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Reframing Needs-Based Finance through Mutual Commitment and Dialogue

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Defining “*need*”¹

Verb

1. require (something) because it is essential or very important rather than just desirable.
2. expressing necessity or obligation.

Noun

1. circumstances in which something is necessary; necessity.
2. a thing that is wanted or required.

¹ Oxford English Dictionary.

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About Rabia

Rabia Transitions is a non-profit research initiative founded in 2021, and headquartered in South Africa. Its purpose is to reimagine a financial ecosystem that fosters a just and resilient transition. Through an interdisciplinary lens, Rabia integrates financial, environmental, economic, and social perspectives to advance low emission, climate-resilient development. It offers critical and independent research through technical tools, and frameworks rooted in African approaches to sustainability transitions, emphasizing compassion, justice, and interconnectedness. Learn more at www.rabiatransitions.org

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The Institute for Sustainable Development and International Relations (IDDRI), founded in 2001 and headquartered in France, is an independent think tank supporting the transition to sustainable development. IDDRI develops tools and analyses for integrating sustainability into public and private policies, engaging with actors from the EU and AU to national governments and the private sector. It serves as both a research hub and dialogue platform fostering shared, interdisciplinary expertise. Learn more at <https://www.iddri.org/en>

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The Ukama Platform is a network of African and European thought leaders advancing knowledge and debate on sustainable transformation, equity, and shared prosperity. It addresses blind spots in Africa-EU relations, promotes fair partnerships for green industrialization and low-carbon transitions, and creates open spaces for honest dialogue. Each publication reflects the author's views and supports collaboration between African and European think tanks. Learn more at <https://www.ukamagroup.com/>

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Abbreviations

AFD	Agence Française de Développement (French Development Agency)
CBDR	Common But Differentiated Responsibilities
DRC	Democratic Republic of the Congo
FFD4	Fourth International Conference on Financing for Development
GHG	Greenhouse Gas
IDDRI	Institute for Sustainable Development and International Relations
IMF	International Monetary Fund
IPPPP	Independent Power Producers Procurement Programme
JET IP	Just Energy Transition Investment Plans
JETP	Just Energy Transition Partnership
LDCs	Least Developed Countries
MDB	Multilateral Development Bank
NAP	National Adaptation Plan
NBF	Needs-Based Finance (UNFCCC project)
NCQG	New Collective Quantified Goal
NDC	Nationally Determined Contribution
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PPP	Public-Private Partnership
REIPPP	Renewable Energy Independent Power Producer Procurement (programme)
SDGs	Sustainable Development Goals
US	United States
USAID	United States Agency for International Development

Key Messages

- “Needs-based” as a “principle” in financing development and climate is not new – it is, however, gaining renewed traction as a response strategy to a transformed global financial architecture, and calls for better terms and conditions for developing economies in particular (INFF Facility. 2025). To truly manifest such an approach, funders and recipients need frank dialogue to co-create new investment planning approaches that recognise the significantly complex circumstances in financing sustainable and climate related development. Such circumstances question the way in which finance is provided, and the way in which finance needs are scoped and articulated. A “needs-based focus” invites funders and recipients to prioritise the quality and dignity of sustainable and climate related development.
- Frank and effective dialogue hinges on acknowledging that funders and recipients view needs differently – through lenses of equity, risk, market efficiency, or global targets on one hand. Whereas recipients view needs through the lens of political and socio-economic tensions, development imperatives, fiscal constraints, and private and public sector capabilities. By explicitly diagnosing and respecting these perspectives, parties can co-create flexible, context-sensitive financing arrangements that balance national sovereignty, transition goals, and accountability, enabling both strategic impact and dignity in action.
- The UNFCCC’s Needs-Based Finance (NBF) initiative, launched in 2018 and renewed in late 2024, amplifies the relevance of the principle of a needs-based approach to finance. The NBF underscores the persistent challenges developing economies face in *“accessing and mobilizing climate finance [which] remain multifaceted and substantial”* (UNFCCC, 2024:28). Such challenges include limited institutional capacity, donor-driven conditions, onerous terms and conditions, dominance of debt-based structures, and fragmented alignment between national priorities and funding systems. The NBF emphasises investment shifts beyond project-focused “bankable pipelines” toward multi-asset financing, based on nationally driven plans that guide systemic resilience and development (UNFCCC, 2024).
- In practice, funders and recipients need to co-create an understanding of what constitutes a “needs-based” approach that goes beyond a single project focus, towards one that addresses broader systemic needs.
- Recipient countries need to articulate their needs more explicitly, such that it reflects the systemic trade-offs and vulnerabilities inherent in a transition context, and be embedded in local development ambitions, social and climate justice, and dignified livelihoods.
- Funders need to refresh their understanding of needs-based approach through planning and design processes, sustainability, and climate-related development. More than ever, funders need to focus on predictable, timely, that offers accessible finance windows that honour past pledges. Building trust and credibility is essential for ensuring a needs-based approach to financing of sustainable and climate related development – dialogues that enable such outcomes is critical and priceless in these volatile times.

1. Introduction: An old concept in a rapidly evolving context

The concept of needs-based finance is not new in the development and climate finance landscape. Twenty years ago, in 2005, the Paris Declaration on Aid Effectiveness emphasised two core principles: ownership, defined as developing economies *“setting their strategies for poverty reduction, improving their institutions and tackling corruption”*, along with alignment, defined as *“donor countries aligning behind these objectives and using local systems”*. (OECD, 2005) Subsequently, the 2011 Busan Declaration further stressed ownership as the key principle for effective development cooperation: *“countries should define the development model that they want to implement”* (Fourth High-Level Forum on Aid Effectiveness, 2011). Similarly, according to Criterion 2.1 of the Official Development Assistance (ODA) standard developed by the Organisation for Economic Co-operation and Development (OECD) to guide donors’ contributions, ODA must be administered *“with the promotion of the economic development and welfare of developing countries as its main objective”*. (OECD, n.d.-a)

In such a setting, the development model and actual needs of the poorest economies are supposed to be at the heart of all types of international cooperation. This was further supported by the adoption in 2015 of two key global agreements, the Sustainable Development Goals (SDGs) and the Paris Agreement, in which both recipients and funders set new directions for global sustainable development and their own socio-economic development. Lasting sustainable development could be achieved only by reconciling development and climate-related issues, as well as international and national scales of intervention. In very simplistic terms, then, the concept of needs-based finance reflects the lived realities of nations, where development and climate-related ambitions are aligned and reflected in the quantity, quality and dignity of finance flows that follow.

In 2020, the OECD proposed two dimensions to guide alignment efforts of financial flows with this global direction of travel. First, equality, which relates to resources that should be mobilised to leave no one behind. Second, sustainability, which relates to resources that accelerate progress in the long term while doing no other significant harm to other dimensions. (OECD, 2020) More recently, the discussions around the reforms of the global financial architecture for sustainable development highlighted persistent issues where finance flows still did not fully reach the economies most in need. Along those lines, the Pact for Prosperity, People and the Planet (4P) adopted as one of its four principles that *“every country adopts its own strategy taking into account its needs and its constraints when it comes to achieving the Paris Agreement targets. We shall be strengthening our partnerships to support these national trajectories”* (French Ministry for Europe and Foreign Affairs, 2023).

