The new collective quantified goal (NCQG) on climate finance:

an urgency for the Global South

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The New Collective Quantified Goal on Climate Finance: an urgency for the Global South

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Index

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I. Introduction

The delay in achieving the Millennium Development Goals set a precedent in the international arena, generating distrust in the ability of developed countries to support developing nations in addressing basic needs such as poverty reduction and hunger. In this context, the establishment of the Sustainable Development Goals (SDGs), including SDG 13 on Climate Action, and the signing of the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) in 2015 marked a renewed opportunity to rebuild trust among UN member states. This new international scenario placed not only poverty but also emerging socio-environmental crises such as climate change and biodiversity loss at the center of attention.

However, six years into its implementation, significant delays in achieving both the SDGs and the Paris Agreement remain. This was highlighted with the conclusion of the first Global Stocktake in 2023, which assessed progress on Paris commitments. While there have been important advances in setting climate goals, these have not been met, and we are not on track to avoid a global temperature increase of more than 1.5 °C. One of the areas facing the most significant delays is related to climate finance. Here, it is acknowledged not only that commitments such as the mobilization of $100 billion USD annually starting in 2020—promised by developed countries—have not been fulfilled, but also that this amount is insufficient to meet the actual needs of developing countries. Additionally, deeper reforms in the financial system will be necessary to address crises such as climate change.

In light of this scenario, countries agreed to establish a new collective quantified goal (NCQG) for climate finance, which will replace the $100 billion USD annual target. Its adoption is set for the 29th Conference of the Parties (COP29) in Baku, Azerbaijan, from November 11 to 22, 2024, following three years of technical work.

In this context, this policy brief presents relevant aspects of the process for designing the new goal[1], as well as the current debates and recommendations to ensure that its design benefits Latin American and Caribbean countries. Additionally, it explores the broader framework related to the transformation of the international financial system, as outlined in Article 2.1.c of the Paris Agreement, which calls for aligning all financial flows with low-emission, climate-resilient development.

[1] Throughout the document, NCQG, new objective, or goal are used interchangeably.

II. The Importance of the NCQG

The new objective is a crucial milestone in the fight against climate change. Established in decision 1/CP.21, paragraph 53 (during COP21 of the UNFCCC), it states that "(...) before 2025, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall set a new collective quantified goal of at least $100 billion per year, taking into account the needs and priorities of developing countries." This is intended to raise the threshold of climate finance above the $100 billion USD annually, considering the needs and priorities of developing nations.

The NCQG seeks to learn from the lessons of the $100 billion goal—a purely political target—by becoming a science-based objective rooted in technical discussions, allowing for effective design and implementation. Consequently, COP26 established a three-year work program, during which eleven Technical Expert Dialogues (TEDs) were held from 2022 to 2024. Additionally, there were various opportunities to submit written proposals on the aspects to consider in the new objective, both from countries and observer organizations. High-level discussions were also held annually through a ministerial dialogue.

In 2023, during COP28, it was decided that at least three TEDs would take place in 2024, followed immediately by a work program meeting to allow countries to develop a substantive framework for the draft decision. This served as an early negotiation process to gather the technical inputs necessary to reach a decision at COP29.

The significance of this new objective varies for UNFCCC Parties. For developing countries, it represents a reaffirmation and continuation of the commitment by developed countries to support mitigation and adaptation efforts in response to the negative impacts of climate change. For developed countries, it provides an opportunity to bring financial contributions to new countries whose emerging economies have become major greenhouse gas emitters in recent years.

Despite differing views on the nature of the NCQG—what it is and what it is not—at least three aspects make it critically important from the perspective of the Global South:

- **It is a continuation of the historical commitments that developed countries have with developing countries,** whose provision is essential to continue supporting national efforts in the fight against climate change. Outside of this objective, there is no other climate finance commitment that renews this historical responsibility that the developed world holds.
- **It is the only goal that will be monitorable,** as although there are other resources that continue and will continue to flow globally, only this one can be measured within the context of the UNFCCC. This will allow for greater transparency to understand not only its origin but also its destination and, consequently, its effectiveness. This is due to the fact that the UNFCCC framework includes reporting obligations to achieve such monitoring. Outside of this framework, there are no systems capable of gathering the information

provided by all the States **Parties.**

- **It is the only objective that, according to the decision that establishes it, must take into account the needs and priorities of developing countries.** This means that its composition and monitoring must, in some way, verify that these needs are considered—a definition that is still being strengthened.

