Health In Harmony

Regenerating rainforests by listening to communities

Submission for the New Collective Quantified Goal on Climate Finance: Quality and Transparency Arrangements

August 2023

Executive Summary

The seventh technical expert dialogue focuses on the qualitative scope of the goal and the transparency arrangements under the New Collective Quantified Goal on climate finance (NCQG). This report outlines several schematic recommendations for developing the NCQG. We distinguish our recommendations using various qualitative metrics, including scope, types, sources and allocation of financing, local prioritization, funding access, sustainability, and periodicity. Each goal should have its quantified objective and quality of delivery measure. Criteria for the quality of climate finance should include untying climate finance and ownership, reducing siloes, prioritizing inclusive decision-making, and increasing transparency and mutual accountability. Transparency should incorporate measures to understand how much climate finance reaches the local level, rely on a common accounting framework and leverage technology to remove burdensome reporting requirements and improve access.

Public and grant-based finance should be the cornerstone source of funds, and contributions to the NCQG should account for countries' historical responsibilities, means and capabilities of contributors to achieve the necessary scale while ensuring a just global transition. Negative flows from public sources must be repurposed to place nature-positive imperatives at the heart of economic policy, business, and investment decision-making. We acknowledge that it is often difficult for the public sector to meet these NCQG targets alone and look to various innovative financing strategies which involve private-sector funding and public-private partnership.

All efforts must now be focused on delivery, and we advocate for increased investments in overlooked Nature-based Solutions and specifically direct funding to Indigenous Peoples and Local Communities. We encourage multi-stakeholder platforms dialogue to help ensure equal representation, transparent access to the political process and a refocus on delivery. We support collaborative ecosystems to enhance data sharing and feedback loops between all stakeholders - governments, private sector, civil society, youth, and indigenous voices - to remove siloes and increase the momentum on policy action to deliver the 1.5°C goal.

Health In Harmony is an international non-profit organization with a proven track record of climate financing and averting above-ground carbon by investing in community-designed solutions in tropical rainforests across the globe.

Table of Contents

Scope of Financing 3
- Mitigation 3
- Adaptation 3
- Loss and Damage 3

Types of Financing 3

Sources of Financing 3
- Debt Relief 4
- Public Policy 4
- Innovative Finance 4
- Bilateral Finance 5
- Risks 5

Allocation and additionality of Financial flows 5
- Transition flows and Nature-based solutions 5
- Regional and sector allocations 5
- Participation 6

Local Prioritization 6

Access 6
- Direct Access 6
- Timeliness of Delivery 7
- Preference 7
- Requirements 7

Sustainability of Financing.......... 7
Periodicity.......... 7
Transparency Arrangements.......... 7
Format of the next dialogue.......... 8
Background.......... 8
Contacts.......... 8

Scope of Financing

Separate goals should be developed in alignment with the central pillars of the existing UNFCCC system: mitigation, adaptation, loss and damage. Each goal should have its quantified objective and quality of delivery measure. Within these goals, we recommend defining sub-goals for intersectional elements such as transfer of technology, capacity building for implementation, issues of gender disparity, agriculture & livelihoods, forestry, oceans (the integrity of land and ocean sinks, as well as the role of nature-based solutions), equity and human rights which address the need for safeguards in market-based mechanisms, social justice, and health care metrics.

Mitigation

Mitigation requires investments in existing emissions reductions, removal technology and renewable infrastructure development, e.g. phasing out fossil fuels, transforming the food system, and safeguarding carbon sinks.

Adaptation

Even if we stabilize global temperatures in line with the Paris Agreement, adaptation funding will be needed to build climate resilience, noting that the need for adaptation finance will only increase as the world continues to warm - building early warning systems, managing crises, strengthening infrastructure, and protecting populations and ecosystems. Equitable financing between mitigation and adaptation must be addressed, and the increasing costs incurred when action is delayed should be reflected in the NCGQ.

Loss and Damage

We advocate for a separate financial mechanism for loss and damage, with longer-term goals rather than annually.

Types of Financing

A Climate Policy Initiative study showed that an overwhelming majority of climate finance was raised as debt (61%) and equity investments (33%), with grant-based financing taking up the remaining 6%. New alternative financing mechanisms are required to ensure climate funding is adequate for developing countries, many of which already face extreme debt burdens and vicious cycles of poverty. We recommend a move away from loans towards grant-based financing and other innovative financing strategies such as debt-for-nature swaps. These novel structures aim to provide debt relief and sustainability aid in a single package and have demonstrated promising success worldwide.

