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ADP: Call for $15 billion capitalization of Green Climate Fund

Bonn, 12 June (Indrajit Bose) — The contact group of the UNFCCC's Ad hoc Working Group for Enhanced Action under the Durban Platform (ADP) met on 10 June to elaborate on the elements for the post-2015 agreement with a focus on 'finance'. There was an engaging debate, with developing countries expressing loud and clear what they expect out of climate finance.

Developing countries called for the urgent need to mobilise financial resources into the Green Climate Fund (GCF) that they said should begin with an initial capital of USD 15 billion no later than November 2014. (The GCF had completed all the eight essential requirements for the initial resource mobilization process to begin in mid May this year.)

Developing countries also stressed on the need for clarity on the term "climate finance". India said it was surprised that a core basic term such as climate finance remains undefined and asked whether this is by default or by design. India called for a definition to be given urgently. It also called for definitions of "new and additional", "full incremental costs", "incremental investment", "adequate", "predictable", "mobilization" and "leverage" in the context of climate finance. India was supported by a host of developing countries that said that not having a clear definition ran the risk of climate finance getting mixed up with official development assistance (ODA), which is already a practice.

Ecuador gave as an example that developing countries have for far too long received ODA for school textbooks and developed countries report this as climate finance because the books included a chapter on climate change. Speaking for the Like Minded Developing Countries (LMDC), the Philippines stressed that the words "new and additional" mean climate finance has to be over and above the ODA. Tuvalu endorsed the statement and Bangladesh referred to a study that found that 80 per cent of climate finance is actually ODA. The United States however made the point that there is a "need to mainstream climate change in their overall ODA and that the ODA must advance the collective objective to emissions reduction".

Developing countries also called for a greater balance between mitigation and adaptation, and India quoted the Working Group 3 report (on mitigation) of the Intergovernmental Panel on Climate Change (IPCC) to highlight the imbalance. "The total public and private climate finance investments are estimated at US$343-385 billion per annum almost evenly going to developed and developing countries; 95 per cent of these investments go to mitigation," India said.

Developing and developed countries were also divided on the centrality of public funding in climate finance. While developing countries stressed that any private funding would only be supplementary to public funding, developed countries wanted private sources of funding to be the focus. Australia said that the international climate finance landscape is way different from what it was 20 years ago and that it is important to talk of partnerships rather than "one model of public funding". The European Union added that the private sector is waiting for a clear signal and there is a need to significantly shift to private sector investments to build the means through which climate finance can be enhanced. Developed countries also stressed the need to use public funds to leverage private finance.

Countering such arguments, Bangladesh said that when there is a market failure, national governments correct them. Similarly, in the case of the property of the global commons, the world will have to agree that public financing has to take the lead rather than private financing.

Developed countries also said that their developing country counterparts should provide an enabling environment for private investors but developing countries opposed this saying the Annex II Parties must meet their obligations and not seek private investments in developing countries. "It isn't fair to try to renegotiate financing requirements to mean creating enabling environments to facilitate investments by the private sector of developed countries by requiring developing countries to provide greater market access to their economies," said India.

(Annex II of the UNFCCC lists the developed countries that have committed to provide new and additional financial resources to developing countries in accordance with several provisions of the Convention.)

But New Zealand insisted that the private sector is important because they have the resources, and their resources "far outweigh" resources of developed country governments. Nicaragua countered the argument by establishing public money is available. There is financing aplenty to save banks, to wage wars and to strengthen the military industry. There is also huge financing in agriculture and agriculture subsidy – to the tune of US$1 billion a day – in the developed countries, said Nicaragua. "The historical imbalance cannot continue further," it added.

Developed countries also called for the broadening of Parties of contributors or for all countries in a position to do so to provide financial resources. This was countered by developing countries as being counter to the common but differentiated responsibilities principle and the provisions of the Convention.

The ADP Co-chairs Artur Runge-Metzger (the EU) and Kishan Kumarsingh (Trinidad and Tobago) facilitated the contact group.

