LDC Group In-session Submission for MAHWP1 of the NCQG
03 May 2024

Co-Chairs' Input Paper for the First Meeting under the Ad Hoc Work Programme on the New Collective Quantified Goal on Climate Finance

- In general, we are fine with the structure of the paper. We may not agree with all the elements, options and language used in the document, but we think the paper is a good basis to move forward the discussion.
- Due to linkages, not all NCQG sub-elements will fit under a single section or category. There are also issues that overlap or cross-cut under different elements.

Element 1 (Preamble) and Element 2 (Context):

- The preamble and Context are important sections for communicating the background and circumstances of climate finance and the NCQG decision; as such, they should have standalone headings in the text.
- Our group believes that NCQG must be in accordance with the Paris Agreement and the principles and provisions of the Convention, clearly capturing the provisions in writing and not just mentioning/referencing them. In particular, NCQG must be decided in accordance with Article 4 of the Convention, paragraphs 52 and 53 of decision 1 CP/21, and the full Articles 2 and 9 of the Paris Agreement.
- Recognise the importance of just transitions, resilience building, the promotion of sustainable development, and the eradication of poverty in developing countries.
- Recall/ acknowledge that the NCQG must clearly be based on the priorities and needs of developing countries.
- NCQG must accelerate the implementation of NDCs, NAPs, LTS, and other climate action plans in developing countries.
- Reference to the relevance of the latest science and the need to take into account science-based targets (1.5 degrees Celsius) in the NCQG outcome.
- Reference to recognizing the special needs of LDCs and SIDS must be included.
- Other elements to be included in the preamble/context sections include:
    - Recognition of the evolving needs of developing countries, especially related to loss and damage. (Dubai NCGQ and GST decisions)
    - Recognition of the finance gap and financial needs estimates from the GST decision.
    - Reference to the challenges related to access and/or quality of finance from the GST decision.

- Reference to the urgency of climate action.

Element 3: The New Collective Quantified Goal

Element 3.1: Quantitative elements

- NCQG must have an ambitious, clear quantum based on the provision and mobilization of climate finance from public sources.
- The goal will be delivered by developed countries to developing countries. On this basis, it would also exclude any feature relating to the domestic resources of developing countries.
- The SCF's needs determination report (NDR) (approximately 6 trillion cumulative by 2030) and adaptation number from the Adaptation Gap report—embedded in the GST decision—must inform the NCQG quantum.
- Nevertheless, needs estimates are likely underestimated. It must be acknowledged that not all needs have been expressed in monetary value or reflected in these figures. For example, information on the need for addressing loss and damage needs is very limited, as it has been acknowledged in the SCF report.
- Evidence and recommendations from science should be taken into account when defining the quantum and its elements.
- We see a strong linkage between quantum and timeframe.

Element 3.2: Thematic scope

- NCQG must support climate action on loss and damage, in addition to mitigation and adaptation, to reflect and address the evolving needs of developing countries.
- Hence, we see the need for clear sub-goals for adaptation, mitigation and loss and damage.
- NCQG should aim at a balanced allocation between adaptation and mitigation and adequately address loss and damage.

Element 3.3: Qualitative elements

- Access and predictability are important – LDCs have faced huge challenges in accessing finance for adaptation. NCQG should address access issues, such as modalities, high cost of capital, high transaction cost in accessing the resources, and increasing need for co-financing.
- On access modalities, NCQG should promote direct access, simplify application and disbursement processes, reduce co-finance conditionalities and establish adequate information requirements related to climate rationale.
- NCQG must ensure that no additional conditionalities are imposed in the provision and/or mobilization of climate finance.
- LDCs are very concerned about debt sustainability and the burden that increased debt imposes on sustainable development and poverty eradication. Hence, the NCQG must

be delivered to the largest extent possible via the provision of public finance in a grants-based and concessional manner (particularly with grant-based finance for adaptation and loss and damage).

- 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.

- It is important that developing countries are not forced to choose between climate action and poverty eradication. A substantial and needed increase in climate finance should not be at the expense of other development objectives, so an increase in climate finance should not lead to lower levels of ODA.

- Also, the key to quality of finance and transparency is the need to exclude from NCQG all resources that do not qualify as climate finance.

Element 4: Transparency Arrangements

- The definition of climate finance is key for adequate accounting and transparency of the goal. For NCQG delivery, it needs to be clear what climate finance is and what is not. This is directly linked to the scope/type of activities that should be excluded from NCQG funding. Time is short, but we should find a way to address this issue as part of the NCQG transparency arrangements.

- The ETF (and BTRs) should be the main source of information for NCQG monitoring and reporting (finance provided and mobilised by developed countries).

- However, the NCQG will need additional transparency arrangements to address, among other issues:

    - Climate finance definition. Additional guidance/ elements should be in place to clarify what should be counted as climate finance and what should not.

    - Monitoring and reporting responsibilities: frequency of reporting, the entity responsible for the consolidation of information and reporting.

    - Adequate consideration of loss and damage as part of the transparency arrangements.

    - How to enhance the accounting of climate finance mobilised by developed countries with the private sector?