There are other relevant aspects, but these three stand out as some of the most significant. Defining this goal, however, is far more complex than anticipated, as a range of factors have contributed to diverse perspectives on what it is or should be. Some of the questions that have guided the conversation and need to be resolved for designing the new objective include: what is its purpose; what sources of financing should be considered; what financial instruments are appropriate; what is the target amount; what is the timeline; what is the destination; who provides the resources; who receives the resources; what is the monitoring system; and what elements should it include beyond a mere number, among others.

The next section describes some of the most important discussion points regarding these questions, presenting the diverse perspectives, especially those of developing and developed countries, although there are nuances within these visions among negotiation groups. This is intended to illustrate the complexity of the discussion, but also to highlight possible options and recommendations, particularly to make this new objective beneficial for Latin America and the Caribbean.

III. Perspectives and key elements for the design of the NCQG

a. Purpose

In essence, the NCQG is intended to replace the $100 billion USD target committed to by developed countries in 2009. However, there are diverse perspectives on the origin and purpose of the new objective.

According to developing countries, the new objective, as reflected in its mandate, originates from Article 9 of the Paris Agreement, while developed countries believe it is based on or should primarily aim at fulfilling Article 2.1.c of that Agreement.

Article 9 states that developed countries will provide financial resources to assist developing countries in mitigating and adapting to climate change. This article connects to Article 4 of the UNFCCC, which emphasizes the role of developed countries as providers of finance to developing countries, as historical emitters of greenhouse gases that drive climate change. It specifies that "(...) Developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties (...)" (Article 4.3 of the UNFCCC).

Article 2.1.c, on the other hand, seeks to align financial flows with a pathway toward climate-resilient development and low greenhouse gas emissions. However, there is still no consensus on how to implement it or who should bear the responsibility for achieving it. As part of the definition of objective 2.1.c, the Sharm el-Sheikh Dialogue was established during COP27, emerging as a critical forum for exchanging perspectives and enhancing understanding of the scope and complementarity of the relevant articles, particularly Articles 2.1.c and 9 of the Paris Agreement. Nonetheless, divergent views persist on the relationship between these articles and the distribution of responsibilities among Parties in their fulfillment.

This conversation has permeated the NCQG discussions because developing countries do not want the broader transformation of financial flows, essentially proposed by Article 2.1.c, to divert attention from the commitments of developed countries to provide financing. Therefore, they have indicated that it is important to establish the new objective first and then continue discussions on Article 2.1.c. Additionally, developed countries maintain that their obligations under Article 9 are independent of the efforts of all Parties to fulfill Article 2.1.c. Some developed countries have even stated that financial provision is voluntary and that public financing from these countries alone is insufficient to meet the needs of developing countries, making it necessary to broaden participation from other countries and from private sector sources.

b. Sources

One of the critical issues is the origin of the financial sources that will feed into the new objective. While the importance of reflecting the role of public financing has been recognized by both developed and developing countries, the latter wish for the new goal to consist solely of public funds, whereas the former want the role of private financing to be reflected in the mobilization of resources. This also includes an interest in quantifying other funding sources, including some innovative ones, such as new taxes, and even market mechanisms, among others.

This central issue is also one of the most complex, as developing countries appeal to the obligation of developed countries to provide and lead the provision and mobilization of climate finance toward developing countries based on the principle of common but differentiated responsibilities and historical responsibilities. However, developed countries argue that the Paris Agreement is global, the goal is collective, and therefore, the contributor base should be expanded, pointing out that there are developing or emerging economies capable of providing financing. Without naming specific countries, the idea has been presented to consider the GDP and emission levels of these emerging countries to create a new category of financing providers.

Some developed countries have indicated that if the contributor base is not expanded, they will not be able to agree on a quantitative target, or may leave it at the current $100 billion USD mobilized annually, as established so far, arguing that there are insufficient public resources to meet the needs of developing countries. For this reason, they have also insisted on the role of private financing.

However, throughout the TEDs, limitations have been highlighted regarding the role of the private sector, as these are institutions or mechanisms aimed at generating profits, which are not always feasible in climate action activities, especially those related to adaptation. Adaptation aims not necessarily to generate returns but to reduce vulnerability and prevent further losses. Additionally, it has been noted that the private sector in developing countries is not the same as in developed countries, as their investment capacities differ significantly. This implies that the private sector from developed countries would end up intervening in developing countries under an unsustainable model, as it would not generate real gains for the recipients.