Speaking for **G77 and China, Malaysia** said that in the 2015 agreement, the developed countries shall provide financial support to developing countries in accordance with their continued obligations as per the provisions of the Convention. The US$100 billion per year by 2020 shall be the starting point for developed country Parties must enhance their financial commitments for the post-2020 period, with a clear roadmap on scaling up the finance, including targets, timelines and sources. In this regard the financial support should be primarily from public sources and private sources can only supplement it. Finance is a critical element for the post-2015 agreement, both for allowing for ambitious Intended Nationally Determined Contributions (INDCs), for having an ambitious outcome, and for addressing the gaps in the current financial architecture and flows.

Past agreements regarding issues of adequacy, accessibility, predictability, sustainability, transparency and additionality of the provision of finance by developed countries must be operationalized, stressed the G77 and China. The 2015 agreement shall reflect the priority of financing adaptation and deal with the gaps in this regard. It shall focus on utilizing the current mechanisms like the Standing Committee on Finance and allow for ambitious, sustainable and predictable resources for the financial mechanism, including clear quantified pathways.

[The Cancun Conference of Parties (COP) established the Standing Committee on Finance to assist the COP in relation to the financial mechanism of the Convention.]

The Group said that the GCF should be strengthened and anchored in the new agreement. The initial resource mobilization should reach a very significant scale that reflects the needs and challenges of developing country Parties to address climate change. The G77 and China hopes that the initial resource mobilization by the end of November 2014 would reach US$ 15 billion as a start.

Speaking for **Like Minded Developing Countries (LMDC), the Philippines** asked, "Why is it that 22 years later, we are still talking about finance? The problem with climate finance is it has not been treated as an obligation. Finance for developing countries has been looked at on a voluntary and selective basis," said the Philippines. There is no doubt that the financial mechanism of the Convention would serve as the financial mechanism of the new agreement. Article 11 of the Convention specifies that financial resources will be provided on a grant or concessional basis. Referring to transparency as an ongoing discussion within the Convention, the Philippines stressed that the MRV (measurement, reporting and verification) for finance was under discussion in the Standing Committee on Finance and that the MRV for finance has been one of the glaring gaps of the long-term cooperative action.

The Philippines reminded Parties that the term

INDCs came out of a limited huddle in Warsaw (COP 19 last year), but it is still in the context of common but differentiated responsibilities (CBDR) and equity. Since it is not a separate element, it covers a legal obligation to provide finance. It reminded the developed countries that all obligations under Article 4.1 of the Convention are related to finance and transfer of technology. It referred to Article 4.3 of the Convention, which spells out that "*The 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.*" It stressed that the words "new and additional" mean climate finance has to be over and above the ODA.

Referring to the slide projected by the co-chairs, the Philippines said that there should be focus on supply of resources rather than demand in the context that the needs of developing countries are not necessarily met. Referring to country ownership as being very important to developing countries, it said, "We don't want that any financial resources will be conditional where the needs of the developing countries are not met."

The Philippines also made it clear that Article 4 of the Convention mentions only CBDR and not respective capabilities (RC) and therefore specific national and regional development priorities and circumstances must be taken into account. It also said the new agreement must clarify what is the appropriate burden-sharing mechanism among Annex II Parties. It is also important to find out what is the funding available for adaptation and what funding is needed.

It called for any new decision to be coherent with the decisions taken in the past and the responsibility not to be shifted to developing countries. It reminded Parties that the Warsaw decision had spelled out the clarity of finance support by developed country Parties to enhance the implementation of the Convention and that this should figure in the new agreement. Provision of finance by 2015 would have to include operationalization of the GCF, with quantified finance from developed countries up to and beyond 2020. The levels of finance should be commensurate to the needs as identified by developing countries themselves. It said the GCF should begin with initial resources of US$ 15 billion.

The Philippines also said there has always been difference in the amount given and the amount received. The 2015 agreement must look into this aspect. MRV of finance is very important. There should be accurate accounting of the provision of funds. It has put forward a proposal to the Standing Committee on Finance (SCF) to look at the supply side and demand side. The SCF must move beyond biennial assessments. Country based ownership is missing, it added.

