The International Rescue Committee's (IRC) submission of its views on the tenth technical expert dialogue on the New Collective Quantified Goal (NCQG) on Climate Finance

The IRC welcomes the outcomes from COP28 regarding Decision 8/CMA.5 on the New Collective Quantified Goal on Climate Finance. We extend support in ensuring that the climate finance needs of climate-vulnerable, conflict-affected countries are well represented in the definition of the goal including the quantum, inclusivity, access and transparency. We encourage the discussion and adoption of these themes at upcoming ad hoc work program meetings and during the tenth technical expert dialogue.

Please find below IRC recommendations on the NCQG to inform the draft negotiating text.

Preamble and context

In line with Decision 8/CMA.5, the NCQG should be responsive to climate vulnerability and evolving needs in developing countries. Climate vulnerable developing countries that are also conflict affected are suffering the immediate impacts of climate change while disproportionately neglected by current climate finance flows. This was recognized and acted on by signatories to the COP28 Climate, Relief Recovery and Peace Declaration. The NCQG is an important opportunity to redress this climate finance imbalance.

The NCQG is being defined in the context of climate finance inequality and climate financing that currently neglects climate-vulnerable, conflict-affected countries in the following ways:

- 90% of climate financing is concentrated in high and middle-income, high emission-producing countries. For the remaining, the more fragile a country is, the less climate finance it will receive, according to UNDP.
- On average, conflict-affected communities receive just one-third of the adaptation funding that people in non-conflict settings receive on a per capita basis.
- Countries in protracted crises are among the most climate-vulnerable yet receive lower amounts of ODA related climate funding. The average share of climate ODA as a percentage of total ODA is 5%. For countries that are **not** experiencing protracted crises, this increases to 5.75%. For countries that **are** experiencing protracted crises, this decreases to 2.96%.[1]
- The IRC identified a concentration of three interlinked challenges of climate vulnerability extreme poverty and armed conflict,[2] in **16 states representing a new "epicenter of crisis":** Afghanistan, Burkina Faso, Cameroon, Central African Republic, Democratic Republic of Congo, Ethiopia, Mali, Mozambique, Myanmar, Niger, Nigeria, Somalia, South Sudan, Sudan, Syria and Yemen.

[1] Development Initiatives analysis of 2021 ODA data, available at: https://devinit.org/resources/climate-finance-vulnerability-crisis/

[2] Climate-vulnerable counties are defined as being in the bottom 25% of the ND-GAIN Index, which summarizes a country's vulnerability to climate change and its readiness to improve resilience. Conflict-affected countries are identified according to the World Bank's FY24 List of Fragile and Conflict-Affected Situations. Fourteen of these countries are on the U.N.'s list of Least Developed Countries, while Nigeria and Syria are both home to some of the largest pockets of extreme poverty, despite not being classified as LDCs.

- These countries represent[3]:
  - 10% of the global population;
  - 2.7% of global greenhouse gas emissions annually;
  - 43% of all people living in extreme poverty;
  - 44% of all people affected by natural disasters over the last three years;
  - 79% of all people in humanitarian need.

Recommendations for adoption in the draft negotiation text:

- Include an explicit recognition of the climate finance gap for climate-vulnerable, conflict-affected countries in the context section of the negotiation text.
- Include a commitment to turn the Relief Recovery and Peace agenda into a formal mechanism within the COP negotiation process, with regular dialogues and stock take of progress through clear accountability mechanisms.

[3] Data sources and methodology for estimate available on request from the IRC.

Quantitative elements in relation to quantum, timeframe, thematic scope, sources and recipients

Adaptation

- The IRC estimates a **75% annual gap between adaptation finance needs and adaptation finance flows** to these 16 climate-vulnerable, conflict-affected countries.[4]
- As the Global Center on Adaptation and others show, costed adaptation needs in Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) in Africa are **likely underestimated by as much as 100%** according to some estimates meaning that there is an **urgent need to close this financing gap at a minimum.**
- Adaptation finance needs for 13 climate vulnerable, conflict affected low-income countries represent 70% of needs in all 25 low-income countries (LICs).[5]
- UNEP suggests that lower estimated absolute values of adaptation needs for LICs could be due to a low development baseline – the reference point against which progress to close the development deficit and to adapt to climate change can be measured – as well as limited technical and financial capacity to conduct robust adaptation needs assessments. These factors may result in an underestimation of the actual adaptation finance needs in LICs. In countries experiencing active conflict this finance needs assessment capacity may be even further constrained.
- Adaptation finance needs are higher as a percentage of GDP for climate-vulnerable, conflict-affected countries (4%)[6] and low-income countries (3%) compared to all developing countries (1%).
- Climate-vulnerable, conflict-affected countries are constrained in meeting adaptation costs from domestic finance sources. 13 out of the 16 countries are either already in debt distress or are at moderate to high risk of falling into it[7], impacting on available domestic finance. For example, Somalia channeled more than 95% of its government revenue into repaying its debt in 2022—the highest percentage in the world—preventing the country from investing in systems that could have averted the catastrophic food security crisis that year.
- Private sector contributions to climate finance are also extremely limited in these settings. On average 7% (median only 3%) of climate finance came from private sources for the 12 African climate-vulnerable, conflict-affected countries - with the majority of that going to mitigation projects.[8]

