

## COP 23 adopts host of finance decisions

Penang, 27 Nov (TWN) — The UNFCCC's COP23, held from 6-18 Nov. in Bonn, Germany, adopted a host of finance-related decisions.

These included decisions on long-term climate finance, report of the Standing Committee on Finance (SCF), review of the functions of the SCF, report of the Green Climate Fund (GCF) to the COP and guidance to the GCF, report of the Global Environment Facility (GEF) and guidance to the GEF; 6<sup>th</sup> review of the Financial Mechanism; and process to identify the information to be provided by Parties in accordance with Article 9.5 of the Paris Agreement (PA).

Some finance related matters were also there under the Ad Hoc Working Group on the Paris Agreement (APA) and the Subsidiary Body for Scientific and Technological Advice (SBSTA).

A crucial decision on the 3rd review of the Adaptation Fund was also taken under the Conference of Parties serving as the meeting of Parties to the Kyoto Protocol (CMP). (see TWN Update 22 on this issue).

(See also TWN Update 21 on 'process to identify the information to be provided by Parties in accordance with Article 9.5 of the PA).

We provide below highlights of some of the key decisions on finance related matters that were undertaken by the COP, APA and SBSTA.

### Finance issues under the COP

#### *Long-term climate finance (LTF)*

There were several sticky issues in the discussions on LTF.

Some of the key issues that the developing countries wanted reflected in the decision included reference to scaling up provision and mobilization of climate finance in the decision; language on predictability; nationally determined contribution

(NDC)-related needs of developing countries; recognizing the need for public and grant-based resources for adaptation; requesting developed countries to enhance qualitative and quantitative elements of a pathway to 2020 through provision of information; and requesting a compilation and synthesis of developed countries' biennial submission in time to inform the 2018 high-level dialogue on climate finance.

Developed countries were not amenable to include these in the decision. As negotiations progressed, the decision adopted makes a reference to the needs of developing countries as well as the need for public and grant-based resources for adaptation (see highlights of LTF decision below).

Developed countries on the other hand wanted certain elements to be included which developing countries were not comfortable with. These included recognizing progress made towards fulfilling the USD 100 billion pledge by 2020; acknowledging the steps taken by multilateral development banks in developing methodologies on reporting climate finance. The paragraph in question that was initially proposed read:

*“Acknowledges the steps taken by Parties and multilateral development banks in developing methodologies on reporting climate finance and their increased efforts to mobilize climate finance, and encourages multilateral development banks to enhance their cooperation in scaling up climate finance and improving their methodologies on reporting climate finance.”*

The paragraph got removed due to intense opposition by developing countries.

Highlights of the LTF [decision](#) as adopted by the COP are as follows:

Parties welcomed *“with appreciation progress of developed countries towards reaching the goal of jointly mobilizing USD 100 billion annually by 2020.”*

They also recalled *“the commitment of developed countries*

to mobilize USD 100 billion” and urged “them to scale up climate finance.”

Developed countries were urged “to channel a substantial share of public climate funds to adaptation activities and to strive to achieve a greater balance between finance for mitigation and finance for adaptation, recognizing the importance of adaptation finance and the **need for public and grant-based resources for adaptation**” (emphasis added)

The decision also requested the secretariat to “prepare a compilation and synthesis of the biennial submissions (on finance)” of developed countries and for the secretariat to assist developing countries “in assessing their needs and priorities, in a country-driven manner, including technological and capacity-building needs, and in translating climate finance needs into action.”

The decision also recalled that the 2018 LTF workshop will focus on “on experiences and lessons learned from articulating and translating needs identified in country-driven processes into projects and programmes, roles of policies and enabling environments for mitigation and adaptation finance, and facilitating enhanced access.”

#### **Highlights of [decision](#) on the report of the SCF**

The decision “notes that the SCF extended the two-year workplan on the measurement, reporting and verification (MRV) of support beyond the biennial assessment (BA),” and “requests the SCF to enhance its work on the MRV support beyond the biennial assessment, acknowledging the progress made...”

