

SUBMISSION BY GUATEMALA ON BEHALF OF THE AILAC GROUP OF COUNTRIES COMPOSED BY CHILE, COLOMBIA, COSTA RICA, GUATEMALA, HONDURAS, PANAMA, PARAGUAY AND PERU.

Following the invitation by the co-chairs of the ad hoc work programme on the new collective quantified goal (NCQG) on climate finance, as requested in Decision 5/CMA.4 paragraph 11 (b), the AILAC group of countries welcomes the opportunity to submit views on the seventh technical expert dialogue (TED7) on the theme of “Quality and Transparency arrangements”.

The NCQG builds upon the lessons learned from the USD 100 billion goal and accordingly, besides scaling up finance, should incorporate qualitative dimensions, with a view to enhance the impact of finance provided and mobilized towards developing countries in support of the fulfillment of developed countries obligations outlined within the Convention and the Paris Agreement. By taking into account the needs and priorities of developing countries, and rooted in sound scientific evidence, the NCQG will be critical to accelerate the realization of Article 2 of the Paris Agreement, in the context of poverty eradication and sustainable development, without compromising debt sustainability and limited fiscal space.

- a. What specific issues should be proposed for in-depth discussion at the seventh technical expert dialogue with a view to identifying clear options regarding:**

- **The qualitative scope of the goal; and**

Establishing foundational elements: AILAC is of the view that Parties should agree on a set of elements that will inform the formulation and govern the implementation of the NCQG, among others, to enhance the quality, comprehensiveness, effectiveness, and adequacy of climate finance. These principles should be, but are not limited to:

- NCQG shall be set in the context of Article 9 of the Paris Agreement, and Articles 4 and 11 of the Convention, stressing the developed countries' commitment for the provision of public funding and their leadership in mobilizing climate finance to developing countries.
- NCQG shall take into account the needs and priorities of all developing countries in the implementation of the Paris Agreement, in the context of sustainable development, poverty eradication and just transition.
- NCQG shall be predictable, as well as new and additional to development finance, and humanitarian assistance.
- NCQG shall be legally binding, ambitious, quantified, trackable and science based.

- NCQG must contain quantitative and qualitative elements that are comprehensive and multidimensional.
- NCQG should contribute to accelerate the achievement of Article 2 through a perspective that matches the ambition of the long-term goals of the Paris Agreement. As one of the long-term goals of the Paris Agreement, Article 2, paragraph 1 c) acts as an enabler and an amplifier of efforts to implement Articles 2, paragraph 1 a) and paragraph 1 b) in developing countries.

Enhancing quality of finance, and addressing regional imbalances

The NCQG as a means of implementation goal plays a pivotal role in providing unwavering support to all developing countries in fulfilling their obligations under the Paris Agreement. Article 9.1 of the Agreement explicitly outlines this commitment, underlining the importance of the provision of financial resources to developing countries as part of developed countries' ongoing obligations enshrined in the Convention. While this foundational tenet applies to all developing countries, certain have been marginalized in their access to concessional financing, thereby facing imposed barriers that hold the potential to compound their already existing vulnerabilities. This is especially significant in light of the fact that a significant portion of these countries grapple with the detrimental impacts of climate change, widespread poverty, entrenched inequality, and an array of complex developmental challenges. The NCQG should serve to guarantee access of quality finance and promote innovative instruments that provide alternatives to debt-based instruments. TED7 discussions should allow parties to share views on ways to ensure the NCQG promotes an improvement on the quality of climate finance and a more balanced distribution of the resources.

For AILAC countries, the NCQG is an opportunity to strengthen the quality of climate finance, tackle growing concerns related to the use of financial instruments that increase the levels of indebtedness and limit the fiscal space of developing countries, and address regional imbalances. Public climate finance provided and mobilized by developed countries in recent years has been mostly (72%)¹ through concessional and non-concessional loans. Disproportionally, 81% of public climate finance for Latin America and the Caribbean came from loans. Moreover, the region has historically accessed low levels of climate finance, accounting for only 16%² of the global climate finance through bilateral channels, multilateral funds, and MDBs in 2019–2020.

