Climate Resilience Alliance

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Concern Worldwide, Mercy Corps, Plan International

Making climate finance work for all

Five tests for a robust New Collective Quantified Goal (NCQG)

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Making climate finance work for all: Five tests for a robust New Collective Quantified Goal (NCQG) was produced in collaboration with the following Alliance partners. Further information on the authorship is available in the acknowledgements at the end of this report.

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Formerly the Zurich Flood Resilience Alliance, we have over a decade of experience in generating evidence of communities' current levels of climate resilience and identifying appropriate solutions.

Through long-term community programmes, new research and stakeholder influencing, we strive to deliver systemic change at scale and realize our vision of a world in which communities are more resilient to climate hazards, and able to thrive.

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The village of Simonet in Pekalongan, Indonesia, now permanently inundated by flooding. Photo: Sapta Hudaya/Mercy Corps

Executive summary

Climate change is accelerating, and it is the poorest and most vulnerable women, men and children who are paying the highest price. 2023 saw temperature records broken month on month, and 2024 looks set to be the same. Some impacts, such as droughts, wildfires and extreme rainfall, are escalating faster than predicted, with devastating impacts on individuals' lives and livelihoods.

A promise, belatedly kept

In 2009, developed countries committed to jointly mobilizing $100 billion a year in climate finance by 2020 to help developing countries respond to climate impacts. This agreement was a big step forward, but there were critical flaws in the design of the goal, which was only met two years late (OECD, 2024). Even then, the true value of climate finance provided by developed countries was much lower than what was promised: being less than a third of the amount reported in official figures (Kowalzig, 2024). This exacerbated mistrust between countries, delayed progress in climate change negotiations, and, most importantly, meant that the most vulnerable continue to bear the cost of the climate crisis.

This year, at the United Nations climate conference in Azerbaijan (COP29), countries are due to agree a new global finance goal to cut greenhouse gas emissions, boost resilience, help communities adapt to the impacts of climate change, and cover the costs of loss and damage.

It is critical that this New Collective Quantified Goal, or NCQG, reflects the lessons learned over the last 15 years, restores trust in the multilateral process, and equips countries to respond to rapidly escalating challenges. This report sets out key principles and five tests that can help ensure the NCQG is robust, all of which are underpinned by a core principle of fairness.

A core principle of fairness

Climate finance flows have increased significantly in recent years but still fall far short of what is needed, even as the impacts and costs of climate change accelerate exponentially. As one of the founding principles of the 1992 UN Framework Convention on Climate Change (UNFCCC), all countries have accepted that they share responsibility for tackling climate change and its impacts. However, this responsibility is not evenly distributed. Therefore, the principle of "common but differentiated responsibilities and respective capabilities" (CBDR-RC) is enshrined in the Convention and has been reinforced in many agreements since, including the Paris Agreement.

This means that developed countries, who bear the greatest historic responsibility for climate change, must do the most to stop it and help those that bear the brunt of climate impacts. This core principle of fairness underpins obligations and commitments on international climate finance, and ultimately climate justice, which sits at the centre of climate diplomacy.

Five tests for a robust NCQG

For the NCQG to be a success it must pass the five tests set out below:

TEST 1: The NCQG should adopt a fair share approach and comply with the principle of common but differentiated responsibilities and respective capabilities, as set out under the UNFCCC and in the Paris Agreement

For the NCQG to pass Test 1, developed countries must contribute climate finance in line with their historical contribution to cumulative greenhouse gas emissions, and according to their ability to pay. This principle of CBDR-RC should inform an equitable burden-sharing mechanism – common in international agreements – that provides clarity and accountability. Methodologies exist to determine what a 'fair share' constitutes, and while they differ slightly, it is clear that Annex II[1] countries should provide the vast majority – some say up to 80% – of any climate finance target (Beynon, 2023).

Arguments that emerging markets and other big emitters should pay more appear to be an attempt to distract from developed countries' failure to fulfil their existing obligations. This is especially true given that many developing countries are already voluntarily providing climate finance. According to ODI, one way to increase the quantity of climate finance could be to extend reporting requirements to all countries; this could create incentives for developing country Parties to provide financial resources, without the fear of their being perceived as 'developed' (Pettinotti et al., 2024).

1 Annex II Parties consist of the industrialised countries that were members of the Organisation for Economic Cooperation and Development (OECD) in 1992. These include the following: Australia, Austria, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

TEST 2: The NCQG should be sufficiently ambitious, and should align with the evolving needs of developing countries

To pass Test 2, the NCQG should be considerably more ambitious than the $100 billion goal, which reflected what was politically possible at the time, not what was needed. The NCQG must be based on actual developing countries' needs and must be updated as these evolve. While different estimates exist, all agree that the financing required is in the region of trillions of US dollars a year (Falduto et al., 2024). The NCQG should also have sub-goals for mitigation, adaptation, and loss and damage, to address the current imbalance, which favours mitigation, and to ensure that finance is not taken from one climate pillar to fulfil commitments to the other.

TEST 3: The funding should be predominantly made up of public grant-based finance

To pass Test 3, the NCQG should be predominantly made of public finance, provided as grants. The status quo is deeply unjust, with loans currently making up the lion's share of all international public climate finance (69%) (OECD, 2024), entrenching existing inequalities and exacerbating debt crises in climate-vulnerable countries. There needs to be a significant shift from the current situation and a drastic increase in the proportion of grants. Public grant-based finance is key because private sector finance is not well-suited for adaptation or for responding to loss and damage (where investment returns are less likely), or for less developed, fragile, or conflict-affected countries (where risk appears higher, causing costs to increase or investors to stay away). Thus the NCQG should distinguish clearly between public climate finance that is provided, and the private finance that is mobilized.

TEST 4: The money should be new and additional, and should result from better use of public resources

To pass Test 4, the NCQG should state that climate finance should be new and additional to official development assistance (ODA), as required by the UNFCCC, and not provided at the expense of education, health, or the achievement of the Sustainable Development Goals. To unlock the money needed, developed countries should use public tax and spending more wisely. There is potential to raise climate finance through taxes at the national level in developed countries, as well as by implementing taxes and levies at the international level. Developed countries should act on their existing commitment to end inefficient fossil fuels subsidies. They could also tax emissions from shipping and aviation, fossil fuel operators' profits, or wealth, so that polluters pay for the climate crisis, not vulnerable communities. This is a matter of political choice.

TEST 5: The funding should be accessible and supportive of gender equality and human rights

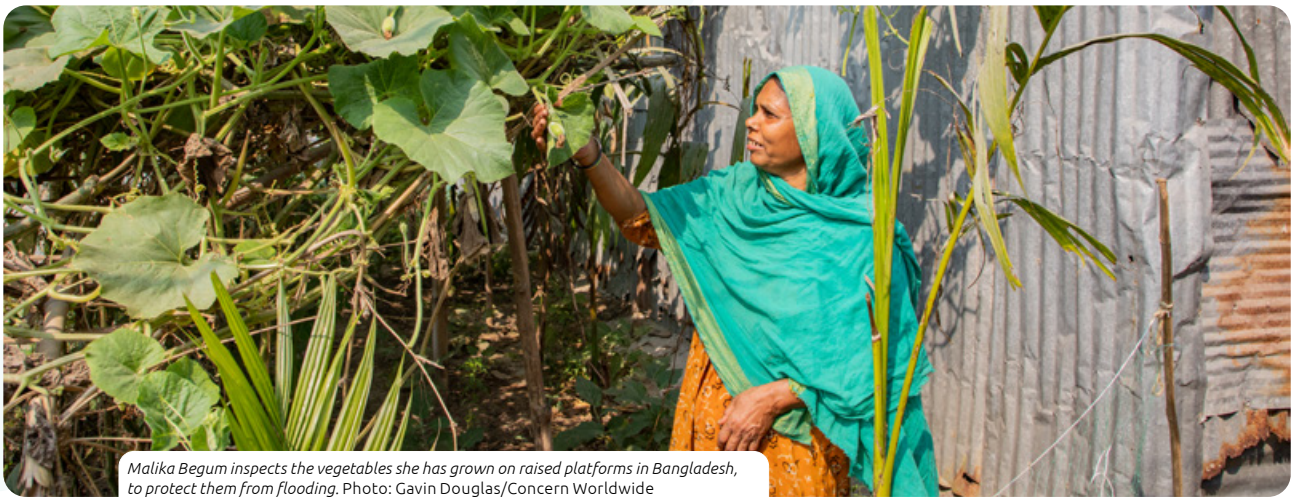
To pass Test 5, the NCQG should ensure the finance is available swiftly to the countries, communities, and vulnerable groups that need it most, including Small Island Developing States (SIDS) and Least Developed Countries (LDCs). There should be measures to simplify access procedures across different institutions, and to address individual vulnerabilities. The NCQG should incentivize climate finance providers to prioritize gender equality objectives, include gender analysis in all programmes, and further encourage countries to report gender equality markers transparently and consistently.

In everyone's interests

Providing climate finance is not voluntary for developed countries. It is a core part of their legal responsibilities under the UNFCCC and their failure to do so runs contrary to the Convention and the Paris Agreement.

It is also in the interests of all people and governments. In an interconnected world, failure to deliver climate finance will have painful consequences for everyone. One country's economic growth often depends on the economic resilience of many others, and climate impacts can cascade rapidly through global supply chains. An Oxford University study suggests more than $122 billion of economic activity and $81 billion in international trade is at risk from the impact of extreme climate events on ports alone (University of Oxford, 2023).

By providing enough money now, in the right way, developed nations can help developing countries, who have done the least to cause climate change, to mitigate, adapt and respond to its effects. This will make them more resilient to big global shocks, stabilise global supply chains, protect the world economy, and, above all, save the lives and livelihoods of the most vulnerable women, men and children.



Malika Begum inspects the vegetables she has grown on raised platforms in Bangladesh, to protect them from flooding. Photo: Gavin Douglas/Concern Worldwide

Plan International team members delivering supplies to those affected by flooding in QuangTri province, Vietnam, October 2020. Photo: Tran Huu Phuong Anh/Plan International

1. Introduction

2023 was the hottest year on record, with global temperatures reaching an average of 1.48°C above pre-industrial levels (Copernicus Climate Change Service, 2023). Unprecedented droughts, wildfires, floods and heatwaves ripped apart communities and dramatically disrupted the global economy. 2024 looks set to break these records again (UK Met Office, 2023).

No region was spared but the poorest countries, where people have the fewest resources to fall back on, were hit hardest. For example, in the Horn of Africa, five consecutive seasons of drought gave way to heavy rains, causing widespread flooding, displacement and loss of livelihoods. In Asia, Tropical Cyclone Mocha displaced hundreds of thousands of people in Bangladesh and Myanmar, caused injuries and deaths, and damaged property and crops across the region.