Sources revealed that there has not been much progress on the issue of the MRV of support beyond the BA within the SCF due to reluctance on the part of developed countries to advance the issue, citing that work is underway in other bodies.

Developing countries though have been insisting that the SCF should do substantive work on MRV of support beyond the BA because it is crucial for developing countries, especially the verification aspect.

The decision, among other things, also:

“Welcomes the 2017 forum of the SCF on the topic of mobilizing finance for climate-resilient infrastructure; invites the SCF to conclude its deliberations on the topic of its next forum;” and welcomed “the offer by the Republic of Korea to host a 2018 forum of the SCF.”

#### **Review of the functions of the SCF**

Discussions on the review of the SCF were highly contested with Parties not being able to arrive at

any resolution until the very end of the COP. The main disagreements were in three areas viz. on functions of the SCF; representation of members in the SCF; and periodicity of the forum of the SCF.

On the issue of functions of the SCF, the primary disagreement was over whether the SCF should continue to provide guidance to the operating entities of the financial mechanism of the Convention (the GEF and the GCF).

Among other arguments, developing countries argued that the SCF was created to provide guidance to the operating entities and that the function should continue. Developed countries said that even if Parties agreed on some guidance in the SCF meetings, the guidance is opened up at the COP and therefore the SCF should not “waste time” discussing guidance in its meetings.

In the [decision](#) adopted by the COP, the language pertaining to this reads as follows:

“Encourages the SCF to prioritize specific areas of work in the light of its workload in a given year and emphasizes the need to continue to enhance all the functions of the SCF, including to take into consideration its mandate to serve the PA in line with decision 1/CP.21, paragraph 63.”

(Paragraph 63 says that the SCF shall serve the PA “in line with its functions and responsibilities established under the Conference of the Parties”.)

On the issue of membership, developing countries proposed to establish the practice of having “alternate members” attending the SCF meetings if the primary members were not available to attend meetings. This was expressly rejected by developed countries. Developing countries provided the rationale that it was not always possible for the members to attend meetings due to some exigencies and therefore alternate members should be allowed to participate. There was no consensus on the matter and in the decision that got adopted the matter has been reflected as follows:

“Decides to continue its deliberations on ways to enhance the participation of members of the SCF, acknowledging the need to ensure the full participation and contribution of all constituencies in the meetings of the SCF and the continuity of the work of the SCF;

The decision also “requests the SCF to provide options for the enhancement of the participation of members and to report back to the COP at its 24<sup>th</sup> session (December 2018)”.

On the issue of the SCF forum, disagreement arose over whether the SCF should conduct forums every year, which is the current practice.

Developed countries were of the view that forums should be held once in two years given the workload of the SCF, but developing countries were in favour of a forum every year as they found them quite helpful. There was nothing reflected in the decision on the issue of the frequency of the forums.

### ***COP guidance to the GCF***

One issue that was among the most contested of the finance issues at COP23 was a proposal from developing countries to ensure that all developing countries are eligible to receive funding from the GCF.

(According to the Convention all developing countries are eligible for funding and the governing instrument of the GCF also makes this clear.)

Given the recent problem that arose at the 18<sup>th</sup> Board meeting in Cairo, Egypt, developing countries were of the view that clear guidance was needed to the GCF.

(At its 18<sup>th</sup> Board meeting, the GCF Board failed to approve two projects from Paraguay and Argentina. The Board Member from the United Kingdom had objected to the projects, citing the “level of concessionality sought” and “the rationale for GCF funding” given the “development and income status” of Paraguay and Argentina.) (For more, see related [TWN Update](#)).

To ensure such incidents do not repeat, developing countries proposed language in the guidance to be given by the COP, to reflect that all developing countries should receive funding irrespective of the level of concessionality sought and that all developing countries must have access to all financial instruments available through the GCF.

