

Saudi Arabia on behalf of the Arab Group

Submission on the Seventh Technical Expert Dialogue under the Ad Hoc Work Programme of the New Collective Quantified Goal on Climate Finance (NCQG)

Introduction:

The importance of integrating qualitative considerations into the New Collective Quantified Goal on climate finance and instituting clear transparency arrangements are vital elements for the goal. Learning from the USD 100 billion shortcomings, the lack of a clear account methodology, rooted in the needs and priorities of developing countries, lies at the heart of both qualitative and transparency issues. Progress on the delivery of the USD 100 billion is not possible to accurately track with disputes over the actual progress commonplace amongst data aggregators and reporters. Furthermore, questions surrounding whether finance provided and mobilized to developing countries is enabling the implementation of Nationally Determined Contributions and address their needs and priorities remain. All in all, developed countries should provide clear and comprehensive reports on their climate finance contributions, detailing the sources mobilized, allocation and disbursement of funds. This reporting should be timely and accessible to all stakeholders, promoting transparency.

In an era of economic challenges, particularly impacting developing countries, the need for concessional and grant-based financing from developed countries is ever more pronounced. Support provided to developing countries should not add any additional economic burdens, but rather enable effective implementation of climate priorities. The approach to ensuring that economic burdens are not exacerbated should be utilized by developed countries and reflect the principles of equity and common but differentiated responsibilities and respective capabilities, in light of different national circumstances.

Qualitative scope of the goal:

There are two critical components to the qualitative scope of the goal, namely, the need for concessional finance and the need for that finance to support the implementation of national climate actions plans based on the need and priorities of developing countries.

On the need for concessional and grant-based finance, developed countries should to the largest extent possible, provide support through concessional and grant-based funding. Many developing countries face difficult economic choices, often limiting their ability to provide public funding for critical services such as education, public health and investment. It is therefore critical, that developed countries provide and mobilize, to the largest extent possible, concessional and grant-based funding to developing countries to support the implementation of their climate action plans.

The second qualitative element of the goal should focus on the extent to which finance provided and mobilized to developing countries addresses their needs and priorities. Current accounting methods utilized by the OECD and developed countries have counted finance for coastal hotel expansions, movie productions and chocolate shops as climate finance in recent years – as reported by Reuters. Over the same period, 153 developing countries have listed 4,274 needs, of which 1,782 are costed, amounting to USD 5.8-5.9 trillion up until 2030. There is a mismatch between where the finance is needed and what is being counted as finance provided. Therefore, a key component of the qualitative scope of the goal should be the extent to which finance provided is quality finance, finance that addresses listed needs and priorities of developing countries.

Moreover, effective approaches to public funding, including grants, would enhance the ability of developing countries, which have limited capacity, to access funds with the urgency required to adapt to the adverse effects of climate change. Adaptation finance continues to fall far behind mitigation and remains disproportional to the increasing need to enhance climate resilience globally. In considering quality and the needs and priorities of developing countries, appropriate thematic distribution should also be a main element of consideration.

Transparency arrangements:

Linked together, Oxfam combines both qualitative elements (extent to which needs are addressed and grant equivalency of support) in their approach for tracking progress on the USD 100 billion goal. While the OECD reported that USD 83.3 billion was provided and mobilized by developed countries in 2020, Oxfam asserts that the true value, taking into account grant equivalency and climate-specific share of support, amounts to USD 19-22.5 billion in 2020. In that regard, the listed qualitative elements in our submission should inform developed countries in their efforts to report progress through the Enhanced Transparency Framework.

In our view, guidance to developed countries must be provided by the Parties to ensure that information provided enables the full aggregation of the progress on the delivery of the goal. In addition to guidance, developed countries are expected to fulfil requirements as outlined in decision 18/CMA.1, primarily:

- Description of the systems and processes used to identify, track and report on support provided and mobilized through public interventions;
- The support as being climate-specific;
- Information on the efforts taken to avoid double counting;
 - How double counting among multiple Parties involved in the provision of support was avoided;
 - How double counting among multiple Parties involved in the mobilization of private finance through public interventions was avoided, including the methodologies and assumptions used to attribute the mobilized resources through public interventions reported to the Party that reports them, if possible relative to the type of instrument used for the mobilization;
 - How double counting was avoided between the resources reported as provided or mobilized, and the resources used under Article 6 of the Paris Agreement by the acquiring Party for use towards the achievement of its NDC;
 - How support is attributed between multiple recipient countries, in cases where a project involves multiple recipient countries and where this information is reported on a country-by-country basis;
- The definition of public and private finance, in particular where entities or funds are mixed;
- How private finance was assessed as mobilized through public interventions, including by:
 - Identifying a clear causal link between a public intervention and mobilized private finance, where the activity would not have moved forward, or moved forward at scale, in the absence of the Party's intervention;
 - Providing information on the point of measurement (e.g. point of commitment, point of disbursement) of the private finance mobilized as a result of the public intervention, to

the extent possible in relation to the type of instrument or mechanism used for the mobilization.;

