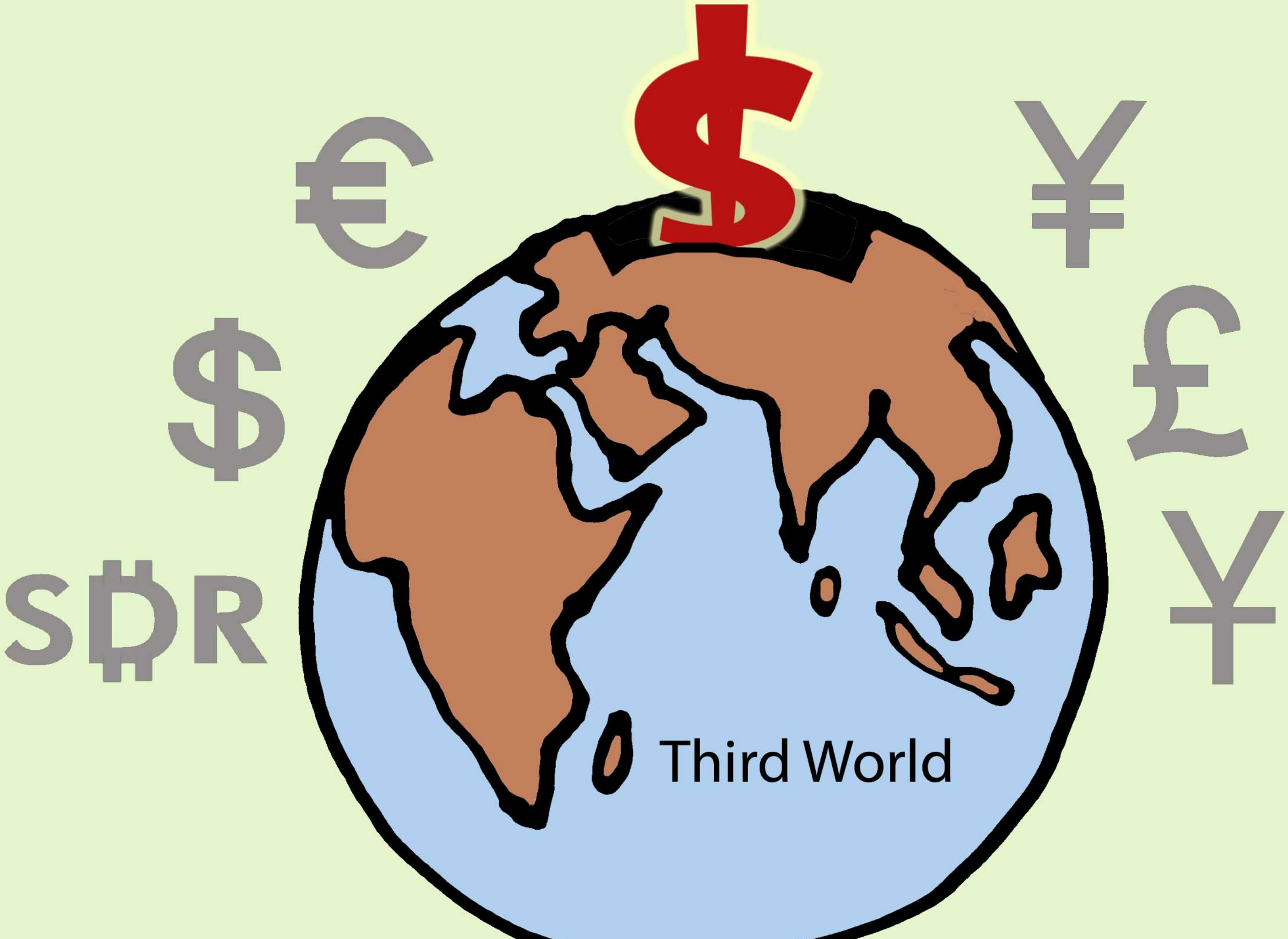
THIRD WORLD
RESURGENCE
ISSUE No. 349 KDN PP6738/01/2013 (031741) www.twn.my

A QUESTION OF FINANCE



Funding the needs of the Global South

ISSN 0128-357X
9 770128 357003

Third World

RESURGENCE

www.twn.my

No 349 2021/3 ISSN 0128-357X

Activists at the UN climate conference in Glasgow in November call for the funding of actions to tackle climate change in developing countries. The Global South is in dire need of financing to address the climate and COVID-19 challenges and to spur economic development. 32

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THIRD WORLD RESURGENCE is published quarterly by the Third World Network, an independent non-profit international research and advocacy organisation involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.

Published by Third World Network Berhad (198701004592 (163262-P)), 131 Jalan Macalister, 10400 Penang, Malaysia.
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Email: twn@twnetwork.org

Cover Design: Lim Jee Yuan

Glasgow Climate Pact: A setback for equity, the poor and the planet

The Glasgow Climate Pact, adopted by the UN climate conference that took place in the Scottish city on 31 October-13 November, is said to have 'kept alive' prospects of limiting global warming to 1.5°C. The grim reality, however, is that it has only undermined the fight against climate change by not requiring immediate concrete actions to curb carbon emissions and by not adequately supporting developing countries grappling with the most destructive impacts of a heating planet.

Meena Raman

Photo by IISD/ENB Mike Muzurakis

The Glasgow Climate Change Conference was marked by the persistent efforts of developed countries to undermine equity and the principle of 'common but differentiated responsibilities' between developed and developing countries.

CONTRARY to the mainstream spin that the outcomes of the Glasgow Climate Change Conference (called Glasgow Climate Pact) were 'historic' in mentioning for the first time the 'phasedown of unabated coal power' and 'phase-out of inefficient fossil fuel subsidies', and in managing to 'keep the 1.5°C temperature limit alive', an honest assessment of the decisions reached will show that there has been a grave setback for equity, the poor and the planet.

The Pact has been viewed as being relatively strong on the steps to be taken on climate change mitigation (but in the wrong direction, with 'net zero' targets in 2050), but without the commensurate scale of finance for developing countries, including for adaptation and loss and damage.

While developing countries have expressed disappointment in this regard, especially on the failure to deliver on the promise of $100 billion per year by 2020, the Glasgow Climate Pact has, in the case of mitigation, enabled the undifferentiated sharing of the responsibility between developed and developing countries for meeting the current emissions gap – the gap between the emission reductions needed to limit temperature rise as per the Paris Agreement (PA) goal and what are in the nationally determined contributions (NDCs) of all Parties – without any regard for the historical responsibility of developed countries and their overuse of the atmospheric space since the pre-industrial era.

Instead of ensuring international climate cooperation on the basis of equity and respecting the principle of 'common but differentiated responsibilities and respective capabilities' (CBDR-RC) between developed and developing countries, which is the bedrock of the UN Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol (KP) and the PA, developed countries persisted in subverting the equity principle to one of 'common and shared responsibilities' by ignoring their historical responsibility.

In fact, they have successfully managed to chart their 'great escape' from the much-needed rapid emission reductions today, to distant pledges of 2050 net zero targets, coupled with the potential use of carbon offsets in nature, including forests and oceans, through trading in the international carbon market, all of which have been made possible by the decisions reached in Glasgow.

Despite the persistent efforts of some developing country groupings such as the Like-Minded Developing Countries (LMDC) to influence the draft texts against legitimising the net zero targets by 2050 especially of developed countries, and to take into account the latter's historical responsibilities and overuse of the atmospheric space, the Glasgow Climate Pact failed to reflect these concerns, due to opposition from developed countries.

This led Bolivia, speaking for the LMDC, to express that calls for net zero targets by 2050 by all were a 'great fallacy' and a 'great escape by the developed countries' from 'doing real rapid emissions reduction now', and that this amounted to 'carbon colonialism', with the exhaustion of the remaining carbon budget left within this decade.

This narrative of the 'great escape' and 'carbon colonialism' of the developed countries escaped the mainstream media; instead, what prevailed was the scapegoating of India and China as the 'villains' of Glasgow.

It was the 'common and shared approach' in blurring differentiation between developed and developing countries on climate actions, that led to the highly sensationalised drama which cast India and China in a bad light over a paragraph in the Glasgow Climate Pact that called on all Parties to 'phase down' 'unabated coal power' and to 'phase out inefficient fossil fuel subsidies'.

The controversial paragraph, prior to the gavelling of the final decisions, referred to a 'phase-out' of 'unabated coal' and did not have any reference to 'provision of targeted support for the poorest and most vulnerable in line with national circumstances', which was an insertion proposed by India and supported by China.

Invisible to many were the billions of poor people in developing countries with either limited or no access to modern energy at all, including in India and China.

For all their spin about the need to keep the 1.5°C temperature limit alive, according to sources, developed countries had no intention of including any reference to the phase-out of all fossil fuels, despite calls to do so, given their own plans for continued expansion in extraction and dependence on oil and gas.

In fact, the irony was that US President Joe Biden, just ahead of the Glasgow talks, asked the Organisation of Petroleum Exporting Countries (OPEC) to pump more oil in order to keep energy prices low.

The doublespeak of developed countries in not walking the talk in showing real leadership in climate action and in enabling the just transition in developing countries was plainly obvious to many developing country governments and climate justice movements.

Undermining of equity and refusal to acknowledge historical responsibility

If one thing is clear from the climate talks, it was the persistent efforts of developed countries in undermining equity and the principle of CBDR-RC.

The UNFCCC notes that 'the largest share of historical and current global emissions of greenhouse gases (GHGs) has originated in developed countries, that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs'.

Even at the 16th Conference of the Parties to the UNFCCC (COP 16) in 2010, it was acknowledged that 'the largest share of historical global emissions of GHGs originated in developed countries and that, owing to this historical responsibility, developed country Parties must take the lead in combating climate change and the adverse effects thereof'.

In Glasgow, efforts by developing countries to even include such references to historical emissions and responsibility into the draft decisions were thwarted due to opposition from developed countries, despite such language existing in the UNFCCC and in previous decisions.

Despite saying that Parties must be guided by the best available science, there was clearly an effort to selectively use what the 'science' says. The Glasgow Climate Pact adopted under the COP as well as the CMA (Conference of the Parties serving as the meeting of the Parties to the Paris Agreement) welcomed the recently released report of the Intergovernmental Panel on Climate Change (IPCC) on 'The Physical Science Basis'. [The Glasgow conference included COP 26, CMA 3 and CMP 16 (the 16th Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol).] The IPCC report, viewed as the 'code red' for humanity and the planet, reaffirms the linear relationship between cumulative emissions and rise in global surface temperature. It notes that from 1850 till 2019, approximately 2,390 gigatonnes of carbon dioxide (GtCO2) were emitted, and this was responsible, along with lesser contributions from other greenhouse gases, for an increase in global surface temperatures of about 1.07°C compared with pre-industrial times.

According to experts, the report reveals that for a 50% probability of limiting temperature rise to below 1.5°C, the total carbon budget remaining is only 500 GtCO2 of emissions, and at current emission trends, this will be exhausted within a decade or so. According to experts, global emissions databases reveal that developed countries have been responsible for over 60% of these past emissions. Yet, these facts did not find their way into the Glasgow Climate Pact.

Developing countries had a tough time in having the principles of equity and CBDR-RC respected and operationalised in the decisions. The task was monumental, as developed countries in their interventions spoke of 'shared responsibilities' and not 'differentiated responsibilities', and focused on future emissions and not past emissions. It was as if history needed to be wiped out, including references to the Convention provisions.

Typographical errors or deliberate sleight of hand?

The COP 26 cover decision (1/CP.26) refers to 'processes' and has no reference to the word 'provisions' of the UNFCCC anywhere – a concern raised by the LMDC on the final day, prior to the gavelling of the decision.

The LMDC was referring to the following preambular paragraph of decision 1/CP.26, which states: 'Recognizing the role of multilateralism and the Convention, including its processes and principles, and the importance of international cooperation in addressing climate change and its impacts, in the context of sustainable development and efforts to eradicate poverty.'

Also missing in paragraphs 4 and 23 of decision 1/CMA.3 was the comma that is in Article 2.2 of the PA in relation to CBDR-RC, before the words 'in the light of different national circumstances'.