The crisis in adaptation financing needs to be underlined, it further said. There must be steps taken that finance for adaptation should be in accordance with decisions that have been taken. The Cancun decision must guide the GCF and new multilateral funding for adaptation should flow through the GCF. "When we talk of balance we are also talking of the historical imbalance of funding on adaptation. We face extreme damage from climate change and therefore, we have to given attention to adaptation," The Philippines said. It also called for establishing new institutional arrangements to help enhance mitigation and adaptation actions in the context of sustainable development and poverty eradication.

Speaking for the **Least Developed Countries (LDC)**, **Tuvalu** reminded Parties of the context of the discussion, which was to limit temperature increase to 1.5°C and climate finance is a crucial element of the discussion. Any financial commitment must be based on needs and science, it said. It reminded Parties that while the IPCC had said that restricting temperature rise to 1.5°C or 2°C is possible it had also said that finance had received far too little attention. Highlighting the need for climate finance in developing countries, Tuvalu said that in the 2015 agreement, the special circumstances of the Small Island Developing States (SIDs), Least Developed Countries (LDCs) and the African Group should be properly recognized, and the agreement should include provision on readiness and support for these groups of countries.

On pre-2020, it is important to lay the clear pathway of how the target of US$ 100 billion by 2020 would be met. Climate finance must be predictable, transparent, adequate and effective, it said. Tuvalu called for substantial commitment on finance in the 2015 agreement. There also needs to be a pre-2015 finance commitment process prior to the new agreement and the commitments should be subject to an ex ante review process. Referring to the GCF, which has a provision that the money should be divided equally for mitigation and adaptation, Tuvalu called for such a provision to be included in the new agreement, while highlighting the need for public financing in developing countries, especially SIDs and LDCs.

Tuvalu stressed on the need for climate finance to not be mixed up with ODA. Referring to the lack of a robust system of MRV of finance, Tuvalu said it is important to incorporate a financial review mechanism so that climate finance can be scaled up beyond the world of 2020. It stressed the main source of funding should be public and any supplemental funding could come from alternative sources. The GCF needs urgent capitalization and the developed countries need to scale up finance targets and their mitigation commitment.

Tuvalu also called for existing climate finance mechanisms under the Convention to be more coordinated and strengthened to expedite climate finance delivery. Without climate finance, it will be difficult to support and agree on a new agreement, it added.

Speaking for the **Alliance of Small Island States (AOSIS), Nauru** said that climate finance is an integral building block and reaffirmed that developed countries would have the same obligations under the new agreement as they have now. Nauru mentioned four broad areas to be included in the new agreement. It is important to reiterate the adequacy of support to developing countries in the new agreement, the predictability and transparency of developed countries to deliver the funds and details of accessibility in the architectural elements of the Fund. For adequacy, Nauru stressed that US$ 100 billion should be scaled up further and different types of finance should be used for different actions. Developed countries must prioritise public finance for adaptation for the most vulnerable countries and must be strategically used to leverage green private interest in developing countries, meaning private sectors in developing countries should profit.

Nauru also called for better and balanced allocation between mitigation and adaptation, and called on the 50-50 balance for mitigation-adaptation as in the GCF to serve as an example. Highlighting that transparency builds trust Nauru called for an ex ante process to determine the adequacy of financing and an ex post process of review. Nauru said that since the inception, SIDs had not benefitted their fair share and it is important that public financing is improved and simplified for the vulnerable countries. Nauru also said that capacity building and readiness are important to implement action.

On the future architecture of financing, Nauru said that the existing financial mechanism (under the UNFCCC) would serve as the financial mechanism of the new agreement. The initial scale of the GCF should be at least US$ 100 billion and that the GCF should be anchored as a key pillar in the new agreement.

Speaking for the **African Group, Sudan** said that there should be significant progress on pathways to meet the US$ 100 billion target. It noted that in 2014, the indicative level of resources should be around US$ 32 billion, with a focus on how the financial gap to reach the US$ 100 billion will be met. The mid-term target should be US$ 60-70 billion and must be scaled up to US$ 600 billion a year by 2030. It stressed on national needs assessment and that adaptation financing should be given priority.