Sources of Financing

Public (and grant-based) finance must be viewed as the cornerstone source of funds. While these can mobilize additional resources (e.g., private investments), there should be enough resources for projects financed only from public sources, especially in Least Developed and most vulnerable Countries. Parties should consider setting a floor for public finance and grant-based contributions for the NCQG. This threshold should account for countries' historical responsibilities, means and capabilities of contributors to achieve the necessary scale while ensuring a just global transition: countries should be contributing their fair share of climate finance - countries with significant emission levels and robust economies should have greater financial obligations towards the goals. Climate finance should not result in shifting the burden to the Global South, and we must avoid increasing their existing debt levels. In addition, public financing should also consider debt relief, NCQG accountability, and risks.

Debt Relief

As 61% of climate finance was raised as debt, debt relief and cancellation will prove critical to restore debt sustainability in developing countries. Financing mechanisms such as debt-for-nature swaps allow debt relief, restructuring with long-term low-interest rates and spur transformation through climate-related projects in the affected country.

Public Policy

Negative flows from public sources must be repurposed to place nature-positive imperatives at the heart of economic policy, business, and investment decision-making. Harmful subsidies are highest in the energy sector, estimated to range from USD 340 to 530 billion/year and in the agriculture sector, estimated at around USD 500 billion/year[1]. A further decomposition of targets may be warranted around fossil-fuel phase-out plans, subsidy reductions and investment schemes with delivery themes such as coal, oil, gas and forests.
Green financing could be promoted through changes in countries' regulatory frameworks, harmonizing public financial incentives and decision-making with climate imperatives.

Innovative Finance

We acknowledge that it is often difficult for the public sector to meet these NCQG targets alone. To meet this demand, we look to various innovative financing strategies which involve private-sector funding and public-private partnership.

- ***Carbon markets*** offer great scale potential for forest protection despite their flaws. In an open letter published in May[2], a group of Indigenous-led organizations voiced urgency to fight deforestation with high-integrity and inclusive carbon markets: "Globally, Indigenous and community lands hold at least 22% of the carbon stored in tropical and subtropical forests, 17% of the total carbon stored in forests[3], and 80% of the world's biodiversity[4]. If we are to halt deforestation and keep global warming to 1.5°C by achieving a net-zero world, high-integrity climate finance must be scaled and channeled to Indigenous-led conservation efforts." World-class innovative monitoring systems can now provide transparent insights into impact, and streamlining processes will help drive more funding directly to communities, protecting the environment while investing in the SDGs.
- ***Nature insurance*** represents a promising platform for integrating nature-based solutions, as they quantify the risk, provide incentives for risk reduction, and create formalized payout structures. Innovative insurance products provide immediate efficient, effective disaster relief while improving credit ratings and the creditworthiness of the insured, thus supporting private investment. Such insurance instruments can provide vital public and private benefits: transferring risk away from vulnerable local parties and protecting livelihoods and local economies while safeguarding the environment. As an example, in 2019, SwissRe, The Nature Conservancy and Quintana Roo, Mexico, worked to include an insurance policy that encourages conservation and helps cover the cost of repairing a coral reef after severe hurricanes. This, in turn, supports the reef's capacity to protect the coast from future storms and daily beach erosion.
- ***Debt-for-Nature swaps*** or ***Sustainability-linked bonds*** aim to provide debt relief and sustainability aid in a single package and have demonstrated promising success worldwide.
- ***Public-private partnerships*** can mobilize private funds around infrastructure projects for mitigation. Private finance is usually profit-driven and is not typically allocated to projects supporting adaptation, loss, and damage. The public sector should accurately reflect their climate exposure and be encouraged to mitigate it through such investments.
- ***Payments for Ecosystem services*** promote the conservation of natural resources through arrangements in which the beneficiaries of environmental services, such as forest conservation or watershed protection, reward those whose lands provide these services with payments.