To avoid the worst impacts of climate change, all countries have agreed to make efforts to limit global temperature rise to 1.5°C. The world is not on track to meet this target. Current climate policies will see temperatures rise by 2.7°C by 2100 (Climate Action Tracker, 2023). This would be a "death sentence" according to the UN Secretary General (UN News, 2023). With climate impacts consistently more severe than predicted, the window available to limit dangerous warming is closing.

All countries need to invest more to cope with climate change and help limit global warming, in line with agreed targets. Climate finance is public funding, or private funding that is mobilized by public funding, that is used to cut greenhouse gas emissions, boost resilience, help communities adapt to the impacts of climate change, and cover the cost of loss and damage. Climate finance sits at the centre of climate diplomacy and has been a key area of debate in climate negotiations since the foundation of the UNFCCC.

Tina Stege, Climate Envoy for the Marshall Islands, put it like this at an event hosted by DanChurchAid: *"Climate finance is not a donation to our countries: it's what we need because most of the rest of the world benefited from fossil fuels and that benefit has harmed us. We need a system that acknowledges that and provides us the finance that we need to adapt. And it's not the current system"* (DanChurchAid, n.d.).

In 2009, developed nations agreed to jointly mobilize $100 billion in climate finance every year by 2020 for developing countries, who bear the brunt of the impacts of climate change, despite having contributed least to historic emissions. This goal was only met in 2022, two years late, and there remain many unresolved issues about the quality of that finance, notably the very high proportion of loans. The poor design of the goal and the delay in achieving it has damaged trust and led to stand-offs in the UN process, which are stalling urgent climate action.

While global climate finance has grown over the last few decades, it still falls far short of what is needed. Furthermore, needs are growing as climate impacts accelerate and as meaningful action to curb emissions is delayed. As such, current estimates of needs are still too low.

Two recent key high-level reports have assessed the levels of spending and investment required. In 2023, the Independent High-Level Expert Group on Climate Finance (IHLEG) estimated that emerging markets and developing countries, outside China, need to spend around $2.4 trillion a year by 2030 on mitigation, adaptation, loss and damage, and the conservation and restoration of nature (Bhattacharya et al., 2023). This is around four times what is currently being spent.

Meanwhile, in 2021 the UNFCCC summarized developing countries' national climate plans and concluded that they will need around $5.8 trillion between them by 2030, while acknowledging that this is likely to be a significant underestimate (UNFCCC Standing Committee on Finance, 2021).[2]

Whichever way you look at it, it is clear that climate finance must be in the order of trillions of dollars a year – far more than is currently being provided. To avoid the most severe effects of climate change, accelerate the transition to clean energy, and pay for vital adaptation and resilience measures in the most climate-vulnerable countries, climate finance needs to increase dramatically, and fast.

As Simon Stiell, Executive Secretary of the UNFCCC said recently: *"We need torrents, not trickles, of climate finance"* (Freedman, 2024) and a *"quantum leap on climate finance is both essential and entirely achievable"* (Lo, 2024).

An NCQG for climate finance

This year at COP29 in Azerbaijan, following two years of negotiations, countries will set an updated goal for climate finance: the NCQG. Much has changed since the last shared goal was agreed in 2009. While the $100 billion goal was a significant step forward at the time, global greenhouse gas emissions have continued to rise and the impacts of climate change have intensified.

Meanwhile, in the wake of the COVID pandemic and escalating conflicts worldwide, the global financial situation has got tougher. High interest rates have left developing countries crushed by debt, and half of the poorest economies have not recovered to pre-pandemic levels. Nearly $200 billion net flowed out of developing countries to private creditors in 2023 (Summers and Singh, 2024). The resulting debt crisis is reinforcing inequalities and further undermining trust between developed and developing nations.

2 A revision of this report will be published in September 2024. This will likely show an increase in the assessment of developing countries' needs.

A growing chorus of voices is calling for reform of the international financial system to make it fit for purpose. Leaders from countries on the frontlines of the fight against climate change have proposed changes, including to World Bank and International Monetary Fund (IMF) rules, that would relieve the debt burden and enable developing countries to finance climate action. A robust NCQG would form a key plank of this fairer, more equitable regime.

Conversely, failure to act would have an enormous cost. In an increasingly globalised world, one country's economic growth often depends on another's economic resilience. Devastating climate impacts in one place can ripple through global supply chains and cause huge economic impacts in another. According to Oxford University's Environmental Change Institute, more than $122 billion of economic activity and $81 billion in international trade is at risk from the impact of extreme climate events on ports alone (University of Oxford, 2023).

The Potsdam Institute for Climate Impact Research recently estimated that "locked in" climate impacts will wipe $38 trillion off the global economy each year by 2050 (i.e. 19% of global income), regardless of any future emissions reductions. This will be felt everywhere, but low-income countries will experience the biggest losses and also have the fewest resources to help them adapt (Kotz et al., 2024). It will be the poorest and most vulnerable women, men and children in these societies that will be hit the hardest. If essential mitigation and adaptation measures are delayed, this will lock in more warming and lead to even greater loss and damage (IPCC, 2023).

Strengthening climate finance would enable developing countries to adapt and respond to the impacts of climate change, making them more resilient to big global shocks and boosting the stability of global supply chains. Ultimately, climate finance is good for macroeconomic stability, and therefore benefits everyone.

Learning the lessons

The NCQG offers a chance to learn from the lessons of the $100 billion goal and to make climate finance work for all. If designed well, the NCQG could strengthen trust, accountability and transparency in climate finance governance, improve the quantity, quality and accessibility of climate finance, and pave the way for rapid and more ambitious climate action.

This report provides five tests to ensure the NCQG is robust. It is intended for both developed and developing country policymakers working on climate finance, as well as non-governmental organizations interested in climate justice. It starts with an overview of climate finance within the UNFCCC, followed by the lessons learned from the $100 billion goal. The bulk of the report then builds on these lessons and focuses on five things that policymakers can do to build a strong NCQG.

National flags hang over the entrance to COP28 in Dubai, November 2023. Photo: Kiara Worth/UNFCCC

2. Climate finance: a core element of multilateral agreements

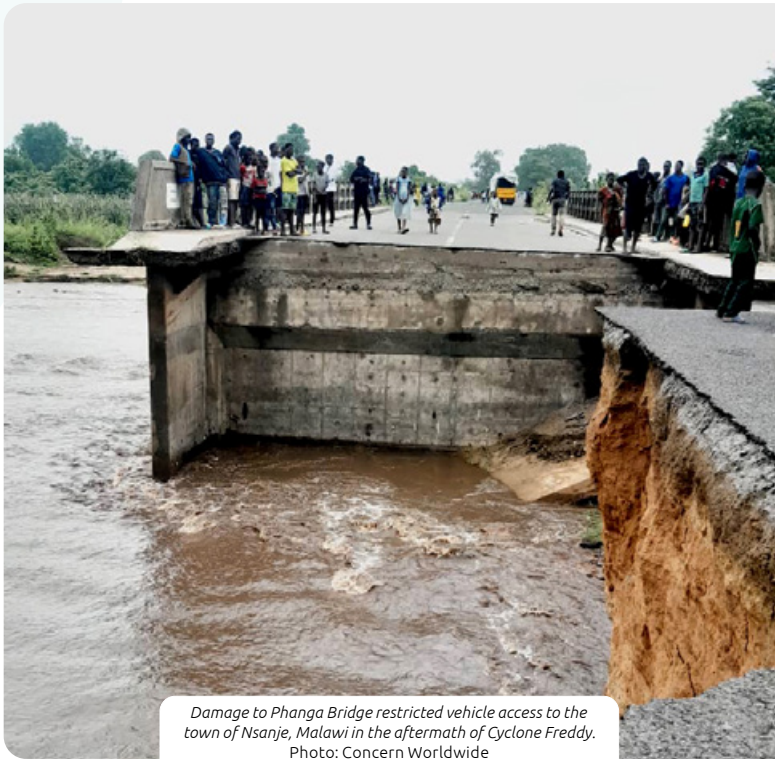
At the founding of the UNFCCC in 1992, all countries accepted they had a shared responsibility to tackle climate change.

The Convention established a core concept, known as *"common but differentiated responsibilities and respective capabilities"* (CBDR-RC), according to which developed countries, who historically had been the largest emitters of greenhouse gases and benefitted from earlier industrialization, *"should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities [and …] take the lead in combating climate change and the adverse effects thereof"* (United Nations, 1992).

The Convention provided a list of developed countries in its Annex II and stated that they were required to provide *"new and additional"* financial resources to help developing countries reduce their emissions and adapt to the climate crisis.

Since then, numerous adopted texts – including the Bali Action Plan (2007), Copenhagen Accord (2009), Cancun Agreements (2010), Durban Platform for Enhanced Action (2011), Paris Agreement (2015) and Sharm el-Sheikh Implementation Plan (2022) – have reinforced the principle of CBDR-RC and the requirement for developed countries to take the lead on climate finance (see the annex to this report for more detail).

The legally binding 2015 Paris Agreement is of particular significance because it underpins the NCQG. Articles 2 and 9 of the Paris Agreement set out the core role of finance in driving climate action and create an obligation for developed countries to provide financial resources to developing countries. If countries are to interpret their treaty commitments in good faith, this obligation cannot be ignored. Indeed, as the second IHLEG report on climate finance put it: *"Failure to generate investment and finance of the scale and nature required is to fail on Paris. The consequences would be devastating, particularly for the poorest people. Seizing the opportunity would unlock the growth story of the 21st century"* (Bhattacharya et al., 2023).



