trigger these processes. This could be specified further by highlighting the usefulness of SDRs and the Resilience and Sustainability Trust in responding to the climate crisis. It could further encourage shareholders to ask the IMF to strengthen the climate aspects in its surveillance instruments.

Some developing countries have pushed strongly for the inclusion of extensive language on debt, recognising that the debt burden prevents further-reaching climate action and that the high cost of capital is a major dis-enabler. The limited fiscal space has been recognised in previous decisions; however, debt has not been mentioned specifically. The NCQG could highlight the limiting factor of debt specifically, including by linking it to the high cost of capital. It could further highlight the fact that in the absence of debt relief, higher amounts of grant finance will be required to meet climate targets. It could further call on Parties and IFIs to expand the use of debt pause clauses and debt-for-climate swaps. Last but not least, Parties could emphasise that they look forward to the recommendations of the Expert Review on Debt, Nature and Climate, thereby providing an opening for the future uptake of some of the recommendations.

The NCQG will likely highlight the importance of highly concessional finance, as well as the importance of grant-based finance, at least for adaptation. Building on this reflection, Parties could highlight the importance of new innovative sources of finance to generate new and additional concessional finance. They could build on the mention of taxation in the Global Stocktake decision and include a list of potential levies and taxes that could provide new finance. Ideally, the NCQG decision will invite Parties to use a share of the revenue collected through any future potential levy for the provision of climate finance, which would shape the use and allocation of new funds. Similar to the Expert Review on Debt, Nature and Climate, Parties could welcome the efforts of the Global Solidarity Levies Task Force and anticipate the Task Force's recommendations.

# Conclusion

The NCQG and the IFA reform agenda are inherently interconnected, reflecting similar and overlapping debates, challenges, goals, and mandates. Both call for additional finance and a more equitable and just international architecture. The NCQG will likely set the architecture for climate finance for the decades, or at least years, ahead. The IFA reform agenda is expected to do the same for the wider IFA. For the NCQG, 2024 constitutes a crucial year, and the IFA reform is in the midst of a multiyear process. In both, the Global South has been a key driver of the debates, while much of the change and impact will depend on the Global North taking the lead.

Ultimately, there is significant potential for interlinkage, but it remains challenging to conclude how strong the linkage between the two agendas will be, given the existing uncertainties in both the NCQG and the implementation of the IFA reforms. First, the structure and accounting of climate finance under the NCQG will impact the inclusion or exclusion of IFA reform elements. Second, many IFA reform elements are not fully developed and are still far from being implemented; despite

positive momentum, it is uncertain whether these reforms will all effectively become reality. Third, even if IFA reforms could boost climate finance volumes, they may not necessarily improve its quality. Some actors view several instruments, such as debt swaps, debt pause clauses, SDR rechannelling, and MDBs' expansion in lending capacity, with scepticism.

Even in the absence of direct corresponding mandates over the interlinked processes, the processes could still provide important impetuses for each other. The NCQG deliberations are in urgent need of a positive signal to infuse trust. Some IFA reform elements could provide this just in time. On the other hand, the NCQG could drive action and help shape the broader IFA for climate finance through different signals. The NCQG's capacity to do so will also depend on the decision's design. A comprehensive decision similar to the Global Stocktake could include impulses for the IFA reform agenda. A more targeted decision could limit the potential space for impulses towards the IFA reform agenda. In this case, a cover decision could close that gap, similar to the decisions in Glasgow and Sharm el-Sheikh. There is also a possibility that the connection between the IFA reforms and the UNFCCC will be discussed in more detail after the establishment of the NCQG. The Sharm el-Sheikh dialogue on Article 2.1(c) of the Paris Agreement could be such a space.[38]

## Recommendations

1. The IFA reform agenda should infuse some last-minute trust and confidence in the availability of additional future climate finance. Countries should make use of the IDA replenishment to show that the reform agenda continues to advance and that this will ultimately translate into the availability of climate finance. Leaders at the G20 should also consider making some commitments to continue advancing the reform agenda with the clear goal of increasing climate finance.

2. The NCQG should include clear impetuses to keep and accelerate the momentum on the IFA reform agenda. This includes all four pillars of the IFA reform agenda. It should also specifically call for the IFA reform elements to contribute to an increase in the availability of concessional climate finance and create a fairer IFA that addresses the dis-enablers to close the SDG finance gap.

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# Germanwatch

Following the motto of Observing. Analysing. Acting. Germanwatch has been actively promoting global equity and livelihood preservation since 1991. We focus on the politics and economics of the Global North and their world-wide consequences. The situation of marginalised people in the Global South is the starting point for our work. Together with our members and supporters, and with other actors in civil society, we strive to serve as a strong lobbying force for sustainable development. We aim at our goals by advocating for prevention of dangerous climate change and its negative impacts, for guaranteeing food security, and for corporate compliance with human rights standards.

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For further information, please contact one of our offices


**Germanwatch – Bonn Office**
Kaiserstr. 201
D-53113 Bonn, Germany Phone: +49 (0)228 / 60492-0 Fax: +49 (0)228 / 60492-19

**Germanwatch – Berlin Office**
Stresemannstr. 72
D-10963 Berlin, Germany
Phone: +49 (0)30 / 5771328-0
Fax: +49 (0)30 / 5771328-11

E-Mail: info@germanwatch.org

or visit our website:
**Internet:** www.germanwatch.org


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