

## No consensus on membership of Adaptation Fund Board

Kathmandu, 22 June (Perna Bomzan): At the recently concluded 56th session meetings of the UNFCCC's Subsidiary Bodies (SB 56) from 6 to 16 June in Bonn, Germany, climate finance negotiations mainly addressed matters relating to the Adaptation Fund (AF), its fourth review and membership of the AF Board, with the latter not resulting in any conclusions due to absence of consensus.

For the developing countries, the issue of the AF Board membership is to be addressed in the future, once the AF exclusively serves the Paris Agreement (PA). However, the **United States (US)** and **Switzerland** for the **Environmental Integrity Group (EIG)** argued that discussions in advance would be useful in addressing the matter.

(The AF was established under the Kyoto Protocol and is funded from a share of proceeds from the Clean Development Mechanism and other voluntary contributions from developed countries. A share of proceeds from the Article 6.4 mechanism under the PA is supposed to go to the AF, but the mechanism is yet to be operationalized. The US and Canada are not Parties to the Kyoto Protocol.)

Speaking for the **G77 and China**, lead climate finance negotiator **Zaheer Fakir (South Africa)** made clear in the very first informal consultations that the group did not see the need

to dwell on the matter and even have an agenda item, maintaining that the AF and its current Board membership works well. It could be reviewed later once the AF exclusively serves the PA (when the share of proceeds from the Article 6 market mechanisms are available), and hence, discussions were no longer necessary around membership and governance issues until then, elaborated Fakir further.

The US and the EIG, in particular, could not agree to this and given the absence of consensus on the way forward, the Chair for the Subsidiary Body for Implementation (SBI) eventually applied Rule 16 of the UNFCCC's draft Rules of Procedure at the closing plenary on this agenda item, which means that this matter will be included at the next SB 57 session to be held in November 2022 in Egypt. (According to Rule 16: "*Any item of the agenda of an ordinary session, consideration of which has not been completed at the session, shall be included automatically in the agenda of the next ordinary session,...*").

Besides matters relating to the AF, the other climate finance issue that featured in conjunction with the SBs was the mandated event on the 'Second Technical Expert Dialogue under the Ad hoc Work Programme on the New Collective Quantified Goal on Climate Finance' which was conducted from 13-14 June.

## Matters relating to the AF

### *Membership of the AF Board*

With the first informal consultations on 8 June hearing divergent views between developed countries mainly from the **US** and **EIG** and developing countries on the issue of membership of the AF Board, the matter was closed during the second session of consultations held on 14 June. Co-facilitator **Diann Black-Layne (Antigua and Barbuda)** concluded that there was no consensus on the way forward and that this would be reported to the SB Chairs.

The **G77 and China** insisted on strictly sticking to the mandate regarding the matter when it could be discussed later, once the AF starts serving the PA, for the consideration of new members on the Board. The **US** and **Switzerland** for the **EIG** wanted discussions around the issue of the AF governance.

**Norway** and the **European Union (EU)** also agreed to not having any immediate need to continue deliberations on the matter.

The push for a decision to not include it as a future agenda item was led by the **G77 and China** and supported by its sub-groups **Zambia** for the **African Group (AG)**, **Nepal** and **Malawi** for the **Least Developed Countries (LDCs)**, **Honduras** for the **Independent Alliance of Latin America and the Caribbean (AILAC)** countries, **Saudi Arabia** for the **Arab Group**, **Maldives** for the **Alliance of Small Island States (AOSIS)**, **India**, **China**, and **Pakistan**.

At the closing plenary, SBI Chair **Marianne Karlsen (Norway)** said that having noted absence of consensus on the issue, it is concluded that it will be included in the provisional agenda of SBI 57 (November 2022) with Rule 16 of the draft Rules of Procedure being applied.

### *Fourth Review of the AF*

The SBI informal consultations in Bonn initiated discussions around the mandated issue of the [fourth review of the AF](#). In particular, three contentious issues emerged while finalising the draft conclusions text towards the end of the negotiating sessions.

In the 11th June iteration of the text, the language on “full-cost, grant-based finance” was inserted following deliberations the previous day where **South Africa** for the **G77 and China** asked for its inclusion reflecting a “statement of fact” of what the AF provides to developing countries. This was however contested by the **US**. This stance of the **US** was viewed by developing countries as worrying, since it was questioning the continued grant based finance to developing countries via the AF for adaptation projects.

The [final text of the conclusions](#) adopted on 15 June contains the words “currently providing” as compromise language suggested by **South Africa**.