Damage to Phanga Bridge restricted vehicle access to the town of Nsanje, Malawi in the aftermath of Cyclone Freddy. Photo: Concern Worldwide

The Paris Agreement creates an obligation for developed countries to provide climate finance

Article 2 of the Paris Agreement sets out its core objectives, as summarised below:

- **Article 2.1** describes what is needed to strengthen the global response to the threat of climate change:

  (a) *"holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels."*

  (b) *"increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development."*

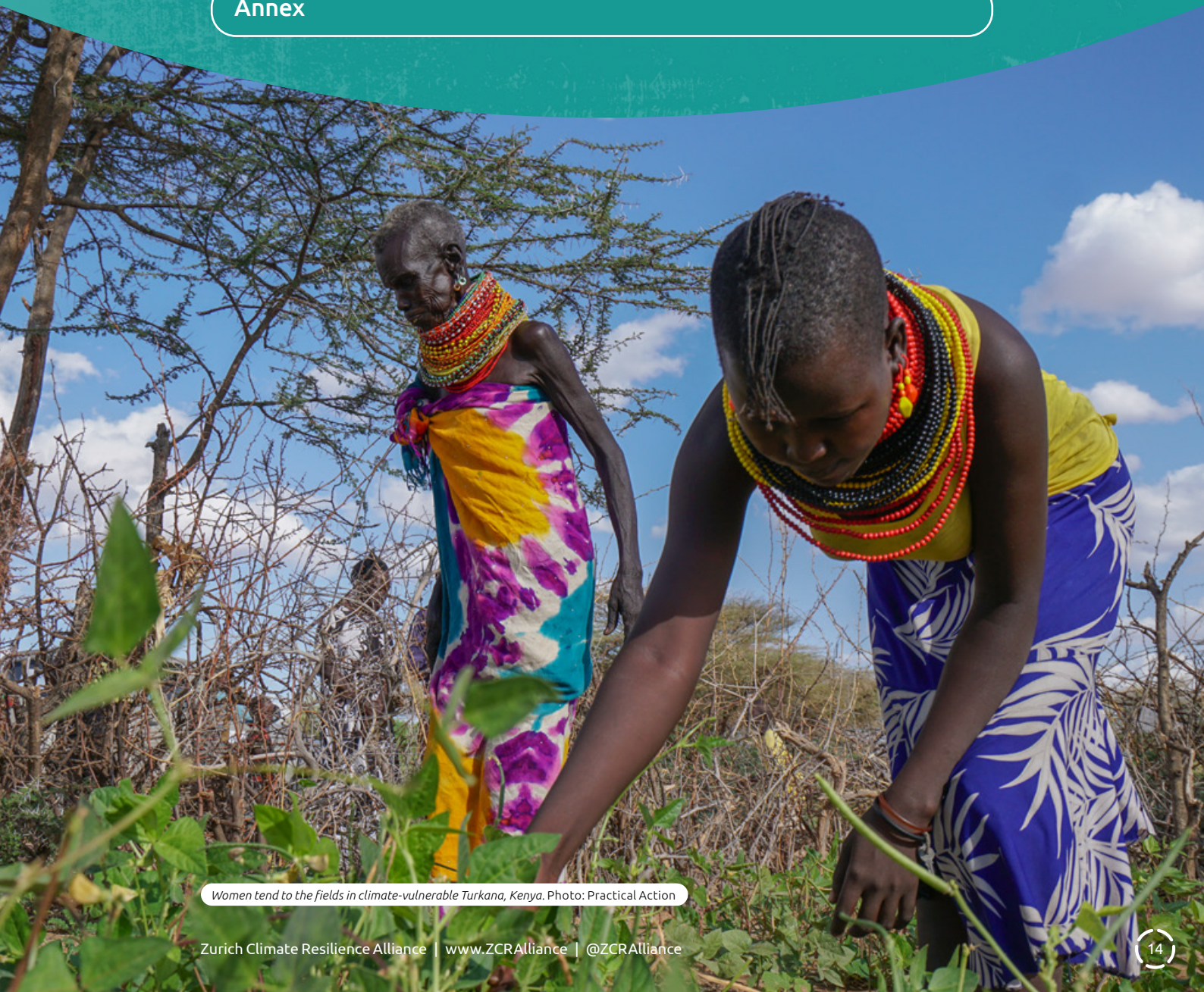
  (c) *"making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."*

- **Article 2.2** describes how this will be achieved: *"This Agreement will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances."*

Article 9 of the Paris Agreement focuses on finance and stipulates that:

- **Article 9.1:** *"Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation."*
- **Article 9.2:** *"Other Parties are encouraged to provide or continue to provide such support voluntarily."*
- **Article 9.3:** *"As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts."*

United Nations Secretary-General Ban Ki-moon (second from right) addresses COP21, December 2015. Photo: Mark Garten/UN



Women tend to the fields in climate-vulnerable Turkana, Kenya. Photo: Practical Action

3. What can we learn from the $100 billion goal?

The $100 billion goal, set in Copenhagen in 2009, was a big step forward in international climate diplomacy. It was the first quantitative target for climate finance flows from developed to developing countries, and a sign that developed countries were starting to take the financing needs of developing countries seriously.

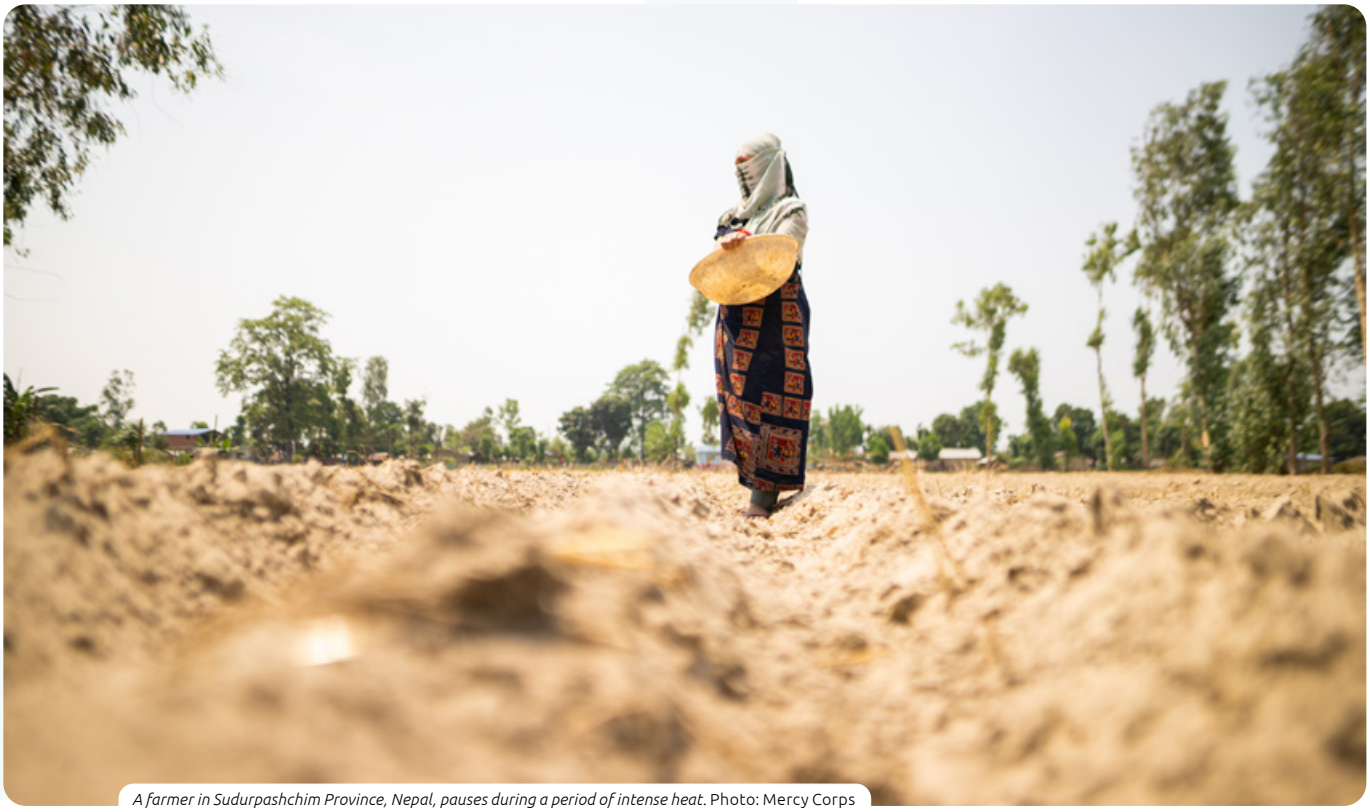
The goal helped to increase climate finance flows, which rose from $52.4 billion in 2013 to $115.9 billion in 2022. Adaptation finance also increased, reaching $32.4 billion in 2022, three times the 2016 level (OECD, 2024).

However, the $100 billion process was beset by flaws, which must be addressed in the NCQG:

- The $100 billion figure was **not based on needs;** it was a political compromise reached in the closing stages of the Copenhagen Climate Conference (COP15). It lacked a scientific foundation and was disconnected from the real financing needs of developing countries. Since then, needs have escalated rapidly, and climate impacts intensified.
- The **goal was not met on time.** Climate finance flows from developed to developing countries only met the $100 billion goal in 2022 – two years later than agreed (OECD, 2024).
- Even then, the **true value of climate finance provided by developed countries was less than a third of the officially reported figure.** While OECD reports that $116 billion was provided, Oxfam estimates that the true value was only $28-35 billion, due primarily to providers counting loans at their face value (rather than their grant equivalent, as is the norm with international development finance)[3] as well as generous reporting (Kowalzig, 2024).
- The $100 billion figure was a collective goal, and there was **no clarity on who should pay what.** As countries were not individually responsible for the sum, they could not be held accountable for their individual provision. Indeed, the UNFCCC's Standing Committee on Finance, which provided the first formal review of the $100 billion goal, noted that "the accountability of climate finance contributors is primarily to the collective group of providers rather than directly to the wider group of Parties" (UNFCCC Standing Committee on Finance, 2022).

3 Reporting in grant equivalent rather than at face value means presenting the value of a grant in terms of its net benefit to the recipient, after accounting for factors like interest rates, inflation, or repayment obligations. Essentially, it reflects the true economic value of the grant, rather than just the nominal amount awarded. This approach provides a more accurate picture of the grant's financial impact and the actual effort made by donor countries.

- The $100 billion goal made no distinction between loans and grants, and in practice **was mostly made up of loans** (in 2022, 69% of public climate finance was disbursed as loans) (OECD, 2024). As a result, many developing countries have since found themselves prioritising repayments over spending on disaster response, adaptation and mitigation.
- $100 billion was the only defined figure. This led to a **major imbalance between different strands of funding,** with mitigation accounting for 60% of public climate finance in 2022, resulting in a massive finance gap for adaptation (OECD, 2024).
- The $100 billion goal **did not differentiate between climate finance *provision*** (i.e. public funds) and ***mobilization*** (resources from private entities, unlocked by public money). This has meant that of lot of climate finance has been used to mobilize funding from multilateral development banks (MDBs), generally in the form of loans, or the private sector, requiring financial returns.
- Even when finance was available, **developing countries and communities often struggled to access it.** The climate finance architecture is complex and fragmented, with over 100 providers, each with a different mandate, financial instruments and means of accessing finance (Shakya and Holland, 2021).
- The $100 billion failed to incentivise developed countries to prioritise and track **gender equality** objectives in their climate financing, which meant the needs of women and girls have been largely overlooked.



A farmer in Sudurpashchim Province, Nepal, pauses during a period of intense heat. Photo: Mercy Corps

Flooded houses in Pekalongan, Indonesia. Photo: Sapta Hudaya/Mercy Corps

4. Five tests for a robust NCQG

For the NCQG to meet needs and begin to restore trust in the multilateral process and between developed and developing nations, there are five tests it must pass. These are set out below and cover the total amount and how well it meets developing countries' needs; who provides what; the form the finance takes; where the money comes from; and the way it is structured, accessed and reported.

TEST 1: The NCQG should adopt a fair share approach and comply with the CBDR-RC principle

Developed countries have a clear obligation under Article 9.1 of the Paris Agreement to provide climate finance to developing countries – it is not voluntary. This is reinforced by Article 2.2 of the Paris Agreement, which underscores the core principles of equity and CBDR-RC.