Furthermore, there is significant criticism regarding the private sector's aversion to risk, as many interventions associated with the climate crisis involve high levels of risk, meaning that the private sector is often reluctant to invest in real needs associated with adaptation and loss and damage. There is also concern that a large portion of private sector financing takes the form of loans, leading to high levels of debt for countries; in other words, these are not grants but investments seeking returns. Therefore, it is necessary to find ways that allow for transparent participation of the private sector. For example, this could include considering private financing that is leveraged with public sources with reduced interest rates, or where the public sector provides guarantees to facilitate private projects, as long as they align with the needs outlined, for instance, in the nationally determined contributions of countries.

While this issue continues to be present in various forums, it is important to define what is preferable: having a larger amount of money from all possible sources, making tracking and traceability more challenging, or having a smaller amount solely from public financing, with more effective monitoring.

c. Destination

The destination of the resources for the new objective is another crucial issue. However, it is one where countries remain deeply divided, as the NCQG decision frames it within the context of mitigation and transparency actions. However, developing countries have clearly expressed that the NCQG must address adaptation in a structural manner, as this is the major urgency of the Global South.

Although most interventions and proposals presented by both developed and developing countries mention adaptation and even discuss possible sub-targets, there is no clear definition or proposals on the balance that should be reflected in the new objective. Currently, approximately 80% of financing goes toward mitigation, while less than 15% is allocated to adaptation (GFLACb, 2024).

Beyond this, an even more complex issue is that of loss and damage within the new objective. Developed countries believe this topic should not be included within the NCQG, while for developing countries, it is a central issue in advancing toward the definition of the goal. Several developing countries have indicated that if there is no reference to loss and damage, they will not be able to agree on the new objective.

In 2023, during COP28, the creation of the Loss and Damage Fund was approved, sending an important signal regarding attention to this issue. While the decision refers to a broad range of funding sources as the origin of the funds, the connection between the Fund and the NCQG is crucial to ensure certainty and predictability of resources. While it will be challenging to establish a single financing window for loss and damage, sub-targets could be associated with the type of financing needed. For example, adaptation would require more public financing in the form of grants, while mitigation could continue receiving loans, and loss and damage might receive a mix of these resources.

d. Quantum

One of the most important yet least advanced debates is the amount of financing that will be committed to this new objective—in other words, what number will replace the $100 billion USD target. It is important to note that, according to the mandate, the needs and priorities of developing countries must be considered. While not all countries have yet conducted cost analyses for their mitigation and adaptation actions, the UNFCCC Standing Committee on Finance (SCF) report titled “Second Report on the Determination of the Needs of Developing Country Parties related to Implementing the Convention and the Paris Agreement” (commonly known as the NDR) estimates that the needs for implementing monetarily assessed Nationally Determined Contributions (NDCs) are between $5.036 and $6.876 trillion USD. Although this number does not reflect the total needs of all countries, it is a starting point that indicates needs are no longer measured only in billions but in trillions.

Developed countries have not made concrete proposals on the potential financing amount; they have only noted that, without expanding the contributor base, the $100 billion USD could remain. In contrast, developing countries argue that it should be at least $1 trillion USD. For example, the Arab Group proposes mobilizing $1.1 trillion USD from 2025 to 2029, providing $441 billion USD annually, while the African Group suggests mobilizing $1.3 trillion USD annually.

The key aspect regarding the amount is also related to its composition, specifically which portion will be provided by developed countries to developing countries and which portion, if applicable, could be mobilized from private or other sources.

The agreed amount will also depend on the previously discussed debates—namely, what sources and instruments of financing will be considered. This is because a higher amount would require more sources, while a lower amount could limit the number of sources needed.

e. Qualitative aspects

While the quantitative target is critical, it has been recognized that it is not the only element of the NCQG; qualitative aspects also need to be addressed. This is because the $100 billion USD target has shown that merely defining the amount is insufficient; it is also essential to understand how funds are allocated, their sources, formats, and destinations. For developing countries, access to financing is as important as the amount itself, as there may be an incremental target, but if access to resources is restricted, the problem persists. Consequently, there has been discussion about the need to ensure improved and simplified access to financial resources within the new objective framework.

This issue is particularly relevant for the least developed countries and small island states, which sometimes face greater challenges in terms of access. There is also discussion about access at the level of local communities, Indigenous Peoples, and other vulnerable groups.