Finance provided to developing countries should be fully in line with the Convention and be accompanied with quantified commitments in the new agreement. The sources of financing need to be clear and the burden sharing between Annex II Parties should be implemented. New and additional financing must amount to 0.7 per cent of the GDP of developing countries. Funding should be balanced and there should be a fair allocation to adaptation, in line with Africa's adaptation needs. On INDCs, Sudan said countries must include information on the scale of resources they intend to provide for their fair share, the need for implementation of INDCs, and that in doing so developed countries must provide upfront information on financial contribution.

Speaking for **Independent Association for Latin America and the Caribbean (AILAC), Chile** said the (2015) agreement has to approach the issue holistically and that finance must be secured in a sustainable, adequate and predictable manner. The agreement must include provisions on commitments and a compliance mechanism and there should be no backsliding on the commitments. It outlined that developed countries must take the lead in providing means of implementation in line with historical responsibility and high capability and these must be taken as key factors in the agreement. It also called for an appropriate programme on long-term finance under (the ADP's) workstream 2 (pre-2020). It further called for the mid-term target of US$ 70 billion to be reached in 2016 and US$ 100 billion by 2020. It also called on the GCF to be capitalized this year, with an initial capitalization amount of US$ 15 billion.

Speaking for the **Caribbean Community** (**CARICOM)**, **Belize** said that post-2020 climate finance should be scaled up with due priority accorded to adaptation. It also called for clarity on what constitutes climate finance and which type of finance is appropriate for which activity. It said that effective climate finance means finance for transforming the economy to a low emission and sustainable pathway. It called for urgent initial capitalization of the GCF and that it should be done by the Lima COP in December this year. It said that Adaptation Fund must also be part of the post-2020 financial architecture. It further said that it is important to establish a specific mechanism within the agreement to clarify sources of the financing so as to move away from an aid kind of approach that is voluntary and scattered. Non-market mechanisms should include a share of proceeds for adaptation as well.

China said the issue of finance is of paramount importance in the process as it is a benchmark of what has been done in the past and a marker of what can be done in the future. It emphasized that the provision of finance to meet the needs and concerns of developing countries is the responsibility of developed countries, as stated by the provisions and principles of the Convention and required by the enhanced actions the world is going to take together.

The 2015 agreement shall be based and built on the structure and provisions of the Convention as well as the differentiation between developed and developing country Parties, with developed country Parties honouring their responsibility and obligation in providing technology and finance support to developing countries. Therefore, it is necessary to make it crystal clear that the commitments are the commitments of developed countries. Only in this way can clear actions and obligations be ensured.

Referring to the ADP co-chairs' 'landscape of issues', China said that it is concerned about wordings such as "broadening of contributors/all countries in a position to do so", and the wording of "Need for financial provisions to be able to adapt to future changing economic realities". Such constructs blur the line between developed and developing countries with implications of unjustifiable shifting of responsibilities away from developed countries. Given the current unfair international economic order, developing countries are still in a disadvantaged position. After 2020, the economic realities might be changing but the fact that developed countries dominate the international economic order and developing countries still have to struggle hard with economic development and poverty reduction will not change. Developed countries should continue to take up their historic(al) responsibilities.

On the "Form of support" as reflected in the landscape document, China said it is very worried with the words "form of support will vary widely by country and sector". All developing countries, big or small, are faced with complex climate change challenges as well as the daunting task of development and poverty reduction. No single developing country can afford to be discriminated in terms of form of support.

On sources of finance, China said it was concerned about the overstating of the role of the private sector in the landscape document. It is common knowledge that tackling climate change is a global public good. A public good requires public finance instead of private finance. Financial resources from private sector are determined by market forces such as profitability, thus they are not predictable and reliable, especially for meeting adaptation needs. "We should therefore focus our attention on public finance provided by developed countries in such forms as budgetary allocation," said China.

On the specifics of post-2020 commitments by developed countries, China reinforced that the US$ 100 billion per year by 2020 should be the starting point for developed countries to scale-up their financial commitments for the post-2020 period, with a clear roadmap on scaling up financial support to be elaborated, including specific targets, timelines and identified sources.

