

## ACT Alliance second submission on the New Collective Quantified Goal (NCQG)

ACT Alliance welcomes the possibility of making a second submission about the New Collective Quantified Goal on climate finance. This submission builds on our previous one<sup>1</sup>, as well as the assessment of the current flows of climate finance<sup>2</sup>. We, in this submission, focus on the topics that will be addressed in the upcoming third and fourth technical expert dialogues.

### Needs and priorities of developing countries

As elaborated in our first submission, there is a need for increased, transparent and results -focused climate finance that addresses mitigation, adaptation and loss and damage. A justice and evidence-based approach must be reflected in the continued dialogues as well as the final decision.

Among the key guiding principles is coherence: the UNFCCC has a broad mandate and agenda, and it is important to look for synergies between existing initiatives and decisions. Needs and priorities of developing countries are already described in different plans, including NDCs and NAPs. As also supported in other submissions, we suggest linking regular 5-year finance targets to the Global Stocktake and the Nationally Determined Contributions already submitted by parties.

It is of crucial importance that the process of setting the goal kick-starts a technical process of determining a shared approach that would provide a basis for agreeing on a quantum goal. Central to this process should be the appreciation of needs and priorities of developing countries. We note that official work such as the Standing Committee of Finance Needs Determination Report should be referred to, with such a process generating consensus on how to approach existing gaps including huge uncostered needs.

### The sources of climate finance

The negotiations and debates about climate finance have generally been quite polarized and difficult. Moreover, the ambiguity of the definitions and commitments have led to researchers demanding a reboot for the failed promises<sup>3</sup>. We suggest that the NCQG be clearly defined to avoid misunderstandings and endless debates about interpretations.

Concretely that could be achieved by:

- Setting targets for grants;
- Having clear and measurable goals which are transparently reported on;
- Agreeing that only public finance above ODA is counted.

As mentioned in our first submission, we suggest exploring possibilities for new and innovative ways to mobilize climate finance, as the previous investigation concerning such innovative sources dates to 2010. To enable this proposal, parties should agree to establish a work program, with a mandate to explore, and propose to the COP, an achievable mechanism to mobilize climate finance particularly grant-based finance while bridging the prevalent adaptation finance gap.

Nevertheless, we wish to distinguish climate finances from financial flows as those are governed through different modalities. Although we acknowledge that other flows of finance, including

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[https://unfccc.int/sites/default/files/resource/ACT%20Alliance%20Submission\\_%20New%20Collective%20Quantified%20Goal\\_%20Feb%202022.pdf](https://unfccc.int/sites/default/files/resource/ACT%20Alliance%20Submission_%20New%20Collective%20Quantified%20Goal_%20Feb%202022.pdf)

<sup>2</sup> <https://actalliance.org/wp-content/uploads/2021/11/ACT-Post-2025-Final-Report-v2.1.pdf>

<sup>3</sup> Roberts, J.T., Weikmans, R., Robinson, Sa. et al. (2021) Rebooting a failed promise of climate finance. Nat. Clim. Chang. 11, 180–182., <https://doi.org/10.1038/s41558-021-00990-2>

private investments, and instruments such as guarantees and equity play an important role in solving the climate crisis. However, the catalytic role of public finance in mobilizing climate finance must be determined in the new goal process with subsequent accounting and reporting clarified. In this sense, finance availed through such instruments must be considered under 9.3 and potentially under 2.1 c with public finance provided by developed countries being counted under Article 9.1'

### **The role of climate finance actors**

Climate finance actors can be divided into two categories: public and private actors.

Public finance is either provided bilaterally or multilaterally through institutions such as MDBs. Private finance is from private sources which can be provided directly or leveraged through public intervention. Climate finance is provided to either public or private actors.

Providers must be transparent, employ terms that enhance accessibility of finance, and ensure safeguards about human rights, environmental integrity, gender equality and explore modalities that overcome risk averseness to deliver finance to vulnerable people and communities.

We would like to stress the importance of the Green Climate Fund, the Adaptation fund, and the LDC Fund. These funds are key channels of climate finance that have the capabilities to reach the most vulnerable population groups. Thus, provider countries should ensure that those funds are replenished at speed and scale in accordance with the needs of the climate affected population.

We would also like to stress the need for locally-led climate action where local communities not only benefit from interventions but are also engaged in implementation and decision making. That need also concerns the Green Climate Fund<sup>4</sup> which in COP 26 was mandated to consider ways to enhance access to finance for local non-governmental and private sector organizations. ACT Alliance has endorsed the principles of locally-led adaptation, and we encourage other stakeholders to do the same.

Currently, much climate finance is valued for being promised with less provided and out of the hands of primary providers. Much of attributed climate finance sits in various channels (e.g. with multilaterals) for long periods of time before being disbursed to end-users, and there is little evaluation as to how effective this funding has been in helping the most vulnerable adapt. There needs to be a shift in perspective to emphasize disbursement rates to final users of the funds or beneficiaries, and to evaluate and report how effective these are at accomplishing adaptation goals.

### **Access to climate finance**

Data from OECD shows that access to climate finance differs between regions as well as country groups. We would like to stress that grant-based climate finance should be prioritized to vulnerable countries and communities, which have limited access to private investments, or capacity to repay loans without getting into unmanageable debt. In contrast, currently, loans continue to be the main instrument for providing climate finance. Research indicates that climate finance tends to be

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<sup>4</sup> Jessica Omukuti, Sam Barrett, Piran C. L. White, Robert Marchant & Alina Averchenkova (2022): The green climate fund and its shortcomings in local delivery of adaptation finance, Climate Policy, DOI: 10.1080/14693062.2022.2093152

channelled to low-risk, bankable and high profit projects which tend to be large scale, on-grid interventions<sup>5</sup>.

IPCC indicates that multilateral and bilateral providers often fail to prioritize highly vulnerable countries for adaptation projects. Furthermore, foreign funders might not comply with more locally sensitive practices that enforce top-down models of governance<sup>6</sup>. Particularly vulnerable groups such as those living in poverty and those who are marginalized, including women, should be the target recipients of adaptation finance so that their participation increases in climate finance decision making processes and platforms.

By enabling access for different categories of implementers, including civil society and local actors, finance providers can ensure more effective and equitable results.

Finally, the NCQG time frame needs to be defined with a medium and long-term perspective. An adjustment cycle of 5 years would allow reflection on the changing needs of developing countries based on climate impact and match the global stocktake window.

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Sign off and contacts

Julius Mbatia  
Global Climate Justice Manager  
[julius.mbatia@actalliance.org](mailto:julius.mbatia@actalliance.org)

Marianna Leite  
Global Advocacy & Development Policy Manager  
[marianna.leite@actalliance.org](mailto:marianna.leite@actalliance.org)

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<sup>5</sup> Kirsty Anantharajah, Abidah B. Setyowati,(2022) Beyond promises: Realities of climate finance justice and energy transitions in Asia and the Pacific, Energy Research & Social Science, 89, <https://doi.org/10.1016/j.erss.2022.102550>.

<sup>6</sup> IPCC, 2022. Climate Change 2022: Impacts, Adaptation and Vulnerability, <https://www.ipcc.ch/report/ar6/wg2/>