

Submission by the Republic of Malawi on behalf of the Least Developed Countries Group on updated views on the elements of the New Collective Quantified Goal on Climate Finance (NCQG).

The LDC Group welcomes the invitation by the Co-Chairs of the ad hoc work programme of the new collective quantified goal (NCQG) to provide *views/elements from previous submissions and interventions that have further evolved and can be updated, and/or could be further elaborated* to inform the preparation of an updated input paper ahead of the third meeting under the ad hoc work programme.

The LDC Group hereby provides updated views on the Group priorities and elements of the NCQG, including further elaborated views on qualitative elements of the goal.

1. LDC high-level priorities for the NCQG

The LDC Group expects that at COP29 Parties agree on an ambitious New Collective Quantified Goal (NCQG) outcome that:

- a) Reflects the needs of developing countries, with a component of public finance provided by developed countries well above the minimum floor of USD\$ 100 billion per year.
- b) Addresses mitigation, adaptation and loss and damage.
- c) Prioritises access to grant-based finance for adaptation and loss and damage, as well as highly concessional finance for mitigation.
- d) Operationalises the priorities of LDCs and SIDS in relation to the provision and mobilisation of climate finance.
- e) Establishes a common definition of climate finance, as part of the transparency arrangements of the NCQG.
- f) Incorporates fairness, equity and justice considerations, including the precarious debt distress conditions of developing countries.

2. Updated views of the LDC Group on the elements of the NCQG

Main elements of NCQG	Views and sub-elements
	<ul style="list-style-type: none"> - Recalling Article 4 of the Convention, paragraphs 53 of decision 1 CP/21, and Articles 2 and 9 of the Paris Agreement, highlighting the need to take into account the priorities and needs of developing countries. - Recognise the importance of just transitions, resilience building, the promotion of sustainable development, food security and the eradication of poverty in developing countries.

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<i>Mandate and context of the NCQG</i>	<ul style="list-style-type: none"> - Recognise the urgent need to support the implementation of nationally determined contributions, national adaptation plans, and long-term strategies, including capacity building and technology transfer. - Reference to findings of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change on urgency of climate action and scale up of finance needed. - Highlighting that the financial needs of developing country Parties are currently estimated at USD 5.8–5.9 trillion for the pre-2030 period, and adaptation finance needs are estimated at USD 215–387 billion annually up until 2030; acknowledging that these needs estimations are likely undervalued as not all needs have been expressed in monetary values. - Confirms that the scale and elements of the goal should reflect the evolving needs and priorities of developing countries, as a dynamic process. - Acknowledge the challenges and special needs of LDCs and SIDS, regarding the provision and mobilisation of climate finance, including access. - Emphasize the need for further efforts to enhance access to climate finance, including through harmonized, simplified and direct access procedures, as well as building capacity, to address the needs of developing country Parties, in particular the least developed countries and small island developing States. - Acknowledge the fiscal constraints and increasing costs to adapt to the adverse effects of climate change and, in this context, reiterate the need for public and grant-based resources for adaptation in developing country Parties, especially those that are particularly vulnerable and have significant capacity constraints, such as in the least developed countries and small island developing States - The principles of fairness, equity and justice must be up held when considering the new goal and its delivery.
<i>Quantum elements including thematic scope and structure of the goal.</i>	<ul style="list-style-type: none"> - The NCQG must have a concrete, yearly target, of grant based and highly concessional climate finance to be provided and mobilised from developed to developing countries. - The finance targets must adequately reflect the true costs of climate action in countries, including adaptation, mitigation, and loss and damage and scaled-up financial resources and targeted provision to LDCs and SIDS to meet their needs, based on the best available science. - The SCF needs determination report (NDR) (approximately 6 trillion cumulative by 2030) and adaptation finance needs from the Adaptation Gap report—embedded in the GST decision—must inform the determination of the NCQG total and yearly