It is noteworthy that, unlike other issues, most developed countries support improved access as an important aspect of the new objective, though it has not necessarily been a central focus in their positions. As a result, fewer options have been discussed to address this issue.

On the other hand, there are more structural issues, such as the growing debt burden of developing countries. Historically, developing countries have accumulated significant debt with financial institutions like the World Bank and the International Monetary Fund, which have served as lenders for infrastructure and other development-related areas. However, in the context of climate finance, there has been an increase in funding via loans, further adding to this debt.

The concern raised by various developing countries, particularly in Latin America and the Caribbean, is that historically, developed countries' commitment to providing finance to developing nations should be in the form of grants, as an exercise of "historical compensation." While this narrative has evolved over time, its essence remains, and developing countries continue to argue that climate finance should be public funding in the form of grants that do not increase debt. Other financial flows contributing to climate protection could exist, but they should not be counted as part of the new goal, linking back to the previously mentioned topic of financing sources.

The issue of indebtedness has gained significant attention in the Global South, including in discussions on international financial system reform, with calls to address this issue through proposals like the Bridgetown Initiative. This also underscores the importance of a clear distinction between provision and mobilization of international finance.

There are other crucial considerations to ensure the effectiveness and equity of the new objective. Developing countries have emphasized that the NCQG should guarantee respect for human rights, gender equity, and other points to ensure the effectiveness of financing beyond the agreed amount.

f. Time frame

Another discussion revolves around the time frame of the new goal, which addresses its duration and vision, specifically when it takes effect, how long it lasts, and what its scope is.

Several developed countries have indicated that it is important to have a goal with a long-term vision; in other words, they see the NCQG as an opportunity to establish a far-reaching goal that involves mobilizing various sources but operates over the long term. In contrast, developing countries agree that it should be a goal aligned with the other objectives of the Paris Agreement and thus have this long-term scope. However, they argue that it should be a goal capable of considering their changing needs, so a long-term vision must necessarily be accompanied by short-term implementation. Some suggest a goal that takes effect in 2025 but can be reviewed every five years.

The concept of “review” also generates various reactions, as discussed further below. Within the context of time frame, developing countries have expressed concerns about having a very long-term goal that does not meet the required urgency.

In this sense, some view a goal reviewed every five years as potentially difficult to negotiate because it allows very little preparation time, considering that the current discussion took three years. Therefore, some propose a more integrated vision with a 10-year time frame—a longer period, but one where monitoring and updates might be easier than with a five-year framework.

For instance, it has been mentioned in various forums that we are facing a succession of interrelated crises that could fundamentally alter countries’ needs, as seen with the COVID-19 pandemic. Thus, having a goal with an overly long time frame that cannot adapt to these changing needs also poses a risk to achieving adaptation and addressing loss and damage.

g. Transparency

Alongside the previous point, there is a need for a transparency framework to clearly monitor the origin and destination of financing. The discussion on transparency arrangements has been varied in technical talks. While all countries agree that a system to monitor progress in achieving the NCQG is necessary, there are questions about whether a new one should be created or if existing frameworks can be adapted. Additionally, there is debate about whether this system should serve solely to monitor or also to make substantive changes to improve the efficiency of the new objective.

For example, some developed countries emphasize having a transparency framework and utilizing existing processes, such as those carried out by the Organisation for Economic Co-operation and Development (OECD), which in turn feeds into processes like those of the UNFCCC Standing Committee on Finance (SCF). However, some Parties argue that this system should only monitor progress, not review or alter the new goal.

On the other hand, developing countries emphasize the importance of a transparency system that can clearly track financial flows to ultimately identify gaps or possible issues that need to be addressed for effective implementation and operation of the goal. They propose that this could facilitate periodic reviews, especially in light of changing needs.

In various discussions, the enhanced transparency framework under Article 13 of the Paris Agreement has been considered as a potential means for monitoring the NCQG, although some adjustments may be necessary to ensure a more tailored monitoring process. Several proposals suggest the Standing Committee on Finance as the entity to determine the best monitoring framework and its purpose. Additionally, the importance of reconciling methodological approaches to avoid double counting and ensure effective tracking of financial flows is highlighted.

As with previous points, there are other critical issues in the discussion, though the most controversial topics relate to the amount, origin, and type of financing to be integrated into the NCQG. The topic of the contributor base is undoubtedly the most complex due to its political nature, as it lacks a legal foundation in the Paris Agreement and the UNFCCC.