Climate agreements have so far lacked a mechanism for allocating responsibility for achieving international climate finance targets, despite the fact that the 1992 Convention stated that developed countries' financial obligations *"shall take into account [...] the importance of appropriate burden sharing."* Given the NCQG will also be a collective goal, it is critical that Parties agree on a burden-sharing approach.

Burden sharing is common in international agreements, and refers to the allocation of responsibilities and costs among countries in order to achieve a common goal (Pettinotti et al., 2024). For example, NATO members commit to spending a minimum of 2% of their gross domestic product (GDP) on defence (NATO, 2014) and UN Member States pay respective shares towards peacekeeping, in accordance with Article 17 of the UN Charter. In the second case, contributions are based on, among other things, the relative economic wealth of a country, with the five permanent members of the Security Council required to pay a larger share (United Nations Peacekeeping, n.d.).

The approach to burden sharing in the case of the shared threat of climate change should be based on two core variables that align with the CBDR-RC principle: *historical* emissions, reflecting responsibility for causing the climate crisis; and income, reflecting ability to pay (Pettinotti et al., 2024). Historical emissions, because the cumulative emissions of carbon dioxide since the onset of the industrial revolution are the key driver of the global warming that is already being experienced, as well as what is locked in; carbon dioxide emitted hundreds of years ago is still contributing to the warming of the planet (Evans, 2021).

These two variables can be used to estimate each country's fair share of the burden. There are already several well-established fair share approaches, and while methodologies vary slightly, the results are aligned.[4] In spite of different measures of emissions, wealth, cut-off dates and exclusion criteria, all the studies end up with very similar lists of the top 20 countries who bear the biggest responsibility for providing climate finance (Colenbrander et al., 2023).

Stalling progress

The most developed countries (i.e. those named in Annex II of the Convention) have consistently argued that emerging markets and big emitters, like China, South Korea, Saudi Arabia and the United Arab Emirates, should be contributing more to international climate finance, appealing to the need to *"expand the contributor base"* of climate finance.[5]

It is correct that emerging economies have contributed to the rise in global greenhouse gas emissions since 1992, with China currently the world's largest emitter (on a total and territorial – rather than per capita and consumption – basis) (Ge et al., 2024). However, when looking at emissions from a cumulative historical perspective, the United States remains responsible for by far the largest share, at some 20% of the global total (Evans, 2021); see Figure 1, which compares emissions of the five wealthiest Annex II countries and China.

Furthermore, several developing countries already provide significant climate finance; in some cases, more than Annex II countries (Colenbrander et al., 2023). Although these countries do not always report their contributions, they nonetheless play an important role. In 2021–22, $18.1 billion was committed by developing countries, with public actors providing 86% ($15.6 billion) of this figure, more than any individual Annex II providers in the same year (Buchner et al., 2023).

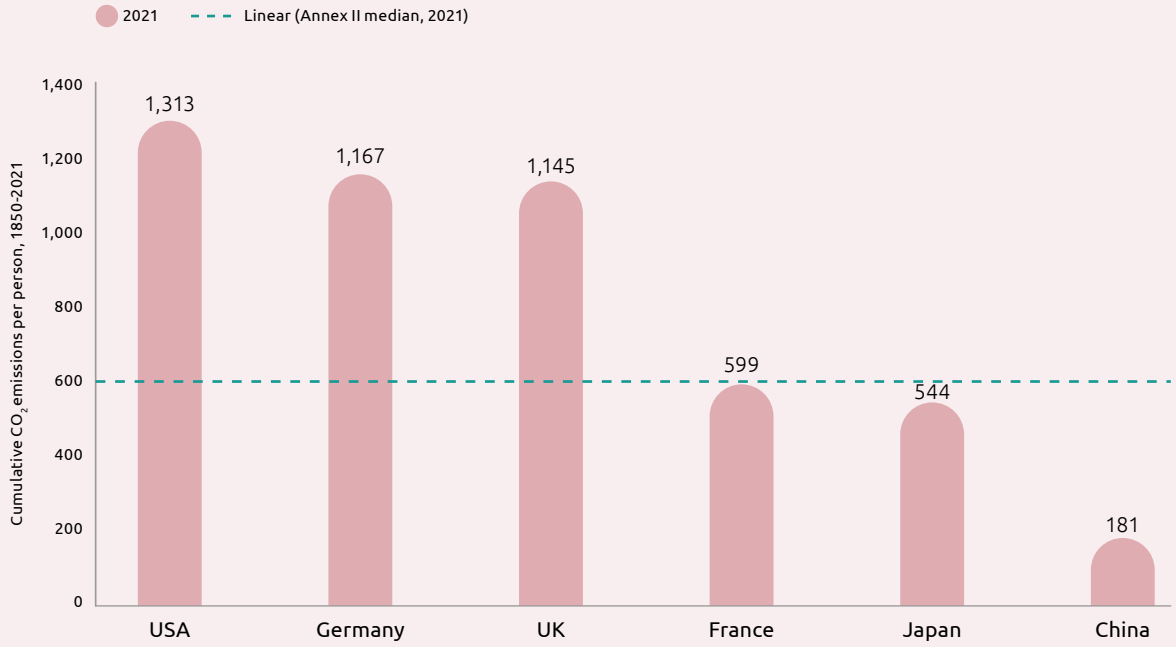
These countries are not obliged to provide climate finance, but their willingness to do so is a signal that they are stepping up in line with their ability, in solidarity with their neighbours, and in response to the escalating needs. According to ODI, one way to increase the quantity of climate finance could be to extend reporting requirements to all countries. This could create incentives for non-developed Parties to provide financial resources without the fear of their being perceived as "developed" (Pettinotti et al., 2024).

As such, while there is a case for arguing that the world has changed since 1992, all fair share/burden sharing analyses find that Annex II countries should continue to shoulder the vast majority of climate finance: up to 80% according to the Centre for Global Development (Beynon, 2023). Thus the narrative from developed countries that emerging markets and big emitters who are non-Annex II countries are not doing what they should on climate finance is at best delaying progress, and at worst a smokescreen for missing their own binding commitments.

4 These include ODI (see here), the Centre for Global Development (see here), WRI (see here), ETH Zurich (see here), Oxfam (see here), and Carbon Brief (see here).

5 See for example United States Government, n.d

Figure 1: A comparison of per capita cumulative territorial emissions of the five wealthiest Annex II countries and China



Source: Adapted from Colenbrander et al., 2023.
Data sources: CO_2 data from Gütschow et al., (2021); GNI from World Bank (2022b); climate finance data from UNFCCC Biennial Reports, MDB Joint Report on Climate Finance, Climate Funds Update and OECD DAC.

Finally, accountability lies at the heart of climate finance. Donor countries need to know how much they should budget for; recipient countries need to know how much they can expect to receive; and the private sector needs transparency to inform investment decisions. There is no use in having a quantitative goal without a framework for the process of getting there and clarity about who should be providing what.

The NCQG should:

- continue to be based firmly on existing UNFCCC principles, explicitly including language from Article 2.2 of the Paris Agreement on equity and CBDR-RC;
- restate the financial obligation of developed countries to continue to provide financial resources and take the lead in mobilizing climate finance;
- establish a fair share burden-sharing mechanism to determine relevant countries' contributions, to ensure proper accountability;
- encourage non-Annex II Parties to report on their climate finance provision;
- remain true to the Paris Agreement, by providing clear obligations for developed countries and encouraging other Parties to provide climate finance voluntarily.

Testimony: An urgent call for international support in Malawi

By Tommy Chimpanzi, Programme Coordinator (Livelihood and Resilience) at Concern Worldwide – Malawi

I have worked on disaster risk reduction for 10 years and the impacts of climate change on communities' livelihoods have become increasingly evident. It is heartbreaking to witness families torn apart by disasters like Cyclone Freddy in 2023, which led to over 2.3 million women, men and children being displaced, and killed over 600 people. The cyclone also caused disaster-related costs of $507 million and recovery and reconstruction costs of $680 million (Government of Malawi, 2023).

As I look ahead, I am not clear how things are going to change – with more droughts coming, and people dependent on rain-fed crops; and with stronger floods predicted that will wash away our homes.

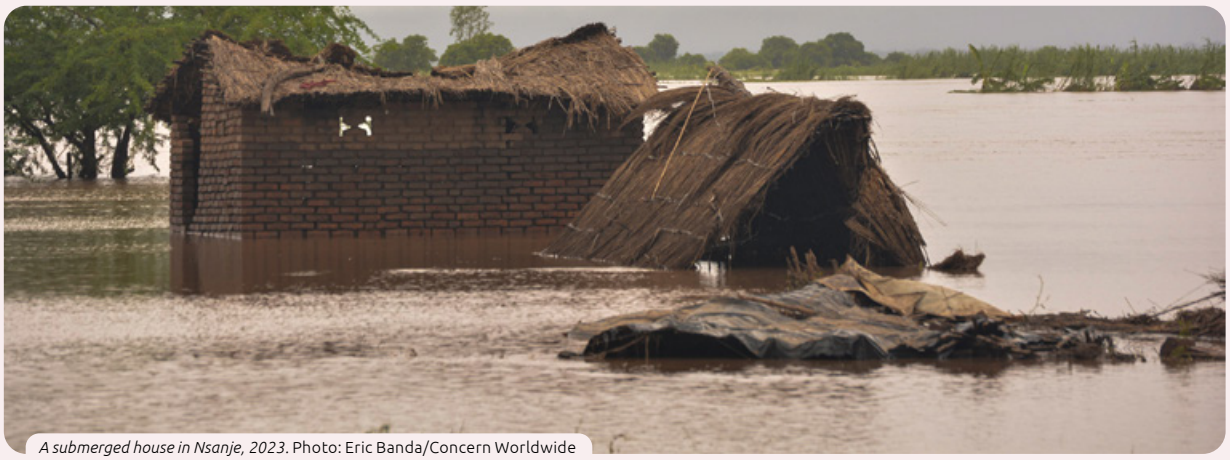
Despite the government's national adaptation plan and the passing of the DRM (Disaster Risk Management) Act in Malawi, the reality is that there remains insufficient funding. This has left critical gaps unaddressed, exacerbating the challenges faced by vulnerable communities.

Personally, this issue hits home. When I visited the Mbenje community in Nsanje District, I witnessed houses, schools, churches and farmland with crops like maize, sorghum and vegetables ready for harvest submerged in water after heavy rains caused the nearby Lalanje River to overflow.

The Zurich Climate Resilience program's work is essential. We must continue supporting these communities, building resilience and advocating for meaningful change in policy and resource allocation.

Malawi, like many other low-income countries, lacks adequate funding to adapt to the climate crisis and minimise and address loss and damage. It is crucial they are not left to fund solutions to a problem they did not cause.