Paragraph 4 of the agreed conclusion reads: “*The SBI also recognized the important role that the Adaptation Fund has played and continues to play in the climate finance architecture and its unique features that have enabled the Fund to significantly contribute to meeting the support needs of developing country Parties, for which the Adaptation Fund has been and is currently providing full-cost, grant-based finance for concrete projects, programmes and readiness development relating to adaptation, including through its direct access modality, its focus on action, innovation, learning and sharing knowledge and best practices, and its gender policy and action plan.*”

The **G77 and China** said that since its inception over 12 years ago, a total of only USD 1.4 billion was reported as resources to the AF which clearly raises questions about the predictability and sustainability of the AF. In the context of the review, the **G77** also highlighted the need to look at the adequacy and sustainability of adaptation finance as an important element, with the AF pioneering in terms of the direct access modality, further leading the path to the Green Climate Fund (GCF) in this regard. (The use of the direct access modality is a difficult issue at the GCF, with much of its resources going through international accredited entities rather than through national entities).

The second issue was for the inclusion of language on “accessibility” to the AF that was advanced by

**Malawi** for the LDCs and supported by the **G77 and China**, AOSIS, AG, AILAC, **Argentina**, **Brazil**, **Uruguay** (ABU), Arab Group, China, and India.

The **G77 and China** also asked for the inclusion of the words “important priority for developing countries” which is carried in the final text in paragraph 3 which reads as follows: *“The SBI recognized that the review of the Adaptation Fund follows a well-established process with the objective of ensuring the effectiveness, sustainability and adequacy of the Fund and its operations. The SBI underlined that the review of the Adaptation Fund is an important process, and the accessibility of the Fund is an important priority for developing countries. The SBI recognized the importance of addressing accessibility of the Fund in the fourth review.”*

The third issue that arose was around the inclusion of references to both the Conference of Parties to the PA (CMA) and Conference of Parties to the Kyoto Protocol (CMP) decisions in the draft conclusions which is now contained in paragraph 2 of the final text.

Developing countries led by the **G77 and China** did not see any relevance of referencing decision 13/CMA.1, given that the review of the AF is solely the responsibility of the CMP and the CMA has no role in the matter. The push by the US and other developed countries to include the CMA decision was thus seen as creating a space for the CMA to start deliberating on the future role of the AF.

The G77 called for the deletion of paragraph 2 altogether, but accepted it as a compromise with inclusion of reference to a CMP decision as well, which was then included in the final text which reads follows: *“The SBI recalled decisions 13/CMA.1 and 4/CMP.16, annex, containing the terms of reference for the fourth review”.*

### **The New Collective Quantified Goal (NCQG) on Climate Finance**

The mandated [second technical expert dialogue](#) under the ad hoc work programme on the NCQG (to

be from 2022-2024) was convened by Co-Chairs **Kishan Kumarsingh** (Trinidad and Tobago) and **Federica Fricano** (Italy).

(At COP 21 in 2015, it was decided that, prior to 2025, the CMA shall set a NCQG from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries. In Glasgow in 2021, Parties agreed to establish the ad hoc work programme on the NCQG from 2022 to 2024. The CMA also decided to conduct four technical expert dialogues per year).

The two-day dialogue saw expert panel discussions with moderated break-out group discussions on the “landscape of issues” identified in the [Co-Chairs’ reflection note](#) of the first technical dialogue (24-25 March in Cape Town, South Africa) as well as on “milestones, approaches, and elements in 2022” including on how progress could be captured for 2022 at the CMA4 session in November in Egypt.

In concluding the dialogue, the Co-Chairs informed that they would come up with their next “reflections note” based on the inputs received during the Bonn session, pointing out that the issues of “quantity” (of climate finance) and “tracking” of the finance clearly featured as key matters based on the report backs from the break-out group discussions. (Developed countries in the dialogues have expressed their reluctance to talk about the “number” for the NCQG, which they view as being too early in the process.)

**Ambassador Mohamed Nasr** (Egypt) representing the **incoming COP 27 Presidency**, in his closing remarks, highlighted its objective to “make significant progress on the crucial issue of climate finance” further underlining the importance of “adequacy” and “predictability” of finance as “key to achieving the goals of the PA”. He also laid emphasis on both mitigation and adaptation finance goals, with the latter currently lagging behind, citing that the biennial assessment flows from developed countries are far less than expected needs.

Nasr reminded everyone about the lessons learnt from the current unfulfilled USD 100 billion per

year goal (by 2020 which was then extended to 2025), urging for the development of the NCQG based on the needs and priorities of developing countries (as reflected in the first Needs Determination Report by the UNFCCC's Standing Committee on Finance ranging from USD 5-11 trillion for the implementation of developing countries' nationally determined contributions). He also underscored the need to make "more substantive progress" on this new climate finance goal at the CMA4 session in Egypt.