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9

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Developing countries disappointed on lack of information on future climate finance

Kathmandu, 14 June (Prerna Bomzan): Developing countries unanimously expressed their disappointment over the lack of predictability and clarity in the information provided on the financial support to be provided by developed countries post-2020, at a workshop held on 11 June, at the ongoing climate talks under the UNFCCC's subsidiary bodies (SBs).

The first biennial in-session workshop on 'Information to be provided by Parties in accordance with Article 9.5 of the Paris Agreement (PA)', aimed to share views on the information included in the first biennial communications (BCs) from developed countries, as well as to discuss potential improvements of the overall state of predictability and clarity of available information based on the lessons learnt. The workshop was co-facilitated by **Andres Mogro (Ecuador)** and **Gabriela Blatter (Switzerland)**.

The workshop was informed that **Australia, Canada, Germany** and the **European Commission, on behalf of the European Union (EU)**, **Japan, Monaco, New Zealand, Norway, Switzerland** and the **United Kingdom** have submitted their BCs.

In response to the communications provided on ex-ante information on climate finance post-2020, **South Africa** candidly expressed disappointment over the synthesis report prepared by the UNFCCC secretariat on the BCs, saying that the information provided did not speak to the core issue of the qualitative and quantitative information on finance provided and mobilised by developed countries, including about the future finance to be provided and mobilised.

South Africa said further that there was no information that really provided a sense of the 'granularity' needed, such as what amount are loans or grants, as well as the delivery mechanisms and channels. It said that there was a lack of robustness in providing predictive information on the element of support, which is key for developing countries in submitting ambitious nationally determined contributions (NDCs). On the question of whether the BCs build 'trust, transparency, predictability, and ambition', South Africa said emphatically that the answer was 'no', with the information woefully lacking and not reflecting ambition.

India sharing its experience with the use of information from the BCs, highlighted the expectations for more predictability and clarity of information on financial support for the implementation of the PA. It spelt out that predictability and clarity can be increased by precisely setting out financial resources projected annually in the coming years; identifying what resources provided will be new and additional to existing commitments and what is not; indicating what proportion of resources will be provided for adaptation and mitigation; and the nature of finance in terms of grants, loans or other forms of financing.

Similar views of disappointment were expressed with strong calls for improvements in future communications by **Antigua and Barbuda,** the **African Group,** the **Least Developed Countries (LDCs),** the **Independent Alliance of Latin America and the Caribbean (AILAC)** and the **Like-Minded Developing Countries (LMDC).**

(Article 9.5 of the PA provides that developed countries shall biennially communicate indicative quantitative and qualitative information on the finance to be provided and mobilized including, as available, projected levels of public financial resources to be provided to developing countries. In 2018, Parties agreed to set out the post-2020 arrangements for the provision of information and these include: the BCs starting in 2020, a dedicated online portal, compilation and synthesis of the BCs, biennial in-session workshops, and biennial high-level ministerial dialogues. The compilation and synthesis of the information included in the BCs will also inform the global stocktake to be held in 2023).

In a comprehensive scene-setting presentation, **India** **s**hared that a multilaterally agreed clear definition of climate finance is needed, and also called for increased clarity on projected levels of public financial resources to be provided which requires the scale of finance and timeframe over which it will be provided to be precisely set out.

Commenting on the BCs, it said that a number of countries stated a general commitment to contribute to collective efforts to provide USD 100 billion per year in the coming years, without providing any indication of the scale of this contribution, and how it is projected to compare with the pre-2020 contributions. Communications often restated pledges to the Green Climate Fund (GCF) made in first replenishment period (2020-2023) and to other financial mechanisms such as the Global Environment Facility (GEF) for its seventh replenishment period (2018-2022). On new and additional resources, India said that many of the submissions have been accounting official development assistance (ODA) as climate finance, and few submissions discussed and increased focus on climate within development assistance rather than explaining what funds would be new and additional to existing support provided internationally.

On ensuring balance between adaptation and mitigation, India said many submissions recognized and indicated this as priority, but only a couple reflected specifically in their projections to indicate what proportion of climate finance is anticipated to flow to each. Additionally, information on resources for loss and damage was not considered but this would also be a valuable addition to enhance understanding of support to be provided.

On the nature of financial instruments, it said that the break-down of grant and non-grant financing was usually not made clear in the projections, adding that what must count is only the grant equivalence of any claimed climate finance and not the gross face-value of all loans, guarantees, export credits and other elements.

India said further that on ensuring provisions as per needs and priorities of developing countries, many of the submissions were descriptive rather than in supporting it with the financial data. Submissions are also referred to 'green recovery' but stressed that scaled-up climate finance is for enhancing the implementation of the PA. It also said that submissions were completely silent on the detailed in-depth data on support for technology transfer and capacity building for mitigation, adaptation, loss and damage as well as on cross-cutting efforts. It also said that granularity in the information on the flows from developed to developing countries is completely missing in all submissions. Increasing specificity in the information provided in BCs has the power to significantly enhance the implementation of the PA by developing countries, said India.