IV. Basic elements for an effective NCQG design: perspectives from the Global South

Taking into account the previous discussions, a proposal of basic elements is presented that should be considered in designing the new objective, considering the needs of developing countries. These aspects include the definition of the framework or purpose, principles, sources and instruments, time frame, destination, quantitative target, and transparency mechanisms (GFLAC, 2024a).

- **Framework or purpose:** The framework answers the question of "what." As mentioned above, while there has been debate about the role of the new goal within the Paris Agreement and to which article it corresponds (i.e., Article 9 or Article 2.1.c), it is essential to consider historical agreements and recognize that the new goal is part of the financing provision efforts established in Article 9. This should help mobilize and transform financial systems to align them with low-carbon and climate-resilient development as stipulated in Article 2.1.c. In other words, the framework of the goal is based on the commitment of Article 9; however, its implementation will also contribute to achieving the second. In this context, a critical and differentiating aspect is the role of public financing and the instruments to be used for the provision of climate finance. Under Article 9, the focus is on financing provision, recognizing the role of public finance as a necessary and predictable source, particularly for addressing adaptation. Meanwhile, Article 2.1.c highlights the role of transforming all sources of finance, including private finance. Defining this framework is therefore crucial in designing the new goal.
- **Principles:** These refer to the foundation upon which the NCQG should be built. As part of the lessons learned from the $100 billion USD goal, it is now necessary to define the principles governing the new objective, allowing for the integration of qualitative aspects, such as access; consideration of the needs and priorities of developing countries; transparency arrangements; respect for human rights and gender equity; and the importance of financing predictability, among others.
- **Sources and instruments:** Like the principles, this was an unclear and non-transparent aspect in the $100 billion USD goal, making its definition essential. In this regard, two goals are proposed: a core goal and a complementary one. While the former is based on Article 9 of the Paris Agreement—i.e., public resources, primarily through grants—the latter refers to Article 2.1.c of the Paris Agreement, i.e., financing mobilized through public interventions, potentially in the form of loans and other instruments with manageable interest rates.
- **Time frame:** Although the NCQG is envisioned with a long-term outlook (2050), its implementation should begin in 2025, and it should be updated no more than 10

years after coming into effect. This is because the needs of countries will evolve and, if mitigation goals are not met, will likely increase. Less mitigation leads to more losses and damages, limiting adaptation capacity.

- **Destination:** Given the existing imbalance between financing for mitigation and adaptation (80/20); the need for grants for adaptation due to lower economic returns in these projects; and the growing need to increase financing for loss and damage, the core goal should primarily address adaptation, followed by loss and damage, and then mitigation. In contrast, the complementary goal should focus first on loss and damage, second on mitigation, and third on adaptation.
- **Quantitative objective:** Although this is one of the most contentious aspects of the discussions, both the core and complementary goals must specify the amount and the conditions under which they will be implemented. The core goal could range between $500 and $600 billion USD, while the complementary goal could be around $1 to $1.5 trillion USD. These figures are based on various information sources, particularly the NDR for the core goal.
- **Transparency mechanisms:** Although there are external reports to the UNFCCC, such as the OECD report on the $100 billion USD, they do not clearly specify the origin of resources and leave various aspects to the donors' interpretation of what constitutes climate finance. This must fundamentally change in tracking the new goal. It is proposed to use the enhanced transparency framework of the Paris Agreement as a basis, particularly the biennial transparency reports, although this framework may need to be adjusted to accommodate the specifics of the NCQG.

Image 1: possible structure of the new goal

Framework	
New Climate Finance Goal as part of Article 9, with significant contribution toward fulfilling Article 2.1.c.	
Principles	
Accessibility, needs-based, transparency, predictability, gender equity, respect for human rights, among others.	
Time Frame	
Goal with a vision toward 2050, but implementation should begin in 2025 with reviews every 5 years, to be updated within not more than 10 years as of the approval date	
Sources	
Core goal	**Supplementary goal**
Public resources from developed countries to developing countries	Public and private resources mobilized through public interventions
Purpose of financing	***Purpose of financing***
Adaptation / **Loss and Damage** / **Mitigation**	**Mitigation** / **Loss and Damage** / **Adaptation**
Instruments: donations	**Instruments:** Loans and others
Annual quantitative goal	**Meta cuantitativa complementaria**
USD 500-600 billion*	USD 1 - 1.5 trillion*
Transparency Mechanisms	
Review the relevance of the enhanced transparency framework, based on biennial reporting, though consideration for annual reports based on the amount for the core goal	

Fuente: GFLACa, 2024.