Loss and damage

- In line with Decision 1/CP.28, the NCQG should **include targets on loss and damage.** Costs related to loss and damage in all developing countries are already estimated to be greater than US$400bn a

[4] Data received from the authors of the UNEP's Adaptation Gap Report (2023) for the 16 countries based on extrapolations of adaptation finance per capita, show that about US$26 billion in adaptation will be needed annually for these countries. Currently these countries only receive US$6.5 billion according to OECD data in 2021 representing just 25% of the costed needs.
[5] IRC calculation based on data received from the authors of the UNEP's Adaptation Gap Report (2023) showing that low-income countries adaptation needs are estimated at $15.5 billion.
[6] IRC reviewed the NDCs and NAPs to calculate the annual adaptation needs for the 12 countries that submitted costed needs and compared this to their annual GDP. The median percentage for these 12 countries was 3.9%. (Nigeria, Syria, Yemen and Myanmar did not share costed information on their adaptation needs).
[7] Only Myanmar is at low risk, and Nigeria and Syria are not listed see https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf
[8] IRC analysis based on data from the Climate Policy Initiative, Landscape of Climate Finance in Africa.

year – and rising. A 2023 analysis found that, between 2000 and 2019, the world suffered at least US$2.8 trillion in loss and damage from climate change – costing around US$16 million per hour.

- As the 16 climate-vulnerable, conflict-affected countries represent 44% of all people affected by natural disasters over the last three years, and 79% of all people in humanitarian need, they are likely to face greater losses and damages resulting from climate shocks than other developing countries - especially if they continue to be left behind in adaptation support resulting in weaker resilience to shocks and worse and costlier climate impacts.
- While humanitarian funding plays a role in supporting communities affected by climate shocks, it alone cannot be relied upon to address loss and damages - especially as the sector is already severely underfunded. In 2023, out of the US$32.3 billion required for humanitarian response for the 16 climate-vulnerable, conflict-affected countries, only US$11.9 billion or 37% was funded.[9] **New and additional funding** is also required to address areas of loss and damage where humanitarians do not work, such as cultural and environmental loss and damage.

Recommendations for adoption in the draft negotiation text:

- Formally **recognize the adaptation finance gap** in 16 climate-vulnerable, conflict-affected countries in the framework of the NCQG and **set a target** to reduce this gap, based on the best available estimate of the needs, topping up where there is higher climate vulnerability and less government capacity for domestic financing. Currently, based on costed estimates in available NDCs and NAPs, the climate finance needs for climate-vulnerable, conflict-affected countries represent 18% of the finance needs for developing countries.[10] This could be used as a benchmark for a NCQG sub-target for climate finance for climate-vulnerable, conflict-affected countries.
- Prioritize support for climate-vulnerable, conflict-affected countries in developing and implementing ambitious and informed NDCs and NAPs, by expanding the UNFCCC's Needs based Finance Project to these countries, and ensuring financial and technical support from vertical climate funds for the development of plans is resourced and expedited in these countries. The NCQG should be responsive to trends in the development of next generation NDCs and NAPs to meet the needs and costs of climate resilient development and adaptation more accurately.
- The NCQG should include targets on **loss and damage** and detail how loss and damage funding will be channeled to and operationalized in conflict–affected states. Climate finance for loss and damage should be informed by climate and conflict risk mapping, and adopt a people first approach that includes the possibility of funding for and partnerships with civil society and local actors.
- **Periodically adjust** the NCQG target amount to take into account updated and more accurate needs assessments, in line with the likely increasing impacts of climate change, and at a minimum aligned with the NDC and NAP review cycles, currently every 5 years.

[9] IRC calculation from Global Humanitarian Overview 2024 data, 2023 results, downloaded 30 April 2024.

[10] IRC calculated the annual adaptation finance needs as specified in the available NDCs and NAPs of 12 climate-vulnerable, conflict-affected countries which represents $18.9 billion annually for 2021-2030, compared to data from the UNEP Adaptation Finance Gap Update report specifying 85 developing countries submitted costed adaptation needs for a total cost of $105 billion annually for 2021-2030.

