CGIAR's[1] submission of its views on the tenth technical expert dialogue and the second meeting under the ad hoc work programme on the new collective quantified goal on climate finance

Background

The ninth Technical Expert Dialogue (TED9) and the first meeting of the ad-hoc work program on the New Collective Quantified Goal (NCQG) on climate finance marked significant progress in structuring the future of climate finance under the Paris Agreement. The NCQG aims to enhance the predictability, transparency, and adequacy of financial flows to support developing countries in their climate actions.

CGIAR acknowledges the critical discussions and inputs provided by various parties and the deliberations by parties during the ad-hoc work programme meeting in Cartagena Colombia, particularly focusing on the layers of the NCQG from the definition of climate finance to the financial instruments to be employed, as components of structure and sources.

Building on the discussions that took place at the ninth Technical Expert Dialogue, the CGIAR through this submission submits its views on the tenth Technical Expert Dialogue and the second meeting under the ad hoc work programme on the NCQG, particularly around the issues of sources, structure, timeframe and sub- goals.

Summary of key messages and recommendations

1. While it is important to leverage private sector finance and multilateral development banks, public finance needs to continue to be the cornerstone of climate finance led by developed countries, especially for adaptation and loss and damage, and developed countries are encouraged to provide finance through grants and highly concessional loans to avoid increasing the debt burden on developing countries. An emphasis on ensuring that finance directly reaches the ground level and addresses the most vulnerable and sectors would contribute to more equitable access to finance.

2. The need for a clear definition of climate finance was continuously highlighted in the recent 9th TED and the first meeting under the ad hoc work programme. During these sessions, both parties and non-party stakeholders emphasized the importance of establishing a common understanding of climate finance for meaningful dialogue and negotiation, ensuring that all parties align on what constitutes climate finance. In addition, a clear definition of climate finance would also i) encourage more robust institutional frameworks and flexible financial instruments, mechanisms and structures that can manage the inherent uncertainties, risks and impacts associated with climate change; ii) Ensure that climate finance is additional and not only a repurposing of existing development funds; Enhance the credibility of commitments, providing a basis for enhanced transparency, improved accountability, effective allocation of resources, and trust among all involved party and non-party stakeholders; iv) Inform the other qualitative and quantitative elements in the NCQG and include the distinction between different types of finance (e.g., grants vs, loans) and ensure that climate finance targets are

[1] CGIAR including its constituent institutions such as the Alliance of Bioversity-CIAT and the International Water Management Institute (IWMI); and efforts such as the Climate Impact Platform and the Initiative on Climate Resilience delivers science and innovation to advance the transformation of food, land, and water systems in a climate crisis.

accurately tracked and addressed and iv) Guide new target sources, such as private sector investors, on what qualifies as climate finance, enabling them to develop appropriate financial products and investment options ultimately boosting the overall investment in efforts to achieve the Paris Agreement goal.

3. It is important to align the discussions and decisions on the NCQG to the other negotiation tracks, particularly the UAE Belem Work programme under the Global Goal on adaptation for a more comprehensive and effective framework for climate finance that addresses the diverse needs of developing countries, promotes sustainable development, and ensures a robust global response to the climate crisis.

Sources: Qualitative and quantitative elements

Quality of finance should be a key point in discussions on sources, especially around the instruments to be considered for the NCQG. The CGIAR aligns itself with the importance of Climate finance coming predominantly from public grant based sources. Regions like West Africa, including the Sahel and coastal countries received funds of over 67%, 88% and 88% respectively of its adaptation finance through concessional and market rate loans. It is important to note that debt instruments, which require recipients to repay the loan, are challenging to consider under articles 9.1, 9.3, and 2.1 when they are not concessional. Vulnerable countries in a decade have seen an additional $40 Billion in interest payments as they tackle the climate crisis through public debt. This is particularly significant in the context of sustainable development and efforts to eradicate poverty.

As such, it is recommended that:

- Developed countries are encouraged to provide more grants and highly concessional loans to developing countries to avoid increasing their debt burden. Public finance need to be continue to be the cornerstone of climate finance, especially for adaptation and loss and damage.

- Leveraging public funds to incentivise private sector investments in climate projects through innovative financial instruments and risk mitigation mechanisms. Multilateral Development Banks (MDBs) can play a key role in catalysing private investments, under leadership of developed countries.

- Developed countries are encouraged to explore and scale up the use of innovative financial instruments like climate resilience bonds, debt-for-climate swaps, and other mechanisms that can help address specific financial challenges faced by developing countries. These need to be considered in terms of how they fit within the Paris Agreement and would not result in financial flows from developing countries to developed countries. This is particularly key for investing in low-emissions food systems where developing countries have benefited from some of these instruments and could serve as examples of their success.