Discussions on what is needed to address development and climate needs so far have focused mostly on mobilising large numbers and highlighting international financial gaps. This is indeed an important part of the storyline of why financing climate and sustainable development outcomes is slow, particularly for developing economies. However, it is not the full storyline. Frustrations exist between provider and recipient countries that make development and climate goals – including from a just and dignified perspective – seem unattainable and disconnected from the lived realities and practical needs at the level of livelihoods affected. So far, applying “needs-based finance” as a concept in how finance flows are designed and implemented appears poorly understood and maligned in our view, given the current rapidly evolving geopolitical contexts. But why is that so? This paper aims to deconstruct the malaise around “needs”, looking at dynamics related to 1) the political economy of funder-recipient relations, 2) recipient challenges, and 3) funder challenges. We close with a call to action.

In our view, nothing will change unless there are shifts in how parties engage. It is not only about finance flows. Dignity and appreciation of mutual challenges in the exchanges need to be evident. Developing economies face very real needs, and lack options in many instances to advance entirely on their own towards the common good of people and planet. This places such countries in positions where compromises, trade-offs and ineffectual terms and conditions are accepted. This is not just. A recurring concern expressed by recipient countries is that their articulated needs are not being met despite an abundance of plans, strategies, and priority frameworks shared with funders (UNFCCC. n.d, as per NBF report).

2. The political economy of funder-recipient relations

The relationship between funders and recipients is shaped by entrenched power asymmetries. Despite the **CBDR-RC** principle, finance remains structured to favour funders, limiting recipient agency and reinforcing dependency. Delayed or reversed pledges further deepen mistrust and weaken accountability, revealing that finance is never neutral; it mirrors whose priorities dominate and whose needs are sidelined.

2.1 Atmosphere of mistrust

At the heart of today's financing for climate and sustainable development-related outcomes challenges lies an older story about power and control in the global financial system. The *Global Financial Architecture*, which is anchored in the Bretton Woods institutions, namely the International Monetary Fund (IMF) and the World Bank, was never designed to equitably address development, let alone climate justice. Built on post-World War 2 economic recovery priorities of the Global North, it reflects the political and economic dominance of creditor countries, where decision-making power is concentrated in the hands of a few developed economies.

NEGOTIATIONS



This legacy and foundational asymmetry is not incidental, it is structural. It continues to shape the flow, form, and purpose of international finance today. Finance is still wielded as an instrument of influence, often guided by geopolitical, commercial, or risk-mitigation objectives rather than as a tool for enabling transformation in developing economies. For developed economies, finance flows for climate action often function primarily as a mechanism of capital accumulation and profit extraction, rather than as a mechanism of restitution or solidarity to advance development outcomes. This dynamic is evident in various aspects of international finance and investment practices, including concerns about the focus on mitigation over adaptation, and the structure of some finance instruments. This has left recipients navigating an uncertain and unequal playing field.

In this context, finance is not neutral, and political factors play a significant role, leading to mismatches between funders and recipients' domestic agendas because "domestic agency [recipients] in intervention societies is above all defined by the intervention and the actions of interveners [funders]" (Birkholz, Tilmann and Schroeder, 2017). The manifestations of finance and politics are shaped by competing interests, (dis)incentives, and entrenched power structures that can ultimately hinder the flow of finance needed for climate action (Bernhard and Kaiser, 2017), which is why at "*...the heart of the climate finance debate [it] is ultimately about justice within that mobilization, allocation, and distribution.*" (Gifford and Sauls, 2024:6).

For example, through the lens of international climate finance negotiations, politics ultimately disrupts finance and investment flows towards the goals of the Paris Agreement. Article 9 of the Paris Agreement places a clear obligation on developed economies to support recipient economies with financial resources to help them mitigate and adapt to climate change. This means that, ideally, the interests guiding funders should align with the principles set out in Article 9 and the broader concept of Common But Differentiated Responsibilities (CBDR), which are also aligned to Article 2.1(c)¹ of the Paris Agreement.

Funders are expected to provide finance in terms of Article 9, as part of demonstrating "global leadership". However, a large gap between pledges and disbursements exists, and the frequent lack of transparency has weakened the credibility of funders. In formulating Nationally Determined Contributions (NDCs), recipients are mindful of the historical position of past underfunded needs, and unfulfilled pledges, shifting donor priorities. Developing economies' ambitions are thus constrained. The mistrust in having their needs met is reinforced by knowledge that commitments can be delayed, retracted, or reframed as voluntary contributions.

¹ Article 2.1(c) of the international Paris Agreement on climate change aims to do just that by "making finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development."

Furthermore, from a developing economy perspective, recent negotiations like those surrounding the New Collective Quantified Goal (NCQG) on climate finance failed to sufficiently reflect CBDR and the discrepancy between the needs of finance identified and pledges. The impasse deepened tensions and mistrust among developed and developing economies². Despite all parties recognising the urgency of the climate crisis, the negotiations around the NCQG yielded only a commitment of US\$300 billion per year by 2035 for developing economies. This fell short of the US\$1.3 trillion per year by 2030 that developing economies were pushing for during the negotiations – the low level of ambition and commitment on the goal reflects a continuation of the status quo and reinforces the historical pattern of unmet priorities and sidelined needs.

The bias of the existing system of climate finance flows is also evidenced in geographic disparities – where, for example, Least Developed Countries (LDCs) received 11.1% of climate finance flows in 2022, compared with middle-income countries (46.5%) (OECD, 2024:18), where greater investment returns are expected (e.g. for renewable energy investments) (OECD, n.d.-b). Mistrust is also therefore fostered in that the needs of developing economies, with the ability to generate investment returns and offer stronger governance contexts, are prioritised by funders.

Global estimates on the gaps in financing sustainable development outcomes are significant, and the unmet needs keep growing, with developing economies facing a US\$4.3 trillion annual financing gap for financing sustainable development outcomes (UNCTAD, 2025). The OECD shows that *“although total external finance to developing countries reached USD 5.24 trillion in 2022, it remained significantly below the USD 9.24 trillion estimated to be required annually to achieve the 2030 Agenda”*. (OECD, 2025) At the same time, progress to achieve the SDGs by 2030 seems out of reach.

The disconnect between promises, availability and delivery of resources exacerbates the erosion of trust that has damaged international discussions. This makes it harder to deliver impactful outcomes for people and planet. What is needed is equitable and resilient responses to development and climate challenges that promote just and dignified livelihoods.

² See, COP29 Presidency text on new collective quantified goal on climate finance, [HERE](#).