After several rounds of informal consultations on the matter, the decision adopted requested “*the (GCF) Board to ensure that all developing country Parties have access to all the financial instruments available through the GCF, in line with the eligibility criteria referred to in the governing instrument and relevant decisions of the COP and to ensure application of the agreed policies of the GCF.*”

The [decision](#) adopted also touched upon several concerns in relation to disbursement of GCF Funds after projects are approved; the pace of accreditation; the challenge in accessing financial

resources, especially for adaptation; improvement in readiness support for developing countries; and replenishment of funds, among others.

### ***COP guidance to the GEF***

Like in the GCF decision, the eligibility criteria also proved contentious in the guidance to the GEF. Developing countries wanted to ensure that no developing country faced problems in accessing GEF resources, which is currently the case.

Developing countries also wanted more allocations of the GEF resources to go to the climate change focal area but this was resisted by developed countries.

In the [decision](#) adopted, the COP requested “*the GEF to continue implementing in its 7<sup>th</sup> replenishment period its established policies for grants and concessional funding, in support of developing country Parties, in line with the provisions of the Convention, relevant decisions of the COP and the Instrument for the Establishment of the Restructured GEF.*”

It also called for ensuring a “*robust 7<sup>th</sup> replenishment in order to assist in providing adequate and predictable funding, taking into consideration the PA as well as the request of the COP to the GEF.*”

The COP also requested the GEF “*to further consider the needs and priorities of developing countries in the allocation for the climate change focal area in its 7<sup>th</sup> replenishment period*”;

It also welcomed “*the operationalization of the Capacity-building Initiative for Transparency and projects approved during the reporting period, and requests the GEF to provide adequate support to assist developing country Parties...*”

It also invited the GEF to “*further consider ways to improve its access modalities*” for developing countries, including Small Island Developing States and the Least Developed Countries.”

The COP requested the GEF “*to ensure that its policies and procedures related to the consideration and review of funding proposals be duly followed in an efficient manner*”;

The COP also invited the GEF “*to allocate provisions in the climate change focal area of its 7<sup>th</sup> replenishment for supporting developing country Parties in undertaking technology needs assessments and piloting priority technology projects to foster innovation and investment*”;

### ***Setting a new collective goal on finance - APA***

Under the APA, one of the matters under its remit under agenda item 8 on ‘further matters related to the implementation of the PA’ is the issue of setting

a new collective goal on finance under paragraph 53 of 1/CP.21.

(Para 53 provides that “...prior to 2025 the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement [CMA] shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries.”)

Discussions on the issue proved contentious, with developed countries saying that there was no immediate need to discuss the issue as the work had to be carried out before 2025 and developed countries would be comfortable if work on the new quantified goal began in 2024.

However, several developing countries pressed for the issue to be accorded urgent attention since it would take a lot of time for preparatory work to be undertaken to set a new collective quantified goal on finance. With no consensus on the issue, the informal note produced by the APA co-chairs merely says that the APA will continue to consider the issue at its next session.

Besides these, the APA also discussed transparency of support, which has finance-related elements in it. The co-facilitators [informal note](#) captures a range of views by countries in the form of headings and sub headings. These are expected to be the basis of negotiations under the Paris Agreement Work Programme (PAWP) next year.

### **Modalities for accounting of finance under SBSTA**

In relation to the PAWP, SBSTA discussed the issue of ‘Modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the PA’.

(Article 9.7 of the PA reads: *Developed country Parties shall provide transparent and consistent information on support for developing country Parties provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines to be adopted by the CMA, at its first session, ...*).

The [informal note](#) on the issue, prepared by co-facilitators comprises draft elements on the timing of the SBSTA work, objective and principles, general considerations and crosscutting considerations.

According to sources, Parties expressed their views, which they wanted captured in the informal note, without necessarily opposing each others views at this stage.

During the discussions, developing countries highlighted that modalities should include measurement and reporting and that consistency and comparability of information. Developing countries also stressed on the need for Parties to arrive at an operational definition of climate finance.