AILAC highlights that the NCQG should ensure that sources and instruments for the provision and mobilization of climate finance have a strong focus on public, grant-based and concessional resources, particularly considering the need for scaling up public and grant-based finance for adaptation, and loss and damage response. Other new and innovative sources of finance such as public-private partnership, payment for environmental services, blended finance, guarantees, de-risking investments, green labelling, disclosure schemes,

¹ OECD (2022), Climate Finance Provided and Mobilised by Developed Countries in 2016-2020: Insights from Disaggregated Analysis, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, <https://doi.org/10.1787/286dae5d-en>.

² UNFCCC (2022). Fifth Biennial Assessment and Overview of Climate Finance Flows.

development of local green bond markets, etc., need to be explored and considered as a complement to public and grant-based finance.

Procedures streamlining and strong signals to facilitate access

Accessing public climate finance through multilateral, regional, and bilateral channels has become highly intricate and complex. Many developing countries lack the necessary capacities to navigate this effectively, resulting in a significant bottleneck in climate finance and difficulties for timely access of the resources. The NCQG offers an opportunity for effecting enhanced harmonization and streamlining of procedures, project approval, and disbursement of funds; particularly within the Financial Mechanism of the Convention, including through simplified access modalities, accreditation of national agencies, and facilitation of access for diverse stakeholders, including subnational actors, indigenous communities, and women. Additionally, it should serve as a catalyst for emitting resolute signals aimed at unleashing the potential of International Financial Institutions, including Multilateral and Regional Development Banks, and bilateral agencies in an effort to increase climate action and substantiate more coherence within the climate finance landscape. . TED 7 should include discussions on the ways to increase and accelerate access, in order to achieve scaling up climate action at the scale required.

Thematic Areas to increase effectiveness

TED 7 should include discussions on options to increase the effectiveness of climate finance, taking into account lessons from the USD 100 billion goal process. AILAC believes structuring the NCQG into thematic areas of climate action could help increase the effectiveness of the goal by addressing current imbalances between them and the evolving needs and priorities of developing countries, also being informed by the evidence that best available science is providing, thus directing finance where most needed for the implementation of the Paris Agreement. At a minimum, these areas should cover:

- a) Mitigation,
- b) Adaptation, and
- c) Loss and damage response

These areas are critical to ensure sufficient and adequate financial support for mitigation, and adaptation climate finance, as well as financial support for loss and damage response for developing countries' needs on these areas.

Differences across each thematic area span beyond needs. These also include stakeholders involved and finance available, which has a clear repercussion on the financing mix required for each of them, reflecting the intricate interplay of concessional finance, public-private partnerships, private finance and innovative finance mechanisms, while underlining the preponderance and specific role of public finance from developed countries to developing countries (e.g. public, grant-based for adaptation; public and private for mitigation, public, grant-based and for loss and damage). Recognizing these divergences is imperative to

enhance the effectiveness and impact of resources mobilized and provided under the NCQG.

By structuring the NCQG within distinct thematic areas encompassing mitigation, adaptation, and loss and damage response, deliberations can be strategically oriented to foster linkages with ongoing discussions such as the Global Goal on Adaptation and the operationalization of the new funding arrangements including the Fund for responding to loss and damage. This structure envisions a coherent approach to avoid the fragmentation of the discussion on means of implementation, particularly finance, across the UNFCCC.

There are still questions to be posed, for instance on whether this structure should also entail setting quantitative subgoals for each of the areas, or instead the structure would serve for providing guidance, based on the monitoring and periodic analysis of data on the quantity and quality of climate finance provided and mobilized to each. As science evolves and developing countries' needs and priorities shift, the NCQG can progressively refine and adapt its approach allowing for flexibility. This could potentially involve setting quantified sub-goals at a later stage.

While the core thematic areas encompass mitigation, adaptation, and loss and damage, the NCQG should also take into account crosscutting areas such as capacity building, technology transfer and enabling environments.

- **The transparency arrangements under the NCQG.**

Estimates of climate finance in the last decade have suffered from data and methodological challenges that must be overcome through a solid transparency reporting system on the accomplishment of the new goal, so as to have a common understanding of the key aspects of climate finance and to provide with greater accuracy, harmonization and transparency of the underlying data, including for specificity of climate finance, grant equivalence of non-grant instruments, as well as accountability of the mobilization of private finance through public interventions. In that sense, the transparency arrangements under the NCQG should be based on processes and constituted bodies already established under the UNFCCC and the Paris Agreement, including the Enhanced Transparency Framework (ETF), the Global Stocktake, and reports produced by the Standing Committee on Finance (SCF). TED7 discussions should allow parties to share views on the role of the ETF and the SCF in the monitoring and reporting on the progress of the NCQG implementation.