The Zurich Climate Resilience Alliance work in Malawi enhances flood resilience in 35 communities. Our team helps develop and strengthen community-level plans and build the capacity of local actors.



A submerged house in Nsanje, 2023. Photo: Eric Banda/Concern Worldwide

TEST 2: The NCQG should be sufficiently ambitious, and should align with the evolving needs of developing countries

The $100 billion goal was based on what could be achieved politically at the time, not what was needed. Learning the lessons from this, the NCQG must be much more ambitious and needs to be informed by and responsive to actual developing country needs. The overall goal requires a quantum many times bigger than the current finance goal: in the order of trillions of dollars a year.

In its contribution to the second high-level ministerial dialogue on the NCQG New Zealand stated that *"ambitious action will be required in all areas and the NCQG must be similarly ambitious to enable it".*

From the perspective of climate-vulnerable nations, adequate climate finance is a matter of survival. Evans Njewa, the chair of the LDCs Group, has written recently that *"without finance, there is no action and without action we will never be able to manage the climate crisis"* (Njewa, 2024).

There is also a need for the NCQG to provide significantly greater detail and granularity than the $100 billion goal. Developing countries need different amounts for mitigation, adaptation and loss and damage. Currently, 60% of climate finance is for mitigation, leaving adaptation and loss and damage underfunded. Adaptation costs are currently 18 times more than the money being made available (Bhattacharya et al., 2023). Estimates of the economic costs of loss and damage start from a floor of $400 billion per year and rise to beyond $580 billion by 2030 (Mechler et al., 2019).

As shown in Figure 2 below (which suggests a structure for the NCQG, based on developing countries' needs) and reflected in the June 2024 submission on the NCQG from the Alliance of Small Island States (AOSIS), the NCQG should differentiate between the *provision* of climate finance, resources supplied by developed country governments (i.e. public funds), and *mobilization* of climate finance, resources from private entities, unlocked by public money.

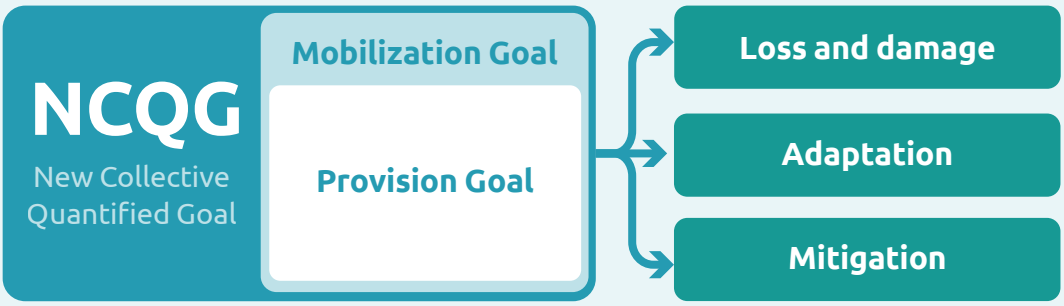
This was not done with the $100 billion, which meant that of lot of climate finance was used to mobilize funding from MDBs in the form of loans requiring repayment, exacerbating indebtedness. An additional challenge was that private sector organizations could not be held to account as they are not Parties to the UNFCCC.

The NCQG should have **sub-goals for provision and mobilization.**

- The provision goal should be set in grant equivalent terms, in respect of new, additional, predictable and adequate climate finance for developing countries, in line with their current and evolving priorities and needs.
- The mobilization goal should be additional to the provision goal and should represent the private finance mobilized through public interventions.

The NCQG should also have thematic sub-goals, set in grant equivalent terms, for mitigation, adaptation, and loss and damage, to ensure a more equitable and balanced distribution of finance. Sub-goals will also ensure finance is not taken from one theme to fulfil commitments to other themes.

Figure 2: A proposed structure for the NCQG



Legal underpinning for the inclusion of loss and damage in the NCQG

Loss and damage should become the third pillar of climate action, alongside mitigation and adaptation, following the welcome creation of the Fund for responding to Loss and Damage in 2023 at COP28 in Dubai.

The NCQG must include targets for loss and damage to ensure the Fund can be filled. It is important to note that there is no legal obstacle to doing this (Legal Response International, 2024).

- While Article 9 of the Paris Agreement does not mention loss and damage, it does state that the NCQG must take into account the needs and priorities of developing countries. It is clear that developing countries identify loss and damage as a priority.
- The NCQG is directly linked to Article 9.3 of the Paris Agreement, which refers to "climate finance". Although there is no agreed definition of climate finance, there are strong arguments that, in practice, it is increasingly moving towards the inclusion of loss and damage, which is supported by Standing Committee on Finance reports on definitions and by the establishment of the Fund and funding arrangements.
- The context has evolved. The $100 billion goal, as agreed in 2009, only focused on mitigation and is now widely understood to cover adaptation too. Similarly, at the time of the Paris Agreement, finance for loss and damage did not play a central role within the UNFCCC. The landscape has now changed, as shown by the COP27 decision to develop a fund and funding arrangements. It is therefore clear that the current context is different from that of the Paris Agreement, and the NCQG should reflect this.

Ultimately, from a legal perspective, there is nothing indicating that loss and damage cannot be covered by the NCQG.

Testimony: The increasing costs of loss and damage and the urgent need for funding in Indonesia

By Denia Syam, Resilience Program Manager and Advocacy Specialist, Mercy Corps, Indonesia

I have been working for 14 years on climate change in Indonesia and have witnessed firsthand the devastating impacts, particularly in coastal areas. The area of Greater Pekalongan, for example, is frequently affected by severe flooding and sea tides. I recall the first time I visited Pekalongan back in 2015, when we started observing permanent inundation.

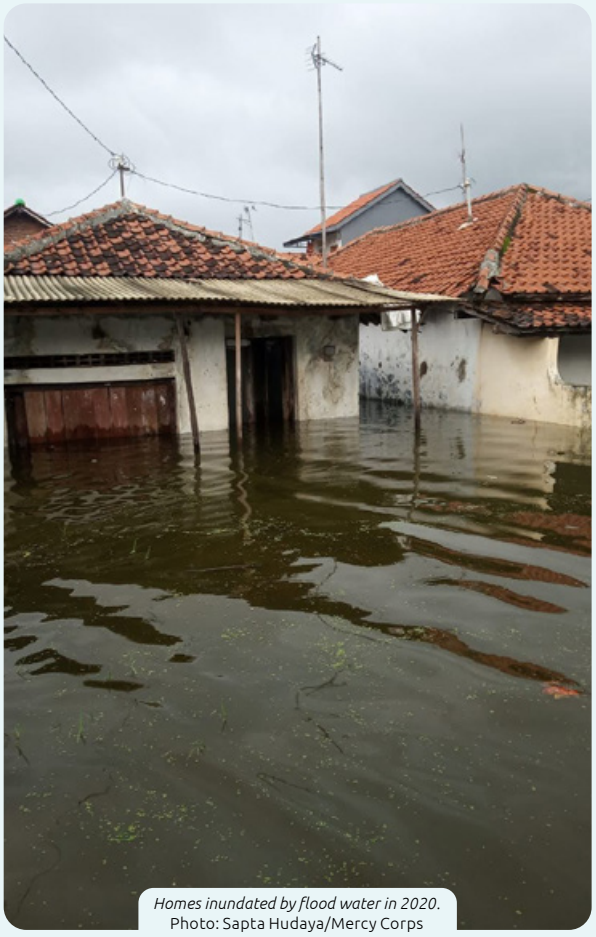
By early 2020, extreme rainfall events, in combination with tidal flooding, had caused 648 hectares of permanent inundation, with the new coastline located 4 km inside the early-2000 era. This forced hundreds of households to relocate.

In 2020, Pekalongan suffered economic losses amounting to 40% of the total regional budget that year. These losses will only rise if significant measures are not taken, and this affects many coastal areas in Indonesia. Even in such difficult circumstances, I have met Pekalongan residents who have chosen to stay in the area due to a lack of alternatives. Most work in the fisheries sector and need to live along the coast to sustain their livelihoods, as well as their cultural and ancestral attachment to the land.

Coastal inundation is not recognized as a type of disaster under the Disaster Management Law of Indonesia. This means there is a policy gap, no available funding, and local governments cannot manage the issue effectively. This is a typical example of the difficulty of dealing with irreversible slow-onset events caused by climate change. The adaptation and disaster policy frameworks are not fit for purpose and local communities continue to bear the costs.

I have been supporting Indonesia's engagement in the UNFCCC Loss and Damage negotiations for years now. I welcome the establishment of the Fund for responding to Loss and Damage but it now must be sufficiently filled in order to deliver. This is why I believe that the NCQG must include loss and damage as one of its sub-goals.

The Zurich Climate Resilience Alliance work in Indonesia enhances flood and climate resilience in 28 at-risk communities.



Homes inundated by flood water in 2020.
Photo: Sapta Hudaya/Mercy Corps

The NCQG should:

- be ambitious enough to meet and respond to developing countries' needs in the context of escalating climate impacts and increased indebtedness;
- be developed in such a way that the structure, overall amount, and amounts for each sub-goal are shaped by scientific evidence and by the evolving needs of developing countries and climate-vulnerable communities;
- be regularly reviewed, with the overall amount being scaled up and adapted over time to meet evolving needs and the right mix of financing instruments being included;
- provide a clear signal regarding the priority of and need for accountability for public finance, as well as ensuring an appropriate balance across mitigation, adaptation and loss and damage.

TEST 3: The funding should be predominantly made up of public grant-based finance

Loans currently make up the lion's share (69%) of all international public climate finance, while grants make up just one-quarter (OECD, 2024). This is problematic, especially for countries experiencing debt distress.

The accelerating impacts of climate change have forced lower-income countries to borrow more to meet their obligations to citizens, meaning they are facing an existential debt crisis. This is being exacerbated by record interest rates (World Bank 2023).

Low-income countries now spend on average five times more on debt repayments than on tackling climate change, while SIDS spend between 30% and 70% of their total public revenue on debt servicing (Jubilee Debt Campaign, 2021). The use of return-seeking loans for climate finance is making this worse, entrenching existing inequalities and further undermining trust in the international climate negotiations.

Meanwhile, the costs of adapting to climate change are rising. According to the Adaptation Gap report, developing countries will need to spend an estimated $387 billion a year on adaptation this decade (UNEP, 2023). This is money they do not have.

The importance of public finance, without any repayment or interest conditions, is underlined by the COP28 decision text, which states that: *"scaling up new and additional grant-based, highly concessional finance, and non-debt instruments remains critical to supporting developing countries"*. It also notes that *"there is a positive connection between having sufficient fiscal space, and climate action and advancing on a pathway towards low emissions and climate-resilient development"* (United Nations, 2023).

The 2023 IHLEG report makes a similar point: *"concessional finance is the scarcest and most vital source of finance for meeting urgent and high priority needs"* (Bhattacharya et al., 2023).