On funding to be provided to the GCF, China said that nearly five years have passed since its creation but the Fund continues to be an empty shell. This erodes the confidence of the international community, especially developing countries in taking actions to tackle climate change. "We appreciate the fact that the GCF Board has completed in May the eight essential requirements and decided to start the resource mobilization. But we are disappointed to see that some developed countries still refuse to set a timeline for the mobilization process," it said. China urged developed countries to capitalize the Fund with clear timeline and targets. The initial resource mobilization process should be finalized with pledges by November this year and the formal replenishment process should be started by the first Board meeting in 2015.

On pre-2020 finance, China said whether developed countries act on what they have committed to has a bearing on the political trust between developed and developing countries and the foundation of the 2015 agreement. It stressed the need for a clear roadmap for how developed countries deliver on the long-term finance commitments, including a clear target of developed countries' public climate financing of US$ 70 billion per year by 2016 rising to US$ 100 billion per year by 2020 together with a robust MRV system.

India said given that finance is an obligation under the Convention climate finance should have concrete targets, starting with US$ 100 billion by 2020. A paradigm shift is needed for the mobilization of resources commensurate with achieving the objectives of the Convention. The Warsaw decision on 'long-term finance' requests clarity from developed countries on the level of financial support to implement the Convention and a transparent MRV regime for assessing the same. The financial mechanism of the Convention needs to be made more robust before 2015.

India highlighted that in the context of addressing climate change, the Convention has squarely put the responsibility for the provision of financial support on the developed countries. It has been estimated by many studies that the funds currently available under the Convention are far too low as compared to the magnitude of the need assessed. It quoted examples from the IPCC Working Group III report and said that the total public and private climate finance investments estimated at US$ 343-385 billion per annum are almost evenly going to developed and developing countries; 95 per cent of these investments go to mitigation; public climate finance is estimated at US$ 35-49 billion per annum (so that 50 per cent goes to the developed countries); robust information on levels of private sector flows from developed to developing countries is virtually unavailable; information on disbursement is not widely available and that dedicated financial instruments to decrease risk of low carbon technologies have rarely been applied in the context of mitigation.

India also said that in the structured expert dialogue, a question was asked to clarify the difference between total climate finance, around US$ 350 billion per annum, and the total public climate finance, about US$ 35 billion per annum. The answer from experts was a lack of clarity on the issue and the reason is the lack of clear definition of climate finance. India said it was surprised that a core basic term such as climate finance remains undefined and whether this was by default or by design. It called for a definition to be given urgently. India also called for definitions of "new and additional", "full incremental costs", "incremental investment", "adequate", "predictable", "mobilization" and "leverage" in the context of climate finance.

India reminded Parties of the estimates presented at the UNFCCC's workshop on 'Long-term Finance' in July 2012, which pointed to the need for scale of funds in the range of US$ 600 – US$ 1500 billion per year, which developing countries would need for mitigation and adaptation. Developed countries will have to provide extra funds, it said.

India also said the initial operationalization of the GCF should be facilitated majorly by public financing in grant terms. Loan-based financing, even if concessional, can become crippling for poor and vulnerable communities who should be prioritized for support in adapting to climate change. It stressed that public finance from developed countries must be the primary source of financing to developing countries under the Convention. "It isn't fair to try to renegotiate financing requirements to mean creating enabling environments to facilitate investments by the private sector of developed countries by requiring developing countries to provide greater market access to their economies," India said, while reminding Parties that the total contribution of developing countries to global mitigation efforts is now greater than that of developed countries. On determining contributions, one must not overlook the need to building the requisite adaptation infrastructure.

On MRV, India said that different institutions use widely different criteria for classifying and reporting climate finance data. This leaves large gaps in understanding climate finance that will need to be addressed in future assessments. The MRV regime should address issues of definition of climate finance, methodologies, data infirmities and robust verification.

Nicaragua said there is need for immediate and urgent financing for the developing countries and to strike a balance between adaptation and mitigation. It said that there is no need to debate these issues for longer because these are already under the Convention. It said there has been financing aplenty to save banks, to wage wars and to strengthen the military industry. There is also huge financing in agriculture and agriculture subsidy – to the tune of US$ 1 billion a day – in the developed countries. Calling on the developed world to immediately capitalize the GCF, operationalize the loss and damage mechanism as a finance mechanism and engage in longer-term mobilization and funding commitments, especially for adaptation, Nicaragua reminded everybody that the world has been waiting patiently for many years now. The historical imbalance cannot continue further, it added.