- The NCQG should set **balanced sub-targets** for mitigation (low emissions) and adaptation finance (50-50%). Loss and damage should also be established as a separate sub-goal.
- Sub-goals for mitigation, adaptation and loss and damage should ensure more equitable and balanced distribution of finance and avoid adaptation and loss and damage finance lagging behind mitigation finance, or finance being taken from one to fulfill commitments to another.
- The provision of **public climate finance** must remain central to the NCQG, predominantly in the form of grants and highly concessional finance to avoid further indebtedness especially in conflict affected countries. Climate finance must be new and additional to ODA.

Qualitative elements in relation to impact, effectiveness, access and inclusivity

- In order to reach the most vulnerable people, increase the resilience of communities and effectively achieve adaptation objectives, it is imperative that climate adaptation in fragile and conflict-affected states prioritizes gender-responsive action and is resourced to do so. As of August 2023, only 14% of adaptation actions communicated to UNFCCC specifically targeted women. Only 20% of NDCs and NAPs had a dedicated budget for activities integrating gender equality and social inclusion, and the amount allocated is generally low, averaging 2% of budgeted activities.
- The goals of climate adaptation and gender equality are mutually supportive. Applying gender analysis and gender-responsive program design to climate adaptation increases the effectiveness of climate adaptation measures. In contrast, climate action that is not informed by and responsive to the needs of women in all their diversity risks exacerbating their challenges, undermining the overall success of adaptation measures.
- Adapting to climate change can help improve social wellbeing and address root drivers of conflict. However currently only 31% of NAPs address conflict in their adaptation actions. The NAP Global Network published a guidance note that supports governments to "initiate, finance, implement, monitor, evaluate, and learn from their NAP process in a way that understands and responds to peace and conflict dynamics."

Recommendations for adoption in the draft negotiation text:

- The NCQG should address climate adaptation and gender equality in tandem and endorse the transformative potential of partnering with women-led organizations in conflict-affected communities.
- The NCQG should include a target for gender sensitive and gender responsive aid (ideally aligned with the OECD DAC gender marker to harmonize reporting). In line with the recommendation of the Generation Equality Forum, 88% of marked climate bilateral ODA-finance should be gender-sensitive, with at least 15% of this funding having gender as a principle objective (OECD DAC Gender Marker GG2) i.e. being gender-responsive or gender transformative.
- Countries should ensure their NDCs and NAPs are responsive to the intersection of climate impacts and conflict drawing on the Peace, Conflict, and National Adaptation Plan (NAP) Processes guidance note. They should include an analysis of intersecting conflict and climate risks at the subnational level for inclusion in NDCs and NAPs to inform adaptation finance needs and

ensure adaptation actions are directed to where they are needed the most, not just where they are easiest to deliver.

Transparency Arrangements in relation to tracking, reporting and links with existing mandates and processes of relevance

- The lack of standardized reporting rules, guidelines and definitions on climate finance across bilateral donors and international financial institutions limits transparency on climate finance flows. Furthermore, there are no clear reporting rules on the amounts that are actually disbursed, limiting a clear understanding of the actual spending that is reaching countries in need. Comprehensive and comparable breakdowns of climate finance per recipient country are limited.
- While the climate sector has made significant progress in acknowledging the importance of integrating gender considerations in policies and international agreements, the follow through in funding and practice is still lacking. Accountability and transparency are key to turning commitments and gender policies into action.
- To spur follow through and enshrine political momentum in institutional procedure, the investments made under the NCQG should apply sector wide best practices of transparent monitoring and evaluation of gender equality results in financing climate actions (see e.g. the recently reformed reporting practice of the Adaptation Fund). This should include strengthened gender-disaggregated information as well as qualitative reporting of outcomes on gender.

Recommendations for adoption in the draft negotiation text:

- ➢ Develop a common definition on climate finance, establish clear and standardized reporting rules and accountability mechanisms to ensure the availability of regular, transparent, accessible and harmonized reporting data on mitigation, adaptation and loss & damage climate finance. Such standardized rules should allow for the analysis of climate finance data from bilateral donors, vertical climate funds and International Finance Institutions on commitments as well as (and more importantly) disbursements disaggregated by country. The reporting mechanisms and rules should allow analysis of data specifically for climate-vulnerable, conflict-affected countries to track progress in closing the finance gap.
- ➢ Accountability and reporting mechanisms should include qualitative reporting on gender-sensitive and gender-responsive climate finance.

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