Paragraph 4 'Recalls Article 2.2 of the PA, which provides that the PA will be implemented to reflect equity and the principle of CBDR-RC in the light of different national circumstances'. Paragraph 23 '… recognizes that this requires accelerated action in this critical decade, on the basis of the best available scientific knowledge and equity, reflecting CBDR-RC in the light of different national circumstances and in the context of sustainable development and efforts to eradicate poverty'.

(Article 2.2 of the PA reads: 'This Agreement will be implemented to reflect equity and the principle of CBDR-RC, in the light of different national circumstances.')

Bolivia, speaking for the LMDC in its intervention in this regard, suggested 'some editorial amendments to the texts. There is the need to change the thinking in the proposed 1/CP.26 decision that instead of processes and principles under the Convention, we have principles and provisions. There is the need to introduce a comma in between respective capabilities and in light of national circumstances' – which it said had been 'a Paris fight'.

(During the negotiations on the Paris Agreement, at issue was whether and how the principle of CBDR-RC would be operationalised in all the elements of the Agreement. Developed countries had insisted that the PA must reflect the 'evolving economic and emission trends' of countries in the post-2020 timeframe, while developing countries continued to argue that given the historical emissions of developed countries, the latter continue to bear the responsibility in taking the lead in emission reductions and in helping developing countries with the provision of finance, technology transfer and capacity-building as provided for under the UNFCCC. What is captured in Article 2.2 is the 'landing zone' arrived at in reflecting the CBDR-RC principle, following a China-US joint statement issued in 2014, prior to COP 20 in Lima, which found its way to the PA. According to sources who were involved in the joint statement, the comma had been the subject of a big battle between China and the US, signifying in China's view the continued differentiation between developed and developing countries.)

An oilfield in the US state of Texas. At Glasgow, developed countries had no intention of including any reference to the phase-out of all fossil fuels, given their own plans for continued expansion in extraction and dependence on oil and gas.

Were these omissions in Glasgow a deliberate sleight of hand or were they really typographical errors? Given the considerable lack of trust in the process, such concerns from developing countries are not far-fetched.

Also noteworthy is that there are paragraphs in the Glasgow Climate Pact that do not refer to CBDR-RC but to just 'taking into account of different national circumstances', meaning that there is no differentiation between developed and developing countries and that what matters is the 'different national circumstances' of all countries, thus diluting further the concept of equity.

For instance, paragraph 29 of decision 1/CMA.3 reads: '…requests Parties to revisit and strengthen the 2030 targets in their nationally determined contributions [which means the current NDCs] as necessary to align with the PA temperature goal by the end of 2022, taking into account different national circumstances.'

Again, paragraph 32 of the same decision states: 'Urges Parties that have not yet done so to communicate, by [CMA 4], long-term low greenhouse gas emission development strategies … towards just transitions to net zero emissions by or around mid-century, taking into account different national circumstances'.

Further, the controversial paragraph 36 of the same decision reads: 'Calls upon Parties to accelerate the development, deployment and dissemination of technologies, and the adoption of policies, to transition towards low-emission energy systems, including by rapidly scaling up the deployment of clean power generation and energy efficiency measures, including accelerating efforts towards the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies, while providing targeted support to the poorest and most vulnerable in line with national circumstances and recognizing the need for support towards a just transition.'

Were these omissions also another sleight of hand?

Developing countries of course are bound to seek comfort by relying on paragraph 23 of the CMA decision (and a similar paragraph in the COP decision) – which states: '… recognizes that this [referring to the preceding paragraph 22] requires accelerated action in this critical decade, on the basis of the best available scientific knowledge and equity, reflecting CBDR-RC in the light of different national circumstances and in the context of sustainable development and efforts to eradicate poverty' – on the understanding that this is consistent with Article 2.2 of the PA, with the comma after the words 'CBDR-RC', as highlighted by the LMDC.

(Paragraph 22 refers to the recognition that 'limiting global warming to 1.5°C requires rapid, deep and sustained reductions in global greenhouse gas emissions, including reducing global carbon dioxide emissions by 45 per cent by 2030 relative to the 2010 level and to net zero around mid-century, as well as deep reductions in other greenhouse gases'.)

The fallacy of keeping the 1.5°C warming limit alive

Commenting on the Glasgow outcomes, Alok Sharma, the UK President of COP 26, said: 'We can now say with credibility that we have kept 1.5°C alive. But, its pulse is weak and it will only survive if we keep our promises and translate commitments into rapid action.'

Nothing can be further from the truth, as even with the translation of words into action, the outcome on the mitigation ambition is a complete charade and farce in keeping the 1.5°C warming limit alive.

This, as has been pointed out above, is mainly due to distant 2050 net zero targets pledged by developed countries, coupled with the potential use of carbon offsets in developing countries through the carbon market, made possible by the implementation of the PA's Article 6.

In this regard, what Bolivia said in its intervention on the LMDC's behalf is worth repeating: 'We think that net zero by 2050 is a fallacy to achieve 1.5°C within reach. It is the great escape and through global carbon markets they want to escape from their responsibility with addressing climate change. Developed countries have overused their share of carbon budget and are using [what] belongs to developing country Parties, which is essential to achieve their developmental rights. Therefore, instead of moving their targets [to] 2050 they should achieve real reduction of emissions now. For developing countries climate change is not only about climate. It is about the life of the people, sustainable development and poverty eradication. We refuse to get trapped in carbon colonialism. Developed countries are imposing new rules for addressing climate change to establish a transition towards low carbon pathways where only they have the conditions to achieve this transition, basically financial and technology conditions, creating more dependency of developing countries to the Global North. We see with concern how powerful and rich countries do not have the appetite to provide financial support and means of implementation to the developing world. This issue will not be resolved in this COP but a real moral commitment is needed in order to solve this issue. Developed countries have to be aware … that the net zero by 2050 is not going to achieve the 1.5°C within reach, [and] be aware that they are putting the burden on the youth and next generations.'

No mention of 'nature-based solutions', but concerns remain

An important concern for some developing countries was over the use of the term 'nature-based solutions' (NBS) in the initial drafts of the Pact, as this term is not defined in the UNFCCC and could give rise to problems, especially when linked to carbon markets and offsets. The LMDC was among those who did not want the NBS term used. However, what has remained in the adopted decision 1/CMA.3 is paragraph 38 (and a similar paragraph in the COP decision) which reads: 'Emphasizes the importance of protecting, conserving and restoring nature and ecosystems to achieve the PA temperature goal, including through forests and other terrestrial and marine ecosystems acting as sinks and reservoirs of greenhouse gases and by protecting biodiversity, while ensuring social and environmental safeguards.'

What is clear is that with the net-zero pledges of developed countries and their corporations, there will indeed be the use of carbon offsets in 'nature and ecosystems', especially in developing countries, to offset the former's emissions, as a cheaper alternative to undertaking real emission reductions domestically. This will be a real cause for concern not only for developing countries, but also for their indigenous peoples and local communities who are dependent on these natural resources for their livelihoods.

In an earlier version of the CMA decision, the text had read: 'Emphasizes the critical importance of nature-based solutions and ecosystem-based approaches, including protecting and restoring forests, to reducing emissions, enhancing removals and protecting biodiversity.'

Conclusion

There were some small important wins for developing countries at Glasgow, gained after much wrangling with developed countries, in the areas of the global goal on adaptation, institutionalising the functions of the Santiago Network on loss and damage, continuing discussions on long-term finance till 2027, setting out a process for defining the new collective goal on finance post 2025, ensuring the operationalising of flexibilities in the enhanced transparency framework and so on.

These small steps will be key in advancing the issues of importance for developing countries, especially at COP 27 in Egypt in 2022.

However, in the area of mitigation, it is crucial for developing countries to redress the setback from Glasgow, to bridge any emissions gap on the basis of equity and the CBDR-RC principle, along with ambition on finance, technology transfer and capacity building, so as to ensure the honouring of commitments under the UNFCCC, the Kyoto Protocol and the PA, not their subversion. ◆

Meena Raman is Director of Programmes at the Third World Network and Coordinator of TWN's Climate Change Programme.

High drama at adoption of Glasgow Climate Pact

The various country delegations at Glasgow expressed their views on the final package of decisions during the closing stages of the conference, which were not short on tension and drama.

Meena Raman and Prerna Bomzan

Photo by IISD/ENB Mike Muzurakis

COP 26 delegates conferring during a break in negotiations. The Glasgow Climate Pact was eventually adopted on 13 November, after a night of high drama.

IT was a night of high drama at the conclusion of the Glasgow climate talks, late night on Saturday, 13 November – ending a day later than the scheduled finale – before the adoption of the 'Glasgow Climate Pact'.

The Pact was hailed as a 'historic deal' by the UK's COP 26 President Alok Sharma and UNFCCC Executive Secretary Patricia Espinosa, mainly for the first mention in a COP of a call to all countries in 'accelerating efforts towards the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies, while providing targeted support to the poorest and most vulnerable in line with national circumstances and recognising the need for support towards a just transition'.

The text, prior to the final decision being gavelled, had referred to a 'phase-out' of 'unabated coal' and did not have any reference to provision of 'targeted support to the poorest and most vulnerable', which was an insertion proposed by India and supported by China during the formal plenary of the COP, after Sharma informed Parties that there were consultations that went on among some delegations in this regard to accommodate the changes proposed.

This led to an outcry from the Environmental Integrity Group (EIG) led by Switzerland, the European Union and the Alliance of Small Island States, who called the process untransparent and disappointing but nevertheless accepted the adoption of the Pact. In response, Sharma apologised to Parties and almost broke down, and pleaded for consensus on the deal, saying 'it is vital that we protect this package', leading to the gavelling of the decisions.

(Right from the onset of the talks that began on 31 October, developing countries had been pleading for the principles of equity and 'common but differentiated responsibilities and respective capabilities' (CBDR-RC) between developed and developing countries enshrined in the UNFCCC and the Paris Agreement (PA) to be respected and operationalised in the Glasgow decisions, given the developed countries' historical responsibility for past and cumulative emissions. This proved to be a monumental task, as exemplified in the conundrum over the 'coal' decision. Developed countries in their interventions spoke of 'shared responsibilities' and not 'differentiated responsibilities', and focused on future emissions and not past emissions.)

The package of decisions adopted in Glasgow met with much disappointment from developing countries, which secured only very small gains through hard-fought battles as they faced the might of the United States, mainly over issues of finance in general and in relation to addressing loss and damage and adaptation. (See further details below.)

Many developing countries such as the Like-Minded Developing Countries (LMDC) and the Africa Group expressed concerns that the Glasgow Climate Pact was mitigation-centric with little to show on the means of implementation for developing countries.

In response to text in the Pact on 'keeping the 1.5°C goal alive', the LMDC in particular pointed out that net zero targets by 2050 by all were a 'great fallacy' and a 'great escape by the developed countries' from 'doing real rapid emissions reduction now', and that this amounted to 'carbon colonialism'.

At the informal stocktaking plenary

Prior to convening the formal plenary in the evening of 13 November to adopt the decisions, Sharma first convened an informal stocktake plenary, during which time Parties provided their reflections on the texts which the COP President had presented to them in the morning of the same day.

After presenting his latest texts of draft decisions, Sharma invited Parties to 'join together' to bring their collective effort towards 'successful conclusions'. He pointed out that these decisions charted out 'tangible next steps and very clear milestones' across the 'three pillars of mitigation, adapation and finance', guided by 'equity and CBDR'.

He said that these texts were a way forward on the three outstanding elements of the PA's work programme, viz., on Article 6 (cooperative approaches involving market and non-market approaches), the common timeframes (CTF) for nationally determined contributions (NDCs), and the enhanced transparency framework (ETF).

Guinea, speaking for the developing-country Group of 77 and China, appreciated 'the recognition that accelerated action in this critical decade is on the basis of the best available scientific knowledge and equity, reflecting CBDR-RC, in the light of different national circumstances and in the context of sustainable development and efforts to eradicate poverty'.