- Providing information on the boundaries used to identify finance as mobilized by public intervention;
- How it seeks to ensure that support provided and mobilized through public interventions effectively addresses the needs and priorities of developing country Parties for the implementation of the Paris Agreement, as identified in country-driven strategies and instruments, such as biennial transparency reports, NDCs and national adaptation plans;
- How it seeks to ensure that support provided and mobilized through public interventions is in line with the long-term goals of the Paris Agreement;
- An indication of what new and additional financial resources have been provided, and how it has been determined that such resources are new and additional;
- How the information provided reflects a progression from previous levels in the provision and mobilization of finance under the Paris Agreement;
- Information on reporting multilateral finance, including:
 - Whether the multilateral finance has been reported as climate-specific and how the climate-specific share was calculated;
 - Whether multilateral finance has been reported as core/general, with the understanding that the actual climate finance amount it would transfer into depends on the programming choices of multilateral institutions;
 - Whether and how multilateral finance has been attributed to the reporting Party;
- A description of the underlying assumptions, definitions and methodologies used to provide information on technology development and transfer and capacity-building support.

In addition to the above, the reporting from developed countries through the Enhanced Transparency Framework should follow the additional principles in the context of the NCQG:

- Reporting should occur in coordination between developed countries to limit double counting and to ensure that information provided is aggregable.
- The value of support reported should reflect the amount of grant-equivalent and concessional support, in the case of a concessional loan, only the grant-equivalent amount of that loan should be reported.
- Reporting should be linked to needs and priorities of developing countries in relation to the scale within which the finance is provided (whether it is through a global institution, regional or national level).

- Only the amount linked to the implementation of needs in line with recipient nationally determined contributions should be reported. In a project that has wider objectives, only the NDC relevant amount should be reported.

Information on financial support provided under Article 9 of the Paris Agreement in year 20XX-3:^{a, b, c} bilateral, regional and other channels

Exchange rate used: _____

Recipient country or region ^d	Title of the project, programme, activity or other ^e	Amount (climate-specific) ^f		Status ^g	Channel ^h	Funding source ⁱ	Financial instrument ^{j, k}	Type of support ^l	Sector ^m	Subsector ^{n, o}	Contribution to capacity-building objectives ^{p, q}	Contribution to technology development and transfer objectives ^{r, s}	Additional information ^{t, u, v}		
		Face value												Grant equivalent	
		Domestic currency	USD											Domestic currency	USD
Country				Disbursed	Bilateral	ODA	Grant	Adaptation	Energy		Insert 1 for Yes,	Insert 1 for Yes,			
Region ^w				Committed	Regional	OOF	Concessional loan	Mitigation	Transport		0 for No	0 for No			
Global					Multi-bilateral	Other (specify) ^y	Non-concessional loan	Cross-cutting ^l	Industry						
					Other (specify) ^y		Equity		Agriculture						
							Guarantee		Forestry						
							Insurance		Water and sanitation						
							Other (specify) ^y		Cross-cutting						
									Other (specify) ^y						

As the Enhanced Transparency Framework has been developed through a consensus process, it should remain unchanged and leveraged for the transparency arrangements of the NCQG. In utilizing the framework, however, developed countries should adhere to the principles outlined in the annex of decision 18/CMA.1 and the additional principles listed in this document, drawing from lessons learned from the USD 100 billion.

To ensure predictability, and track additionality and the progression element of the finance, forward-looking reporting should leverage the Biennial Reports within Article 9, paragraph 5, of the Paris Agreement. Such reporting should be conducted in line with the same principles outlined before and reflect information that is aggregable.

Overall, transparency involves open and comprehensive reporting of climate finance contributions. Developed countries should ensure that data and information related to the provision and mobilization of finance are easily accessible to all stakeholders through their reporting under the Enhanced Transparency Framework and Article 9, paragraph 5, of the Paris Agreement.