Ecuador expressed concern on developed country Parties' views on finance. "This really spikes our preoccupation on the fact that if these proposals are taken into the 2015 outcome, it will completely lack consistency with the Convention, with its Article 2 and will find it impossible to be adopted by developing countries," it said. Ecuador said further it does not make sense that climate finance is under discussion without knowing what it is. "Developing countries have for far too long received ODA for school textbooks for example while developed countries report this as climate finance because the books included a chapter on climate change," it said. This is why a robust MRV is crucial in whatever actions are undertaken under the convention, which will go a long way in reducing uncertainty and lack of transparency "not of financial flows, but of commitments by Parties themselves".

It also wanted clarity on why Parties referred to the agreement being mitigation centric, when it had already been decided that the agreement would address all the elements including adaptation, finance, technology development and transfer and capacity building. Mitigation actions by developing countries were agreed in the context of sustainable development, supported and enabled by technology, financing and capacity building in a measurable, reportable and verifiable manner. "It seems that the difference between them and INDCs is that INDCs are neither in the context of sustainable development nor enabled by technology, financing and capacity building in a measurable, reportable and verifiable manner. We're only being asked to reach out for the low-lying fruits as if it were a matter of political willingness only."

Ecuador wanted some reflection on the "lost decade of finance" as most developing referred to the current period. The GCF is a way to "get out of this pit" but it is not a channel for "contributors" to allow access to funds by the private sector. It also wanted to know that such problems pointed to a lack of trust and how would these disappear suddenly in 2020 or that US$ 100 billion will flow suddenly. It therefore makes sense the funds flow in gradually up to 2020. "We are not naive enough to think that the GCF will channel US$ 100 billion from 2020, it may not even channel half of that if the 2015 outcome does not link financial commitments with it as an operating entity of the financial mechanism," Ecuador said.

Saudi Arabia said that the provision of finance to meet the adaptation and capacity needs of developing countries is of paramount importance and added that the lack of clarity in mobilizing resources to the GCF would be counterproductive to the ADP process.

Venezuela stressed that the responsibility of developed countries to provide finance cannot be transferred to the developing countries. It reminded the developed country Parties that finance is an obligation in the context of the Convention, and said the GCF should be strengthened as the main institution of finance. Venezuela also called for the establishment of a legal expert working group from Parties to discuss the consistency between the legal regime of the Convention and the new agreed outcome.

Bolivia said it is important to promote policy measures and mechanisms through non-market-based approaches. It is not in favour of shifting responsibilities of finance from Annex II Parties to the private sector and markets. "The overemphasis on private finance and the need of public-private partnerships for addressing finance on climate change undermines the principles of the Convention," it said. Private corporations and transnationals are good for making business and profits and that is the reason they are not interested in the protection of the integrity of

Mother Earth. Bolivia added that the Joint Mitigation and Adaptation Mechanism for the integral and sustainable management of forests must be incorporated in the 2015 agreed outcome. This instrument should deliver to developing countries long-term public finance for forests through the GCF. (The Mechanism is a proposal that has been submitted by Bolivia to the UNFCCC.)

Zambia expressed the urgency of climate change and said that impacts are being felt to the extent that people are dying in large numbers. It said without any clear indication of predictable finance, the world is experiencing the worst-case scenario pathway. The new agreement should therefore attach a sense of urgency to the provision of finance in a clear and predictable way. On long-term finance, Zambia said the discussions are not new because it already exists in the work programme on long-term finance. It reminded Parties that the long-term finance report presented in Doha (COP 18 in 2012) contains recommendations on potential sources including financial transactions tax, aviation and maritime levies, carbon tax, public and private sources including estimates of potential amounts that can be mobilized. The 2015 agreement on finance must take into account an expanded mandate to the GCF to use these and other innovative sources including bonds to enhance mobilization of resources at scale.

On the GCF, Zambia said it must become a sustained avenue for mobilization and execution of resources on climate change with the appropriate independence and flexibility to employ various innovative tools to mobilize resources. Its urgent capitalization is important to enhance the role the institution will have to play in the new climate architecture.