Testimony: The human and economic costs of climate change in Pakistan

By Shafqat Ullah, Humanitarian and Livelihood Coordinator, Concern Worldwide Pakistan

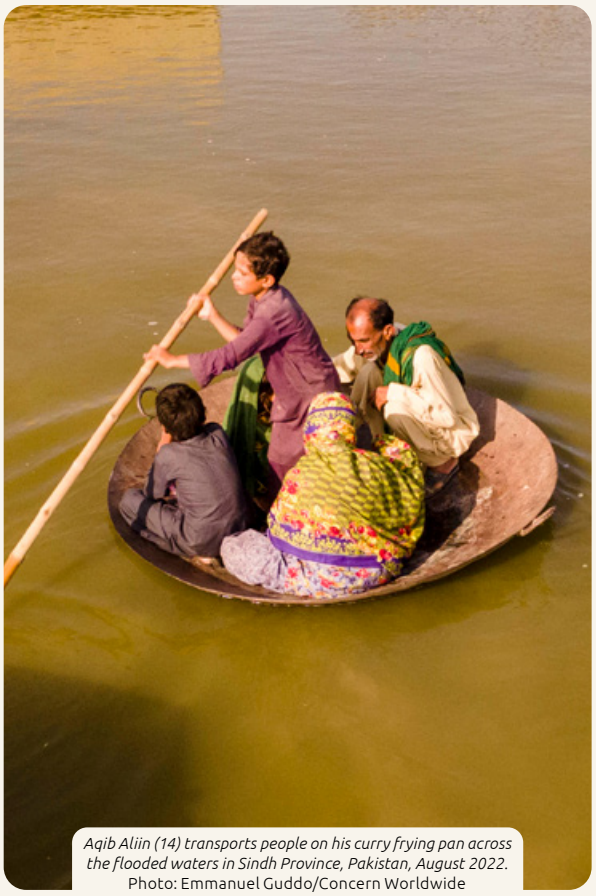
I have been working in flood resilience for nearly 15 years. Pakistan is on the frontline of climate-induced disasters. The Himalayan glaciers, a vital source of water for millions of people, are retreating at an alarming rate and erratic weather patterns have become the norm.

2010 marked a turning point. Unprecedented monsoon rains triggered catastrophic floods, affecting over 20 million people and causing billions of dollars in damage. And this was just the beginning. In 2022, I witnessed the worst floods ever, with over 33 million women, men and children impacted and a staggering economic cost exceeding $10 billion.

I saw vulnerable communities lose all their crops and livestock. Their land was under water for more than a year, prolonging the suffering. Their debt level more than tripled. Floods, droughts and heatwaves have become recurring nightmares. Pakistan did little to contribute to the climate crisis, yet the financial strain caused by climate-induced disasters is huge. Our current debt burden represents 75% of GDP. This limits our government's ability to invest in critical infrastructure, healthcare, and climate adaptation measures, creating a vicious cycle of vulnerability.

Attending COP28 was an eye-opening moment for me: although more than $85 billion was committed for climate action by developed countries in 2021, Pakistan has received nowhere near enough to build its resilience to climate change. The international community has a crucial role to play to support my country by recognizing that addressing climate change is not just an environmental imperative: it's a matter of global security and social justice. By providing grant-based climate finance – and not debt-inducing funding – developed nations can empower countries like Pakistan to build resilience, adapt to changing climate, and ultimately achieve a more sustainable future for all.

The Zurich Climate Resilience Alliance work supports vulnerable communities in three districts of Sindh Province which are highly prone to climate-induced disasters, notably flooding.



Aqib Aliin (14) transports people on his curry frying pan across the flooded waters in Sindh Province, Pakistan, August 2022.
Photo: Emmanuel Guddo/Concern Worldwide

Grants are particularly critical to fund adaptation and meet the economic costs of loss and damage, because these strands of climate finance do not have the same potential to attract private sector funding as mitigation. However, in 2022, only 38% of adaptation finance was provided as grants (OECD, 2024). And, despite an increase in mobilized private finance in 2022, between 2016 and 2021 only 9% of private climate finance was spent on adaptation (OECD, 2023).

Participating in a recent panel discussion, Toeolesulusulu Cedric Pose Salesa Schuster, Minister of Natural Resources and Environment and Lands in Samoa, and AOSIS Chair, said: *"Financing adaptation is not about the private sector, it isn't. In a lot of our [SIDS] the private sector is almost non-existent. There are almost no bankable projects. The grant option is the main issue, it's what we need to be able to do adaptation"* (DanChurchAid, n.d.).

Similarly, when it comes to loss and damage, many aspects are simply not appropriate for return-seeking finance. It is not fair to demand that countries pay interest on loans that fund humanitarian action, or initiatives that deal with the irreversible impacts of climate change they did little to cause, including non-economic loss and damage, sea level rise, and desertification.

Incurring debt to cover the costs of a disaster builds up liabilities at precisely the same time as key assets are being destroyed and fiscal space is constrained. This can lead to a negative feedback loop where mounting debt restricts countries' capacity to recover economically and physically and prevents them from investing in infrastructure, health, education and other essential public services.

Private finance: not a silver bullet

Expectations are high that the private sector can meet a major proportion of the climate finance gap (Bhattacharya et al., 2023). And yet, to date, private investors have not delivered the contribution expected. Of the $100 billion goal, close to 80% came from public sources in 2022 (OECD, 2024).

Furthermore, most private climate finance does not currently reach the countries that need it most. This is because investors seek higher returns as risk levels rise, increasing the cost of projects in lower-income countries with higher perceived investment risk.

For example, the Climate Policy Initiative found that investors in solar PV-based power generation projects in Germany require a return of 7% to proceed, compared to 17% in India, 22% in Brazil, and 38% in Zambia (Songwe et al., 2022). As such, between 2016 and 2021, most private climate finance went to middle-income countries with relatively low-risk profiles and the most climate-vulnerable countries lost out (OECD, 2023).

In theory, public finance can be used to 'de-risk' private investments – for example, providing guarantees – thereby 'mobilizing' private finance. But to unlock investment at the pace and scale required, developed countries need to give the private sector more certainty regarding the policies and measures that will support investment in mitigation and adaptation, as well as better information on longstanding, economy-wide risks related to foreign exchange, macroeconomic stability and the costs of capital.

The needs are so great that increased funding is required from all sources. However, for the reasons stated above, the bulk of climate finance, particularly for adaptation and loss and damage, should be in the form of grants.

The NCQG should:

- be made up predominantly of public grant-based finance, recognizing that this remains critical for low-income countries, especially for adaptation, and loss and damage;
- have separate targets for provided public climate finance and mobilized private finance;
- guarantee, in line with the principles of CBDR-RC and equity, that climate finance does not further aggravate developing countries' debt burden;
- make it mandatory for contributors to report climate finance in grant equivalent terms.

TEST 4: The money must be new and additional, resulting from better use of public resources

Article 4.3 of the UNFCCC states that developed countries *"shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties"*. There is no one definition for what counts as new and additional but what is clear is that climate finance should come *on top of* traditional development finance ODA and should not undermine spending on the Sustainable Development Goals, such as those relating to education, health and women's rights (Carty et al., 2020).

Countries established a benchmark of spending 0.7% of gross national income on ODA in the 1970s, with the primary purpose being poverty reduction: the costs of climate change were not factored in. And yet, between 2011 and 2020, only 7% of public climate finance was new and additional to ODA (Hattle and Nordbo, 2023).

The justifiable desire for funding coherence between development and climate objectives is not the same as expecting one limited funding source to address all crises (ODI, 2010). Diverting funds from tackling poverty to respond to the climate crisis is unjust and places the burden of action on the world's poorest, who have contributed the least to the situation.

Developed countries should follow the example of Luxembourg, Norway and Sweden by ensuring that all of their climate finance is additional to their ODA commitments (Hattle and Nordbo, 2022).

"Not enough money." One of the claims most often made by developed countries is that they do not have enough public resources to spend on climate finance: they have limited fiscal space. The reality is that there is money, it is just that public resources are poorly allocated. As underlined by UN Trade and Development (UNCTAD): *"The glaring gap exists not because of insufficient financing capacity in the world, but more simply because of a lack of political will"* (UNCTAD, 2023).

One key way to increase fiscal space would be to phase out inefficient fossil fuel subsidies that do not address energy poverty or just transitions. Countries have committed to do this on a number of occasions, including at COP26 and COP27. While estimates differ, production and consumption subsidies are typically around $600bn per year, and to this should be added *'implicit subsidies'*, the cost of the environmental damage caused by fossil fuels. In 2022, the IMF found that total global fossil fuel subsidies reached a record high of $7 trillion, representing 7.1% of global GDP (Black et al., 2023).[6]

As highlighted by the 2023 IHLEG report, the *"elimination of harmful subsidies (...) can generate much needed revenues to finance the transition."*

Cutting these subsidies would not only provide a source of finance but would also enable a more coherent whole-of-government approach to the climate crisis, thus supporting the implementation of Article 2.1c of the Paris Agreement, which seeks to make *"finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"*.

Of course, any reform of consumption subsidies must be done carefully to avoid increased costs for poorer households. This could be achieved through providing cost-effective alternatives (successful examples include e-scooters in Jakarta and solar panels in rural India) and through targeted social programmes.

Aside from ending harmful fossil fuel subsidies, there are several other ways that developed countries could raise money to provide dedicated, affordable, accessible, new and additional finance for developing countries. These include the following:

- A **fossil fuel extraction levy,** where countries introduce a tax on fossil fuel companies based on the CO_2 emissions equivalent of every barrel of oil, ton of coal or cubic metre of natural gas extracted within its borders (Richards et al., 2018). This could yield $210 billion annually (Hirsch et al., 2023).
- An **air passenger or ticket levy,** where countries place an extra surcharge/purchase tax on aeroplane tickets. This could be based on frequent flyer status, where the more someone travels, the more they pay (Zheng and Rutherford, 2022). This could yield $4–150 billion annually (Hirsch et al., 2023).
- An **International Maritime Organization greenhouse gas levy,** where ship operators pay a fee based on the volume of greenhouse gas emissions from purchased marine fuel. This could yield around $60 billion annually (Hirsch et al., 2023).
- A global **wealth tax** on multimillionaires and billionaires. Establishing a 1% global tax on wealth over $1 million would yield revenues of around $1.159 trillion (ActionAid, 2018) and a 5% tax on multimillionaires and billionaires would generate $1.7 trillion per year (Oxfam, 2023).

Developed country policymakers should build on recent momentum around reforming the international tax regime and should implement these measures to help fund climate finance.

6 2022 is particularly high following the war in Ukraine and the resulting fossil fuel price crisis.