Sharing its experience with the preparation of the first BC, **Austria** on behalf of the **EU** presented some of the lessons learned: providing ex-ante information on longer-term planning for the provision of means of implementation to developing countries depends on the national budget systems; improving national coordination processes in developed countries by internal capacity building will lead to the better provision of information; providing support to improve enabling environments to ensure alignment of all financial flows is important; and improving the coordination of actors at national and international level will enhance effectiveness of action.

On the key issue of predictability of climate finance, it shared that the EU recognizes predictability of finance is a key ask but commitments on climate finance have to be based on political decisions. Short-term budget cycles in many countries are a barrier to longer term planning of bilateral climate finance, while contributions to multilateral funds are more likely to cover a longer time period.

Antigua and Barbuda focused on the improvements needed in the BCs, pointing out a lack of synthesis in relation to the collective projected levels of finance from developed countries, especially on annual basis, It said that its NDC is conditional on getting the means of support, especially in light of debts and the COVID-19 situation. It added that understanding the limitations of budgetary processes, the information that is needed is only indicative. It also pointed out that the timeframes in the submissions were not standard and were also outdated, with 2018-19 references which did not reflect projections anymore.

Guinea for the **African Group** reiterated that the provision of ex-ante information to developing countries is crucial to implement their conditional NDCs, adding that the BCs did not give any assurance of financial commitments by developed countries. It highlighted the lack of 'burden sharing' and 'fair share' of the collective commitment by developed countries and called for clear quantitative and qualitative information. It pointed out that most developed countries failed on indicating predictable finance as well as what are new and additional financial resources.

Malawi for **LDCs** also highlighted the importance of predictability and adequacy of support including progression and scaling up. It stressed on the need to isolate ODA from climate finance and suggested on bringing in lessons learned from long-term finance and the USD 100 billion goal. On the improvements needed, it echoed South Africa and India on the need for more information on reporting of future commitments, as well as more clarity on allocations towards mitigation and adaptation, and a clear indication of what support there is for loss and damage. It said that different approaches and methodologies pose a challenge on comparability of financial resources among developed countries.

Colombia for **AILAC** said that the next round of communications must come up with additional quantitative as well as qualitative information on how developed countries plan to support developing countries. It also sought clarification on what is the new and additional element of financial resources, adding its disappointment that developed countries do not consider the region as a priority even though they are particularly vulnerable to climate change. It also commented that most AILAC countries have really ambitious NDCs but do not have resources to implement them.

Norway, Canada, and **Australia** shared some key elements of their respective BCs and highlighted that their budget cycles and the need for parliamentary approval is a common challenge and barrier towards providing ex-ante information on financial resources.

The **EU** took note of the comment (by South Africa) that the communications did not help in terms of trust, transparency, predictability and ambition and remarked that the BCs were 'a learning by doing exercise'. It shared that their ODA budget is their tool for channelling climate finance to developing countries and in relation to the need for multilaterally agreed definition of climate finance (in response to India), it said the Standing Committee on Finance is already using an 'operational definition' and that "we must not let the perfect be the enemy of the good".

The **United States** said that it has not yet turned in its BC but with the change in administration, this was a top priority. It also shared that it released its first ever international climate finance plan which should give the high level overview of the direction of travel and commitment for scaling up climate finance. It said that effectiveness of finance is an important aspect and highlighted scaling up finance for adaptation and resilience. It stressed on the role of all financial instruments that will have to come to play as well as in ensuring finance is fit for purpose. It also referred to the scaling down of support for public subsidies for carbon intensive infrastructure and activities including fossil fuel subsidies.

India for the **LMDC** in response to the EU, reiterated the utmost importance of definition of climate finance, stating that the existing 'operational' definition was not good enough, and that 'aiming for the better' should not be discouraged.

UNFCCC Executive Secretary **Patricia Espinosa** and **Lorena Palomo Parada (Chile)** representing the Presidency of the 25th session of the UNFCCC's Conference of Parties (COP 25), provided opening remarks at the workshop.

Espinosa said finance plays a critical role in the PA implementation process while Parties continue to work to boost climate ambition. She highlighted the importance of scaled up financial resources and striking a 50:50 balance between mitigation and adaptation, with rapidly scaling up grant-based resources for adaptation. She added that financial resources must reflect the needs and priorities of developing countries and that the message of the workshop must be clear and unmistakable; one that tells developing countries that their ambitions actions will be matched with climate finance. She stated that the outcome of the workshop will feed into the high-level ministerial dialogue in Glasgow at COP26.

Parada (Chile) said that the Article 9.5 ex-ante information provides predictability of financial resources in the context of PA implementation, while also providing transparency in the mobilisation of the USD 100 billion goal to address the needs of developing countries. She stressed that predictability is a crucial aspect of aid effectiveness.

More information about the outcomes and negotiations at UNFCCC from 2007 to 2019: https://tinyurl.com/3p6tw5vx