- There should be an emphasis on ensuring that finance is accessible at all levels, including ground level and addresses the most vulnerable and agriculture, food and land-use sectors;

with deliberate efforts to streamline access modalities and mechanisms that reduce transaction costs and support capacity building efforts to improve the direct flow of funds to national and sub-national level institutions, ensuring that communities and local projects directly benefit from the finance and in a timely process allowing for action in time to manage climate risks especially for agriculture, food and land use.

- Parties agree on signals that incentivise the inflow from private equity, venture capital, as these together with development partners have been the dominant source of funding from new financing mechanisms in agriculture innovation, including in adaptation.

Structure: Definition of climate finance

The need for a clear definition of climate finance was continuously highlighted in the TED9 and the first meeting under the ad hoc work programme. During these sessions, both parties and non-party stakeholders emphasized the importance of establishing a common understanding of climate finance for meaningful dialogue and negotiation, ensuring that all parties align on what constitutes climate finance.

In concurrence with the parties and non-party stakeholders, CGIAR supports the call for a clear definition as it will:

- **reduce** overlaps with other types of funding, such as emergency and official development assistance finance. This distinction ensures that climate finance is additional and not simply a repurposing of humanitarian and other development funds.
- **enhance** the credibility of commitments, providing a basis for enhanced transparency, improved accountability, effective allocation of resources, and trust among all involved party and non-party stakeholders.
- **inform** the other qualitative and quantitative elements in the NCQG and include the distinction between different types of finance (e.g., grants vs, loans) and ensure that climate finance targets are accurately tracked and addressed.
- **guide** new target sources, such as private sector investors, on what qualifies as climate finance, enabling them to develop appropriate financial products and investment options, ultimately boosting the overall investment in efforts to achieve the Paris Agreement goal.

Even though there is a need for a clear definition of climate finance for the operationalisation of the NCQG, it is important to note that the complexity of climate finance is intrinsically linked to the multifaceted and global interconnected nature of climate change. Addressing the diverse impacts across sectors, balancing mitigation, and adaptation needs, accommodating geographic and socioeconomic differences, understanding the interconnectedness of climate systems, and managing long-term uncertainties all contribute to the intricate landscape of climate finance. This necessitates robust, broad, institutional frameworks and flexible financial instruments, mechanisms and structures that can manage the inherent uncertainties, risks and impacts associated with climate change.

Timeframe and Impact

It is recommended that the agreed NCQG structure includes a clear timeframe to be reassessed through a mechanism that measures and reports impact aligned with the upcoming Global Stocktakes as per Art. 14. and builds on the evolving ambitions of developing countries through the NDC cycles.

Sub-goals of the NCQG

The sub-goals aim to create a comprehensive and effective framework for climate finance that addresses the diverse needs of developing countries, promotes sustainable development, and ensures a robust global response to the climate crisis. The exact details and specific targets of the NCQG should continue to be refined through international negotiations and consultations leading up to COP29. It is recommended for the NCQG discussions to be aligned with the other negotiation tracks, especially the UAE-Belem Work programme on indicators, under the Global Goal on Adaptation.

The biggest sub-goals should steer the goal towards bringing greater resources to where they are most needed and to improve climate finance tracking. This includes specific sub-goals for mitigation, adaptation, and loss and damage, determined based on assessed needs, and consideration of the right mix of financing instruments for each.

CGIAR notes the various suggested options for sub-goals and recommend the following considerations for Parties:

- **Alignment of financial resources with needs**: Support alignment of financial contributions from the developed countries to meet the growing needs of and demands from developing countries, categorizing needs in the NDCs to inform subgoals, which will compose the overall NCQG quantum. This alignment should also consider sectors such as agriculture, which is highly sensitive to climate change and its crucial role in the economies of developing countries, being a primary source of livelihoods for millions of people. Despite its importance, the agricultural sector remains underfinanced, necessitating major investments to ensure productivity for food security whilst enhancing resilience and sustainability.

- **Subgoals should enhance access to climate finance**: streamline the application and disbursement processes to make it easier for developing countries to access funds, for their prioritized needs and enhancing the ability of national and local entities in developing countries to directly access climate finance without intermediaries.

- **Subgoals should ensure predictability and sustainability**: provide long-term financial commitments to offer predictable and sustained funding over multiple years to ensure stability and planning for climate projects and enhance the transparency of climate finance flows and ensure robust monitoring and reporting mechanisms.

- **Needs based mitigation and adaptation finance**: ensure sub-allocations of finance between mitigation and adaptation projects, meet prioritized needs, whilst also prioritizing funding for the projects that benefit the most vulnerable communities and countries (LDCs and SIDS).

- **Enhancing synergies and co-benefits**: encourage integrated approaches to simultaneously address climate mitigation, adaptation, and sustainable development goals while, supporting projects that provide additional benefits such as improved public health, economic development, and biodiversity conservation.

CGIAR, as the world's largest science-based body for agricultural research and development, stands ready to engage in the NCQG Technical Expert Dialogues and ad hoc Work programme meetings in any supportive capacity, including its experience in devising and informing actionable investment plans across agriculture, forestry, land, and water use sectors.

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