On Article 6.2 of the PA on the share of proceeds for the Adaptation Fund (AF), it remarked that this issue had been very important for developing countries, and that it was important for the Group's concerns to be appropriately reflected.

(The G77 and China had been calling for a mandatory provision of a share of proceeds to the AF from the Article 6.2 cooperation between Parties. The final decision adopted did not reflect this call, but instead only 'strongly' encourages Parties 'to commit to contribute resources for adaptation, in particular through contributions to the AF'. There was firm opposition from the US to a mandatory provision.)

'On loss and damage, we are pleased with the progress towards the further operationalisation of the Santiago Network in terms of agreement on its functions. This is a solid outcome of COP 26 in terms of further institutionalising loss and damage issues under the Convention and its PA. The spirit of solidarity, flexibility, and compromise shown by all Parties in the negotiating rooms to move this issue forward in solidarity with the peoples and communities suffering loss and damage from the adverse effects of climate change is the spirit that we must maintain,' Guinea said.

It, however, expressed 'extreme disappointment' with paragraphs 73 and 74 on a dialogue related to loss and damage. This, it said, was very far from the 'loss and damage (LD) facility' that the Group had sought in Glasgow. 'In the spirit of compromise, we will be able to live with these paragraphs on the understanding that it does not reflect nor prejudge the unequivocal outcome that we seek on finance for loss and damage to reach the most vulnerable, which due to history and human rights and basic common decency the G77 and China will continue to pursue. To this end, we understand that the dialogue referred to in paragraphs 73 and 74 has as its end goal the establishment of the LD facility,' Guinea pointed out.

(The US was again firmly opposed to any decision on finance associated with loss and damage.)

On finance, Guinea stressed that 'a COP without a concrete outcome on finance cannot be deemed a success. We appreciate the balance that has been achieved in these texts with respect to the processes for our continued work on the issues of long-term finance and the new collective quantified goal. We also reiterate that filling the gap in the fulfilment of the existing $100 billion remains the responsibility of developed countries'.

On the work in relation to the global goal on adaptation (GGA), Guinea said it appreciated the launch of the two-year work programme on the GGA. 'Work on this issue has been too long delayed and this needs to be fast-tracked through such a work programme.'

In relation to the ETF, Guinea commended 'the hard work that has been done to arrive at a balance that reflects the views of various Parties'.

Speaking for the LMDC, Bolivia expressed deep concerns on the texts and proposals, but 'in the spirit of compromise in order to increase ambition, we are able to support the documents and move forward'.

It said it worked very hard to hold back 'the unfair push to transfer responsibilities to the developing world' by the developed countries and 'preserve CBDR and equity', hence achieving a 'delicate balance' in the cover decisions.

It pointed out concerning concepts in the texts such as 'net zero by 2050', which it said was a 'great fallacy' in relation to achieving the 1.5°C goal and a 'great escape by the developed countries' from their responsibilities to address climate change. 'Developed countries continue to use the carbon budget that belongs to the developing world and this is not fair,' it lambasted, underscoring the need to 'push developed countries to achieve real emissions reduction now' since that was the direction to provide 'real solutions' for climate change.

'We need to enforce commitment to enhance ambition by the developed world in order to keep the development rights of the developing countries alive,' Bolivia said and further proclaimed that 'as LMDC, we refuse to get trapped in carbon colonialism', saying that the developed countries were trying to create 'new rules of the game'. It said that only the developed countries had the conditions to transition to a low-carbon economy due to their financial conditions and technological capabilities.

Bolivia expressed concerns that the powerful and rich countries were

Photo by IISD/ENB Mike Muzurakis
COP 26 President Alok Sharma from the UK.

still refusing to provide financial support to developing countries and said that it fought hard to connect the 1.5°C goal with the means of implementation (finance, technology transfer, capacity-building). 'There is no appetite by developed countries to address their historical responsibility and pay their climate debt to the developing world,' it said, adding that at the 'next COP, we need more commitment by developed countries to finance'.

It also highlighted the need to preserve the 'language, principles and provisions of the UNFCCC' and refrain from deviating by using 'new language' such as 'processes' under the Convention instead of 'provisions'.

Gabon, speaking for the Africa Group, said that it came to Glasgow to create an ambitious and balanced agreement focusing on mitigation, adaptation, loss and damage, and finance. However, in the run-up, 'much focus' had been on the 1.5°C goal and mitigation. It welcomed the work programme on the GGA. It also called for a 'review' of the $100 billion goal under the COP and sought more assurance from developed country partners on the delivery of finance as a critical issue. Gabon also said that it faced huge financial and technological challenges in addressing a climate problem that it did not create, and highlighted the debt burden of developing countries.

Antigua and Barbuda, speaking for the Alliance of Small Island States (AOSIS), said that its priorities, which included elements in mitigation and loss and damage, were not in the package, which it said was extremely disappointing. However, it said it could move forward 'in the spirit of compromise'.

Speaking for the least-developed countries (LDCs), Bhutan urged all to adopt the text although it was 'not balanced', considering the high expectations for ambition in line with the 1.5°C goal, its assurance for finance as well as the LD facility for finance.

China said it had 'no intention to open the texts again' although they were 'by no means perfect', but made a suggestion on the paragraph regarding the issue of coal and fossil fuel subsidies, and suggested that the language could follow the recent US-China joint declaration as well as the G20 declaration so that 'all Parties' could accept the text.

India said that 'consensus remains elusive' and that it sought 'just and equitable solutions', pointing out that the climate crisis was caused by 'unsustainable lifestyles and wasteful consumption patterns'. It said that 'fossil fuels and their use have enabled parts of the world to attain high levels of wealth and well-being' and that 'developing countries have a right to the fair share of the global carbon budget and are entitled to the responsible use of fossil fuels within this scope'.

'Developing countries have to still deal with their development agendas and poverty eradication,' it stressed. 'Towards this end, subsidies provide much needed social security and support,' it said, giving the example of subsidies provided to low-income households for liquefied petroleum gas to eliminate biomass burning and reduce indoor pollution. India said it had some additions to the text in this regard.

South Africa supported the language proposed by both China and India, calling for a 'workable solution' on the issue.

The EU urged not to ask for 'different text'. The EIG said that while the texts were clearly far from being the best possible common denominator, it could 'accept the text as presented', calling for it to be adopted in light of broader objectives. Australia also echoed that it 'can accept present text'.

The US said that it had been a 'good' negotiation and acknowledged that there were things in the text that did not meet the 'best desire' of every country. It said it was 'excited' by the fact that the outcome 'raises ambition' on a 'global basis' and that 'this potential agreement is a very important step in the right direction'. Referring to the US-China joint declaration agreed in Glasgow, it said the agreement showed that in a world of 'conflict, competition and differences' between nations, the issue of climate change rose above them to find a way forward.

After a rather long series of interventions by many other countries, Sharma proposed to adjourn the meeting and reconvene the formal closing plenary to consider and adopt the texts as the outcome of the climate talks. He said that while the texts did test the boundaries on what Parties could accept, 'these outcomes constitute an incredibly delicate balance'. He added that the stocktake interventions had seen a 'great deal of consensus and support for the texts, imperfect that they may be'.

At the formal closing plenary

Following the high drama during the start of the closing plenary highlighted above, during the adoption of decisions under the Conference of Parties to the PA (CMA), several Parties intervened.

Antigua and Barbuda, speaking for AOSIS, highlighted specifically the LD facility for finance which did not enjoy consensus from developed countries, resulting in just a standalone 'dialogue' in the final decision. It requested to include in the proceedings that its interpretation of the agreement was that the 'new facility will be adopted at the next COP 27'.

Venezuela reiterated its request for a space to discuss the important issue of unilateral and coercive measures (UCMs) in the context of human and environment rights, which had been affecting climate actions for some countries. It said that it had been requesting to include UCMs in the cover decisions.

Joint closing plenary of COP, CMA and CMP

UNFCCC Executive Secretary Espinosa hailed the outcome as a 'bridge to historic transformation' built in Glasgow, thanking everyone for their professionalism and dedication regardless of multiple challenges. She said that 'negotiations are never easy' to seek an outcome 'acceptable to all', which was the 'nature of consensus and inclusive multilateralism'.

Guinea, speaking for the G77 and China, said that the group worked towards conclusions and decisions to 'reflect compromise while seeking to be ambitious and fair', succeeding in some and failing in others. It underlined that 'multilateralism is fundamental, based on equity and CBDR', stressing on fighting climate change in the context of 'cooperation and genuine partnership rather than competition and from purely economic aspect'.

The EU spoke of a 'balanced and ambitious outcome' and said that this COP was a step in the right direction towards reducing global emissions in this critical decade. It stressed on keeping the goal of 1.5°C alive and on 'aligning all financial flows towards low greenhouse gas emissions and climate resilience'.

Switzerland, speaking for the EIG, also said that keeping the goal of 1.5°C alive was a 'north star of our common commitment'.

Australia, speaking for the Umbrella Group, thanked and congratulated all for ensuring a 'successful outcome' and agreeing on the final PA implementation arrangements. It said it was pleased

The group of Like-Minded Developing Countries said that 'net zero by 2050' targets are a 'great escape by the developed countries' from undertaking 'real rapid emissions reduction now'.

to be leaving with 'ambitious commitments' and that COP 26 had set the path to support 'collective efforts to keep 1.5°C within reach'.

Egypt proposed a draft resolution entitled 'expression of gratitude' to the UK Presidency and the people of Glasgow, which was adopted by consensus by all Parties. Egypt is the host of COP 27 that is now scheduled to be held in November 2022.

Bhutan, speaking for the LDCs, said that 'the final package we can accept but not enough', with especially the issue of loss and damage falling short of what was expected, following the deletion of 'facility' for finance in the final deal.

Antigua and Barbuda, for AOSIS, spoke of 'major compromises' the group had made to overcome differences and said that the PA work programme was now complete after years of deliberations.

Peru, for the Independent Alliance of Latin America and the Caribbean (AILAC), said that the decisions in the package were 'not perfect', nonetheless, it worked towards reaching a 'common agreement'.

India, speaking for the BASIC grouping (Brazil, South Africa, India, China), said that it had shown 'maximum flexibility' and was committed to 'serious ambitious actions' notwithstanding the 'challenges' at home. It stressed that the developed countries must deliver not only on mitigation but also on adaptation and finance, technology transfer and capacity building.

Argentina, for Argentina, Brazil, Uruguay (ABU), thanked all for their 'flexibility and spirit of compromise'. It highlighted that Article 6 of the PA would provide both market and non-market approaches, especially 'new international financing' for developing countries in both their 'mitigation and adaptation' efforts.

Saudi Arabia said that the decisions adopted were a 'great start' and underlined the need to make sure that they were implemented in a 'balanced manner'.

Panama said that it was 'not fully happy', specifically commenting on Article 6 decisions that were not 'as robust as science demands'.

Other countries that took the floor were Pakistan (in its role as the incoming Chair of the G77 and China in 2022), Cuba, Indonesia, Turkey, Korea, Chile, Kenya, Dominican Republic and Japan. ◆

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Key decisions adopted in Glasgow

Meena Raman and *Indrajit Bose* provide below an overview of some of the major outcomes reached at the climate conference, while the three articles that follow look more closely at the deliberations and decisions on the hot-button issues of climate finance, loss and damage, and 'cooperative approaches' to tackling climate change.

A seawall project in Tanzania to protect against rising sea levels sparked by climate change. The Glasgow conference launched a work programme on the global goal on adaptation to climate change.

THE Glasgow talks from 31 October to 13 November saw two weeks of intense negotiations under the 26th Conference of the Parties to the UN Framework Convention on Climate Change (COP 26), the 16th session of the Kyoto Protocol Parties (CMP 16) and the third session of the Conference of Parties to the Paris Agreement (CMA 3).

Several key decisions were adopted under the three bodies, including on the unfinished items dealing with Paris Agreement (PA) implementation, such as Article 6 on cooperative approaches, enhanced transparency framework (ETF) and common timeframes for nationally determined contributions (CTF). This article presents the highlights of some of the decisions adopted.

