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Impasse over more finance for capacity building may affect other negotiations, warn developing countries

Cancun, 4 December (Hilary Chiew) - Developing countries warned that postponing the decision to provide stronger commitment for capacity-building will have a serious effect on negotiation of other issues including those in the long-term cooperative action working group (AWG-LCA) under the United Nations Framework Convention on Climate Change (UNFCCC).

The contact group on Capacity-building under the Convention, of the Subsidiary Body for Implementation (SBI) could not agree on a draft decision containing 15 paragraphs when they met for the last time yesterday (Dec 3). Contact groups formed by the SBI are to submit their draft conclusions and decisions to the Chair to be presented at the closing plenary tonight.

Disagreement was over paragraph 12 which reads: "*Request [Reiterate the request]* the Global Environment Facility, as an operating entity of the financial mechanism, to [increase] [continue to provide financial] its support to capacity-building activities in developing countries in accordance with decisions 2/CP.7 and 4/CP.9".

Speaking on behalf of the Group of 77 and China, Tanzania said the word "increase" should not be bracketed. It said increase in funding was critical for developing countries to respond to impacts of climate change and it is reasonable given that the Global Environment Facility (GEF) is the only operating entity of the financial mechanism under the UNFCCC.

Furthermore, it said that increase in climate change impacts requires increase in support and believed that increase in support is meant for those countries already suffering and need more support hence the allocation has to be doubled.

The **European Union** said while the language is something that it can live with, it wanted the bracket to stay and proposed the option of "*continue to provide financial"* instead.

It later said the paragraph was not needed as the need was already reflected elsewhere.

The **United States** agreed with the EU to delete the paragraph.

Zambia said Parties are here to lobby and negotiate and it hoped the EU will reconsider its position as it believed the GEF will be able to meet those demands.

Liberia said for the Least Developed Countries (LDCs) capacity-building means looking at systemic implementation of support for understanding issues of climate change for farmers and to assist them to respond efficiently to climate change. "I want to plead with the EU to reason with us that we have lots of challenges and the need for support is important to us," said the delegate.

The EU said the GEF had allocated US$1 billion for climate change and over US$250 million for capacity-building and it called on developing countries to prioritise capacity-building.

The G77 and China requested for the meeting to continue later in the evening and said it was prepared to continue working on the issue, stressing that capacity-building is important for the Group.

The contact group co-chair, Marie Jaudet of France, said the meeting can only continue with the agreement of all Parties.

The EU reminded that the rule is no late night meeting but should others agree it would be prepared to follow, while Japan and the US said they would not be able to attend.

Although it is in the Umbrella Group, **Australia** said it cannot make decisions for the others as the Group is a loose arrangement but expressed disappointment that the matter cannot be concluded.

The G77 and China said Parties were here deliberating on the issue one year later and the matter has been lingering for two years now, conceding that a short text would have to be prepared for the Chair (of the SBI) to postpone it to the next SBI session.

It however said the impasse will impact on other issues, even those being negotiated under the AWG-LCA. It hoped that there will be movement in capacity-building. Otherwise, it is difficult for the Group to move on other issues.

In the contact group for matters relating to the least developed countries: extension and expansion of the mandate of the Least Developed Countries Expert Group (LEG), Parties decided to extend the mandate of the LEG.

It was also decided that the LEG should be mandated to provide technical guidance and advice on the revision and update of national adaptation programmes of action, the identification and implementation of medium- and long-term adaptation needs and their integration into development planning, strengthening gender–related consideration, and consideration regarding vulnerable groups within least developed country Parties.

The LEG is requested to develop a two-year rolling programme of work for consideration by the SBI and to report on its work to the SBI at each of its session. It was also decided that at least one member of the LEG should also be a member of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention.

The contact group agreed on the draft conclusion of the co-chairs and the draft decision to be adopted by the 16th Conference of the Parties in Cancun.

Parties also agreed on the draft conclusions and draft decision in the contact group on the Least Development Countries (LDC) Fund.

In the draft conclusions by the co-chairs, the SBI requested the LEG to discuss, with the GEF and its agencies, ways to further improve access to funds from the LDC Fund, the disbursement of funds, the design of implementation strategies for national adaptation programmes of actions using a programmatic approach, ways to best communicate co-financing requirements under the Fund and remaining challenges faced by LDCs in working with GEF agencies, during the first meeting of the LEG in 2011.

On Thursday (December 2), the **Philippines** representing the **Group of 77 and China** raised the issue of the inconsistency between the timeline of the review of the LDC Fund's performance and the extension of the role of the World Bank as trustee to the Fund, and sought clarification.

It noted that although there is a possibility of extending the timeline of the review and appointment of an interim trustee for three years, that could prejudge the review of the Adaptation Fund which will be completed by CMP 7 in South Africa next year. The Adaptation Fund Board is proposing an extension of 3 years for the World Bank as trustee, from its expiry date in March 2011.

It said it is in favour of changing the terms of the memorandum of understanding (with the World Bank) than changing the review period.

The Chair of the Adaptation Fund Board, Farrukh Khan of Pakistan, explained that extension of the trusteeship was necessary as the Fund has financial management where it sells CER (Certified Emissions Rights) with different timeline and sequencing and that the sale of the CER will be halted if trustees were not there. He said a continuation and harmonisation phase would be needed if two sets of trustees were to arise. He said the extension should be long enough so as not to pose a hurdle to the operation of the Fund.

He reminded Parties that the Adaptation Fund was a difficult but heart-warming struggle for developing countries to have direct access to the Fund and it is now shown to be working.

The Philippines said that as a group, the G77 and China would like to continue the support to members of the Alliance of Small Island States (AOSIS) and requested the AOSIS to extend its experience relating to the Adaptation Fund to other countries of the G77 who are not members of AOSIS.

It further said that the 2% contribution from the CDM (Clean Development Mechanism) projects to the Adaptation Fund is a solidarity gesture of the G77 with its fellow members who needed urgent attention in adaptation. It described the achievement of the Adaptation Fund, so far, as a shining example.

(CDM projects are carried out in developing countries where the credits generated from avoided emissions are sold in the compliance market as offsets to assist Annex I Parties – developed countries – in meeting part of their emission reduction commitment.)