2.2 Reversibility of pledges

Development and climate finance pledges are often channelled through intermediaries that reflect donor preferences and risk appetites, both at multilateral and bilateral levels. When allocating development finance, funders are accountable to various constituencies, which include but are not limited to the perspective of countries in which they operate. The challenge becomes to balance those views in a non-mutually exclusive manner with the national objectives of a country, and the collective goals both share, such as the SDGs and Paris Agreement.

In the current and historical geopolitical context, donors place a strong emphasis on their national interests and priorities when allocating development finance. Such countries are also able to reverse, delay, or reframe pledges as “voluntary contributions” rather than binding obligations. The agency of developed economies reflects the systemic power imbalance embedded in a strong political discretion. One of the most extreme examples is the US decision to finance programmes that support US national interests first and foremost (The White House, 2025). This is leading to the closure of multiple programmes abroad without consideration of the existing needs of these countries.

Unmet needs impose difficult socio-economic conditions, especially on countries most dependent on such flows and deeply affected by multiple socio-economic and climate-related crises, as changes ravage communities and small businesses. Unmet needs also impact a country’s ability to rebuild infrastructure after climate disasters, transition their energy and related sectors, and diversify their economies away from fossil fuels while ensuring social protections.

A similar trend is also sweeping across Europe, where public budget constraints and competing priorities have led to significant cuts in the development sector, highlighting the volatility and unpredictability of development and climate support for developing economies, and reflecting how international spending is increasingly tied to the funders’ interests (IDDRI, 2025). These are implemented in response to perceived increased scrutiny from national constituencies on the use of the existing national budget for operations abroad, and subsequent prioritisation of other core sectors of foreign and defence policy, along with an emphasis on economic benefits and trade. In such contexts, country needs tend to be sidelined, and the priorities of the funders drive financial allocation.

At its worst, this shift in development finance serves short-term electoral interests in donor countries, with little regard for the long-term implications on developing economies. At best, it reflects an opportunity to reframe partnerships beyond traditional aid, toward models rooted in mutual benefit and shared interests. While development finance has always had a transactional character, arguably at a more macro-level, the current trend toward heightened transactional risks exacerbates existing challenges, as asymmetrical power dynamics are likely to become even more deeply entrenched.

This growing bilateralism also undermines the potential for development finance to contribute meaningfully to global normative goals grounded in collective ambition and multilateral cooperation. While more openness on national interests driving development finance allocation may provide more clarity to developing economies' authorities, funders will be expected to clarify the level of ambition they can deliver to contribute to collective goals and support country needs.

Acknowledging this situation, a needs-based approach pushes for more realism and real ambition is required to unlock the blockage. Placing greater emphasis on clearly identifying specific, country-level needs could lead to more meaningful outcomes at the national level. This approach also creates an opportunity to rebuild trust-based partnerships by enabling countries to take the lead in designing their own needs-assessment processes, clearly indicating where external support is both necessary and realistically achievable.

Recipient countries need to be sheltered from the immense volatility associated with unfulfilled pledges and commitments. The current pledging environment is strong on pronouncements of amounts (as with the country platform phenomena) and relatively ineffectual on meeting recipient countries' needs, beyond the quantity of flows. Specifically, this means addressing the cost of capital, accounting for differing capacities or stages of development among recipient countries, and adjusting the constrained or inflexible access to finance. Pledges at present represent exclusionary and potentially unjust processes, as recipients cannot meet long-term needs with unreliable or shifting finance commitments.

3. Recipient Perspectives: bridging gaps in “understanding needs”

From a recipient’s perspective, need-based finance relates to delivering impact in a sustained manner, and is reflected in the way financial support for climate action and development more broadly is delivered and accessed by developing economies. This is crucial, as persistent financing barriers suggest a funder-driven system and a financial architecture unfit for purpose.

3.1. Countries already articulate needs in various forms

The primary expression of what a country needs, as defined by its national authorities, usually takes the form of a high-level national development strategy, further defined in sector and/or multi-annual plans.

At different levels, articulating and identifying needs is familiar territory for developing economies (See Box 1, below) that have committed to assembling investment plans, communicated internationally, for example, through the UNFCCC³. Reports such as NDCs and National Adaptation Plans (NAPs) provide a *“review of these existing resources, along with national development priorities and relevant existing policies, plans and strategies related to climate change, [which] can be used as a fairly comprehensive starting point for any needs assessment process”* (Violetti, Booth and Fukuda, 2023:17).



³ UNFCCC states that this “assessment of climate finance needs and priorities across sectors, [is] based on official communications to the UNFCCC (such as NDCs, National Communications (NCs), NAPs, Biennial Update Reports (BURs)) and national policies, plans, and programs for each country in the region” (UNFCCC, n.d.)

BOX 1: Demystifying the fallacy that recipient countries lack plans and pathways demonstrating their needs

Recipient countries have invested significant efforts in articulating their needs and priorities through different plans across a variety of formal mechanisms and planning instruments at the national, bilateral, multilateral, and private sector levels. Key examples that can be built on include:

National and Sectoral Investment Plans: Most countries have an overarching national development plan to guide their long to medium-term objectives. Such plans are further disaggregated into sectoral and/or multi-annual plans. Many recipient countries have developed targeted strategies such as Country Investment Frameworks, NAPs, Nationally Appropriate Mitigation Actions, and Environmental Action Plans. In addition, the NDCs represent both the ambitions of countries and, in many instances, represent their medium to long-term investment needs around climate actions. These frameworks, often developed with the support of multilateral funds and technical partners, lay out country-specific needs and priorities for climate adaptation and mitigation. In particular, long-term strategies like the Long-Term Low Emissions Development Strategies, promoted under the UNFCCC as well as G20 processes, are aimed at aligning development and climate goals in a transition perspective. In an effort to go beyond a general wish list, some are costed as part of the national budgeting exercise.

Bilateral Relations and Five-Year Development Plans: Countries also elaborate their financing and policy priorities through formal bilateral partnerships and medium-term national development plans. These documents often shape how climate-related support is aligned with broader economic and social goals and provide a roadmap for donor engagement. Examples include bilateral country programmes, and more recently the emergence of the JET IP in South Africa, Indonesia, Senegal and Colombia, amongst others. The Green Climate Fund and related climate finance channels often require country investment programmes to be in place, which form the basis of how such climate finance is allocated through accredited entities.

Multilateral Assessment Processes: Recipient countries participate in multilateral annual assessments under the UNFCCC, including the *International Consultation and Analysis* for developing countries. These include the *Multilateral Assessment* process, which helps track progress in meeting their economy-wide emissions reduction targets.

IMF Schedule 4 assessments: Climate risks and policy responses are increasingly assessed through IMF tools like the Climate Policy Assessment Tool and Financial Sector Assessment Programs (FSAPs). These instruments help integrate climate-related risks into macroeconomic and financial stability assessments, identifying systemic vulnerabilities and investment needs.