Developing countries on the whole were disappointed with the Glasgow outcomes, with little gains for them especially on issues of finance, adaptation and loss and damage. They expressed concerns over the mitigation-focused decisions which did not match the slogans of ambition in keeping the 1.5°C global warming limit alive, with distant net zero targets by 2050 for developed countries which provided a 'great escape' for the latter without real and rapid emission reductions as soon as possible.

Also of concern was the focus on future emissions without addressing the historical and past emissions of developed countries which caused the climate crisis, and the struggle that was needed for the principles of equity and 'common but differentiated responsibilities and respective capabilities' (CBDR-RC) to be properly reflected in the Glasgow outcomes.

Glasgow Climate Pact under the CMA

Mitigation

The CMA cover decision in the mitigation section 'recognises that limiting global warming to 1.5°C requires rapid, deep and sustained reductions in global greenhouse gas emissions, including reducing global carbon dioxide emissions by 45 per cent by 2030 relative to the 2010 level and to net zero around mid-century, as well as deep reductions in other greenhouse gases.'

It also 'recognises that this requires accelerated action in this critical decade, on the basis of the best available scientific knowledge and equity, reflecting CBDR-RC in the light of different national circumstances and in the context of sustainable development and efforts to eradicate poverty.'

It also 'notes with serious concern the findings of the synthesis report on nationally determined contributions (NDCs) under the PA, according to which the aggregate greenhouse gas emission level, taking into account implementation of all submitted NDCs, is estimated to be 13.7 per cent above the 2010 level in 2030'.

The CMA also decided 'to establish a work programme to urgently scale up mitigation ambition and implementation' and requested the subsidiary bodies (Subsidiary Body for Scientific and Technical Advice, SBSTA and Subsidiary Body for Implementation, SBI) to recommend a draft decision on this matter for consideration and adoption by CMA 4 (in 2022) 'in a manner that complements the global stocktake (GST)'.

(Some developing countries did not want the work programme on mitigation alone due to duplication of work ongoing under the GST process, which will hold its technical assessment in 2022, in the run-up to 2023, and will focus on taking stock of the implementation of the PA to assess collective progress towards achieving the purpose and long-term goals as well as opportunities for enhanced action and support, including international cooperation for climate action.)

The decision also requests 'Parties to align their targets in their NDCs with the PA temperature goal by the end of 2022, taking into account different national circumstances', and requests the 'secretariat to annually update the synthesis report on nationally determined contributions under the PA' and to make these reports available at every CMA session.

The CMA also decided to convene an 'annual high-level ministerial round table on pre-2030 ambition', starting at CMA 4. [Many developing countries including the Like-Minded Developing Countries (LMDC) did not want a focus only on mitigation ambition but wanted a more holistic consideration also of the means of implementation.]

The decision also 'urges Parties that have not yet done so to communicate, by CMA 4, long-term low greenhouse gas emission development strategies … towards just transitions to net zero emissions by or around mid-century, taking into account different national circumstances.'

The decision 'calls upon Parties to accelerate the development, deployment and dissemination of technologies, and the adoption of policies, to transition towards low-emission energy systems, including by rapidly scaling up the deployment of clean power generation and energy efficiency measures, including accelerating efforts towards the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies, while providing targeted support to the poorest and most vulnerable in line with national circumstances and recognizing the need for support towards a just transition'.

Adaptation

In the adaptation section, the CMA 'recognises the importance of the global goal on adaptation (GGA) for the effective implementation of the PA, and welcomes the launch of the comprehensive two-year Glasgow–Sharm el-Sheikh work programme on the GGA'. (Developed countries led by the US had been opposed to elaborating the GGA, and the launch of this work programme is a win for developing countries. See further details below.)

In the adaptation finance section, the CMA decision urges developed countries 'to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025, in the context of achieving a balance between mitigation and adaptation'. (Developing countries wanted stronger language but had to live with just 'urging' developed countries to at least double their provision of climate finance for adaptation.)

Finance

The CMA decision welcomes the 'first report on the determination of needs of developing country Parties related to implementing the Convention and the PA and the fourth Biennial Assessment and Overview of Climate Finance Flows by the Standing Committee on Finance'.

The decision underscores the importance of the deliberations on the new collective quantified goal 'being informed by the need to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty and to make finance flows consistent with a pathway towards low greenhouse gas emission and climate-resilient development taking into account the needs and priorities of developing countries and building on the work of the Standing Committee on Finance'.

The decision 'emphasises the challenges faced by many developing country Parties in accessing finance and encourages further efforts to enhance access to finance, including by the operating entities of the Financial Mechanism'.

Loss and damage

On loss and damage, the CMA decided that the 'Santiago Network will be provided with funds to support technical assistance for the implementation of relevant approaches to avert, minimise and address loss and damage associated with the adverse effects of climate change'. Parties also decided that 'modalities for the management of funds provided for technical assistance under the Santiago Network and the terms for their disbursement shall be determined by the process' elaborated in a separate CMA decision specifically on loss and damage.

The CMA cover decision also reflects Parties' agreement in deciding to 'establish the Glasgow Dialogue between Parties, relevant organizations and stakeholders to discuss the arrangements for the funding of activities to avert, minimise and address loss and damage associated with the adverse impacts of climate change, to take place in the first sessional period of each year of the Subsidiary Body for Implementation, concluding at its sixtieth session (June 2024)'.

(Discussions on loss and damage had been particularly contentious, with developing countries pushing for a facility to ensure a process for loss and damage finance, while developed countries, especially the US, were firmly opposed to this. The compromise was just to have a dialogue, a very small step as a start.)

The decision requests the SBI to 'organise the Glasgow Dialogue in cooperation with the Executive

Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts'.

Glasgow–Sharm el-Sheikh work programme on the global goal on adaptation

Under the CMA, Parties decided to 'establish and launch a comprehensive two-year Glasgow–Sharm el-Sheikh work programme on the GGA'; that the implementation of the work programme would begin immediately after CMA 3; and that it will be carried out jointly by the SBSTA and the SBI.

(The discussions in Glasgow on the GGA were highly contested. Developing countries had proposed a structured process to be set up in Glasgow and for the mandate to be under the subsidiary bodies. They had even called for a separate decision on the GGA. Developed countries initially, however, were not entirely open to the idea of a structured process; they wanted to mandate the Adaptation Committee to pursue further work on the GGA and were opposed to an exclusive decision on the GGA.)

In the decision adopted, the CMA agreed on the objectives of the GGA work programme. Parties decided that the objectives of the work programme should be to:

(a) Enable the full and sustained implementation of the Paris Agreement, towards achieving the global goal on adaptation, with a view to enhancing adaptation action and support;

(b) Enhance understanding of the global goal on adaptation, including of the methodologies, indicators, data and metrics, needs and support needed for assessing progress towards it;

(c) Contribute to reviewing the overall progress made in achieving the global goal on adaptation as part of the global stocktake referred to in Article 7, paragraph 14, and Article 14 of the Paris Agreement with a view to informing the first and subsequent global stocktakes;

(d) Enhance national planning and implementation of adaptation actions through the process to formulate and implement national adaptation plans and through nationally determined contributions and adaptation communications;

(e) Enable Parties to better communicate their adaptation priorities, implementation and support needs, plans and actions, including through adaptation communications and nationally determined contributions;

(f) Facilitate the establishment of robust, nationally appropriate systems for monitoring and evaluating adaptation actions;

(g) Strengthen implementation of adaptation actions in vulnerable developing countries;

(h) Enhance understanding of how communication and reporting instruments established under the Convention and the PA related to adaptation can complement each other in order to avoid duplication of efforts.

Parties also agreed that the 'implementation of the work programme should reflect the country-driven nature of adaptation and avoid creating any additional burden for developing country Parties'.

Parties also decided that 'activities carried out under the work programme should build on the work of the Adaptation Committee related to the GGA, draw on a variety of sources of information and inputs, including national adaptation plans and adaptation communications, take into account traditional knowledge, knowledge of indigenous peoples and local knowledge systems, and be gender-responsive'.

Parties decided that 'four workshops should be conducted per year, with the support of the secretariat and under the guidance of the Chairs of the subsidiary bodies, under the work programme, namely two virtual intersessional workshops and two workshops in conjunction with the sessions of the subsidiary bodies, starting at their fifty-sixth sessions'. The decision also invited the 'Chairs of the subsidiary bodies to select themes for the workshops' on the basis of the Party submissions. The decision also invited Parties to submit by 30 April 2022 views on how to achieve the objectives under the work programme.

The decision also requested the 'Secretariat to prepare a compilation and synthesis of those submissions for consideration at the workshops, a single annual report on the workshops for consideration at the sessions of the subsidiary bodies coinciding with the sessions of the CMA'; and invited the subsidiary bodies to report annually to the CMA on 'progress in implementing the work programme'.

Besides the decision on the two-year work programme on the GGA, other adaptation decisions adopted included a decision on the National Adaptation Plans and reports of the Adaptation Committee (for 2019, 2020 and 2021).

Loss and damage

Under the decision on the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (WIM) adopted under the CMA, Parties decided on the functions of the Santiago Network.

The functions are as follows:

(a) Contributing to the effective implementation of the functions of the Warsaw International Mechanism by catalysing the technical assistance of organisations, bodies, networks and experts;

(b) Catalysing demand-driven technical assistance including of relevant organisations, bodies, networks and experts, for the implementation of relevant approaches to averting, minimising and addressing loss and damage in developing countries that are particularly vulnerable to the adverse effects of climate change by assisting in:

(i) Identifying, prioritising and communicating technical assistance needs and priorities;

(ii) Identifying types of relevant technical assistance;

(iii) Actively connecting those seeking technical assistance with best suited organisations, bodies, networks and experts;

(iv) Accessing technical assistance available including from such organisations, bodies, networks and experts;

(c) Facilitating the consideration of a wide range of topics relevant to averting, minimising and addressing loss and damage approaches, including but not limited to current and future impacts, priorities, and actions related to averting, minimising, and addressing loss and damage, and the strategic workstreams of the five-year rolling workplan of the Executive Committee;

(d) Facilitating and catalysing collaboration, coordination, coherence and synergies to accelerate action by organisations, bodies, networks and experts, across communities of practices, and for them to deliver effective and efficient technical assistance to developing countries;

(e) Facilitating the development, provision and dissemination of, and access to, knowledge and information on averting, minimising and addressing loss and damage, including comprehensive risk management approaches, at the regional, national and local level;

(f) Facilitating, through catalysing technical assistance, of organisations, bodies, networks and experts, access to action and support (finance, technology and capacity building) under and outside the Convention and the Paris Agreement, relevant to averting, minimising and addressing loss and damage associated with the adverse effects of climate change, including urgent and timely responses to the impacts of climate change.

Parties also decided to further develop the institutional arrangements of the Santiago Network.

The decision also requested 'the secretariat to continue providing support for developing countries that are particularly vulnerable to the adverse effects of climate change that may seek or wish to benefit from the technical assistance available from organisations, bodies, networks and experts under the Santiago Network without prejudice to the outcomes of the consideration' by the subsidiary bodies.

(According to sources, developing countries deemed it as a big win in relation to the functions of the Santiago Network.)

On the governance of the WIM, the decision took note that 'the considerations related to the governance of the WIM will continue at its fourth session (November 2022)' due to disagreements among countries at Glasgow.

(The controversy in relation to the governance of the WIM revolves around whether the WIM should be exclusively under the authority and guidance of the CMA or whether it should also continue to be governed by the COP as well. Developed countries are of the view that the WIM should be governed by the CMA only, while developing countries would like the WIM to be under both the COP and the CMA, as they do not want the mandate and scope of the WIM to be limited.)

Common timeframes for NDCs

At COP 24 in 2018, it was agreed that Parties 'shall apply common timeframes to their NDCs to be implemented from 2031 onward'. Parties were divided on whether to have just one timeframe of 5 years or to also allow a 10-year timeframe, with some variation in between of a 5 years plus 5 years.

In the decision adopted in Glasgow, the CMA reaffirms the nationally determined nature of NDCs and 'encourages Parties to communicate in 2025 a nationally determined contribution with an end date of 2035, in 2030 a nationally determined contribution with an end date of 2040, and so forth every five years thereafter'.