Zambia also said that the key missing ingredient to save the planet is a strong political will. The new agreement requires bold and strong political will by those entrusted to make decisions to do so. On the Adaptation Fund, Zambia said it plays an important role in channeling resources for adaptation to developing countries using its direct access mechanism. In the 2015 agreement, the adaptation fund must simply become the adaptation window of the GCF. This approach will ensure sustainability of the fund and continuity to provide resources for adaptation. The new agreement must therefore urge the Adaptation Fund to expand the inclusion of vulnerable countries.

Bangladesh said that institutions such as the World Bank, United Nations Development Programme (UNDP) and UNFCCC have carried out studies on estimates of needs. Bangladesh reiterated that there is a huge gap between pledge and delivery. Stressing on the need for public resources, it said that every Party would agree that national governments correct market failures and not the private sector. Similarly when it comes to the property of the global commons, the world will have to agree that public financing would have to take the lead rather than private financing. Bangladesh said that for the past 15 years, it has heard the "invocation of the agreed principles of climate finance". There is a need to focus on predictability but for that one could not depend on national level public support. It called for an auto-generation mechanism for which the world would not have to depend on annual public commitment on financing and added that there are enough instruments of auto-generation.

Bangladesh said it is important that the agreement must have clarity on what constitutes climate finance. On the MRV of support, Bangladesh asked: "If we don't understand the category of climate finance, what support are we talking about?" Mentioning a study done by three institutions (Institute for Global Environmental Strategies, World Resources Institute, Overseas Development Institute), Bangladesh said that the study found that 80 per cent of climate finance is actually ODA. It is therefore extremely important that there is clarity on what constitutes climate finance. Referring to climate finance coordination as being extremely fragmented, Bangladesh said that it wants the flow of climate finance through a multilateral channel such as the GCF.

Bangladesh also mentioned the category "constructive ambiguity". "This is inserted so that it gives leeway for a subjective interpretation. It is time to avoid this in a decision text," it said referring to the scope of freedom for different interpretations. "Before working as lawyers, let us work as human beings," it urged.

South Africa said if the GCF is capitalized at the scale required to meet the 2°C global goal, it would be a game changer. There should be agreement that the financial resources to be provided will be such that they can support the 2°C global goal and that the level of the resources required is directly linked to the gap to be closed to maintain the global goal and that clear pathways for long-term financing beyond 2020 are agreed.

To ensure the predictability of finance, an assessed contribution arrangement based on an agreed percentage formula for calculating Annex II country contributions is needed. This could be based on gross domestic product (GDP), income or other criteria. South Africa also called for a no-incidence arrangement to safeguard economic development in developing countries. It stressed that country ownership is essential and financial support should be based on the needs identified by developing countries according to their priorities and called for enhanced MRV of support. It called for strengthening institutions such as the SCF and for the ex post assessment of the delivery and adequacy of the financial resources, a mechanism to review progress in channeling adequate finances to meet the climate change challenge is needed. South Africa also said that the INDCs of developed countries should indicate the nature of the contribution – that is, whether the funds are in the form of grants, loans or other instruments.

Brazil espoused views on additionality, balance between adaptation and mitigation and the centrality of public sources in climate financing. It also wanted the ex ante and review mechanism to assess climate financing.

Egypt called for a floor for a goal in the new agreement, which should be linked to the 2°C goal. It called for a clear ex ante review process of the financial goal and an MRV process in place to assess and evaluate the problems related to accessibility and predictability. Other developing countries that intervened included **Algeria, Jordan, Iran, Kenya, Indonesia and Guyana.**

Speaking for the **Environment Integrity Group (EIG),** the **Republic of Korea** highlighted that the 2015 agreement should include an independent chapter for means of implementation, which would comprise two parts. One, an overarching portion on the means of implementation, and two, a portion with detailed provisions on climate finance, technology and capacity building – the three pillars of means of implementation.