National Budgets and Borrowing Programmes: Recipient countries are starting to embed climate priorities in their national budget frameworks and borrowing strategies. Examples include Climate Budget Tagging initiatives happening in Kenya, Ghana and Ethiopia, among other countries, which signal the intent to pursue climate-aligned development pathways.

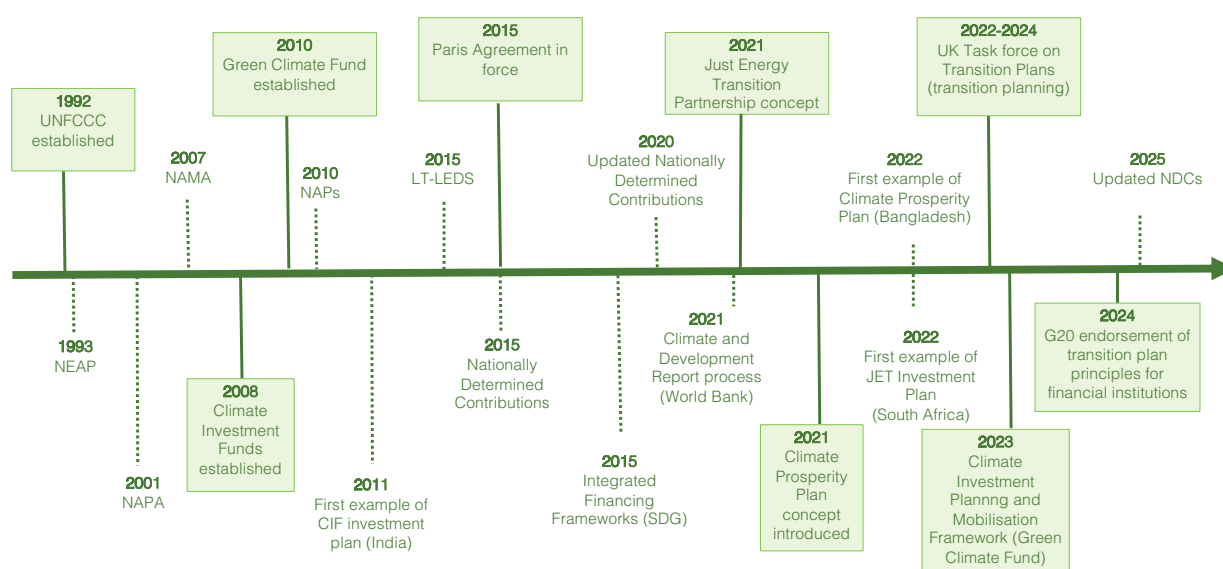
Private Sector Engagement around Public-Private Partnerships (PPPs): Increasingly, recipient countries are working with private sector actors through PPP models and blended finance mechanisms. For example, the South African Renewable Energy Independent Power Producer Procurement (REIPPP) programme through the Independent Power Producers Procurement Programme (IPPPP) Office is a government-led initiative aimed at increasing the country's renewable energy capacity (DMRE, 2023). In the private sector, transition plans are also emerging, identifying individual corporate responses to shifts towards net-zero and climate-resilience strategies.

The extent and diversity of plans and strategies that most countries develop to define their needs, as presented by the authorities and constituencies of a country, are immense (See Figure 1, below). These are often the result of a complex and lengthy process of prioritisation and public consultations. Given the range of possible plans described above, it could be argued on one hand that funders are well aware of recipient country needs.

On the other hand recipients, in turn, may argue that such needs are primarily unmet, and some are not costed. While these plans have individual limitations and gaps, such as the often mentioned “*there are no bankable projects*”, it is fair to say that needs have been established for some time. Such plans provide the foundation and expression of “needs” through which a portfolio of investments can be achieved. Such plans are hardly ever intended to be a pipeline of projects per se – particularly in a transition context.

In a fair situation, the level of effort expended in elaborating needs in such detailed plans should ideally be met with adequate and timely funding. One challenge, however, may be the difficulties in costing needs. For example, the Mo Ibrahim Foundation report states that “\$1.6-\$1.9 trillion are needed to achieve Africa’s NDCs, with just over half of the needs costed” (Mo Ibrahim Foundation, 2024). Given that half of Africa’s needs have been costed, it may also be that the main difficulty lies in articulating such needs fully, and identifying financial sources to fund such plans including providing national actors with the means to achieve their ambition.

Figure 1: Climate related investment planning & tools since 1992



Source: Authors' own depiction

3.2. Needs depend on economic context, resources and dependencies

Climate action policies may clash with national development plans and raise issues around sovereignty (Walker, 2023:12)⁴ – especially a nation's ability and freedom to advance its socio-economic prosperity in complex ways. Decarbonisation policies, for example, imply a transition from high to low-carbon technologies, and at times such shifts are disruptive with system-wide impacts on communities, businesses and trade patterns, including existing power dynamics⁵ (Naidoo, 2019)⁶.

Developing economies differ in their developmental and climate-related needs (i.e. specific for climate), some countries have higher mitigation needs and while others focus more on adaptation and/or resilience (Naidoo et al., 2024:158). In practice, these distinctions are becoming more blurred as extreme climate related weather events increase. The prioritisation is informed by a multitude of factors, especially the extent to which countries rely on fossil fuels for energy generation, jobs, and exports; their resource endowment of critical minerals; their environmental and social ambitions in relation to the climate response; reliance on international support, and the capacity to mobilise resources domestically.

In Table 1, the typology provides a non-prescriptive overview of how sectoral characteristics shape climate transition dynamics in different Global South economies.

Table 1: Examples of economic contexts for developing economies.

Type	Prominent sector	Examples	Implication
1. Fossil fuel dependent economies	Emission heavy industries	South Africa, Egypt, Morocco, Indonesia, India, Vietnam.	The energy transition will significantly impact key industrial sectors. The pace and nature of transition efforts will be shaped by countries' industrial development strategies, aligning decarbonisation with economic diversification and ensuring social safety nets.
2. Fossil fuel resource producers and exporters	Production and exporter of fossil fuels	Nigeria, Libya, Algeria, Angola, South Africa, Venezuela, and Colombia.	These economies face complex trade-offs between decarbonisation goals and existing economic dependencies. Their transition pathways will likely involve sequencing reforms to balance fiscal stability, energy access, diversification, and social cohesion.

⁴ Walker's paper defines sovereignty as "...the idea that the polity, as the locus of internal sovereignty, also has exclusive title to pursue relations with other entities, including other polities, without deference to or interference from any external authority."

⁵ See Naidoo et al., 2024report, page 167.

⁶ See commentary by Holtz, L., & Heitzig, C. (2021) that states that "the world's shift toward renewable energy and clean energy technologies will provoke a precipitous reduction in global demand for hydrocarbon fossil fuels, such as coal, oil, and natural gas. Given that nearly 50 percent of sub-Saharan Africa's export value is composed of fossil fuels, the global energy transition may have profound effects on its economies".

