Submission by Bolivia on behalf of the Like-Minded Developing Countries on the establishment of a New Collective Quantified Goal on Climate Finance

Recalling decision X/CMA.3, on the establishment of a new collective quantified goal on climate finance, and an ad hoc work programme from 2022 to 2024, the LMDC underscores the following elements:

1. The LMDC requests the Secretariat to address the New Collective Quantified Goal (NCQG) under the ad hoc work programme that is inclusive, takes into account the inputs provided by all participants and that guarantees a fair representation of developing countries in all discussions. The objective is to ensure greater finance quality, enhanced scope and access, appropriate sources of funding with the view to fit the needs of developing countries and in keeping with the principle of leaving no one behind.

Context

2. Climate finance is at crossroads. The inadequacy of climate finance will undermine the required scale and scope of climate action. The consequences of inaction will bring forth unprecedented ecological conditions and displace millions of citizens from the global South, which will be cataclysmic in their effect on the social fabric of the developing and developed countries.

3. We must not only speed up financial allocations but also improve the finance quality, scope and accessibility and sources of funding to fit the needs of developing countries. Ultimately, we must ensure the provision of funds to all developing country Parties through existing Financial Mechanisms of the Convention, allotting funds through a direct access modality that bears into play a fixed and reliable annual quota of financial support for developing countries for their implementation needs as reflected in their NDCs, their Adaptation Communications, the Biennial Transparency Reports, and the needs report that the SCF has put forward and will continue to update. Furthermore, much has been stated, through credible institutions, on the fact that the investment gap is by far greater today than the USD 100 billion mark placed in the Paris Agreement. The ever-expanding disconnect between the asks underlined by the Convention and the climate finance made available, erodes the credibility of the commitments taken and mars the progress towards appropriate climate action.

4. The Convention and its Paris Agreement mandates are clear in that developed country Parties must provide new and additional, sustained, predictable, adequate and timely finance, technology development and transfer and capacity-building support to developing countries with a significant portion of these coming from public sources, with no conditionality or co-financing requirements, for the comprehensive and effective implementation of the Paris Agreement. Such support must first take into account the historical obligations of the developed countries, and the principle of common but differentiated responsibilities, and must not increase the existing indebtedness confronting many developing countries as a result of the COVID-19 pandemic.

5. In this context, the LMDC expresses deep concern on the insufficiency and inadequacy of the support provided by developed country Parties to date, and urges developed country Parties to present at COP 27 a clear roadmap on their continued existing obligations to mobilize USD 100 billion. We also underscore that the finance goal to mobilize USD 100 billion a year was set unilaterally without an inclusive process or input from developing country Parties and is further hindered in that it relies heavily on non-public, non-concessional finance mechanisms.

6. Furthermore, the LMDC expresses deep concern that the scope, scale and speed of climate finance provided by developed countries is lagging behind the needs of developing countries. We must make clear that there are underlying issues at present in the climate financing ecosystem. The lack of clear mandates and no mechanism for monitoring progress has created a scenario where a number of reports of reputable origin have differing conclusions with regard to the compiled financial flows. But, we must add that one aspect is clear, we stand far from the true needs of developing country Parties. The latest analysis from The Climate Policy Initiative (CPI) in its publication Global Landscape of Climate Finance 2021 communicates that only 46 billion USD were allocated between 2019/2020[1], well below the 100 billion committed in Paris, and much further from the annual adaptation costs in developing countries estimated to reach between USD 155 to USD 330 billion by 2030 and USD 310 to USD 555 billion by 2050 as stated by the UNEP Adaptation Gap Report (UNEP, 2021)[2].

7. Additionally, almost all climate funds currently benefit a small number of countries. More so, 75% of 2019/2020 tracked climate investments flowed domestically,[3] and three-quarters of global climate investments were concentrated in East Asia & Pacific, Western Europe, and North America, while the remaining regions received less than a quarter,[4] preventing equitable distribution amongst all affected parties and thus demonstrates that there is a dire need for a stronger multilateral intervention based on the principle of not leaving any country behind.

8. Moreover, it is a fact that adaptation projects are already financed by funds of public origin, that is, developing countries already pay more than their fair share of the consequences of climate change, to the detriment of their development needs. On the other hand, we must not fail to highlight that the financing impact on developing economies, 61% (USD 384 billion) of all climate flows is already made up of public debt, is already enormous for the developing countries. Furthermore, CPI estimates that climate finance flows are nowhere near the conservative estimates that foresee requirement of funds between USD 4.5 to 5 trillion per year to achieve ZERO EMISSIONS and thus the resilience required for the world. [5]

9. That said, we must note that the problems run deeper:

— Contributing developed countries do not want multilateral external controls, or greater transparency, over their financial commitments;
— Many developed countries want loans to count in a greater way as part of climate funds;

[1] Full-report-Global-Landscape-of-Climate-Finance-2021.pdf (climatepolicyinitiative.org)
[2] Adaptation Gap Report 2021 (unep.org)
[3] Op. Cit.
[4] Op. Cit.
[5] Op. Cit.

- Developed countries want to count subsidies to their transnational corporations as part of climate funds.
- Funds flow through many channels (cooperation agencies, MDBs and NGOs) and there is no geographic mapping, progress monitoring and a consistent means of project evaluation;
- Developed countries use varying definitions and make reporting even more challenging;

10. There remain other impediments that restrict the access of developing countries to funds: regulatory requirements, low institutional capacity, lack of technology transfer and finally, embryonic monitoring and reporting capacities of developing countries.

