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Developing countries push for decisions on fast-start and long-term finance

Panama City, 4 October (Majorie Williams) – Developing countries, led by the G77 and China at the Panama climate change talks under the United Nations Framework Convention on Climate Change (UNFCCC) called for decisions to be stepped up on fast-start and long-term financing.

This call was made at the first meeting of the informal group on finance, which met on October 2 under the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA).

Developing countries said that much time had been spent in previous sessions on the issue of the Standing Committee on Finance and Parties had textual proposals on this. They said that in Panama, there was need for much more focus on the issue of fast-start financing and long-term financing.

(Developed country Parties had in Copenhagen committed to providing $30 billion for the period 2010-2012 and to a goal of mobilizing $ 100 billion per year by 2020).

In response, developed countries wanted to only focus discussions on the Standing Committee.

The informal meeting on finance focused on how to organize the work for this week in Panama.

The co-facilitator, Mr. George Borsting of Norway requested Parties to present any new thinking on the topic since the last meeting in Bonn (in June) and to also indicate whether and when they plan to make new submissions. The key issues under consideration of the group were the Standing Committee on Finance (SC), long-term and fast-start finance.

Borsting noted that there was progress on the SC and a draft decision text had been submitted by the G77 and China, the Africa Group, India, Pakistan, the European Union and Turkey. He informed Parties that on long time finance, there were submissions from Saudi Arabia and India, which were not previously discussed but would be discussed here in Panama.

On fast-start finance there was a need for more elaboration on what to focus on to have on any decision for Durban. In this regard he noted that there were no written submissions.

Philippines for the **G77 and China**, expressed hope that its submission on the SC would form part of the basis of negotiation along with other submissions. It noted the importance of moving towards the operationalization of the SC in Durban (at the next Conference of Parties).

With regard to fast start finance, the Philippines noted that given the work done in Bonn, work could move forward for a draft decision. It raised the question on the gap between the fast-start and long-term financing, as well as the issue of the sources and basis for long-term finance.

It said that the G77 and China proposal of 2008 could be useful to bridge the gap as well as upscale long term financing. The Philippines further noted that the Cancun decision on financing also tasked the Transitional Committee to design the Green Climate Fund. The Durban COP will seek to approve the work of TC.

Egypt speaking for the Africa Group noted that on the matter of the SC, Parties had a thorough deliberation in Bonn. It said that there was convergence of elements. It drew attention to the Africa Group proposal on long-term financing (including medium term financing) and the gap as well as raised the issue of how to scale up financing to 2020.

Barbados (on behalf of AOSIS) said there had not been sufficient focus on the elements of a draft decision on long-term finance. It said that the Africa

Group had a good draft on this aspect. It said that there was value judgment on what long-term is and was not. Barbados said that the G77 and China proposal on the SC provided a very useful basis for discussions.

Barbados highlighted that addressing the gap between 2012 and 2020 and the $100 billion goal should be part of the Durban decision. It urged Parties to pronounce that there will be no gap. It noted that there had been comments from developed countries that there will be no gap but that it was important to have that assurance in writing.

Barbados further noted that there was need to look at various options in terms of sources, and possible a work programme. It argued for initial capitalization of GCF and said that it is looking into creative ways to address this issue. It also said that there was need for much greater transparency in the reporting on the provision of financing, learning from the fast-start finance experience.

Malawi (on behalf of the LDCs) echoed the views of developing countries that much of the work and time thus far was dedicated to the issue of the SC, with a lot of work going into architectural part of the finance such as the SC and TC. Malawi said there was a need to start discussion on long-term finance. It noted that while institutions are being put in place, there needs to be decision made on source of long term financing and how it will operate. Malawi said that the G77 and China and the Africa group submissions on both the SC and long-term finance have inputs from the LDCs. It called for moving forward on the discussion on sources and scale of finance

India shared the view of the Egypt, Barbados, the Philippines and other developing countries that there was a good sense of common ground to start moving issues forward on the matter of the SC. It said that long-term finance issue will be something that the group can get to grip with in order to have meaningful work out of the session in Panama. **China** and **Tanzania** and **Peru** also echoed similar views.