Type	Prominent sector	Examples	Implication
3. Mining-based economies	Mining	Zambia, Namibia, Democratic Republic of the Congo (DRC), Niger, Mongolia, Papua New Guinea.	Mining-dependent economies may prioritise adaptation and resilience while seeking to leverage mineral wealth to finance sustainable development. Their transitions may emphasise technology transfer and value addition.
4. Economies with strategic mineral reserves	Mining (specifically of strategic minerals: copper, graphite, lithium, nickel, cobalt and rare earth elements)	DRC, Mozambique, Madagascar, Zambia, Zimbabwe, Tanzania, Burundi, Chile, Argentina.	These countries hold a critical position in global transition supply chains. National transition plans should reflect efforts to align extractive strategies with local value creation, responsible sourcing, and SDG outcomes. The minerals represent an asset base and beneficiation potential, and it will also be linked with building new transport nodes.
5. Agriculture-based economies	Agriculture	Ghana, Kenya, Senegal, Eritrea, Mali, Ivory Coast, Uganda, Nepal, Bangladesh, Honduras.	Climate vulnerability and food security concerns will strongly influence transition strategies. These economies may prioritise climate-resilient agriculture, rural development, and access to energy in their transition pathways.
6. Land-use-intensive countries	Forestry	Cameroon, Gabon, Côte d'Ivoire, Equatorial Guinea, Brazil, Indonesia.	Forestry and land-use change are central to mitigation potential. These economies may pursue nature-based solutions, integrated land-use planning, and low-carbon rural development strategies.
7. Service-based economies	Services and tourism	Mauritius, Zimbabwe, Kenya, Tanzania, Maldives, Sri Lanka, Costa Rica.	Transition impacts may be less carbon-intensive but still deeply influenced by climate change (e.g., on tourism). Resilience building, low-carbon service growth, and diversification will define their transition efforts.

Source: (Naidoo et al., 2024)

Elaborating further on Table 1, countries such as South Africa, Namibia, Botswana, and Nigeria, and others like Indonesia, Colombia, and Argentina face diverse energy transitions shaped by varying fossil fuel dependencies and development priorities. These differences inform distinct social and environmental ambitions, and financing needs and strategies.

In high-fossil fuel dependent economies like **South Africa** and **Nigeria**, the urgency lies in transitioning away from coal and oil, respectively, with implications for workers, communities, and economic stability (UNFCCC, 2021a; 2021b). **Indonesia** and **Kazakhstan** face similar challenges with fossil fuels underpinning fiscal revenues. The social ambition for these countries in delivering a just transition is critical. Financing needs in this instance have to embed a strong and non-negotiable “people-centric” approach – yet the prevailing narrative is that “just” elements are funded only from grants. This is a narrative that can and should be challenged, as social safety nets will secure the sustainability of the transition of these economies.

Others, such as **Namibia** and **Colombia**, face trade-offs between exploiting new fossil fuel reserves and pursuing diversification strategies like green hydrogen. Countries with low emissions, such as **Botswana, Nepal, or Malawi**, prioritise adaptation and resilience over decarbonisation. Asking such countries to leave resources untapped underscores the need for finance that supports both low-carbon development and broader socioeconomic goals. This includes leveraging opportunities in critical minerals and green industries. Therefore, finance must reflect not only emissions profiles but also the “equitable pathways not only investment costs but the socioeconomic impacts and trade-offs inherent in transitions” (Hagemann, Outlaw and Röser, 2023;22).

The differentiation described in Table 1 shows that developing economies have unique transition pathways that would inform their priorities, vulnerability, sectoral pathways, opportunities and SDG alignment efforts. While the economic typologies detailed in Table 1 are not prescriptive, they highlight how each country’s unique transition pathway is influenced by its sectoral composition, development priorities, and vulnerabilities, all of which in turn contribute towards determining precise financing needs over time. The typology is an example of differentiating and overlapping “needs”; in particular, a country may be both a fossil fuel exporter and rich in strategic minerals. Transition support must therefore reflect this complexity, moving away from viewing country needs as homogenous and applying uniform benchmarks to determining such needs. Needs-based finance should recognise and enable differentiated, country-owned pathways.

3.3. Unmet needs constrain countries’ ambitions given finance dependencies

At present, the way finance and investment flows are made available, their terms and conditions, constrain ambition. Why? The manner in which finance flows are made available largely prioritises funders’ needs and investment interests. For example, renewable energy deployment among developed economies depends on also securing access to appropriate critical mineral value chains – hence their critical minerals strategies for specific regions, such as those targeting countries across Africa.

The effect of such prioritisation is that developing economies compromise their ambitions to fit the funders' preferences, including how programmes are constructed and funded. Such preferences are largely around income-generative investments, which means that developing economies agree to debt-based financing, even if fiscal constraints exist. This leads to unsustainable debt levels and repayments, which crowd out funding for other essential development needs, including healthcare and education public spending (Naidoo et al., 2024).

Developing economies need to advocate for dialogue with developed economies that deconstruct needs not only from a “quantity” perspective, but also the qualitative dimensions that recognise systemic trade-offs and impacts, and which prioritise justice and dignity of livelihoods and access to finance. It is appreciated that the mechanisms that then follow such dialogue would still uphold the very necessary elements of ensuring accountability, sound governance, and delivery of shared goals. In this way, the ambition of all nations in responding to the prevailing development and climate response needs is raised.



4. Funders Perspectives: bridging competing interests and political willingness

The funding policies of funders usually reflect their foreign policy priorities, understanding of and ability to respond to the needs of the country in which they operate. Ideally, from a climate commitment perspective, developed economies that are largely the funders and providers of international finance support to developing economies are guided by the CBDR-RC principle. Such a principle recognises the historical and joint responsibility, and differing capacities to respond in the context of climate change. Broader principles of development co-operation typically govern the way in which sustainable development related support is extended.



4.1. Understanding recipient countries' needs

To guide their operations and activities on the ground, funders usually develop strategies and plans which reflect their foreign policy priorities and understanding of the needs of the country in which they operate. As such, countries plan their approaches, and explicit references are made to international agreements⁷ as well as national plans and strategies to illustrate how funders contribute to the needs identified by the countries themselves. In theory, most will try to align their operations and objectives with those of existing national strategies and visions (UNDP, 2017; Dufief and Barchiche, 2022).

⁷ These don't always reflect national development sequencing or address the development trade-offs recipient countries face.

However, in some instances, the funders' perspective of country needs can be partial or differ from the one developed by the country itself. Support decisions are largely driven by the political centres of funders, cascading down to the country offices and their operators.

From the funders' perspective, needs are often interpreted through the lens of their relationship with the country, either through trade or historical (colonial) connections, and whether they have a specific long-standing link to such a country. This happens in a “top-down fashion” as opposed to an approach that genuinely reflects the needs identified by recipient countries. As stated by Chowdhury and Lehne (2023:2), *“...efforts have often concentrated on how development partners can program their financing rather than considering how recipient countries could lay a foundation for climate finance to realise its potential.”* Several developed economies have established offices in developing economies to advance development and climate programmes, offering financial and technical support. These programmes are often in partnership with the local ministries and development agencies.