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	<p>quantified goal, taking into consideration of the changing needs of the developing countries.</p> <ul style="list-style-type: none"> - The NCQG should have sub-goals for adaptation, mitigation and loss and damage to reflect and address the evolving needs of developing countries. - A balanced allocation between adaptation and mitigation and adequately address loss and damage. - At least 20% of the financial resources should flow through the operating entities of the financial mechanisms. - The NCQG should consider resources related to readiness activities and to support the implementation of the enhanced transparency framework in developing countries, including for the periodic preparation of BTRs. - The NCQG should consider resources for technology transfer and capacity building to support implementation of nationally determined contributions, national adaptation plans and long-term strategies.
<p><i>Qualitative elements</i></p>	<ul style="list-style-type: none"> - On <u>access and delivery of the goal</u>, the implementation of the NCQG should enhance access to finance, in particular for the LDCs and SIDS: <ul style="list-style-type: none"> o Promoting fairer financial flows by scaling up and prioritising direct access. o Strengthening capacity of human resources and national institutions. o Simplifying application and disbursement processes. o Establishing flexible information requirements, especially those related to climate rationale. o Reducing co-financing requirements and minimising conditionalities. o Creating minimum allocation floors for LDCs and SIDS, in particular for adaptation, and loss and damage response. o Ensuring that concessionality level of climate finance provided and mobilised must take into account the precarious levels of debt distress, and to ensure debt sustainability, the cost of capital should be well below medium-term growth rates. o Indebtedness and transaction costs must be taken into consideration - Operating entities of the Financial Mechanisms should lead on the implementation of measures to enhancing access to climate finance, and report on a frequent basis the measures planned and implemented. - Other bilateral, regional and multilateral entities are encouraged to implement measures to enhance access to climate finance and report on their planned and implemented actions.

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	<ul style="list-style-type: none"> - Need to address systemic access inequities for developing country Parties, in particular LDCs and SIDS including inter alia: the high cost of capital, high transitions costs, capacity constraints, and indiscriminate assumptions of corruption. - Consider the urgent need to reform the multilateral financial architecture, to reflect the current and evolving global dynamics, that can ensure climate justice, particularly for the LDCs and SIDS. - NCQG must be delivered to the largest extent possible via the provision of grants-based public finance for adaptation and loss and damage, with the highest concessional levels given to LDCs and SIDS. - Resources for readiness and transparency support shall be solely public and grant-based, in particular for LDCs and SIDS. - Ensure that only resources that qualify as climate finance contribute to the NCQG: (1) Climate finance delivered as part of the NCQG should be new and in addition to ODA. No development finance should be redirected or labelled as climate finance, and (2) support should align with priorities of developing countries, particularly LDCs and SIDS. - Needs of LDCs and SIDS to be included in the Common Framework for Debt Treatments Beyond the Debt Services Suspension Initiative, to also include debt relief, debt forgiveness and debt servicing assistance.
<i>Timeframe</i>	<ul style="list-style-type: none"> - The timeframe should consider the long -term goal of achieving carbon neutrality by mid-century. - Timeframe for the goal should be 10 years, with a review by year 5. - As a dynamic process, new climate finance goals should be established before the end of every 10 year period.
<i>Transparenc y arrangement s</i>	<ul style="list-style-type: none"> - The NCQG should have fit for purpose transparency arrangements, considering the context of each country Party. - The Enhanced Transparency Framework (ETF) should be a part of the transparency arrangements of the NCQG. The Biennial Transparency Reports (BTR) should be the main source of information for the monitoring and reporting of the NCQG (finance provided and mobilised by developed countries). - Reports under Article 9.5 of the Paris Agreement should also be part of the transparency arrangements of the NCQG, and where possible their information compiled and included as part of NCQG progress reports. - <u>However</u>, the NCQG will need additional transparency arrangements to address, among other issues:

Main elements of NCQG	Views and sub-elements
	<ul style="list-style-type: none"> ○ The definition of climate finance as key for adequate accounting and transparency of the goal. Only resources that qualify as climate finance should count towards the delivery of the goal: <ul style="list-style-type: none"> (a) Climate finance delivered as part of the NCQG should be new and in addition to ODA. No development finance should be redirected or labelled as climate finance, (b) All types of finance – grant-based, and highly concessional should be part of the transparency reports, along with clearly-stated levels of concessionality. (c) Only finance clearly targeting mitigation, adaptation and/ or loss and damage should be part of the goal. ○ Contribution of private climate finance and how they have been accounted for must be part of the transparency reports including very granular information on how and at what levels it has been leveraged, mobilized and delivered. ○ Adequate inclusion of loss and damage in the transparency arrangements. ○ Any backlog of financing pledges should be addressed in the subsequent year. – Reporting on progress of implementation and delivery of the NCQG should be done on a biennial basis, through a dedicated stand-alone report, prepared and published within the UNFCCC. – Transparency reports must reflect disaggregation of data or information provided to or mobilised for LDCs and SIDs: (a) for climate finance that has been accessed including for adaptation, mitigation and loss and damage, (b) for types of instruments and (c) for access channels.