The Enhanced Transparency Framework (ETF) and its detailed set of modalities, procedures and guidelines should function as the reporting system under the NCQG. The adopted Common Tabular Formats (CTF) of support provided, mobilized, needed, and received under Articles 9–11 of the Paris Agreement represents an opportunity to avoid initiating a new process of deliberations on the format in which parties will be reporting and tracking the NCQG. This avoids any additional reporting burden on Parties, considering special challenges and capacity constraints that developing countries faced in this regard. The ETF serving the NCQG will allow the effective tracking and reporting of finance flows,

by each country, and the progress towards achieving the new goal, including quantitative and qualitative elements.

Seeing that the ETF covers information on types of support disaggregated by adaptation, mitigation, and crosscutting support, it should be complemented with information about loss and damage response support in order to have a complete dimension of all types of support provided.

The Standing Committee on Finance (SCF) should play a role in tracking and reporting on the delivery of the NCQG. This should be done within the Biennial Assessment and Overview of Climate Finance Flows, including financial data in the BTR reports, assessing the adequacy of financial support provided and mobilized by developed countries to developing countries, including inputs from other data sources (e.g., OECD), identifying areas for improvement and providing recommendations and on its periodic update. Additionally, the tracking and reporting on the delivery of the NCQG may also be achieved through any other specific report that the CMA requests of the SCF on this matter³. It is the view of AILAC that deliberations on long-term finance, should evolve post-2027 to respond to the NCQG prioritizing guidance in both quantitative and qualitative aspects of the goal.

Furthermore, progress in the delivery of the new goal should also be assessed as part of each Global Stocktake (from 2028 onwards), around the collective achievement of the purpose and long-term goals of the Paris Agreement, as well as opportunities for enhanced action and support, as envisaged in Article 14 of the Agreement and Decisions 1/CP.21 and 19/CMA.1, and on the basis of the best available science, in particular from the IPCC. The Biennial Communications reported by developed country Parties (ex-ante) should also reflect their commitments towards the achievement of the NCQG, providing predictability and clarity of information on financial support.

b. What should be the format of the seventh technical expert dialogue.

AILAC proposes the following modality for TED7:

- **Format**: TED7 should be held in a hybrid meeting (in person and virtual) to ensure an open, inclusive and transparent process that facilitates the participation of Parties, observers and specific experts.
- **Submissions**: The co-chairs could provide a summary presentation on key findings and inputs submitted by Parties prior to TED7, highlighting commonalities and identifying needs for further discussions that will guide technical work. AILAC recommends that further submissions prioritize views on Parties positions on the NCQG, in addition to procedural matters.
- **Work methodology**: TED7 should focus on technical work with a view to informing technical and political deliberations of the NCQG at COP28/CMA5. Technical work

³ This could include any new report that the CMA may mandate the SCF to produce.

should be oriented towards those aspects where differences are significant. This approach would allow the process to find what is needed to reach an outcome in 2024. AILAC's suggestion is that participants should be divided into working groups to have focused exchanges with specific topics or elements that need further discussion and are oriented by facilitative, comprehensible questions -available prior to the workshops- that allow reaching common grounds, identifying needs of further discussions and agreeing on technical recommendations.

- **Structure:** TED7 could be structured as follow:

PART 1: *Scene-setting presentations and Focused working groups:*

- Co-chairs to present a summary of Parties' submissions and facilitate a panel of experts on *qualitative scope of the goal* followed by focused exchanges in working groups, based on the guiding questions elaborated by the co-chairs, where experts should discuss and come up with different options and their rationale.
- Co-chairs to present a summary of Parties' submissions and facilitate a panel of experts on *transparency arrangements under the NCQG* followed by focused exchanges in working groups, based on the guiding questions elaborated by the co-chairs, where experts should discuss and come up with different options and their rationale.
- An additional session for working groups should focus on how the discussions and options identified in the previous TEDs this year complement each other, and start to build on the design and setting of the NCQG.

PART 2: Stocktaking

- Co-chair's stocktake presentation of TED7 and inputs for a technical paper draft that reflects technical deliberations, followed by a plenary discussion. This session should also seek to identify those topics or issues that should be addressed at the High-Level Ministerial Dialogue at CMA5.