Funders may therefore argue that through their in-country offices and relations, they are well aware of country needs and provide development and climate-related assistance in response to such needs. There is, however, a huge knowledge base highlighting the disparities here, relating to inadequate finance, terms and conditions of finance, as well as access modalities that do not serve the country's needs fully (Oxfam, 2022, 2025b, 2025a; CAN, 2024; ODI, 2025). Chowdhury and Lehne (2023:2) also argue that historical and current geopolitical contexts still significantly shape the financial allocation of funders and their responsiveness to “needs”.

In practice, however, the recipient countries may require such funders to deepen their understanding and responsiveness to the structural challenges of shifting an economy towards a particular development pathway and enabling a just transition. The transition context is different to broader development challenges, as in many countries it requires a trade-off and compromise, which is not necessarily fair and equitable to the developing economies. For example, Table 1 highlights the fossil fuel resource-rich countries that are encouraged not to pursue extraction and beneficiation due to emission concerns. A response to “needs” in this context should ideally address the development trade-offs recipient countries face amid certain climate-related decisions (e.g. not utilising the fossil fuel resources while opting for renewable energy technologies, which require capital debt-based investments).

The role played by other international development partners, such as China and some of the Gulf States, occasionally disrupts their dependency on some developed economies. The hegemony of existing partners versus other partners, all proposing “win-win” partnerships, is an important trend, particularly in a multi-polar world and in the midst of shifting geopolitical dynamics. A focus on national needs would help ensure adequate response on the ground as well as explicit contributions to collective goals such as the SDGs and the Paris Agreement.

4.2. Funder ambitions and processes impact ability to respond to needs

The ambition some funders set for themselves directly or indirectly impacts their ability to respond to the needs of recipients. This lack of ambition by funders in addressing the diverse and evolving needs identified by recipient countries results in rigid instruments and policy-driven frameworks, which suggests a struggle to innovate beyond standard approaches. Furthermore, funders have internal mandates which are often shaped by the priorities of their shareholder governments, where developing economies have limited representation. This restricts their ability to engage with recipient countries' needs beyond what suits their operational or political logic. In that sense, the Fourth International Conference on Financing for Development (FFD4) outcome document offers some future direction that *“Donor countries should support efforts to strengthen the representation and voice of developing countries in international financial and economic institutions for more effective, equitable, inclusive, credible, accountable, and legitimate institutions”* (see Section 53).

Different types of funders' utilise significantly different criteria for allocation, which can cause fragmentation at the country level (Skovgaard et al., 2023). Some developing economies can use this fragmentation in their own interest, while others see their ability to plan effectively constrained. In their study of country perspectives on Multilateral Development Banks (MDBs), Prizzon et al., (2022) find that *“MDB officials also overestimated how important certain sectors are for government officials. In most cases, only one of the top three sectoral priorities selected is shared between government and MDB officials. This holds especially true for climate change mitigation and adaptation.”*

For example, the strategic decision by some developed economies such as the United Kingdom, Canada, Denmark, Sweden, France, Finland, New Zealand, and Belgium not to finance fossil fuel-related projects as a much-needed contribution to the global fight against climate change came at a time when countries like Senegal intended to use newly found oil and gas to generate much-needed economic resources and fill a financial gap. (IDDRI, 2023; Sarr and Fall, 2022). In this instance, the development trade-offs facing such countries become significant as it alters their ability to meet all climate and development needs – and requires longer-term planning, alternative financing sources, compensation and incentivisation to shift to alternate development pathways. The debate also permeated international financial institutions such as the IMF and the World Bank, influencing their financing terms and conditions. There has been some backtracking on these decisions at the institutional level, where, under the pressure of the Trump administration, the World Bank ended its ban on nuclear energy funding (Financial Times, 2025).

These structural dilemmas, where countries face development trade-offs, represent their “needs” in a real sense, and are reflected in reform debates around the global financial architecture for international development. The reform agenda is made complex by the polycrisis and geopolitical volatilities, and therefore, an urgency to act with more integrated and long-term perspectives must be embedded (Dufief and Barchiche, 2023). Such reforms have started looking at the tools that institutions and funders use, accounting for the new “needs” that are more systemic in nature – such tools include creating investment portfolios rather than the sole focus on individual “bankable” projects, providing longer-term financing, updating risk assessments, strengthening due diligence, and governance processes.

Approaches encouraging efficient pooling of resources, seeking complementarities among funders to maximise impact despite limited resources, are also an avenue to develop. In particular, existing overarching and sectoral plans or strategies of funders need to be connected closer to those designed by the country of operations; and most importantly, these need to be linked to financing plans and processes to ensure that the country has the means of its ambition (Monar, et al., 2023).

Current relationships among funders may not serve such outcomes fully. One reason for such a mismatch relates to “competition” and anxiety among funders, around addressing domestic development needs and balancing their international commitments adequately. The tendency for tied development assistance, where developed economies offer support linked to a trade or other objective, is likely to resurface more prominently, given these tensions. The ambition, therefore, of funders to respond to needs is particularly volatile, in response to political pressures – which makes the concept of “needs-based” finance a tenuous and delicate subject, that is neither technical, fiscal but rather deeply political.

4.3. Standard terms and conditions of finance

Developed economies have strong holdings in the MDBs, which are ultimately the largest funders of development and climate in developing economies. For example, across Africa, MDBs comprise 43% of the continent’s overall finance flows, through a variety of financial instruments (mainly loans) (Meattle et al., 2024). The terms and conditions of these financial instruments are constructed based on due diligence criteria, instrument suite and cost of capital metrics applied by these MDBs.

Bilateral funding arrangements, e.g. where a country has dedicated development finance channels such as the Agence Française de Développement (AFD) and KfW Development Bank for France and Germany, respectively, are likely to programme their financing allocations along similar parameters. For example, under the JETP, France and Germany each committed €300 million in concessional financing to South Africa to support its transition from coal to cleaner energy. The AFD and KfW provided the loans directly to the South African government through National Treasury⁸ (Creamer, 2022; Government of South Africa, 2022). While the JETP illustrates a refreshed collaborative approach in which funders and recipients engage to ensure that financing aligns with national transition challenges, the finance provided is still primarily loans, which may inhibit fiscal space for other developmental priorities.