---

[1] https://www.unep.org/news-and-stories/press-release/doubling-finance-flows-nature-based-solutions-2025-deal-global
[2] https://www.fscindigenousfoundation.org/global-south-voices-in-support-of-redd/
[3] https://rightsandresources.org/wp-content/uploads/2018/09/A-Global-Baseline_RRI_Sept-2018.pdf
[4] https://www.statista.com/chart/27805/indigenous-communities-protect-biodiversity/

Bilateral Finance

Multilateral development banks could be more ambitious when providing bilateral finance and expanding multilateral financial sources, in line with the Bridgetown initiative - such as providing immediate liquidity support, increasing the capital base of multilateral development banks, and enabling SDG stimulus. Financial institutions could be given a more central role to accelerate the shifting of pledges to tangible action and delivery mechanisms.

Risks

Consideration should be given to the risks of relying on private capital compared to public multilateral funding to close current finance gaps. Where private financing is used, it must be affordable, transparent and sustainable, with fair lending terms that adhere to responsible lending and borrowing principles and align with the UNFCCC reporting process.

Allocation and additionality of Financial flows

Transition flows and Nature-based solutions

Allocations of finance must be equitable, particularly for overlooked and underfunded climate areas, focusing on Nature-based Solutions (NbS) and adaptation. Two-thirds of countries included language on NbS for mitigation and adaptation in their first Nationally Determined Contributions (NDCs), showing strong demand for NbS. The 2022 State of Finance for Nature report advocates that NbS provide an opportunity to tackle a range of challenges in an integrated manner and that climate, biodiversity, and land degradation goals will be out of reach unless investments into nature-based solutions quickly ramp up to USD 384 billion/year by 2025[5]. Hence, this funding gap shows a real need to forward NDCs. Several donor countries, including France, the UK and Canada, have committed to allocate a significant portion of the climate finance for NbS. All donor countries should be encouraged to do likewise.

In addition, the NCGQ must distinguish between different types of climate finance flows: "Greening finance" is about transitioning financial flows towards carbon neutrality and are less impactful than direct investments in climate solutions that support clean and resilient growth ("Financing green"). It is critical to ensure financial flows support meaningful actions for mitigation, adaptation, loss, and damage, as opposed to cosmetic tick-the-box solutions[6].

One crucial issue is ensuring finance flows accelerate low-carbon and climate-resilient development in developing countries. Every project created should be assessed regarding expected environmental changes to avoid multiple future investments in the same infrastructure. In line with the findings of the 6th Assessment Report, this should include actions that combine strategies to adapt to climate change, efforts to reduce greenhouse gas emissions and support sustainable development.

Since "greening finance" and "financing green" have different impacts on climate outcomes, separate targets should be devised to ensure equitable financial allocation. Greening finance has been the main focus of financial institutions, leaving NbS inexplicably scarce (less than 3% of global climate finance). Studies suggest NbS can deliver 1/3rd of the cost-effective mitigation needed by 2030 while providing climate adaptation benefits and supporting biodiversity, human health and sustainable development goals. We advocate to differentiate between a global investment target, international public mobilization targets, quantitative targets around transition and qualitative targets aligned with the SDGs.

Regional and sector allocations

A wide array of publicly available information can inform the quality of finance needed. The IPCC reports provide data on the most emitting sectors by region and the current and projected impacts by region. These areas should be the sectors where financial resources are channeled rather than those reflected by the priorities and interests of the finance provider.

Moreover, studies suggest that the current climate finance framework needs to expand its capacity and scope to reach local communities and stakeholders and is primarily monopolized by national governments. In order to assure transparency, we recommend developing metrics to capture the level to which resources reach the inhabitants who live on the designated land.

[5] https://www.unep.org/resources/state-finance-nature-2022
[6] https://www.wri.org/research/what-counts-tools-help-define-and-understand-progress-towards-100-billion-climate-finance

Participation

The participation of stakeholders in the ad-hoc work programme is essential for both the legitimacy of the processes and the political support for its recommendations. It is imperative to ensure the voice and agency of the right holders are represented in the ad-hoc work programme's technical consultation. If these platforms are insufficient, a special session should be planned which invites participation from the most vulnerable communities and populations, including indigenous peoples and minorities.

Local Prioritization

The needs of the Global South should be considered beyond the national level. Financial flows should also consider funding for subnational jurisdictions to meet local and regional needs in specific countries. In designating objectives, we should avoid a "one size fit all" outlook and account for all regions and communities involved.