11. All these constitute an enormous Achilles' heel for multilateralism and the transparency required so that the funds, although insufficient, are efficiently used for a greater range of projects and cover a greater number of beneficiary countries.

ON THE MATTER OF QUANTITY AND QUALITY OF THE NEW GOAL

12. The USD 100 billion per year proposed by developed countries to fill the finance gaps does not fill the finance gap for addressing issues of mitigation and adaptation in developing countries. There is the need to increase significantly the scale of finance considering:
    (i) emissions reductions as per the global goal of Article 2 of the UNFCCC;
    (ii) building the adaptive capacity of developing countries in order to reach the global goal on adaptation (GGA) in the context of sustainable development and poverty eradication; and
    (iii) address issues of loss and damage particularly in vulnerable countries.

13. The quantum of the NCQG must be calculated based on the needs of developing countries as indicated in their NDCs and other reports, improving national strategies to achieve the temperature goal of the Paris Agreement. Initially, the LMDC supports the target that developed countries must mobilize jointly at least USD 1.3 trillion per year by 2030, of which 50% should be for mitigation and 50% for adaptation, and must primarily be funded through public funds which imply greater transparency and reliability. Additionally, financial flows should be channeled through the financial mechanisms of the Convention prioritizing direct access modalities in an equitable manner.

14. The establishment of the new goal shall be based on the obligations of developed countries under the Convention and its Paris Agreement related to financing, transfer of technology, and capacity building, in particular in meeting the costs of adaptation in developing countries.

15. The NCQG should be mainly grant-based, from public sources provided by developed countries and support developing countries towards just transition.

16. Additionally, the quantity of the NCQG must be discussed along with its:
    (i) quality,
    (ii) scope,
    (iii) access to and operating mechanism of the finance,
    (iv) sources of such finance, and

(v) the methods of tracking the flows of such finance in a transparent manner.

17. This will then need to be reflected in the 2024 decision through two components:
    (i) a quantitative component setting a numeric goal or quota to support developing country parties, and
    (ii) a narrative qualitative component that sets out a series of principles that will apply to the mobilization of resources towards the fulfillment of the new goal

Quality

18. NCQG must represent a progression beyond the pre-2020 climate finance goal. It should provide for the future needs of transition and climate justice. Concessionality, predictability, and certainty of flows should be the primary qualities of the long-term finance. It should be easily scalable, measurable and quantifiable. There should be common definition of finance including the principles of concessionality.

Scope

19. The NCQG must cover all aspects of mitigation, adaptation, loss and damage, and climate resilience. The "aim" of the new goal, as seen in paragraph 15 of the decision in reference, seems to be limited to mitigation only, and the reference to adaptation reads as if focusing the goal on mitigation would help adaptation. This is obviously not the case. It will become evident and clear during the dialogues with developing countries that if the goal will at any extent address their needs, it will need to have a sub-component of adaptation finance as part of the goal, and not only as a weak reference stating that adaptation will be a co-benefit of mitigation. The fact of the matter is that climate finance should not limit itself to the reduction of GHG, that is not the objective of the Paris Agreement nor the Convention and its provisions. All the elements mentioned in paragraph 15, like reducing climate risks and impacts, increasing the ability to adapt to the adverse effects of climate change, fostering climate resilience, etc, need to be explicit as part of the aim that the goal will pursue, not as co-benefits.

20. The NCQG will take into account the **needs and priorities of developing countries**. It would be a disservice to the Paris Agreement to ignore what developing countries are informing in their NDCs, their Adaptation Communications, the BTRs and the needs report that the SCF has put forward and will continue to update. The needs and priorities of developing countries need to be the guiding pillar of the new goal, and to this end, a discussion on those needs has to be organized in the context of the regional and in-session dialogues that the ad-hoc work programme will hold.

Access

21. The Financial Mechanism of the Convention **must allocate funds through a direct access modality that bears into play a fixed and reliable annual quota of financial support to all developing countries and the implementation needs**. To this end a benchmarking and criteria fulfillment process must be moved forward by actively providing annual and reliable funds to all developing country parties.

Sources of finance

22. Public finance support by developed countries is the priority for establishing predictable finance, however, other funds can be considered in addition to contribution by developed countries.

Methods of tracking the flows

23. There is the need to **enhance the capacities and authority of the Standing Committee on Finance (SCF) for mapping and tracking the finance flows**, providing greater transparency and increased reporting on the true scope and scale of the financial gap, according to a uniform definition of finance to be agreed upon. Noting that there is little to no accountability towards the multiple financial flows from developed countries, the SCF shall provide geographical mapping, progress tracking and a series of guidelines that can provide a consistent means of evaluating funded activities.

24. Additionally, establishing a **Public Data Portal on finance** with the objective of creating a registry of finance provided from developed countries to developing countries, differentiating provision and mobilization of finance, is needed. The SCF must seek to publicize contributions through the Public Data Portal, in line with a climate finance accountability mechanism that reports climate funds based on the origin (donor country), Multilateral Development Banks (MDBs) and other institutions, which should include:

(i) full project lists and mapping;
(ii) for each project, separate reporting of full project value and the amount being counted as climate finance; and
(iii) a clear explanation of how the climate finance component of the project costs was calculated, to ensure transparency and confidence in the numbers being reported.