The MDBs' "modus operandi" impacts how recipient countries' needs are met, because these funders typically have pre-defined conditions, and "term sheets" that do not always align and in some instances place undue demands on recipients (Violetti, Booth and Fukuda, 2023;30). It is worth noting, however, that for some MDBs (especially regional ones), the recipients can also be funders. The practice is as follows:

- MDBs usually require long-term structural reforms and policy measures that the recipient country agrees to implement as a prerequisite to drawing down such funding, or implemented within a prescribed period. Such policy reforms may either be in alignment or in contradiction with the development agenda of the recipient country – however, the level of dependency of such a country on the funding would place undue pressure to comply regardless of the country's needs or readiness.
- MDBs provide long-term financing at concessional (below market) rates. However, such funding usually requires either implicit or explicit guarantees from the recipient country's government. Such funding and related guarantees would be included in the national public debt obligations, influencing important credit metric determinants (such as Debt-to-GDP ratios, aggregate national borrowing, and repayment demands on public funds). Pricing for such debt may also fluctuate based on the international base rate applied by the MDBs.
- MDBs have historically provided financing in hard currency, and efforts to adjust this approach are becoming evident. The recipient country would be subject to the vagaries of exchange rate fluctuations, a cost which is largely borne by such countries (IIED, 2025).

⁸ These instruments are structured within donor-country frameworks – KfW under the German Federal Government and AFD under the French state development agency – which shape both their design and allocation criteria.

- MDBs are also increasingly part of “blended finance” arrangements, which, in theory, are intended to support appropriate risk sharing that benefits the recipient country. In practice, however, MDBs and other funders’ benchmark and base rates of finance are also subject to market vagaries – leaving the recipient countries exposed to such risks (particularly for new financing arrangements being established).

Long-term concessional financing, mostly provided by MDBs, is likely to be difficult to provision in future given the constraints faced by some developed economies. This is despite requests from African finance ministers, in particular, to increase concessional financing pools in future (Leary, 2023).

Developing economies tend to pay five to eight times more for credit in international markets than developed economies (Spiegel and Schwank, 2022; WEF, 2023). Furthermore, developing economies are also often faced with unduly broader structural penalisation⁹ through for example credit rating agencies who often downgrade their sovereign credit ratings¹⁰ when applying for debt restructuring¹¹ regardless of the actual debt sustainability outlook or the nature of restructuring negotiations, when a developing country (Berhane, 2021; Ministry of Finance Ghana, 2022; IFR, 2023; Maggie Mutesi, 2025). For example, Kenya recently subscribed to a costly Eurobond to avoid defaulting on its debt. (Yieke, 2025).

A circular development and climate debt trap is emerging around navigating recipient countries’ needs (where there is no option but to accept terms and conditions), and advancing development and climate imperatives. A question arises for developing economies: *at what financial and social cost does meeting needs in the context, particularly of climate goals, become unfeasible from a financial instrument perspective?*¹² How do both developing and developed economies navigate growing challenges and tensions that go beyond the climate and transition lens – the world we live in, with multiple crises offering political and social upheavals?

⁹ For example Ethiopia applied to the G20 Common Framework for Debt Treatment in early 2021, Fitch immediately downgraded Ethiopia from B to CCC, later to CCC–, citing “uncertainty around the Common Framework.” Ghana also announced plans for debt restructuring in December 2022, and all three credit rating agencies downgraded Ghana to “selective default” or equivalent immediately after the announcement. These examples reveal how these downgrades reflect systemic bias in global credit assessments rather than objective debt fundamentals.

¹⁰ This action only further increases borrowing costs and limits access to international capital markets, thereby compounding developing countries’ economic challenges.

¹¹ Four countries in the region – Chad, Ethiopia, Zambia and Ghana – have sought debt restructuring under the G20 Common Framework.

¹² By this we mean financial instruments available, such as loans with high interest rates, rigid concessional terms, or instruments that shift risks onto recipients, and potentially lock countries into debt and undermine their long-term resilience.

4.4 Time horizons, budgets cycles and innovation

When embarking on a transition, long-term finance becomes a key element as it helps in planning and managing trade-offs, as well as managing the consolidation of developing economies' national budgets. However, diverse time horizons and budget cycles may also clash in practice and hamper action at the country level. On a bilateral basis, funders each have their own budget cycles, which do not always necessarily align between them, nor with the budget cycle of a country. To take one example, Kenya has its long term 2030 vision, outlined in its 2023-2027 medium-term plan, while it has also designed its second NDC for the period 2031-2035. In parallel, the current African Development Bank strategy in Kenya runs from 2024 to 2028 (AfDB, 2024), and that of the AFD from 2022 to 2025.

When a significant proportion of the national budget, or a given sector within a developing country, relies on external financing, which is also subject to limited predictability, as seen in recent cuts announcements, this makes the consolidation of the national budget a particularly difficult exercise. It potentially leaves countries exposed to underfunded sectors, often social ones.

For example, following the US development cuts, the President of Ghana publicly ordered his Ministry of Finance to explore all possible sources of funding to fill the deficit of around €149 million, given the impact of such actions on the health and agriculture sectors. In Senegal, too, work conducted under the previous administration highlights the need for more detailed planning and financing to ensure that no sector of the economy, nor territory of the country, is left behind. But the timing and budgets of developed economies make countries such as Senegal vulnerable, as their plans depend on predictable international support. The Senegalese authorities expressed interest in better co-ordination with funders to strengthen alignment of their operations with the country's plans, and to better anticipate the type of financing available so as to connect it to its needs (Dufief, 2023).

This requires the development of a longer-term vision, supported by detailed strategic and financing plans, to support a transition. Funders can support this by coordinating their efforts with those of the country's national authorities in the budget consolidation process, thereby providing them with greater predictability of available funds.

National-level initiatives, such as national development plans or the JET IP in South Africa and other countries, are initiatives that recognise that transitions happen over time, and committed funding is required over a long-term period. South Africa and Indonesia's JET IP are examples of country engagement innovations where a significant amount of initial funding is pledged upfront. Country experiences of this innovation also highlight potential mismatch and bias around the instrument profiles (mainly debt), and the volatility of pledges (for example, the US withdrawal of its US\$1 billion support to South Africa's JETP¹³).

Despite the geopolitics, now is a time when closer cooperation among developing economies is needed around the process of planning and allocation of finance flows. *The FFD4 outcome document reiterates that “donor countries should provide technical and financial support to strengthen local capacities in fiscal management, data collection, and sustainable development planning (Section 27)”*, (FFDA, 2025; European Think Tanks Group, 2022). This reiteration is not new; it has been evident since the 1992 formulation of sustainable development as a global objective. What is now required in the context of multiple geopolitical transitions and volatilities is markedly different actions, in changing the process of financing—how money is negotiated, aligned, and delivered – rather than only how much money is mobilised to uphold these iterations as provided for in the FFD4 and the 1992 formulation of sustainable development, among others.

¹³ See the joint Statement from the International Partners Group on the US Withdrawal from the Just Energy Transition Partnership in South Africa, 2025, (Foreign, Commonwealth & Development Office, 2025).

5. Bridging the Chasm: Time for renewed commitment and dialogue

A needs-based approach to finance is not new; it is the prevailing narrative in financing development and climate related goals – however, the extent to which the needs of developing economies are truly met is still relatively low in current financing arrangements. Meeting needs for both funders and recipients triggers renewed urgency amid rising geopolitical tensions and increasing demands for a fairer financial system.