V. Opportunities and recommendations for Latin America and the Caribbean in relation to the NCQG

The definition of a new climate finance objective is highly significant for the Global South, particularly for Latin America and the Caribbean (LAC). This region is not the primary recipient of climate finance, which presents a significant challenge in its fight against climate change. According to the Aid Atlas (2024), the region ranked third in terms of climate funding received in 2021, behind Asia ($24 billion USD) and Africa ($17.5 billion USD), receiving $9.6 billion USD. Of this, $6.4 billion USD was allocated to mitigation activities, $2.3 billion USD to adaptation, and $762 million USD to initiatives addressing both mitigation and adaptation.

The main challenge lies in the composition of this financing: 92.6% of the funding for LAC came in the form of loans ($8.9 billion USD), compared to just 7.4% as grants ($691 million USD). This reliance on loans places a considerable financial burden on the countries in the region, which face the obligation to repay these funds in the future. Moreover, this situation not only limits their ability to invest in key sectors but also exacerbates their debt crises. It is therefore urgent to redesign the structure of financial support for the region, promoting an increase in the proportion of grants.

Additionally, one of the greatest structural challenges facing LAC is its dependence on carbon-intensive activities, such as fossil fuel extraction and mining. According to the Sustainable Finance Index (GFLACb, 2024), four key trends have been identified that should be considered in defining the new objective:

1. **Imbalance in access to financing:** Climate finance flows, both bilateral and multilateral, have primarily benefited only five of the 20 largest emitting countries in the region, without necessarily impacting the most vulnerable nations. Even more concerning is that a significant portion of these funds has been delivered in the form of loans, deepening the debt crisis.
2. **Carbon-Intensive revenues still dominate:** Countries in the region generated 19 times more revenue from carbon-intensive activities than from climate finance. In 2023, revenues from polluting activities reached $233.389 billion USD, while flows intended for biodiversity protection and climate change efforts in 2021 barely totaled $11.839 billion USD. The gap widens even further when considering only finance specifically allocated for climate change, where revenues from polluting activities outpaced climate funds by 25 times, amounting to $9.207 billion USD. These figures highlight the urgent need to transform economies toward more sustainable models and redirect financial flows to accelerate the energy transition. This effort must be accompanied by fiscal and financial policies that disincentivize carbon-intensive activities, such as the phased elimination of fossil fuel subsidies and the implementation of mechanisms to promote investment in nature-based solutions and renewable energy.
3. **Limited National budgets for combating climate change:** National budgets allocated to sustainable activities do not exceed 1% of public spending in most of the highest-emitting countries in the region. In 2023, of the 20 countries analyzed, only El Salvador

(3.1%) and Guatemala (1.3%) allocated more than 1% of their public spending to climate-related initiatives. This low level of investment reveals the urgent need to redirect resources toward sustainable activities, not only to advance the global climate agenda but also to fulfill international climate commitments. Combined with the budgetary burden of debt payments, this indicates the limited capacities of countries to implement effective climate mitigation and adaptation policies, which in turn compromises the environmental and economic stability of the region. To achieve meaningful change, governments must increase budget allocations in these areas and promote transparency in the labeling of environmental allocations, along with gaining access to more and better international financing.

4. **Carbon-Intensive budgets continue to grow:** Carbon-intensive budgets allocated to hydrocarbon extraction, including expenses on oil companies where they exist, surpass budgets for sustainable activities by 12 times. In 2023, $5.594 billion USD was allocated to climate-related activities, while $66.871 billion USD was directed to carbon-intensive sectors. This budget imbalance underscores the challenges of decoupling economies from carbon-intensive activities. Despite efforts outlined in NDCs and other national policies, the fact that countries continue to depend on these revenues for profit generation presents a significant challenge for public finances.

All these trends underscore the importance of a new objective that helps the region transition toward a more sustainable financial model. The NCQG should incentivize the decoupling of LAC economies from extractive activities and promote economic models based on environmental protection. Additionally, there is an urgent need to increase financial resources dedicated to sustainable initiatives to effectively address climate challenges. While the NCQG will not solve all issues and needs, it should send the necessary signals to move toward desirable goals.

To advance in this direction, it is crucial to ensure that developed countries fulfill their financing commitments under the principle of common but differentiated responsibilities. Additionally, it is essential to promote the transformation of public finance in developing countries toward models compatible with low greenhouse gas emissions and climate resilience, as outlined in Article 2.1.c.

