

SUBMISSION BY PANAMA ON BEHALF OF THE AILAC GROUP OF COUNTRIES COMPOSED BY CHILE, COLOMBIA, COSTA RICA, GUATEMALA, HONDURAS, PANAMA, AND PERU

Veredas Dialogue 2026

Following the invitation by the CMA 7 to submit views on the organization of the Veredas Dialogue on the implementation of Article 2, paragraph 1(c) and its complementarity with Article 9 of the Paris Agreement, AILAC welcomes the opportunity to share its priorities on the issues to be addressed throughout the three-year dialogue.

AILAC recalls that the Veredas Dialogue will be addressed in full alignment with the safeguards recognized in Decision -/CMA.7, paragraph 3, by pursuing the three long-term goals of the Paris Agreement in an integrated manner; reaffirming that Article 2.1(c) complements and does not substitute finance under Article 9; respecting nationally determined, country-driven pathways and national sovereignty, particularly for developing countries; maintaining a facilitative, enabling, non-punitive and non-prescriptive approach; and ensuring transparency while avoiding any additional reporting or implementation burdens on Parties.

[Operational considerations for the development of the Veredas Dialogue](#)

1. Structure and frequency of workshops: AILAC considers that the Veredas Dialogue should convene two workshops per year, following a format similar to that of the Sharm el-Sheikh Dialogue, with the following features:
 - a. One workshop held in parallel with the sessions of the Subsidiary Bodies, and a second workshop convened during the second half of the year, ensuring that both workshops inform the outcomes to the COP of the corresponding year.
 - b. Each workshop should focus on a clearly defined thematic area, with expert speakers selected on the basis of technical expertise, balanced geographic representation, and gender equality. Structured breakout or group dialogues should be incorporated to facilitate clear conclusions and actionable messages.
 - c. The workshops should be inclusive and transparent, ensuring representation of all Parties, and should be accessible through both in-person and virtual modalities, including public webcast.

3. Expected outcomes of the workshops: The workshops should be organized in a manner that enables the co-chairs to prepare an annual document to inform the subsequent COP, including the following outcomes:
 - a. Key messages addressed to Parties within the UNFCCC process, as well as targeted messages for actors outside the UNFCCC, including international financial institutions, multilateral development banks, the private sector, and civil society, with regard to the implementation of Article 2.1(c) and its complementarity with Article 9 of the Paris Agreement.
 - b. Inputs to inform the development of a potential draft decision text for consideration by CMA 10. These inputs should also be taken into account within the process of the Global Stocktake.

- c. Elements that enhance coherence and alignment with relevant decision-making and discussion processes on climate finance taking place outside the UNFCCC.
 - d. Identification of political-level issues and strategic messages, with the co-chairs reporting to the representatives of the Xingu Finance Talks on the key issues addressed and the main conclusions emerging from the workshops, for consideration in the corresponding year.
4. Xingu Finance Talks: AILAC considers that the Xingu Finance Talks should convene high-level representatives from developing country Parties and developed country Parties, as well as chief executive officers or senior representatives of International Financial Institutions (IFIs), Multilateral Development Banks (MDBs), the private sector, and non-governmental organizations. These Talks should provide political guidance on the implementation of Article 2.1(c) and its complementarity with Article 9 of the Paris Agreement, particularly in relation to:
 - a. Reform of the international financial architecture;
 - b. Changes to the rules, governance, and incentives of the global financial system;
 - c. Reforms to debt instruments and lending conditions; and
 - d. Increased and more effective investment in developing countries.

AILAC further proposes that the Xingu Finance Talks be convened, where appropriate and without being prescriptive, on the margins of high-level international events outside the UNFCCC—such as the United Nations General Assembly or the Financing for Development process—to facilitate the participation of senior-level decision-makers. The Presidency and the co-chairs should ensure that representatives participating in the Xingu Finance Talks are fully informed of the safeguards defined in the relevant CMA 7 decision, and that these safeguards are reflected in the discussions and outcomes. The outcomes of the Talks should, in turn, inform the decisions to be adopted by the COP of the corresponding year, in the context of the Veredas Dialogue. The Xingu Finance Talks should ensure balanced representation from all groups and regions.

5. Identification of annual priorities: AILAC suggests that the co-chairs invite, through the annual call for submissions, the UNFCCC constituted bodies, the operating entities of the Financial Mechanism, international financial institutions, observers, and other relevant stakeholders to propose priority themes for consideration each year. These inputs should inform the selection of topics to be addressed in the Veredas Dialogue workshops and the Xingu Finance Talks.

Regarding the thematic scope to be addressed under the Veredas Dialogue

AILAC priorities for 2026

1. Clarifying the complementarity between Article 2.1(c) and Article 9: To lay a solid foundation for the Veredas Dialogue, AILAC considers it essential to begin by clearly defining the complementarity between Article 2.1(c) and Article 9 of the Paris Agreement, including its practical implications in light of the differentiated obligations of developed and developing country Parties, and how this complementarity should be operationalized in

practice. This relationship was not fully addressed under the Sharm el-Sheikh Dialogue. The Veredas Dialogue should therefore fill this gap by clearly articulating how the finance flows under Article 2.1(c) must be consistent with—and supportive of—the obligations to provide climate finance under Article 9, as mandated.

2. Scaling concessional finance and safeguarding fiscal sustainability: Building on this complementarity, it is critical that the implementation of Article 2.1(c) explicitly contributes to increasing climate finance flows to developing countries in the form of highly concessional, non-debt-inducing instruments, while taking full account of fiscal sustainability constraints. The consistency of finance flows cannot rely on instruments that exacerbate debt vulnerabilities or raise the cost of capital for developing countries.
3. Roles of actors outside the UNFCCC regime: The implementation of Article 2.1(c), in complementarity with Article 9, necessarily implies that actors involved in the mobilization and allocation of climate finance respond on the outcomes and guidance emerging from the Veredas Dialogue. Many of these actors—including IFIs, MDBs, central banks, and large private-sector entities—operate outside the UNFCCC regime.