Historic deep-rooted power asymmetries between funders and recipients continue, and are exacerbated by reversible pledges, pre-set conditionalities, and shifting funder interests. These factors erode trust and long-term development trajectories towards just and fair transitions. Despite the existence of many plans that showcase the “needs” of countries, the persistent narrative is that developing economies still need to develop bankable pipelines. This narrative does not recognise the primary purpose of plans, which is often directional, showing the composition of portfolios that are needed to build resilience, drive national development objectives and prioritise affected livelihoods. The lack of alignment between funders and recipients often leads to mismatched and biased financing priorities and dilution of needs, to the point of unhelpful compromises and trade-offs to the detriment of the recipient countries.

The disconnect that then unfolds is a situation in which recipients believe they are already sufficiently expressing their needs, and funders believe they are already responding – in essence, they are only partially finding each other.

Funders and recipients need to enter a new dialogue through which implementation is responsive to, and based on, a more nuanced understanding of needs, grounded in the lived reality of countries' challenges. The dialogue has to reflect the changed realities of upgrading the concept of “needs-based” finance to “systemic needs-based finance. The following are potential entry points for renewed exchanges between funders and recipients:

Build authenticity and trust: Make good on promises and pledges

Rather than only restating quantity goals, funders could go further by institutionalising predictability and timeliness through approaches closely aligned with national budget cycles or integrated planning tools. Honouring past commitments, ensuring accessible finance windows, and engaging in co-owned planning cycles would contribute to this shift. The current reform agenda on global finance architecture emerging at events during 2025, such as the FFD4 and the South African Presidency of G20, is drawing attention to the higher cost of capital for developing economies and the debt distress faced by recipient countries. While helpful to showcase, in truth, the needs of recipients in this context are well established for many decades. What is “needed” is for funders to start showing signals in the short-term action through intentionally designing financing arrangements that demonstrate the new direction within the current sphere of their control.

Broaden the scope of focus: not only about the money

The dialogue to date has largely focused on developing “global finance targets” (e.g. SDGs, NCQG) or reforms of global financial architecture– both are essential, but are not the full picture. In bilateral exchanges between nations, it is essential to change the way planning, negotiations and implementation support unfolds. The UNFCCC Needs-based Finance project, for example, shows that beyond global targets, the real challenge lies in the process of making “finance” available to developing economies. Specifically, the tools and mechanisms used by institutions to evaluate investment proposals and the way in which access to finance is facilitated needs to be transformed. In addition to the financing arrangements that can be improved, it is essential that “quality of finance” also upholds principles of justice (in the way in which support is structured) and dignity (the way in which funds are made available – how accessible is it?, i.e. timely, predictable, as needed).

Beyond terawatts: Embedding a people centred approach

The objectives of the Paris Agreement imply structural adjustments in development and climate, which is the context of the various economic and social transitions that are unfolding in developed and developing economies alike. Such adjustments require showcasing the systemic effect of change, and prioritising affected livelihoods – at present, needs are framed primarily around infrastructure investments, without embedding “just” and people centred components within all investments. Livelihoods are deeply affected by low-carbon and climate-resilient development trajectories – in terms of action and inaction at the local level in particular. Appreciating the environmental and social implications and ambitions, trade-offs, unique relationship with fossil fuels, climate vulnerabilities and losses, and the structural capabilities of domestic finance systems are all essential components of taking a “systemic needs-based approach”.

Recognise nationally specific transition challenges and achievable conditionalities

Funders can reinforce sovereignty and national ownership by explicitly discouraging conditionalities that override local priorities. Instead, funders could be encouraged to co-create flexible instruments aligned with nationally determined transitions, recognising different starting points, capacities, and pathways. On the recipient side, enhanced co-ordination between national development plans and investment frameworks (including climate and transition related ones) should be supported to strengthen negotiation power and implementation readiness.

Transcend project focus: Build systemic portfolios to ensure justice and dignity

Renewed working relationships between funders and recipients have to transcend the narrative of plans and frameworks as they stand – which largely lead to individual projects, and the search for the inevitable “bankable” projects, which leads to cherry picking among funders (even with new JET IP and transition plan narratives). A true expression of “needs” is necessary – one that is systemic, strategic, sequenced and paced according to national development priorities and capabilities. There needs to be a step in changing how recipients articulate their needs and how funders respond. Specifically, plans need to showcase gaps, trade-offs and social consequences. The JET IPs are elementary signals of a new development pathway showcasing specific sectors that are focused on. These investment plans do, however, require greater emphasis on mainstreaming and prioritising the qualitative factors of transition, in particular the social safety nets and opportunities. In this way, developing economies’ “needs” would be articulated such that i) social impacts are prioritised within the design of the investment, ii) multi-project or portfolio of projects are created that are interdependent; and iii) the sequence of investment happens in tandem with how needs materialise in socially vulnerable contexts.

Recognition and negotiation around mutual red lines

Expression of needs is a deeply political process. Recipient countries often frame needs in terms of equity, sovereignty, vulnerability, consequences of unmet needs, and historical responsibility. Funders, in contrast, view needs through the lens of market efficiency, emissions reductions, or institutional mandates. Each side has its red lines, which may be poorly understood on both ends. Thus, a renewed commitment to dialogue that is just and dignified, where parties commit to listening and understanding, is essential. An explicit diagnostic of how different actors conceptualise "needs", including global priorities, cost-benefit logic, and donor constituencies' demands, may be helpful – but only as a discussion tool to consider each other's respective politics – despite the underlying commitment and obligations that developed economies have to provide support.

Metrics that matter: Combine volume and systemic impact

Beyond quantity of finance, quality and dignity of finance matter. In the reform debates, metrics need to reflect accountability measures that go beyond disbursement rates, such as the number of jobs, and related measures. What would be helpful is assessing how finance truly enables systemic shifts, builds social cohesion, and advances local priorities. A shift from gap-filling to partnership requires funders to rebalance their risk appetites, assess their programme origination strategies, and devise systemic, socially relevant metrics.

Evolving development paradigms: Deepen commitment and co-operation

Finally, in our view, truly delivering on "needs-based" finance is unlikely unless there are shifts in how funders and recipients engage and act. The quantity of finance is essential. But more so is the quality, predictability, accessibility, and alignment of finance with recipient-country priorities. Appreciation of mutual challenges and negotiations that unfold in a dignified and mutually respectful manner are essential. Developing economies face very real needs with limited options to advance independent of international support. This means compromises, trade-offs and ineffectual terms and conditions are often accepted. Funders and the agencies through which they operate, also have constraints and emergent geopolitical challenges. But now is the time to deepen commitment, acknowledge injustices and indignity of the past, and transcend in the spirit of building a socially resilient world, where inevitable strife offers a chance to do better.

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