On finance, Korea said that the agreement should have provisions for the financial mechanism of the Convention to serve as the financial mechanism of the 2015 agreement, including the GCF. It underlined that the private sector would play a critical role for the scaled-up and additional provision of climate finance after 2020. Therefore, the 2015 agreement should facilitate the leveraging of private finance by using public and private financing both within and outside the UNFCCC support through existing and emerging institutions and arrangements inside and outside the UNFCCC.

Switzerland said that CBDR-RC implied that those countries that have become richer must also engage in the process. It said that while developed countries should stick to their commitment of mobilizing US$ 100 billion by 2020, anything beyond 2020 must be done by all countries that are in a position to do so. On commitments, Switzerland said the each Party must take a financial commitment that is within its capacity.

The EU said that to achieve the 2°C goal, means of implementation is crucial. It added that the private sector is waiting for a clear signal and there is a need to significantly shift to private sector investments to build the means through which climate finance can be enhanced. Public financing, it said, would play a role particularly in vulnerable countries. The EU said both developed and developing countries should work on improving the enabling environment for private finance in green investments.

Norway said the agreement must focus on the demand and supply. While means of implementation remains a broad challenge, the idea is to look at what Parties can do domestically. All major economies must especially strengthen capacities and shoulder their share. Scaling up climate finance is important but it cannot be made conditional. Norway also called on the agreement to promote pricing of carbon and use of markets.

The **US** said there is a need to mainstream climate change in overall ODA and that ODA must advance the collective objective to emissions reduction. It called on developing countries to take action on climate finance. The US also said that it does not see the developing country contributions as dependent on finance. "Countries will nationally determine what they feel they can do with their national resources," it said. It also called for increasing the level of private finance flows. It recognized the need to build on the Global Environment Facility (GEF) and the GCF. It also stressed the need for transparency of support and financial flows. It said that the priority of providing resources is to the poorest and most vulnerable countries.

On whether the current pool of contributors must be expanded, the US said that this was not an attempt to substitute funding by developed countries but to supplement them, consistent with the capabilities of a broad range of Parties, since it would be 30 years since 1992 when the new agreement comes into force. On other sources of funding, it said it was important to look at private sector resources, not as a substitute to public resources but to use the latter to increase total financial flows. It reiterated that it is important to talk about what aspects go into the new agreement and what would be in decisions. Those provisions that are enduring over time and are unlikely to change would be appropriate for the agreement with other aspects to be in decisions.

Canada reiterated that climate finance should take into account the "evolving capabilities" of countries and to draw on the lessons of climate financing from outside the Convention. It said there is no need to focus on additional public sector finance and the focus must be to continue to explore options such as export credit agencies and multilateral development banks. Stating that cooperation exists through bilateral and multilateral channels, Canada said that the agreement should encourage such support to continue. Countries pursuing resilient economic growth are in a place to attract private finance, so these should aim to bring mainstream investors on board.

Japan said that any commitment on a specialized amount should be a political decision and that it must not be legally binding. While public money would play an important role for vulnerable countries, mobilizing of private sources is also essential. It called on developing countries to provide an enabling environment for the private sector.

New Zealand said there has ben a change in context since 1992 and that should reflect in the new agreement. Claiming developing countries are 30 per cent richer, New Zealand called on them to "do more". "It would be foolish not to tap into global economic growth," it said and added that all Parties in a position to contribute to climate finance must do so. It stressed on the need to mobilize the private sector because resources available to them "far outweigh" resources to developed country governments. Referring to climate finance discussions as a debate between "show me the money versus show me the mitigation", it said it is important to get out of such a debate and focus on making sure that donors and recipients understand each other.

Australia said that the international climate finance landscape is way different from what it was 20 years ago and the agreement needs to capture the potential of the current times. It said it does not see the agreement to lay extensive provisions to achieve the scope and diversity of climate finance and there is no need for the agreement to regulate all aspects of climate finance activity. Stressing on the importance of private sources, Australia said that it is important to talk of partnerships rather than "one model of public funding". It also said that there is a need for donors and investors to work cooperatively for high impact in developing countries. All Parties must leverage finance and enable environment facilitated by capturing the need to catalyse private investments, loan guarantees and risks. It also said that substantial financing activities were taking place outside of the Convention and that the COP could take lessons from such activities.