This need arises because the region faces several dilemmas; although it includes advanced economies like Brazil, many other countries lack the same access capabilities. For example, according to data from the OECD Development Assistance Committee, the main recipients of financing from mechanisms such as the Green Climate Fund, the Global Environment Facility, the Climate Investment Funds, and even the Inter-American Development Bank are countries like Brazil, Mexico, and Colombia, and in some cases, Argentina and Costa Rica, while the most vulnerable countries have limited access to climate finance.

Similarly, there is a dilemma in that, despite being a region rich in biodiversity, the most highly funded activities are extractive, while biodiversity conservation receives only a fraction of the financing. According to Aid Atlas (2024) data for 2021, in terms of biodiversity financing, Mexico received $327 million USD, representing 5.14% of its total development financing. It was followed by Colombia with $219 million USD, Peru with $192 million USD, and Argentina with $162 million

USD, making them the countries receiving the most biodiversity protection financing. However, at the national level, public spending on biodiversity conservation remains insufficient. Brazil, the country that invested the most in this area, allocated $125 million USD, a figure that contrasts with its spending on carbon-intensive activities, which reached $1.818 billion USD.

Furthermore, countries in the region still need a clear vision of their climate finance needs. Some have made efforts to estimate these needs; however, analyzing the NDCs of the 20 countries in the Sustainable Finance Index (GFLACb, 2024) shows that the total annual needs until 2030 amount to $27.15 billion USD, covering mitigation, adaptation, and a combination of both. It is worth noting that only 50% of the region has quantified its financing needs. Within this quantification, the majority is concentrated on mitigation with $22.96 billion USD, equivalent to 84.59% of the total financing required; $1.20 billion USD (4.43%) on adaptation; and $2.98 billion USD (10.97%) for both.

According to the Second NDR (2024), of the 29 countries in the region that reported needs (around 958 needs), 43% focus on mitigation, 41% on adaptation, and 11% on cross-cutting sectors. Additionally, of the 958 needs, only 334 from 17 countries were costed, amounting to $90 billion USD. Of these, $43 billion USD correspond to mitigation, $28 billion USD to adaptation, $14 billion USD to cross-cutting measures, and $5 billion USD to avoid, minimize, and address loss and damage. It is noteworthy that the Caribbean subregion represents $65 billion USD of the calculated needs from ten countries, followed by $22 billion USD from four Central American countries and $2.4 billion USD from three South American countries. Cuba, the Dominican Republic, Haiti, and Panama reported the highest needs among the region's countries.

According to the report "Financing Needs and Climate Goals in Latin America and the Caribbean" by the Economic Commission for Latin America and the Caribbean (ECLAC), the annual investment required to meet the climate commitments reflected in the NDCs is between 3.7% and 4.9% of the regional GDP until 2030, amounting to an annual flow of $215 to $284 billion USD, equivalent to an accumulated amount of $2.1 to $2.8 trillion USD between 2023 and 2030. Additionally, for mitigation actions, the required investment amounts are between 2.3% and 3.1% of the regional annual GDP, while for adaptation actions, they range from 1.4% to 1.8% of the regional annual GDP (C. De Miguel et al., 2024).

As shown by the data above, LAC faces significant challenges in combating climate change, from financial disparities to the urgent need to transform economic models toward sustainability. In this context, the region's recommendations for the new objective must address both structural deficiencies and opportunities for improvement.

Therefore, the elements that the region considers necessary to include in the design of the new objective are:

- That the NCQG be **primarily based on public financing, from developed to developing countries, in the form of grants, especially for adaptation, and ensure the closing of financing gaps between adaptation and mitigation funding.** Additionally, the NCQG should serve as a foundation for financing loss and damage (although other flows may also contribute, as outlined in the Loss and Damage Fund arrangements).

- That it has a **long-term perspective, with implementation and review within a time frame of no more than 10 years.** This review and update should consider the evolving needs and priorities of developing countries.
- That it ensures **better access to financing and avoids additional debt**.
- That it **integrates a transparency framework based on existing schemes**, such as the enhanced transparency framework, ensuring it is adapted for reporting information associated with the new objective.

