



NEW ZEALAND

Submission on access to finance elements for the New Collective Quantified Goal on Climate Finance

August 2024

Key points

- It is critical that Parties work towards convergence on key elements in these final months before COP 29 to ensure a fit-for-purpose NCQG is agreed.
- The inclusion of language to support making climate finance more accessible, particularly for Least Developed Countries (LDCs) and Small Island Developing States (SIDS), is an area for which there has been widespread support during deliberations on the NCQG. This support extends to aspects beyond what was in the Co-Chairs' input papers prepared for and during the 2nd Meeting of the Ad-hoc Work Programme (MAHWP 2).
- This submission provides suggested text to enable the Co-Chairs to capture this common ambition on improving access to finance in their input paper for MAHWP 3. It focuses on the following areas:
 - Reducing fragmentation in the overall climate finance landscape;
 - Bilateral climate finance providers making their finance more accessible;
 - Simplifying the access modalities of multilateral climate funds and other reforms to improve access to these funds;
 - Capacity building for developing countries' national systems for accessing, managing, and utilising climate finance;
 - Ensuring sufficient allocation for SIDS and LDCs;
 - Improving the flow of climate finance to local levels, including for most-affected communities.

Context

1. Improving access to climate finance for developing countries is recognised as a critical challenge, particularly for SIDS and LDCs. Article 9.9 of the Paris Agreement recognises the need for efficient access, in relation to institutions serving the Agreement, including the operating entities of the Financial Mechanism.
2. However, the need to improve access to finance also applies to the significant flows of climate finance from sources beyond these institutions, such as bilateral providers. It also extends beyond the country level to the communities most affected by climate change within countries.

3. Improved access is critical to ensure that any increase in finance flows galvanized by the NCQG have the intended impact, particularly for most affected communities, SIDS, and LDCs. Improving the accessibility of finance for these communities and countries will benefit all developing countries.
4. The challenge of improving access to finance has been well known for many years. Despite this, progress has not been sufficient. A step-change in progress is required for climate finance to have the impact and efficiency required in coming years to help achieve the goals of the Paris Agreement.
5. It is therefore critical that the NCQG decision include dedicated paragraphs focused on improving access to finance that go beyond the standard language that has been repeated in recent COP and CMA decisions. These paragraphs should be seen as an integral component of progress towards achieving the NCQG.
6. Suggested language to capture this context:
 - *Recalling* Article 9.9 of the Paris Agreement;
 - *Recognising* that the positive impacts of increased commitments to mobilise climate finance are constrained by barriers to access and *underscoring* the urgent need to improve access to climate finance from all sources for developing countries, particularly SIDS and LDCs, and the communities most affected by the impacts of climate change;

Aspects of improving access to climate finance that should be included in the NCQG decision

Reducing fragmentation in the overall climate finance landscape;

7. We understand that the sheer number of sources of climate finance, each with different access requirements, poses a challenge for developing countries with small administrations.
8. When recipient countries receive funding from many different sources, significant time and effort is required to service these relationships including to meet tailored reporting requirements. There are significant transaction costs when trying to meet the many different requirements of different providers. The NCQG decision should help address this fragmentation in the climate finance system.

Suggested text:

- *Urges* climate finance providers to reduce fragmentation in the climate finance system, including by prioritising scaling up existing projects and programmes over creating new ones, where appropriate, and coordinating to harmonise reporting requirements;

Bilateral climate finance providers making their finance more accessible;

9. It has been well documented that complicated access policies and procedures create significant barriers to developing countries, particularly SIDS and LDCs, accessing climate finance. While most of the attention paid to this has been in the context of multilateral climate funds, there is also significant scope for bilateral providers to simplify access to their climate finance.
10. Many bilateral climate finance providers could make their finance more accessible through appropriate changes to their access and reporting requirements, and choice of modalities. The NCQG decision should encourage these efforts.

Suggested text:

- *Urges* bilateral climate finance providers to reduce the complexity and detail requirements of proposals to ensure they are fit for purpose and context, streamline reporting requirements, and make greater use of higher order modalities such as programmatic approaches and climate-tagged budget support.

Simplifying the access modalities of multilateral climate funds and other reforms to improve access to these funds;

11. Accessing multilateral climate funds remains a difficult and expensive process for many developing countries, particularly those with low state capacity such as SIDS and LDCs. Many of the funds have made efforts to improve access in recent years but these efforts need to be continued and accelerated.
12. Barriers to access also extend beyond funds' specific access procedures, which have been the focus of previous COP and CMA decisions. The NCQG decision should encourage further action to improve access to multilateral climate funds and in greater detail to help drive accountability and action.

Suggested text:

- *Urges* multilateral climate finance providers, including operating entities of the financial mechanism, to systematically address barriers to access for developing countries, including through simplifying processes, standardising direct access for national and regional institutions, delegating approval of smaller funding amounts, making greater use of programmatic approaches, strengthening regional presence and ensuring regional expertise within secretariats, and reforming accreditation processes where applicable.

Capacity building for developing countries' national systems for accessing, managing, and utilising climate finance;

13. We understand that a common barrier to accessing climate finance for many recipient countries is capacity. Most providers of climate finance require the preparation of proposals and business plans that require significant technical expertise. Similarly, significant management expertise and robust internal processes are required to effectively deploy large volumes of climate finance.
14. In addition to seeking to streamline these requirements where appropriate for developing countries, the NCQG decision should also support the development of the relevant capacities needed to manage and utilise climate finance.

Suggested text:

- *Urges* further support for capacity building in developing countries, particularly SIDS and LDCs, to access, manage, and utilise climate finance, including, as appropriate, through capacity for proposal development, financial modelling, tracking and monitoring of climate finance received, and project management, and improved access to climate-related data and information;

Ensuring increased prioritisation of SIDS and LDCs

15. To complement these concrete actions that will help reduce the barriers to access, climate finance providers should also ensure the needs of SIDS and LDCs are given greater priority including, where appropriate, through targeted allocations. This will help ensure that climate finance flows to those countries most affected by the adverse impacts of climate change.

Suggested text:

- *Urges* climate finance providers to place a greater focus on SIDS and LDCs including through targeted funding for SIDS and LDCs, as appropriate.

Improving the flow of climate finance to local levels, including for most-affected communities and groups

16. In addition to the challenges of developing countries accessing climate finance, there are also often barriers to finance effectively reaching local communities directly experiencing climate impacts. The effects of this are particularly acute for those communities and groups most affected by the impacts of climate change. The NCQG decision should promote actions to address these.

Suggested text:

- *Urges* Parties and multilateral climate finance providers to collaborate in ensuring that an increased proportion of climate finance reaches local communities, particularly those communities most affected by the impacts of climate change, including through inclusive project and programme design processes, capacity building, and supporting direct access to finance at subnational and local levels.

Incorporating these elements into the NCQG

17. New Zealand would like to see these textual options reflected in the Co-Chairs' input paper for MAHWP 3.

18. One approach for achieving this is to have these options combined as a series of paragraphs within a stand-alone section on access to finance within the NCQG decision.

19. Another approach would be to include them within other relevant sections, such as those focused on different actors. The textual options for improving access to multilateral climate funds and bilateral providers making their finance more accessible, for example, could be included in sections on "calls to action" for these actors, as has been proposed by some Parties.

20. A combination of these two approaches would also be possible.

21. Whichever approach is taken, it is important that the inclusion of elements on improving access to finance is done in a way that ensures that progress towards them is an essential consideration of any evaluation of achievement of the NCQG.