(Some developing countries led by the LMDC in particular were advancing a 5-year or 10-year option for developing countries, but could live with this option as the text reaffirms the nationally determined nature of the NDCs and encourages Parties to communicate as above and is not mandatory.)

Enhanced transparency framework

Flexibility in reporting for developing countries and support to developing countries for reporting under the ETF were key contentious issues in Glasgow. The issues were resolved in favour of developing countries, sources said.

The CMA adopted the following:

- The common reporting tables for the electronic reporting of the information in the national inventory reports of anthropogenic emissions by sources and removals by sinks of greenhouse gases;
- The common tabular formats for the electronic reporting of the information necessary to track progress made in implementing and achieving NDCs under Article 4 of the Paris Agreement;
- The common tabular formats for the electronic reporting of the information on financial, technology development and transfer and capacity-building support provided and mobilised, as well as support needed and received, under Articles 9-11 of the PA;
- The outlines for the biennial transparency report, national inventory document and technical expert review report; and
- The training programme for technical experts participating in the technical expert review of biennial transparency reports (BTRs).

The decision encouraged Parties to prepare their BTR and national inventory document in accordance with the outlines adopted. The CMA also decided that the technical expert review teams will follow the technical expert review report outline as adopted in Glasgow.

The CMA also decided that those 'developing country Parties that need flexibility in the light of their capacities may, when reporting on a provision for which they have a capacity constraint, choose one or more of the following options, as applicable, to reflect the application of the specific flexibility provisions … in the common reporting tables and common tabular formats'.

The options include a new notation key called FX (flexibility); the option of collapsing 'relevant row(s) or column(s) where "FX" is reported', while 'providing an explanation of how the specific flexibility provision has been applied in the corresponding documentation box'.

The decision further requests the secretariat to 'develop reporting tools, taking into account the operationalization of the flexibility provisions … and make available a test version of the reporting tools by June 2023 with a view to the final version of the tools being completed by June 2024', and 'to report to the SBSTA on progress in the development of the reporting tools at its fifty-seventh session (November 2022)'.

The decision 'invites Parties to submit their views on their experience with the test version of the reporting tools, including experience with integrating the tools into their national inventory arrangements, and inputs on improving the tools at the latest six months after the release of the test version via the submission portal by December 2023', and requests the secretariat to produce a technical paper on these submissions.

The CMA also decided that 'if the final version of the reporting tool for common reporting tables for inventory information is not available within the time frame … Parties can submit the national inventory report after 31 December 2024, with a delay not exceeding the delay in the availability of the reporting tool'.

The decision also requested 'the secretariat to facilitate interoperability between the reporting tools and the Intergovernmental Panel on Climate Change inventory software'.

The decision emphasised that 'each interested Party may provide, as appropriate, information related to enhancing understanding, action and support, on a cooperative and facilitative basis, to avert, minimise and address loss and damage associated with climate change impacts in … its biennial transparency report…'

(According to sources, developed countries had been vehemently opposed to any reference to information on loss and damage under the ETF.)

The decision also notes that 'Parties may use on a voluntary basis the Intergovernmental Panel on Climate Change 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories'.

The decision requested the secretariat, 'incorporating, as appropriate, technical advice from the Consultative Group of Experts and lead reviewers, to develop the training programme for technical experts participating in the technical expert review of biennial transparency reports … taking into account experience and lessons learned from developing existing training programmes under the Convention'; and to report to the SBSTA 'on progress in the development of the training programme at its fifty-seventh session and at each subsequent session until the development of the training programme has been completed'.

Further, the CMA decided 'to consider at its fourth session and at each session thereafter an item on "Reporting and review pursuant to Article 13 of the PA: provision of financial and technical support to developing country Parties for reporting and capacity-building", which will include consideration of the support provided to developing country Parties for reporting and related capacity-building under Article 13 of the Paris Agreement'.

The decision also recognised the 'need for enhanced support from various sources and channels, including the Global Environment Facility, for implementing the enhanced transparency framework'. (This is reflected in the CMA Glasgow Climate Pact cover decision.)

Article 6 of the PA

The decisions adopted pertaining to Article 6 included guidance on cooperative approaches referred to in Article 6.2; rules, modalities and procedures for the mechanism established by Article 6.4; and a work programme under the framework for non-market approaches referred to in Article 6.8. (See the article 'Article 6 outcomes on market/non-market approaches' in this issue.)

Other decisions adopted

The COP, CMP and CMA also adopted decisions on response measures; local communities and indigenous peoples platform; Paris Committee on Capacity-building; enhancing climate technology development and transfer through the Technology Mechanism; gender and climate change; and guidance for the Clean Development Mechanism, among others.

Finance

A host of decisions were adopted on finance under the COP, CMA and CMP. These included decisions on the new collective quantified goal on climate finance; long-term finance; compilation and synthesis of, and summary report on the in-session workshop on, biennial communications of information related to Article 9.5 of the Paris Agreement; matters relating to the Adaptation Fund; matters related to the Standing Committee on Finance; report of the Green Climate Fund to the COP and guidance to the GCF; report of the Global Environment Facility to the COP and guidance to the GEF; report of the Adaptation Fund (AF) Board for 2020 and 2021; and Fourth Review of the AF. (See the article 'The Glasgow decisions on climate finance' in this issue.) ◆

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The Glasgow decisions on climate finance

Indrajit Bose

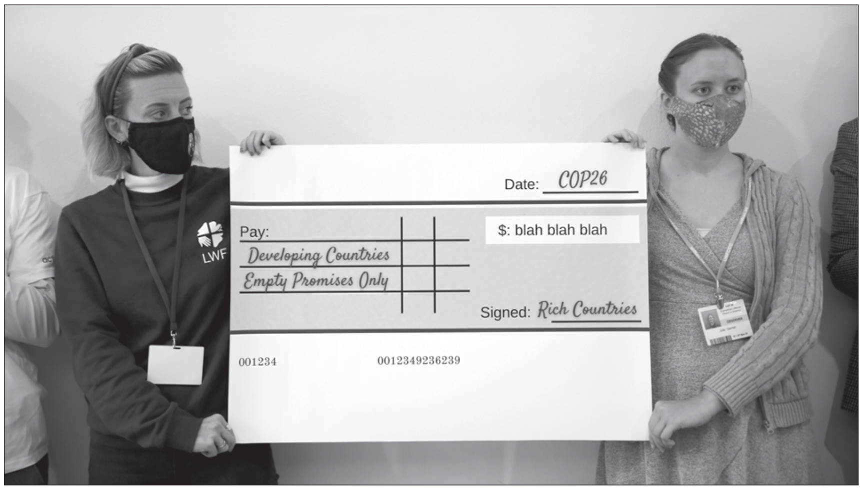

Photo by IISD/ENB Mike Muzurakis

Climate activists at the Glasgow meet. The conference 'note[d] with serious concern the gap in relation to the fulfilment of the goal of developed country Parties to mobilise jointly USD 100 billion per year by 2020' in climate finance.

THE Glasgow climate talks adopted a host of decisions on climate finance following intense wrangling among developed and developing countries. These included decisions on long-term climate finance (LTF); new collective quantified goal on climate finance (NCQG); compilation and synthesis of, and summary report of the workshop on biennial communications of information related to Article 9.5 of the Paris Agreement (PA); matters related to the Standing Committee on Finance (SCF); report of the Green Climate Fund (GCF) to the COP and guidance to the GCF; report of the Global Environment Facility (GEF) to the COP and guidance to the GEF; matters relating to the Adaptation Fund (AF); report of the AF Board for 2020 and 2021; and fourth review of the AF.

All the decisions had been bitterly contested and nearly every paragraph of the draft texts continued to be bracketed with no solution in sight until the last day of the COP. Ministerial consultations had to be convened on the LTF and NCQG issues and the UK COP Presidency had to intervene on the other issues to help Parties arrive at a consensus. The decisions were adopted under COP 26, CMP 16 and CMA 3. There were some small but significant wins for developing countries that will keep the pressure up on developed countries to meet their obligations under the UNFCCC and the PA.

This article highlights some of the key finance decisions adopted in Glasgow.

Long-term climate finance

The key problematic issues on LTF included continuation of the LTF agenda under the COP; work on reviewing progress on the delivery of the $100 billion goal of the developed countries under LTF; and language around the definition of climate finance.

Developing countries were in favour of the continuation of the LTF agenda item under the COP, while developed countries were vehemently opposed to it. The decision adopted is a win for developing countries, for they were able to secure an extension of the LTF agenda, as well as set a process in motion to review the delivery of the $100 billion goal.

On the definition of climate finance, developing countries were able to secure a mandate for the SCF to work on 'climate finance definitions'. The language in the decision was however considerably weakened, since the developed countries were completely opposed to the idea of giving any mandate to the SCF for a single multilaterally agreed climate finance 'definition', which developing countries were pushing for (more on this below).

In the decision adopted, Parties decided that 'continued discussions on long-term climate finance will conclude in 2027'.

Parties also requested the SCF to 'prepare a report in 2022 on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries [to be considered at COP 27] … and to continue to contribute to assessing the achievement of the goal in the context of the preparation of its biennial assessment and overview of climate finance flows'.

Parties also invited the COP 27 Presidency (Egypt) to 'organize the high-level ministerial dialogue on climate finance in 2022 on the progress and fulfilment of the goal of mobilizing jointly USD 100 billion per year by 2020'.

Expanding the work on LTF further, Parties decided 'to convene biennial high-level ministerial dialogues on climate finance in 2022, 2024 and 2026' and requested the COP Presidency 'to summarize the deliberations at the dialogues for consideration by the COP in the year thereafter'.

In relation to the climate finance definition, Parties requested the SCF 'to continue its work on definitions of climate finance, taking into account the submissions received from Parties on this matter, with a view to providing input for consideration by COP 27 (November 2022)'.

As explained above, developing countries were in favour of mandating the SCF to work on one definition rather than multiple definitions as they said this would aid in transparency and accountability of climate finance. They proposed that climate finance resources must be new and additional, climate-specific and consist of grants, concessional loans and guarantees or other instruments that ensure concessional finance. Developed countries were opposed to this and were of the view that having one definition of climate finance was not possible since each Party defined climate finance differently.

One paragraph that developing countries were in favour of did not make it to the decision adopted. The paragraph proposed in the initial draft had been as follows: 'Draws attention to the lack of a multilaterally agreed definition of climate finance and acknowledges that a [common] definition of climate finance is important to have clarity to avoid double counting and to account for the financial flows from developed to developing countries to address climate action.' Developed countries had proposed brackets when the paragraph was introduced by developing countries and it eventually got dropped from the final decision adopted.

The decision adopted also 'notes with serious concern the gap in relation to the fulfilment of the goal of developed country Parties to mobilize jointly USD 100 billion per year by 2020, including due to challenges in mobilizing finance from private sources'.

According to sources, during the discussions on the aforesaid paragraph, developed countries wanted to push the responsibility to developing countries and the lack of 'enabling environments' in their countries due to which the private sector had not been able to mobilise finance. Instead of taking responsibility for the lack of fulfilment of the goal, they suggested welcoming their efforts in meeting the $100 billion goal. Following heated exchanges, the language above was adopted.

On adaptation finance, the decision requests developed countries 'to significantly increase their provision of adaptation finance, including by, as appropriate, considering doubling adaptation finance with the aim of achieving a balance between mitigation and adaptation'.

Developing countries wanted stronger language and more emphasis on adaptation finance, but there was a lot of opposition from developed countries to making references to 'doubling'. Earlier versions of the paragraph included language emphasising the importance of public and grant-based resources for adaptation finance, but these were dropped from the final text.

The decision adopted also requests the SCF 'to undertake further work on mapping the available information relevant to Article 2.1(c) of the PA, including its reference to Article 9 thereof, with a view to providing input for consideration by COP 27'.

[Article 2.1(c) is on making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.]

New collective quantified goal on finance

Discussions on the NCQG were also highly contentious, with developing countries calling for a concrete process to arrive at the goal and developed countries wanting to discuss the goal via 'workshops'. The decision adopted is an important win for developing countries, especially in terms of setting a process for the goal, even though the language from the initial draft was whittled down in some areas.