VI.Why an NCQG now and how it impacts other processes

El nuevo objetivo, enmarcado en las conversaciones de la CMNUCC, no es un aspecto aislado, es decir, de su aprobación dependen muchos otros temas que son de gran relevancia para la acción climática. Al menos dos son de carácter urgente y central:

1. **New Cycle of NDC Updates:** As part of the NDC cycle, most countries are currently in the process of updating their NDCs, which, according to Article 4.3 of the Paris Agreement, should be progressive, requiring countries to increase ambition. According to the "Emissions Gap Report 2023" by the United Nations Environment Programme (UNEP), current NDCs put us on a 3°C pathway, highlighting the need to increase ambition. While many developing countries have NDCs, they have expressed that their challenge lies in implementation, primarily due to a lack of climate finance. Consequently, it has been emphasized that the new objective should clearly define its destination, specifically to support developing countries, and its scope, which should cover not only mitigation but also adaptation and loss and damage. In this context, various developing countries have stated that they are waiting for the results of the new objective to determine the level of ambition they can incorporate into their new NDCs, as they cannot go much further than what has already been committed without this financing.
2. **Global Adaptation Goal (GGA) and Closing Financing Gaps:** One of the major ongoing processes, set to conclude at COP30, is the approval of indicators for fulfilling the GGA. In this context, a key pending issue is closing the adaptation financing gap. Many countries have acknowledged that the new objective is a crucial space to achieve this. The new objective is the only forum where adaptation financing can be central to the discussion, as there will be other spaces to continue discussing mitigation investments, particularly at the private sector level. Adaptation financing is scarce and not particularly attractive to private investors, as most interventions generate no returns but rather losses. Therefore, public financing in the form of grants is essential for achieving adaptation; without this type of funding, it would be very difficult or perhaps impossible to secure such support in various parts of the world.

As previously described, the importance of the new objective is not in doubt; however, it faces significant challenges in its design and approval due to the substantial divergences among Parties. Nevertheless, the opportunity to advocate for an objective that addresses needs is critical for advancing the fight against climate change. After three years of technical work, the final stage of the new objective is political, and some forums that should connect with this process include, at a minimum, the G20, the reform of the international financial system, and discussions related to financing for biodiversity and development, particularly the 4th International Conference on Financing for Development, scheduled for mid-2025.

VI. Conclusiones

The adoption of a new climate finance objective at COP29 will represent a significant milestone in the global fight against climate change. Marked by intense debates and deliberations among the Parties involved, efforts over the past three years have focused on designing an ambitious and effective goal that responds to the urgent and evolving needs of developing countries.

While there are diverse perspectives on the purpose and contents of the NCQG, it is crucial for the Global South that it clearly reflects existing obligations of developed countries, recognizing that the new objective is part of Article 9 of the Paris Agreement, which establishes these obligations for developed countries to provide financial resources to developing nations.

Furthermore, it is essential that the NCQG centers on the need to provide public finance in the form of grants or highly concessional resources, which are fundamental for adaptation, for effectively closing the financing gaps between mitigation and adaptation, and for preventing increased external debt in developing countries. The new objective will also provide an important basis for financing loss and damage, particularly for capitalizing the Loss and Damage Fund approved in 2023, given that its contributions are voluntary.

In terms of the quantitative target, and according to various estimates of the needs of developing countries, the NCQG should be set at a level significantly higher than the current $100 billion USD annually. Additionally, the inclusion of qualitative aspects, such as improved access to financing and respect for human rights, among other principles, will represent a significant and necessary advance over the previous $100 billion USD target.

Transparency arrangements, as well as the NCQG's time frame and periodic review, will also constitute major improvements over its predecessor. In this regard, existing mechanisms under the Paris Agreement should be utilized and eventually adapted to ensure effective monitoring and verification of the new objective. A long-term framework with periodic reviews every few years will also ensure that the changing needs of developing countries are adequately considered.

In summary, all these elements are crucial in a context where the impacts of climate change are increasingly evident and urgent. Communities face numerous challenges, from extreme weather events like hurricanes and slow-onset phenomena such as rising sea levels, to biodiversity loss. Climate finance plays a key role in promoting resilience and mitigating adverse impacts, and will be essential for raising ambition and ensuring the effective implementation of instruments such as NDCs.

Finally, the adoption of the decision on the new objective will have considerable impacts not only on the UNFCCC process but also on other forums where discussions are linked to climate finance, biodiversity, and sustainable development. For Latin America and the Caribbean in particular, while much work remains in quantifying financial needs, increased financial support, coupled with stronger national actions in combating climate change, is essential for shifting the current trajectory.

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