The NCQG should:

- re-state the importance of climate finance provided by developed countries being new and additional to ODA and not included within the 0.7% GNI aid target;
- underscore the need for all countries, with a particular focus on developed countries, to maximize public finance for climate action, including phasing out inefficient fossil fuel subsidies and levying taxes on emissions from shipping and aviation, fossil fuel operators' profits, or wealth; countries should introduce their own domestic policies now to create fiscal space and build the momentum for international agreements on innovative sources of finance;
- require developed countries to report climate finance distinctly from other ODA.

TEST 5: The funding should be accessible and should be supportive of gender equality and human rights

The climate finance architecture is complex and fragmented, with over 100 providers, including bilateral donors, MDBs and multilateral climate funds, such as the Global Environmental Facility, the Least Developed Countries Fund, the Adaptation Fund and the Green Climate Fund. There are also providers that sit outside the UNFCCC, such as Climate Investment Funds.

All of these climate finance providers also decide individually which countries to assist and to what extent, which has led to piecemeal, rather than strategic, provision (Robertson and Watson, 2024). Mechanisms for accessing climate finance are slow, complex, resource-intensive, uncertain and project-based (UK Government, 2021). Each provider has different mandates and financial instruments, and the ways of accessing the finance differ and are very burdensome, and are particularly ill-suited to vulnerable countries' needs. For example, it takes on average over 1,100 days to access finance from the Green Climate Fund (Shakya and Holland, 2021).

As with any financial transaction, recipients need to have clarity about when they can expect payment and how to access it. This basic principle of accessibility was absent from the $100 billion goal and must be included in the NCQG for it to be successful and to contribute to climate justice.

Climate finance is also often not distributed directly from developed to developing countries but rather is channelled through international institutions, such as the World Bank or regional development banks, which increases costs, undermines recipient country ownership, and disincentivizes smaller locally driven programmes (Masullo et al., 2015). The NCQG should therefore recommend that a proportion of climate finance be available to be accessed directly, or allocated to national and subnational institutions, rather than international intermediaries.

To do this, it will also be essential to address the limited capacity within countries to secure funding and manage the project cycle. The NCQG should underline the importance of building long-term institutional capacity (Christian Aid, 2024). This will involve strengthening the climate finance architecture at the national level and building the capacity of subnational actors to handle and distribute climate finance.

Moreover, access should not only be understood in terms of access by governments: it should also include access by local communities. The NCQG should support decentralized access arrangements, making it easier for subnational governments and local communities to access resources. Typically, efforts to improve access to finance focus on helping developing country institutions to meet donors' requirements, with less emphasis on enhancing access for subnational institutions, including local organizations and non-government organizations (Christian Aid, 2024).

The NCQG should also recognize the specific needs and circumstances of the LDCs and SIDS by incorporating specialized access features, such as specific instruments or minimum floors. Currently, access to climate finance for these nations is uneven, with nearly a third of climate finance for LDCs between 2014 and 2018 committed to only two countries: Bangladesh and Ethiopia (Shakya and Holland, 2021). Many fragile and conflict-affected states are also highly vulnerable to climate change – yet the more fragile a country is, the less climate finance it has historically received (Mercy Corps, 2023). Specialized access features would help ensure sufficient money reaches the most vulnerable communities.

Meeting the needs of women and girls

The NCQG will also provide a key opportunity to tackle gender-specific vulnerabilities to climate change. The principle of gender equality is pivotal to climate policy, as highlighted by the Paris Agreement, and the Cancun (2010) and Durban (2012) decisions that preceded it. The Enhanced Lima Work Programme on gender, and its action plan, invites public and private entities alike to *"increase the gender-responsiveness of climate finance with a view to strengthening the capacity of women."*

Nonetheless, gender is often absent from discussions about international climate finance[7] and in 2021 less than half of the $28.2 billion provided by developed countries for adaptation took gender equality into account (Pettinotti et al., 2023).

The NCQG should incentivize climate finance providers to prioritise gender equality objectives. It should further encourage Parties to report gender equality markers transparently and consistently. Although it is unclear whether an agreed quantified gender equality goal is achievable, the overall financial goal(s) could be accompanied by a stated aspiration that a *"high share"* of climate finance promotes gender equality, and that all projects should at least undergo gender analysis (Chhetri et al., 2020).

7 For example, gender is not addressed at all in either the 2022 IHLEG report or the 2023 IHLEG report.

Testimony: The disproportionate impacts of climate change on women and girls in Vietnam

By Nguyen Xuan Phu, Project Officer, Plan International Vietnam

I have been working on disaster risk reduction for nearly 15 years in the Quang Tri province where I have witnessed the devastating impacts of climate change, especially for the most vulnerable communities.

I remember the historic flood in 2020, which showed the disproportionate impact of the climate crisis on poor and marginalized communities. The day after the flood in the Trai Ca village, Ms. Hoa said 'Yesterday, the corn, rice, clothes and household items were completely swept away by the flood. Luckily my family members were evacuated on time, but now we don't know what to eat anymore.'

I saw similar situations all along the Dakrong river, where the effects of climate change are particularly disastrous for ethnic minorities in isolated and mountainous areas. The effects of climate change disproportionately impact women and girls who are responsible for livelihood activities, as well as taking care of children and older people. They are often left out of the decision-making process during planning for climate hazards, resulting in action that does not take their specific needs and vulnerabilities into account. Hence, women and girls often suffer the most when a climate disaster hits.

Vietnam, like many other developing countries, lacks adequate funding to adapt to the climate crisis and minimize and address loss and damage. It is critical for climate projects to support gender equality and social inclusion objectives to reduce inequalities.

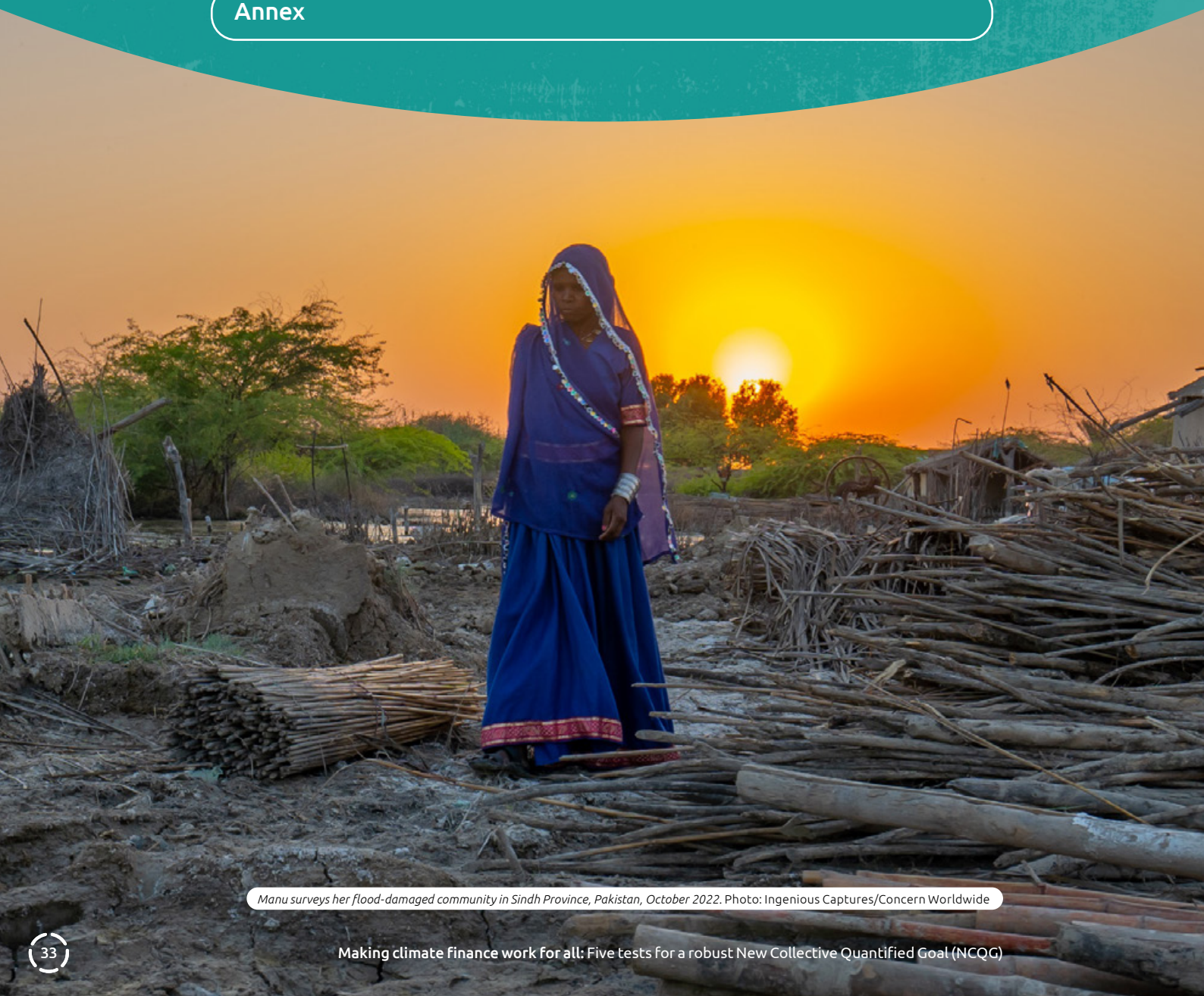
It is absolutely essential for climate finance to meet the needs and priorities of women and girls and address the root causes of gender equality. The new climate finance goal to be agreed at COP29 presents a significant opportunity to make progress on this issue and prioritize gender-responsiveness.

The Zurich Climate Resilience Alliance work supports 18 communities in three districts of the Quang Tri Province which are highly vulnerable to climate-induced disasters, notably flooding.

Families affected by flooding in Quang Tri province, Vietnam, October 2020. Photo: Tran Huu Phuong Anh/Plan International

The NCQG should:

- result in commitments to enhance the institutional capacity of countries to access climate finance and support direct access arrangements tailored to their national needs;
- consider specialized access features for SIDS and LDCs;
- reflect the locally-led principle to ensure local communities have faster access to climate finance;
- consider targets for the share of climate finance that should address gender equality;
- encourage Parties to consistently and transparently report gender equality markers to understand where progress is taking place and where there are gaps.