In the decision adopted, Parties recognised that the 'deliberations on the new collective quantified goal will be cyclical in nature, with the political deliberations providing guidance to the technical work to be conducted and the technical work informing the political deliberations'.

On the process, Parties decided to establish 'an ad hoc work programme from 2022 to 2024' under the CMA, 'to be facilitated by co-chairs, one from a developed country and one from a developing country, appointed, in consultation with the respective constituencies', by the CMA 'at its third, fourth (November 2022) and fifth (November 2023) sessions'.

Parties also decided 'to conduct four technical expert dialogues per year as part of the ad hoc work programme, with one of these dialogues to be held in conjunction with the first regular session of the subsidiary bodies for the year and one to be held in conjunction with the session of the CMA, and the two remaining dialogues to be organized in separate regions with a view to facilitating inclusive and balanced geographical participation'.

Parties further requested 'the secretariat, in organizing the technical expert dialogues … to ensure the participation of all interested Parties, academia, civil society actors, including youth, and private sector actors, and that all meetings are open to observers and are webcast'.

Parties also requested 'the co-chairs of the ad hoc work programme to prepare an annual report on the work conducted under that work programme, including a summary and key finding of the technical expert dialogues, for consideration by the CMA'.

Parties also decided 'to convene high-level ministerial dialogues starting in 2022 and ending in 2024, ensuring effective political engagement and open, meaningful and robust discussion, to be informed by the reports of the technical expert dialogues … with a view to providing guidance on the further direction of the ad hoc work programme for the following year', and requested the

COP Presidency to 'prepare a summary of the deliberations at the high-level ministerial dialogue' for the consideration of the CMA.

Parties decided to continue their deliberations on setting a new collective quantified goal at CMA 4, 5 and 6, 'taking stock of the progress made and providing further guidance on the ad hoc work programme, taking into consideration the annual reports of the co-chairs of the ad hoc work programme … including the key findings contained therein, and the summary reports on the high-level ministerial dialogues … including the guidance contained therein.'

In the decision adopted, Parties decided that 'the new collective quantified goal aims at contributing to accelerating the achievement of Article 2 of the PA of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development'.

Parties also decided 'that the consideration of the new collective quantified goal will … take into account the needs and priorities of developing countries and include, inter alia, quantity, quality, scope and access features, as well as sources of funding, of the goal and transparency arrangements to track progress towards achievement of the goal…'.

Parties agreed that the deliberations shall be informed by inputs from Parties, constituted bodies, including their relevant outputs; the best available scientific information; information from other relevant intergovernmental processes and insights from the business and research communities and from civil society; information from Parties, particularly information related to the needs of developing countries; and other technical reports.

Parties decided to conclude their deliberations by setting the new collective quantified goal in 2024.

Several developing countries had called for the deliberations to conclude in 2023 rather than 2024 given that the NCQG would have a bearing on the next round of NDC submission by developing countries in 2025. However, developed countries were in favour of deliberations to conclude in 2024. Another key ask of some developing countries was to reflect a quantum mobilisation target for the NCQG but this did not make it to the final decision. Previous versions of the draft decision text had the following language: 'Deliberations on the quantum mobilization target should start from range of a commitment by developed countries to mobilize jointly at least USD 1.3 trillion per year by 2030, of which 50% for mitigation and 50% for adaptation and a significant percentage on grant basis from a floor of USD 100 billion, taking into account the needs and priorities of developing countries'. Since there was no agreement on reflecting any number as this would, according to developed countries, amount to prejudging the deliberations, the language got dropped.

Matters related to the SCF

Key sticky issues around this included mandating the SCF with further work on the definition of climate finance. In the decision adopted, Parties requested the SCF 'to continue its work on definitions of climate finance, taking into account the submissions received from Parties on this matter, with a view to providing input for consideration by CMA 4'.

The paragraph though had been whittled down due to disagreements. An earlier version of the draft text read: 'Underlines that the lack of a universal climate finance definition represents an outstanding challenge for the provision and mobilization of climate finance and requests the SCF to continue its technical work on operational definitions of climate finance...'

(Under decision 11/CP.25 adopted in Madrid in 2019, the COP had underscored 'the important contribution of the SCF in relation to the operational definitions of climate finance', and invited Parties to 'submit … their views on the operational definitions of climate finance for consideration by the SCF in order to enhance its technical work on this matter in the context of preparing its 2020 Biennial Assessment and Overview of Climate Finance Flows [BA]'. Following the submissions, the SCF included a section on the definition issues in its 2020 BA. At the latest SCF meeting held in October 2021, developing countries had called for COP recommendations to the SCF to continue work on the definition of climate finance. However, developed countries did not agree, and the recommendations of BA 2020 could not be adopted. The fight took place again in Glasgow and developing countries were able to secure the mandate for the SCF for the work.

On the review of the functions of the SCF, the COP Presidency convened consultations with Parties but the consultations could not be completed. The COP Presidency announced at the closing of the CMA plenary that Parties will continue to consider the matter at CMA 4 (in November 2022).

Biennial communications of information related to Article 9.5 of the PA

Article 9.5 mandates developed countries to biennially communicate indicative quantitative and qualitative information on the provision and mobilisation of projected levels of public financial resources to be provided to developing countries.

During the discussions, key divergences arose on language highlighting concerns around missing elements from the first biennial communications of developed countries and calling on developed countries to improve information in certain specific areas.

(The first biennial in-session workshop on the biennial communication of information was organised in June 2021, following which the UNFCCC Secretariat released a summary report, which was considered by the CMA in Glasgow. During the workshop, developing countries expressed that the information provided by developed countries was still not adequate to enable them to prepare their climate action plans and wanted to ensure that the next round of information covers the gaps identified in the workshop report.)

The decision adopted on the matter 'recognizes with concern' that not all developed country Parties have provided biennial communications in accordance with Article 9.5 of the PA and urges developed countries to submit biennial communications in 2022.

During the negotiations, developed countries were not in favour of the paragraph and said that it should read that not all developed countries have provided the communications 'in time', rather than in accordance with Article 9.5 of the PA. The final decision in this regard is a win for the developing countries.

The decision welcomes 'the summary report on the biennial in-session workshop on information to be provided by Parties in accordance with Article 9.5 of the PA held on 11 June 2021 and invites Parties and relevant institutions to consider the key findings and messages contained therein'.

The decision adopted also recalls that the 'next biennial in-session workshop on information to be provided by Parties … will be held in 2023'. The decision also 'requests developed country Parties to submit their second biennial communications in 2022 … before 31 December 2022'.

The decision invites developed countries 'to take into account the following areas for improvement identified in the summary report', particularly in relation to:

(a) The indicative projections of climate finance for developing countries and specific plans for scaling up the provision and mobilisation of climate finance;

(b) The information provided on projected levels of climate finance and lack of detail on themes, various channels and instruments across the biennial communications;

(c) The information on the shares of projected climate finance for adaptation and mitigation, and on plans for addressing the balance between the two.

The decision also recognises that developed countries 'submitted information … for the first time in 2020 and that improvements based on lessons learned should be considered when preparing biennial communications in 2022, taking into account the areas for improvement identified in the summary report … including enhancing the quality and granularity of information on programmes, including projected levels, channels and instruments, particularly on climate finance for the least developed countries and small island developing States, and on relevant methodologies and assumptions'.

Report of the GCF to the COP and guidance to the GCF

Guidance to the GCF was contentious in the areas around the GCF Board's governance and efficiency, in terms of how prescriptive the guidance should be by referring to issues that the Board was already undertaking work on, and in relation to a paragraph on 'unilateral' conditions imposed by the Board on entities from developing countries.

The decision welcomes the reports of the GCF to the COP, 'including the list of actions taken by the Board of the Green Climate Fund in response to guidance received from the Conference of the Parties'. The decision 'reiterates the request to the Board to continue efforts to maintain the balance in the allocation of resources between adaptation and mitigation'.

The decision also encourages the 'Board to strengthen country ownership and regional management by proactively engaging national designated authorities in all aspects of the project and programme cycle'.

The decision 'takes note of the exceptional circumstances of the coronavirus disease 2019 pandemic and its significant impact on the implementation of the Board's updated four-year workplan, recognizes the Board's efforts during that period and encourages the Board to continue to improve the efficiency and effectiveness of its work'.

(Developed countries had wanted language that encouraged the Board to 'further improve the efficiency and effectiveness of its decision-making', but developing countries were opposed to this. In the past, the Board has been divided over what developed countries refer to as 'governance' issues due to delays in arriving at decisions in the Board. Developing countries have countered saying the GCF has processes and rules in place which the Board follows and the virtual meetings held in 2020 and 2021 due to the COVID-19 pandemic proved difficult especially for the developing countries due to challenges in time zones and connectivity, among others.)

The decision 'takes note of the continued efforts of the Board to provide financial resources for activities relevant to averting, minimizing and addressing loss and damage in developing country Parties consistent with the existing investment results framework and funding windows and structures of the GCF, including through the Project Preparation Facility and the Readiness and Preparatory Support Programme'.

The decision took note of the 'significant number of remaining policy gaps, including updating the accreditation framework including approving the project-specific assessment approach, updating the simplified approval process, approving the policy on programmatic approaches, completing policies related to the investment framework, and addressing matters related to the Private Sector Facility and strategy, as well as outstanding matters from the rules of procedure of the Board, and urges the Board to prioritize closing the policy gaps as a matter of urgency and to explore diversifying its selection of financial instruments for addressing climate risk including parametric insurance for climatic events'.

The decision also urges the 'Board to finalize in a timely manner its work related to the guidance and arrangements of the COP on financing for forests and alternative approaches'.

Under the CMA's guidance to the GCF, Parties requested 'the Board to continue to enhance support for mitigation proposals, in line with the governing instrument and investment framework, that support countries in contributing to holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels'.

The decision under the CMA also requests the Board 'to continue to enhance support for the implementation of adaptation projects and programmes, in line with the governing instrument, informed by national adaptation plans and other voluntary adaptation planning processes, and adaptation communications, including those submitted as components of nationally determined contributions, as applicable, with a view to contributing to the global goal on adaptation to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change, and in line with the guiding principles and factors for determining terms of financial instruments'.

A paragraph that was contentious was on welcoming the first report of the SCF on the determination of the needs of developing countries related to implementing the Convention and the PA and for the GCF Board to take note of the needs and priorities of developing countries. Developed countries were opposed to including the language in the guidance, and the paragraph was dropped.

Another paragraph proposed by the Africa Group read: 'Urges the Board to avoid imposing unilateral policy conditions in deciding on the approval of accreditation or reaccreditation of developing country direct access entities as well as funding proposals and to ensure in an inclusive and transparent manner that such approvals are within policy frameworks.' Developed countries were not supportive of the proposal and suggested deleting the paragraph, adding that no unilateral policy conditions were ever imposed.

The Africa Group dropped the paragraph in the spirit of compromise, but with a warning: 'We will compromise, but this is an instruction to the Board. Unilateral policy conditions are being imposed by the Board. It is unacceptable that a condition not discussed by the Board was imposed on an entity. We cannot have decision-making with a loaded gun on our head. We will inspect every single condition and will not allow small diversionary tactics by developed countries. This is a warning call. On that basis, we will delete our proposal.'

(The Africa Group was referring to a condition imposed by a Swedish Board member on the reaccreditation of the Development Bank of Southern Africa. The condition imposed included a net zero emissions target no later than 2050. Since there was no consensus on the condition, the entity could not be reaccredited.)

Report of the GEF to the COP and guidance to the GEF

On the COP's guidance to the GEF, the key highlights include the COP calling upon developed countries 'to make financial contributions to the GEF to contribute to a robust eighth replenishment of the GEF to support developing countries in implementing the Convention'; encouraging 'additional voluntary financial contributions to the eighth replenishment of the GEF'; and inviting the GEF to 'duly consider the needs and priorities of developing country Parties when allocating resources to developing country Parties'.

The decision also recognises that the GEF 'does not impose minimum thresholds and/or specific types or sources of co-financing or investment mobilized in its review of individual projects and programmes'.