Projects prepared under the new goal should always incorporate local priorities, which central governments might need to be made aware of, as well as local capacities. This is especially true when considering the needs and priorities of Indigenous Peoples, whose outlook may vary from the central government's requirements. The NCQG should also make funds directly accessible to Indigenous Peoples and Local Communities in line with local climate needs and priorities.

Access

No matter the scale of the global goal, there is a need for proper channels of delivery to funding beneficiaries. While some existing channels are good models for delivery, several challenges remain.

Direct Access

The direct access modality introduced through the Adaptation Fund should serve as a model for delivering all the finance flows within the goal. Easy access to finance should allow timely delivery of the required projects when needed most.

However, existing direct access might not be enough – applying for direct access often still requires an elaborate certification process and creating a dedicated institution. This is still a barrier for small countries and communities, especially in countries lacking proper capacities (usually the most vulnerable and least developed), and might call for creating a new access facility for such countries and communities.

Enabling access to third-party institutions also facilitates access and implementation of transformative programs in such communities. We advocate for a shift in development funding to more direct investment in Indigenous Peoples and Local Communities (IPs & LCs) solutions to the climate and nature crises.

In our experience, reversing the loss of Earth's tropical rainforests is one of the fastest, most affordable, and most effective ways to reduce global heating, protect half the world's species, and decrease the risk of future pandemics[7]. IPs & LCs living in and beside rainforests are the experts in ecosystem preservation. However, less than 1% of all climate finance goes directly to IPs & LCs. Current global development and finance mechanisms need to appreciate the climate-critical knowledge that IPs & LCs possess to protect and preserve rainforests. Rainforest community solutions to reverse forest loss are intersectional and holistic: communities tend to design solutions that merge three core elements to address the root drivers of degradation. These elements are access to affordable, high-quality healthcare, alternative livelihoods, focusing on just transition and food security, and educational support for youth. The unique, consensus-based solutions that local communities design benefit from community-based ownership and can leverage local and regional resources to further their impact. Once funding and resources are invested into these solutions, we can measure the quantitative impact on carbon, biodiversity, and qualitative narratives of community thriving. Investments are upheld by reciprocity agreements to protect and preserve the rainforest. Developing core technical and institutional scaling mechanisms is essential to rapid and transparent investment in IP & LC solutions, which is why. Health In Harmony developed Rainforest Exchange, a technology platform that disseminates IP & LC solutions and the impact data on investment in these solutions. Rainforest Exchange utilizes remote impact monitoring, removing reporting burdens from communities while maintaining transparency for investors and communities:

---

[7] P. Edwards, D. Galbraith, and L. Lewis. 2015. “Increasing Human Dominance of Tropical Forests.” Science 349: 827–32.
Brancalion, Pedro H. S., Aidin Niamir, Eben Broadbent, Renato Crouzeilles, Felipe S. M. Barros, Angelica M. Almeyda Zambrano, Alessandro Baccini, et al. 2019. “Global Restoration Opportunities in Tropical Rainforest Landscapes.” Science Advances 5 (7): eaav3223. https://doi.org/10.1126/sciadv.aav3223.

- ***Carbon Monitoring*** relies on remote sensing technology to report rainforests' annual above-ground carbon stock and an AI-enabled near-real-time monitoring and alert system detecting forest disturbance.
- ***Biodiversity Monitoring*** records and analyzes bioacoustic data to monitor biodiversity and ecosystem integrity.
- ***Community Thriving Narratives*** feedback on intervention through culturally and contextually appropriate, community-designed narratives measures of thriving.

Such mechanisms allow monitoring of impact at scale but also drive the often complex process of wealth transfer directly to communities.

Timeliness of Delivery

Another factor of access that must be considered is the timeliness of delivery. In many cases, the project cycle is too long and needs to meet the urgency of community needs (this might be especially true in some adaptation projects). Therefore shortening of the investment cycle would be required. One of the solutions could be the preparation of specific investment or project templates for the most common needs to minimize the necessary paperwork.

Preference

The next thing that should be mentioned is a preference for LDCs, SIDS and the most vulnerable countries. Those countries should have easier access to finance (one of the former forms), a specific envelope for those countries within the goal, and privileged access to grant-based finance.