Manu surveys her flood-damaged community in Sindh Province, Pakistan, October 2022. Photo: Ingenious Captures/Concern Worldwide

5. Conclusion

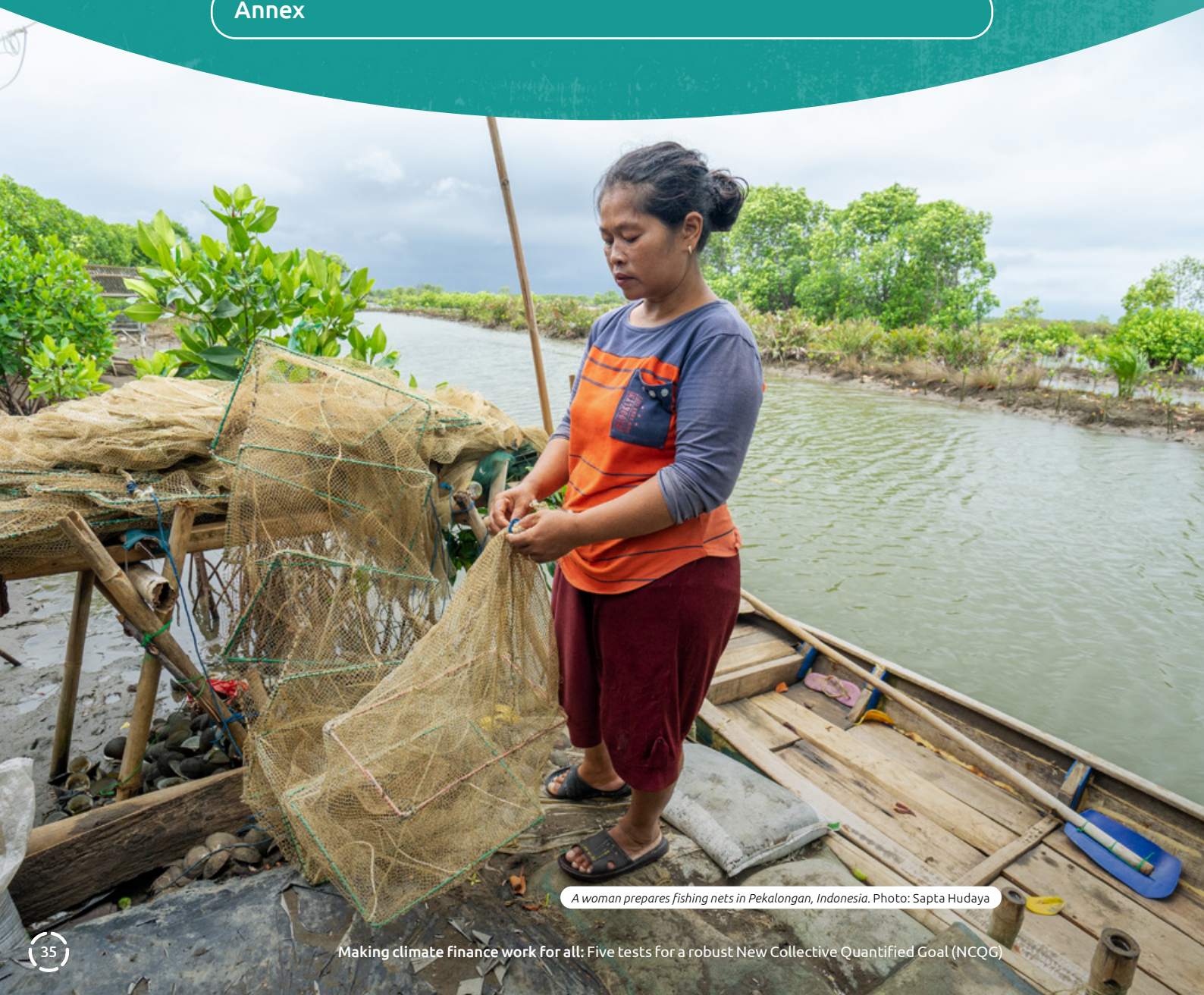
2024 is a critical year for climate finance. With climate impacts escalating exponentially and the human toll growing on a daily basis, there is no time to lose. As needs grow, and as the debt burden facing developing countries becomes increasingly unsustainable, the overall level of ambition and action needs to shift seismically.

Any delay in setting and starting to meet the new climate finance goal(s) will inevitably cost lives and further entrench and exacerbate existing inequalities and the lack of trust that is stymieing climate negotiations. For COP29 to be a success, an ambitious fit-for-purpose NCQG must be a core element of the outcome.

The five tests set out in this report will help developed and developing country policymakers design and implement a robust NCQG that learns the lessons from the $100 billion goal and sets the world on track for climate action that is commensurate with the escalating challenge.

Achieving this is in the interest of all countries. It would restore trust in international climate negotiations, and give developing nations the support they need and have the right to under the UNFCCC. It would help put the whole world on a safer track towards a more stable climate and economy. And it would save lives, and restore some hope and dignity for communities around the world who are on the frontlines of the climate crisis.

Girls cool off during a heatwave in Sudurpashchim Province, Nepal. Photo: Mercy Corps



A woman prepares fishing nets in Pekalongan, Indonesia. Photo: Sapta Hudaya

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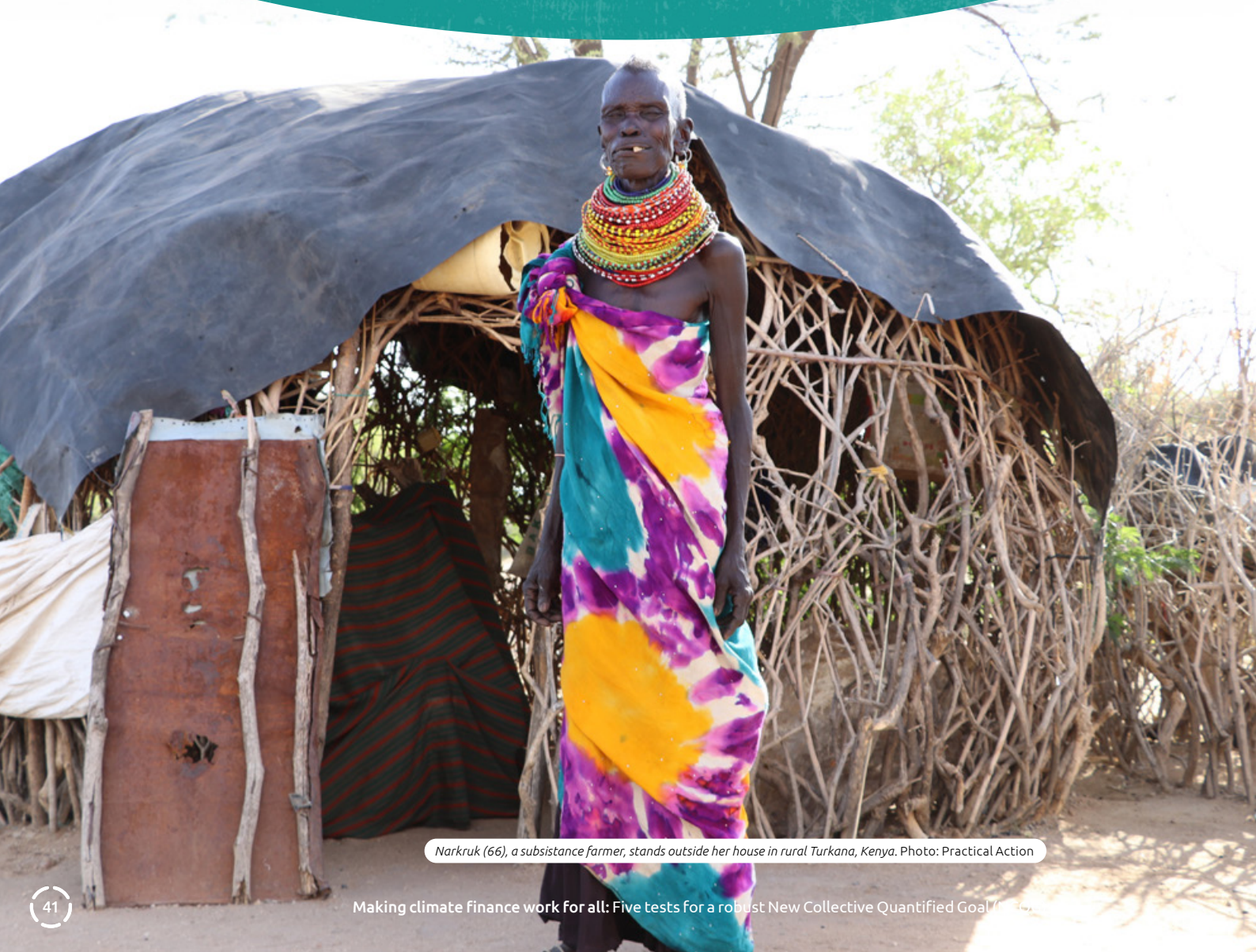

Narkruk (66), a subsistance farmer, stands outside her house in rural Turkana, Kenya. Photo: Practical Action

Annex

Timeline of selected finance-related provisions in international climate agreements

Agreement	Actions
Bali Action Plan, 2007	• Firmed up language around developing country climate finance, such as improved access, positive incentives, innovative funding, capacity building, and adaptation. • Established a "finance track" in the negotiations, which aims to facilitate discussions on mobilizing financial resources, improving access to funding, enhancing the effectiveness of financial mechanisms, and ensuring the transparency and accountability of financial flows.
Copenhagen Accord, 2009	• Established a joint climate finance goal of $100 billion per year from developed countries to developing countries by 2020. • Developed countries committed to provide $30 billion in new and additional resources for 2010–12, with balanced allocation between adaptation and mitigation. • Emphasized the need to combat climate change in accordance with the principle of CBDR-RC. • Said developed countries shall provide adequate, predictable and sustainable financial resources, technology and capacity building to support the adaptation action in developing countries.
Cancun Agreements, 2010	• Formalized the pledges made at Copenhagen and stated that "scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties". • Established the Green Climate Fund as the primary financial mechanism under the UNFCCC. The Green Climate Fund aims to mobilize financial resources from developed countries and channel them towards climate change adaptation and mitigation projects in developing countries.
Durban Platform for Enhanced Action, 2011	• Reaffirmed that developed country Parties should take the lead in combating climate change and the adverse effects thereof. • Established a work programme on long-term finance to address the need for sustained financial support for climate action in developing countries. • Established biennial guidelines for reporting on climate finance to improve transparency, accountability and comparability.
Paris Agreement, 2015	• Underscored the obligations of developed countries to provide finance to developing countries and encouraged voluntary contributions by other Parties for the first time. • Set the aim of making all financial flows consistent with a pathway towards low greenhouse gas emissions. • Reaffirmed that the Paris Agreement objectives would be implemented in line with the principles of CBDR-RC and equity. • Agreed that developed countries will collectively mobilize $100 billion a year until 2025 and that prior to 2025 an NCQG will be established from a floor of $100 billion a year.
Glasgow Climate Pact, 2021	• Urged developed countries to at least double their collective provision of adaptation finance from 2019 levels by 2025, in order to achieve a balance between adaptation and mitigation.
Sharm el-Sheikh Implementation Plan, 2022	• Established a dedicated fund for loss and damage. • Urged developed countries to provide resources for the second replenishment of the Green Climate Fund.

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Front cover image: Beyene, 42, and his son Kefita, 17, used a grant to expand their nursery in Konso, Ethiopia, and increase their climate resilience. Photo: Ezra Millstein, Mercy Corps

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