The Veredas Dialogue must seek to understand the expected roles and contributions of these actors in supporting the three objectives of the Paris Agreement, while respecting the agreed safeguards in the mobilization of financial resources, in the context of the Dialogue. This clarity is essential to ensure coherence of vision, interests, and political will across UNFCCC-led processes and parallel initiatives outside the Convention, maintaining alignment with the principles and objectives of the Paris Agreement. Participation in the Dialogue, including the Xingu Finance Talks, should be grounded in voluntary and meaningful engagement, with the purpose of improving the quality and access to climate finance for developing countries in a transparent manner.

4. Reform of the international financial architecture: The Dialogue shall inform the ongoing processes of reform of the international financial system, with the aim for it to effectively respond to the needs and priorities of developing countries in the context of the climate crisis. AILAC considers that the Dialogue shall enable an open space to send concrete messages, including on structural solutions to address, inter alia, the following key issues:
 - a. Rules and governance of the international financial system:
 - Reassessment of the rules and governance structures that shape global financial flows, which currently embed systemic biases that limit access to affordable finance for developing countries.
 - Review of governance rules to ensure greater voice and representation of developing countries in global financial decision-making processes.
 - Greater coherence is needed between global financial governance frameworks and the obligations under Article 9, ensuring that efforts to align financial flows do not dilute or replace the provision of public finance by developed country Parties.
 - b. Reform of Multilateral Development Banks (MDBs):
 - MDB reform is a critical enabler of both Article 2.1(c) and Article 9, if it results in increased concessional finance and does not exacerbate debt vulnerabilities.

- Reforms should focus on optimizing capital adequacy frameworks, expanding the use of callable capital, revising risk assessment methodologies, and scaling up guarantees and other risk-sharing instruments to unlock additional lending capacity.
 - Increased MDB headroom must translate into a higher share of grants and highly concessional instruments, particularly for adaptation, in order to complement—and not substitute—developed countries’ obligations under Article 9.1.
- c. Reducing the cost of capital, debt burdens, and strengthening debt sustainability:
- Pathways to reduce unjustified risk premiums, improve access to concessional and non-debt-creating instruments, and ensure that climate finance does not increase fiscal and debt vulnerabilities in developing countries.
 - Approaches to debt sustainability must be differentiated and responsive to country-specific circumstances, recognizing that climate-related investments—particularly in adaptation—reduce long-term macroeconomic and financial risks.
- d. Integrating climate risks into financial risk assessments:
- Integrating climate risk into financial decision-making, while ensuring that such integration does not translate into higher costs or conditionalities for developing countries.
 - Recognizing climate action -particularly adaptation and resilience investments—as risk-reducing rather than risk-increasing is key to reorienting financial flows to developing countries.
5. Financing for just transitions: The Dialogue must address finance for just transitions as a core element of making finance flows consistent with the objectives of the Paris Agreement. AILAC stresses that financing just transitions must focus on how the financial system and the private sector are enabled and guided by public finance to support developing countries. In line with Articles 2.1(c) and 9 of the Paris Agreement, developed country Parties must provide predictable and highly concessional public finance to reduce transition risks, lower the cost of capital, and create the enabling conditions for private investment that supports equitable, country-driven transition pathways. The Dialogue should provide space to reflect on how to ensure that private finance is mobilized in ways that do not increase debt or social vulnerabilities, and that public finance is used strategically to ensure inclusive, just, and development-aligned transitions in developing countries.

Other thematic areas to be addressed in the subsequent years of the Dialogue (2027–2028)

1. Making finance flows consistent: To lay the foundations for the Dialogue, AILAC recognizes that there is no common interpretation of the scope of Article 2, paragraph 1(c), of the Paris Agreement or the manner of its implementation. Parties are implementing it in a nationally determined manner. The Dialogue should seek to further reflect on the safeguards that should guide its implementation, building on the CMA 7 decision. The implementation of making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development should respect national circumstances and the principle of CBDR-RC..

2. Assessing progress: The Dialogue should allow for a general reflection—through a bottom-up approach—on how progress toward Article 2.1(c) can be understood in a transparent and credible way, without creating new reporting requirements, measurement frameworks, or additional burdens for developing countries. Any consideration of progress should focus on tracking the efforts of those actors that mobilize the largest volumes of finance—such as developed countries, multilateral development banks, international financial institutions, and other major financial actors—and on assessing how these resources are being directed and allocated to the countries and regions with the greatest needs. Discussions on transparency and integrity should also aim to avoid greenwashing, maladaptation, and negative environmental or social impacts.

3. Increasing finance for adaptation, climate resilience, and just transitions in developing countries: The Dialogue should underscore that, for developing countries, the effective implementation of Article 2.1(c) and the achievement of the goals of the Paris Agreement fundamentally depend on access to adequate, predictable, and concessional finance for just transitions. Scaling up finance for adaptation and climate resilience must therefore go hand in hand with supporting socially inclusive and equitable transition pathways that safeguard livelihoods, address distributional impacts, and respond to development priorities. Financing strategies should clearly differentiate between mitigation and adaptation, recognizing their distinct risk profiles and the differentiated role of the private sector in each, while reaffirming the central role of public finance in de-risking investments and enabling just transitions. Finance flows should be consistent with nationally defined, country-owned priorities and pathways, as reflected in NDCs, NAPs, and long-term strategies, ensuring that climate finance supports sustainable development outcomes rather than imposing externally driven models.