Requirements

Lastly, especially for adaptation, loss, and damage, "bankable projects" should not be a prerequisite like some funds currently require. Climate finance should not be subject to profit or loss considerations but needs to serve the purpose for which it was created, and access should be simplified. Other aspects, including contribution to long-term resilience, avoidance of loss and damage and sustainable development, are equally important (and, in some cases, more so). Nevertheless, placing limits and conditionality for the access to funds risks a technology-driven, mitigation-focused approach which is not fit for purpose for the goals of the NCQG. Climate finance needs to be as country-driven as possible while facilitating economic change.

Sustainability of Financing

Lack of predictability and sustainability plague current financial goal issues. Long-term investment planning requires multi-year financial flow for specific investments while recognizing the range of budgetary processes in developed countries. One possible solution could be leveraging existing multilateral institutions (such as the Green Climate Fund) to create a multi-year window for specific projects. This would require a higher capitalization of such institutions to allow for impactful investments and projects, especially among Least Developed Countries, Small Island Developing States and the most vulnerable.

Periodicity

NCQG should be reviewed periodically and in line with NDCs updates (5y), and IPCC reports publication (4y). Current discussions and negotiations should prepare a robust framework for future talks. This agenda should avoid lengthy negotiations on the scope and nature of the goal and contributors, focusing on the latest climate data and updates.

Transparency Arrangements

Article 13 of the Paris Agreement established a new transparency framework around support delivered and received. Such transparency arrangements should be used to account for the delivery of the goal within the UNFCCC process, considering the need for accuracy, completeness, consistency and comparability.

Accounting for the NCQG currently relies on multiple reporting systems, and countries and institutions take different views about what to count as climate finance[8] in their reporting. Reporting channels must be improved to increase transparency and accountability via a joint international accounting.
Transparency should also incorporate measures to understand how much climate finance reaches the local level. Technology can be leveraged for measurement, reporting and verification to assess additionality and impact - e.g. Woodwell Climate Research Centre Landscape Capital Index, a globally consistent, spatially explicit index and rating standard for carbon and co-benefit quality, which characterizes quality, potential, and risks to carbon storage and associated co-benefits for any given tract of land anywhere on the planet.

Finally, Parties to the process do not all have equal access to data, finance and technology. Facilitating multi-stakeholder dialogue would ensure equal representation, transparent access to the political process and a refocus on delivery. We support collaborative ecosystems to enhance data sharing and feedback loops between all stakeholders - governments, private sector, civil society, youth, and indigenous voices - to remove siloes and increase the momentum on policy action to deliver the 1.5°C goal.

Format of the next dialogue

We propose dividing the workshop between overall presentations, breakout groups to allow everyone to speak, and a general discussion.

Background

Health In Harmony currently invests in the climate and biodiversity critical, intersectional solutions that rainforest communities themselves have designed to protect 9.4 M hectares of tropical rainforest in Indonesia, Madagascar, and Brazil and has established a peer-reviewed evidence base to prove efficacy across rainforest communities, ecosystems, and cultural contexts. The first ten years of medical, livelihood, and carbon data collected at the first program site in Indonesian Borneo were published in the Proceedings of the National Academy of Sciences: Improving rural health care reduces illegal logging and conserves carbon in a tropical forest. In summary, Health In Harmony's investment of $5.2M across ten years (2008-2018) into the communities' intersectional solutions led to a 90% drop in families reliant on logging for their livelihood. This catalyzed a 70% reduction in forest loss at Gunung Palung National Park compared to control forests and an averted release of USD 65M worth of above-ground carbon into the atmosphere. In carbon value alone, that is a 12-fold return on investment, to say nothing of the positive returns on biodiversity and human thriving. Infant mortality dropped in the clinic's catchment population of 80,000 people by 67%. Researchers concluded that these "results demonstrate an actionable framework for aligning cross-sectoral goals and objectively quantifying intervention outcomes across conservation and human health targets. Frameworks such as this are urgently needed to advance effective policy efforts to achieve the United Nations' Sustainable Development Goals (SDGs)."

Contact

Charlotte Fraiberg
Health In Harmony, Chief Financial Officer
charlotte@healthinharmony.org

[8] https://www.wri.org/research/what-counts-tools-help-define-and-understand-progress-towards-100-billion-climate-finance