The decision also urges the GEF 'to enhance its support for projects that engage with stakeholders at the local level, and to continue to provide funding for projects related to technology training and scale up South-South cooperation and triangular cooperation with the Technology Executive Committee and the Climate Technology Centre and Network'.

The decision also requests the GEF, 'as part of the eighth replenishment process, to take note of the needs and priorities for climate finance, including those identified in the first report on the determination of the needs of developing country Parties related to implementing the Convention and the PA, nationally determined contributions, national communications and national adaptation plans, as well as in other sources of available information, including the biennial assessment and overview of climate finance flows and other relevant reports'.

In the CMA's guidance to the GEF, the key highlights include calls to support developing countries reporting requirements under the enhanced transparency framework (ETF) of the PA. Securing paragraphs on reporting support under the ETF was key for developing countries in Glasgow.

The decision 'welcomes that the Capacity-building Initiative for Transparency … will continue to support developing country Parties, upon their request, in building their institutional and technical capacity for the ETF and encourages the GEF, Parties and implementing agencies to work collaboratively to ensure that this support is delivered in a timely manner'.

The decision requests the GEF 'to continue to facilitate improved access to the Capacity-building Initiative for Transparency by developing country Parties' and for the GEF 'to consider increasing its support for the ETF as part of its eighth replenishment process'.

The decision further requests the GEF to contribute to the consideration of the support provided to developing countries by:

(a) Estimating the cost to developing countries of implementing the ETF, which includes establishing and enhancing a reporting system, as well as the full agreed cost of reporting and the cost of capacity-building for reporting;

(b) Considering how to adequately incorporate the costs into the set-aside of the eighth replenishment process of the GEF, while taking the necessary measures to ensure, as appropriate, that the set-aside does not impact the allocation of resources to developing countries;

(c) Reporting to CMA 4 on any actions taken to implement the guidance on supporting developing countries to implement the ETF and any changes to the estimated costs;

(d) Reporting to the CMA on activities and provision of support under the Capacity-building Initiative for Transparency and on the provision of support for reporting under the PA, as well as monitoring and reporting on the timeliness of project review, approval and preparation, including disaggregated tracking of each element of project development (from project identification form approval to submission of chief executive officer approval request and disbursement through implementing agencies).

The decision also requests the GEF 'to consider combining the application processes for support for producing biennial transparency reports, including by considering raising the funding ceiling of expedited enabling activity projects, and for Capacity-building Initiative for Transparency projects, as appropriate, and by developing an expedited process for projects related to preparing biennial transparency reports'.

Parties also welcomed the 'contributions made by developed country Parties to the Least Developed Countries Fund, amounting to USD 605.3 million, and encourages additional voluntary financial contributions to the Fund and the Special Climate Change Fund to support adaptation and technology transfer'.

Fourth review of the Adaptation Fund

In the decision that got adopted, the CMP decided that the fourth review of the Adaptation Fund will be undertaken in accordance with the terms of reference (ToRs) agreed by Parties for the review. The ToRs cover the objective, scope and sources of information for the review.

The scope for the review had been a contentious issue in the discussions. Under the ToRs, the scope included language on 'eligible' developing countries. The corresponding language read: 'The provision of sustainable, predictable, accessible and adequate financial resources and the mobilisation of financial resources to fund concrete adaptation projects and programmes that are country driven and based on the needs, views and priorities of [eligible] developing country Parties.'

Developing countries did not support the inclusion of 'eligible', while the US objected to deleting the word. Developing countries were successful in removing the word in the final decision because the US is not a Party to the Kyoto Protocol and therefore could not block the decision of the CMP. Developing countries wanted the word to be deleted as it would imply that not all developing countries are eligible for AF funding, which in their view is contrary to the Kyoto Protocol.

Divergences also emerged over whether to reflect the AF serving the PA, as well as over the CMA having a say on the review (commonly referred to as the 'governance' issue). Developing countries were not in favour of including the CMA since the review is under the CMP. However, developed countries wanted a reference to the CMA, given that the AF currently serves both the Kyoto Protocol and the PA. References to the AF serving the PA remained in the decision that was adopted.

(At COP 24, it had been decided that the AF shall exclusively serve the PA and shall no longer serve the KP once the share of proceeds from the mechanism under Article 6.4 of the PA becomes available. Article 6.4 establishes a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development for use by Parties on a voluntary basis.)

The decision 'takes note of decision 13/CMA.1, stating that the AF shall serve under the guidance of, and be accountable to, the CMA with respect to all matters relating to the PA, effective 1 January 2019, subject to the decision on this matter made by the CMP, and notes decision 1/CMP.14, in which it decided, inter alia, to ensure that developing country Parties and developed country Parties that are Parties to the PA are eligible for membership on the AF Board'.

The CMP also requested the Subsidiary Body for Implementation 'to complete its work on the fourth review of the AF at its fifty-seventh session, while welcoming the participation of Parties to the PA, with a view to recommending a draft decision on the matter for consideration and adoption by CMP 17'. The CMP also invited the CMA to consider the outcomes of the review at its fourth session.

Parties also welcomed the voluntary contributions to the AF from several countries equivalent to $356 million. ◆

Loss and damage fight at COP 26

Scene of devastation wrought by a tropical cyclone in Mozambique. The adverse effects of climate change disproportionately impact developing countries.

THE issue of loss and damage became a highly charged political matter at the Glasgow climate talks. Developing countries have been the proponents for the institutionalisation of loss and damage in the UNFCCC regime given that the adverse effects of climate change disproportionately impact developing countries more than developed countries in ways that go beyond the adaptation capacities of developing countries.

At COP 26, developing countries were firmly united under the G77 and China (G77) in advancing the loss and damage agenda which revolved around the following issues:

- loss and damage finance, including through the establishment at COP 26 of a new finance facility;
- the further operationalisation of the Santiago Network (SN); and
- governance of the Warsaw International Mechanism on Loss and Damage (WIM) under the COP and the CMA.

Developing countries lost the battle on ensuring a loss and damage finance facility due to very strong opposition from developed countries, especially the United States, and only managed to secure, in the final decision adopted, the establishment of 'the Glasgow Dialogue between Parties … for the funding of activities to avert, minimise and address loss and damage associated with the adverse impacts of climate change'.

However, reaching agreement on the functions of the Santiago Network and on a process for its institutional arrangements was a significant step forward at COP 26 and a win for developing countries, given strong resistance initially from developed countries.

On the issue of WIM governance, as wrangling continued between developing and developed countries and with no consensus possible on the matter, the COP 26 Presidency decided to kick the can down the road for a resolution of the matter in the future, while recognising that both the COP and the CMA have roles to play in having oversight and authority over the WIM.

This article provides highlights of the negotiations that took place on the loss and damage issues, following information obtained from various developing country negotiators close to the process.

Loss and damage finance

The issue of loss and damage finance was a major fight for developing countries and covered two elements: (i) the creation of a new financing facility for loss and damage; and (ii) the financing for the functioning of the Santiago Network.

During the start of negotiations under the Subsidiary Bodies (SBs) in the first week of the Glasgow conference, the G77 proposed a draft decision containing paragraphs that would recognise: (i) 'the need to ensure that the Santiago Network's institutional coordination arrangements are appropriately financed to enable it to achieve its objective and implement its activities effectively'; and (ii) 'the need for a financing stream on loss and damage to ensure that developing country Parties are able to adequately address the significant impacts currently associated with slow onset events, non-economic losses, comprehensive risk management, displacement, and other loss and damage-related issues'.

In the SB co-facilitators' draft text that was issued on 3 November, paragraph 12 recognised 'the urgent need for scaling-up of action and support, as appropriate, including finance, technology and capacity-building, for the implementation of relevant approaches to averting, minimizing and addressing loss and damage in developing countries that are particularly vulnerable to the adverse effects of climate change', and mandated the WIM Executive Committee to continue its engagement with the Standing Committee on Finance and the Green Climate Fund.

In response to this text, the G77 stated that such recognition of financing for loss and damage needs to be strengthened. It said that the draft paragraph proposed by the co-facilitators 'does not contain any operational aspects nor how loss and damage finance can be scaled up and accessed'.

On their part, developed countries stated consistently that the issue of loss and damage finance could not be the subject of discussion under the loss and damage agenda item but should be discussed in the climate finance negotiating rooms. At the same time, in the climate finance negotiating rooms, developed countries were saying that loss and damage finance should not be discussed at the technical level but rather should be considered at the political ministerial level during the second week of COP 26.

Hence, by the close of the first week of negotiations, the issue was not substantially addressed by Parties. This resulted in the SB adopting paragraph 12 with virtually no changes.

During the second week, the UK COP Presidency appointed the ministers of Jamaica (Pearnel Charles Jr.) and Luxembourg (Carole Dieschbourg) to undertake ministerial consultations on issues relating to loss and damage.

During the consultations that took place on 9 and 10 November, the G77 highlighted the need not only to address funding for the SN, but also to make loss and damage finance part of the broader climate finance discussions taking place (such as with respect to long-term finance and the new collective quantified goal on climate finance) and provide space in the transparency of support tables (under the enhanced transparency framework) for the reporting of loss and damage finance provided by developed countries. The developed countries stressed that for them, the issue of loss and damage finance should be limited only to providing finance for the operationalisation of the SN and that the broader issue of loss and damage financing was not a topic for discussion at COP 26.

In response, on 11 November at the final ministerial consultations, the G77 tabled a textual proposal calling on the COP and CMA to decide to 'establish the Glasgow Loss and Damage Facility under the Financial Mechanism … and to provide new financial support under Article 9 of the PA, in addition to adaptation and mitigation finance, to developing countries to address loss and damage' and request the SBs 'to jointly undertake work in 2022 with the aim of providing recommendations to COP 27 on its operationalisation'.

Guinea, speaking on behalf of the G77, stated that 'This will be a historic and significant step forward in further solidifying and enhancing international cooperation on loss and damage under the Convention and its PA. Even as we seek to scale up our collective ambition with respect to mitigation, adaptation, and the provision of the means of implementation, … it is now very evident that the impacts of climate change on the lives of our peoples, the livelihoods of our communities, on our islands, coastlines, forests, and cities, on our economies and ecosystems, are fast going past the limits of what we can adapt to. This is why this proposal is crucial … It will represent a clear response that all Parties … share the common resolve to address loss and damage … It will send a clear signal to the rest of the world, to all our peoples, to civil society, to indigenous peoples, to those who are marginalized and most vulnerable and are calling for help, that we hear, we care, we act.'

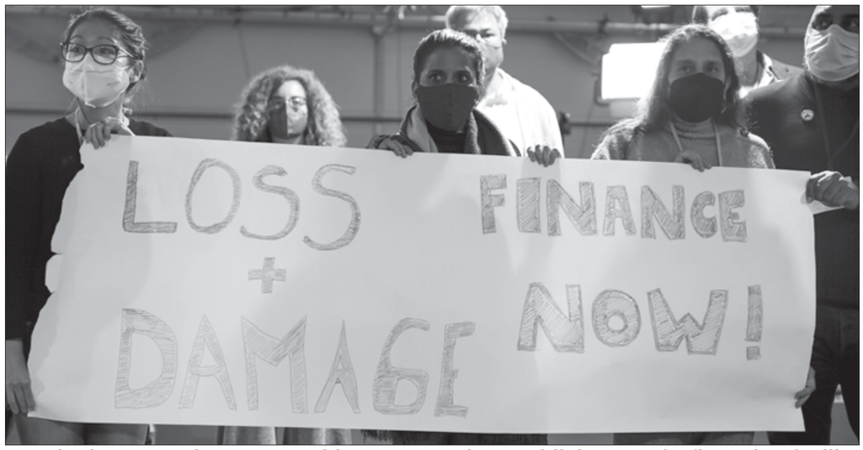

Photo by IISD/ENB Mike Muzurakis

Developing countries were unable to secure the establishment of a financing facility for loss and damage at COP 26 due to very strong opposition from developed countries.