Bangladesh said that it the finance issue could be looked in terms of supply side, demand-side and governance (a combination of both supply and demand side issues). It said that the proposals on the table had good elements that the co-facilitators could combine into a text. On the transparency of sources, it flagged the report by the International Institute for Environment and Development (IIED) on transparency of fast-start finance, which noted that fast-start finance was not very transparent about elements of what was new and additional. Bangladesh said there was a lot of wiggle room on this and proposed a finance registry so that there can be uniform format by developed countries. In terms of demand side, it said that Cancun gave clear indication of which countries should be supported. Finally, Bangladesh argued that there is need for a democratic and just governance structure. The financial mechanism must also be well financed otherwise it is meaningless. It noted that the $100 billion (under the Cancun decision) was out of the blue and is hence a ballpark. Ultimately, there is need for indications of mending the gap and scaling up financing.

Pakistan said that its submission built on the G77 and China document and had commonalities between various positions. It said that its submission highlighted three areas that strengthened the G77 and China's submission: (i) on providing oversight of the operating entity of the financial mechanism to ensure that is proactive and effective. Pakistan noted that this was important given past experience with GEF; (ii) the measuring, reporting and verification of support (MRV), and (iii) linkage of thematic bodies to be operationalized in Durban. Here, Pakistan called for practical linkage between these thematic bodies and the SC including the sharing of information, both ways.

The **European Union** agreed that the work in Bonn on the SC had made progress. There was some convergence as well as reduction of areas of divergence with regard to issues for decision in Durban. It said that there was also significant difference on what the SC would do to assist the Conference of Parties. Therefore, it wanted more work done on the SC issue.

In terms of fast start finance, the EU said that there was not much work to be done in this area and there was not much scope for decision around this issue for Durban. On long-term finance, the EU said it was a crucial area of work but that there was no gap. It also noted that there was no straight line to 2020 for the goal of mobilizing $100 billion. In this context, the EU said that there was need to go beyond public finance and stressed that private finance can leverage public finance and flagged the carbon market and innovative financing. Public policy can help drive the mobilization of financing.

New Zealand urged Parties to focus on the SC for the rest of the time in Panama. **Canada** agreed with the EU on fast start finance. It also wanted focus on the SC.

The **United States** supported the views expressed by the EU and Canada. It said Cancun was a pragmatic outcome which required three follow up pieces of work on finance: the Transition Committee, the SC and submission of information on fast start finance by developed country Parties. The latter had been accomplished and is now available in an INF document. (The US has provided information for 2010 and will submit information on 2011). It said that the work of the GCF is elsewhere and fast-start finance is done and complete. Only the SC remained for the group to work on. It said the US and Australia are working together on draft to be submit. On long-term finance, the US said it agreed with the EU that that there was no gap problem. It said that there had been many discussions and proposal on long-term finance in the LCA for several years. It also flagged that the UN Secretary General's Advisory Group on Finance at the request of the G-20 is elaborating on its earlier report on long-term finance. The US further said that Cancun gave developed countries a collective goal to mobilize $100 billion contingent on meaningful mitigation actions by developing countries. **Japan** echoed similar views as the US.

Saudi Arabia in response to the US intervention cautioned that the work of the G20 or other external bodies is not the forum for climate finance and hence there should be no intervention by these other entities in climate finance. It argued that there is need for a long-term financing regime.

Malawi (on behalf of the LDCs) in response said that the Cancun decision on long-term finance did not sound like a long-term provision of finance and was not predictable and was conditional. It said that the requirement of developing countries did not end in 2020. In terms of fast-start finance, not many of LDC countries have access to even a single dollar, it added.