In response, the US raised questions on whether a new institution is needed as some support might best be undertaken through existing or other types of institutions. It added that there are issues that need to be better understood in terms of the response that the UNFCCC and others in the multilateral sphere look at, pointing to support for language in the draft decision that would request the UN Secretary-General to promote system-wide coherence on loss and damage within the UN system. The US said that it could not support the proposal to launch a loss and damage finance facility and instead suggested that the discussion focus on the SN.

The European Union (EU) stressed its commitment to working together to find common ground, pointing out that it is the largest humanitarian aid, trade and investment provider as well as being the largest contributor to public climate finance. It recognised the need for technical assistance to implement loss and damage approaches, hence its willingness to work on the functions of the SN and to provide the Network with financial support. However, on the G77's proposal to establish a loss and damage finance facility, it said that it needed to first assess the proposal.

Following the EU's statement, ministers and representatives from the developing country constituency groups and the G77 member states spoke up in support of the G77's proposal, providing further explanation, context and rationale for the proposal. These included Tuvalu for the least-developed countries (LDCs), Dominican Republic for the Alliance of Small Island States (AOSIS), Ecuador for the Like-Minded Developing Countries (LMDC), Gabon for the Africa Group, Colombia for the Independent Alliance of Latin America and the Caribbean (AILAC), and Antigua and Barbuda and Kenya.

However, the ministerial consultations on the night of 11

November ended without any resolution, as there was no agreement on the G77 proposal. The ministers who co-facilitated said that they would be reporting to the UK COP Presidency on the state of the discussions on the issue.

On 12 November (the scheduled closing day of the COP, but the talks spilled over to 13 November), there were informal discussions within the G77 and with developed country negotiators to try to find a way forward on the issue. The G77 then informally circulated in the early evening of 12 November the following proposed text:

'Decides to launch a process to develop a facility, fund or other financial arrangements for providing financial support for loss and damage, through a subsidiary body, hereby established under the Convention, known as the Glasgow Ad-Hoc Working Group on Loss and Damage Finance.

'Further decides that the Glasgow Ad-Hoc Working Group on Loss and Damage Finance shall begin its work as a matter of urgency in xx 2022 by calling for submissions, holding meetings, workshops and multi-stakeholder dialogues, with input from the WIM Executive Committee and other experts, and shall produce a report with recommendations on the operationalisation of a facility, fund or other financial arrangements, to be considered and adopted at COP 27.'

Later in the evening of 12 November, the G77 invited developed country negotiators at the technical level to a self-organised informal discussion facilitated by Costa Rica on the Group's suggestion to launch a process instead on loss and damage finance. During the discussion, the US stated that it thought that progress had been achieved on the SN but that it had no ability to engage in any discussion about a facility, fund or financial arrangement at that stage of the COP, especially given that the idea of a loss and damage facility had only been raised the day before. The US said that this was not something typically done and that it could not agree to it at that stage.

The EU said that it was not prepared to deal with the issue at this COP, that its negotiators did not have any mandate for such a discussion nor any instructions from its member states and the Union to agree to such a facility. It stated that it could not agree to anything at COP 26 on a facility or to establish one. But it said that it heard and understood the calls being raised about the importance of the issue and suggested that it might then be time to discuss how to increase support for loss and damage. It expressed openness to some kind of dialogue on loss and damage finance that was open and did not preempt the outcome. It said that it could not engage on the G77 proposal and suggested that the draft paragraphs in the UK COP Presidency's text on a technical assistance facility for the SN be deleted and replaced with a short paragraph calling on Parties to fund the SN.

New Zealand made similar remarks as the EU and suggested that having an open dialogue process would ensure that the PA was not being re-litigated. It suggested that the landing zone would be to ensure that the SN was properly funded and that there was a process to explore the possibilities going forward.

Japan indicated that it also had no mandate to deal with the issue of loss and damage finance. It suggested that Parties should first discuss what was important for the SN in terms of its structure and indicated that it could be ready to discuss the issue by 2022.

Australia said that it was keen to make sure that the SN was provided with support and acknowledged that there seemed to be agreement on the need to have formal discussions on loss and damage finance. It indicated its willingness to have a solid process such as a dialogue that would be facilitated by the SB chairs, time-bound (e.g., at least two to three years) with enough time for proper discussion, and open to participation by other stakeholders, with periodic reporting to the SBs. It pointed out that such a dialogue would identify the issues and how to best deal with these issues so as to enhance loss and damage finance.

In response to the statements made by developed countries, various developing country negotiators spoke in support of the G77 proposal for a loss and damage finance process that was structured under the SBs, focused on the eventual establishment of a loss and damage finance facility, and was time-bound.

The UK COP Presidency representative then stated that time was running out and that the COP President had instructed his team that all negotiations and discussions among Parties on various issues had to stop to provide time for the Presidency team to put together their final decision texts that would then be published the next day (13 November). The G77 suggested that its proposals could be incorporated into the text in brackets for the plenary to then consider. The UK representative stressed that because the G77 proposals for the establishment of a loss and damage facility or for a process that would lead to such a facility did not enjoy any consensus, the Presidency would not be able to put such proposals into the text.

At that point, the US stated that it really could no longer engage on any sort of textual exercise on the G77 proposal, whether on the facility or on the process for such a facility, and said that it had nothing left to offer. Australia, New Zealand and the EU indicated that they were still willing to see if there could still be some agreement that could be reached on a process mandate in terms of starting a dialogue. The US indicated that it had no mandate to agree on any kind of process.

On 13 November, the final day of the COP, the UK COP Presidency released the draft text of the CMA cover decision and for the entire package of decisions to be adopted by the CMA. In the CMA draft decision, paragraphs 67 to 70 provided a mandate for the funding of the SN, including urging developed countries to provide funds for the

Distribution of relief supplies to victims of drought in Somalia. 'It is now very evident that the impacts of climate change on the lives of our peoples, the livelihoods of our communities, ... are fast going past the limits of what we can adapt to.'

operation of the Network and the provision of technical assistance. Through paragraphs 73 and 74, the CMA decided to 'establish the Glasgow Dialogue between Parties, relevant organisations and stakeholders to discuss the arrangements for the funding of activities to avert, minimize and address loss and damage associated with the adverse impacts of climate change, to take place in the first sessional period of each year of the Subsidiary Body for Implementation, concluding at its sixtieth session (June 2024)', and requested 'the Subsidiary Body for Implementation to organize the Glasgow Dialogue in cooperation with the Executive Committee of the WIM for Loss and Damage associated with Climate Change Impacts'. These paragraphs were endorsed by COP 26 in paragraph 43 of its own cover decision.

At the closing plenary on the final day, the paragraphs relating to loss and damage in the draft decisions of 1/CMA.3 and 1/CP.26 were subsequently adopted without any changes. After the adoption of the decisions, the Chair of the G77 stated for the record that 'the Group expresses its extreme disappointment with paragraphs 73 and 74 of draft decision 1/CMA.3 on a dialogue related to loss and damage. This is very far from the concrete call for a loss and damage facility that the Group came together to make and seek an answer for here in Glasgow. But in the spirit of compromise, we will be able to live with these paragraphs as is on the understanding that it does not reflect nor prejudge the unequivocal outcome that we seek on finance for loss and damage to reach the most vulnerable, which due to history and human rights and basic common decency the G77 and China will continue to pursue. To this end, we understand that the dialogue referred to in paragraphs 73 and 74 has as its end goal the establishment of the loss and damage facility'.

The Santiago Network's further operationalisation

The SN was established at COP 25 in Madrid in 2019 as part of the WIM and is intended to 'catalyse the technical assistance of relevant organisations, bodies, networks and experts, for the implementation of relevant approaches at the local, national and regional level, in developing countries that are particularly vulnerable to the adverse effects of climate change'. However, other than inviting loss and damage-related technical assistance providers to provide reports on their progress to the WIM Executive Committee, which was to include such information in its annual reports, there were no provisions describing what the SN would do, how it should function, nor what its institutional arrangements would be.

The G77 on 1 November stated that while the SN was established (in Madrid), its operational modalities were not, and needed to be developed for the Network to be effective in its mandate. The G77 elaborated further that neither the form, functions, institutional coordination arrangements nor financing for the SN had been fleshed out and agreed to by the Parties. The Group then called on the SBs to include 'specific recommendations to the COP and the CMA for a decision on the form, functions, and institutional arrangements needed for the operationalisation of the Santiago Network'.

The following day, on 2 November, the G77 tabled its proposed elements for the COP 26 decision, indicating that 'the Santiago Network should enable it and its members to deliver on the objective of catalysing technical assistance for the implementation of approaches to address loss and damage by engaging proactively with Parties to assist them in identifying and prioritising their technical assistance and other support needs in relation to loss and damage-related events, including slow onset and extreme weather events, and then actively assisting Parties to source technical assistance and their need for other support, through activities including: (a) channel, link or guide loss and damage-related technical assistance to where these are needed and requested on the ground; (b) disseminate relevant information; (c) undertake pilot projects through technical assistance to unlock larger packages of finance and other support; and (d) facilitate an integrated and coherent scaling up of technical assistance and other support over time to developing countries to address loss and damage under the Convention and its PA. The Network would also provide a channel for the communication of the loss and damage-related needs of Parties to Network partners.

According to sources, developed countries, in particular the US, the EU, Australia, New Zealand, Switzerland and Norway, took the position that the functions of the SN should be discussed together with the discussion on its institutional arrangements, to be undertaken during 2022. The G77 and its sub-groupings and individual countries such as the Philippines and Indonesia countered by stating that a clear outcome at COP 26 on the functions of the SN was needed to lay the basis for ensuring that any institutional arrangements for the Network that may be agreed upon in 2022 would be fit for purpose. Many of the G77 sub-groups stressed that having a substantive outcome at COP 26 on the functions of the Network was essential for progress on loss and damage to be made. The G77 stressed that 'form follows function'.

The initial versions of the SB co-facilitators' draft conclusions and decision that were circulated on 3 November did not contain any reference as to the functions of the SN. This was not acceptable to the G77, which tabled in response, on 4 November, a specific proposal outlining what it viewed to be the functions of the SN.

Negotiations among the Parties on 4 and 5 November centred around the textual proposal of the G77. The main dividing line between developed and developing countries was on what exactly would be the functions of the SN vis-à-vis those of its members in terms of catalysing technical assistance.

Developed countries in general wanted the SN to be more high-level, with most of the work to be done by its members, while developing countries wanted it to be more proactive, including through its institutional arrangements, in catalysing technical assistance and other support. This was because developed countries were concerned about agreeing to functions that would eventually lead to the establishment of a new agency or institution that would need additional resources to be staffed, while developing countries were more concerned about ensuring that any body that would be running the SN is able to assist developing countries in accessing technical assistance and other support.

There was agreement among the Parties on 5 November on an initial set of four functions for the SN based on the functions proposed by the G77 and on the mandate to be given to the SBs for a process in 2022 to discuss and provide recommendations on the institutional arrangements for the SN. However, by late evening on the same day, the SB Chairs told Parties that negotiating time had run out as the draft decision text had to be prepared and published for adoption by the SBs on 6 November. At the final informal consultations held on 5 November, the Parties agreed with the SB co-facilitators that the SB Chairs would convey to the UK COP Presidency the Parties' request for Parties to be allowed to continue negotiations at the technical level during the second week of COP 26.

During the second week, the UK COP Presidency convened informal consultations at the technical level to allow Parties to continue to negotiate on the remaining functions that Parties had started working on during the first week but were not able to conclude. These were on the Network's functions to assist developing countries to identify, define and access technical assistance to address their needs, and to facilitate the consideration of a wide range of topics.

Intensive technical-level negotiations took place on these two additional functions on 8 and 9 November among the Parties. The debate among Parties was focused again on the Network's specific role and activities to assist developing countries in catalysing technical assistance both from within and outside of the Network, and on the identification of a specific list of issues that would be considered by the Network and its members as part of their work.

Developed countries largely took the position of wanting the SN to be largely hands-off in providing such assistance, preferring instead that such assistance be delivered through the Network's members, and preferred not to list any specific issue areas. Developing countries, on the other hand, preferred clearer language that would mandate the SN, its convening body or host, and its members to be more direct and proactive in assisting developing countries in identifying and obtaining technical assistance and other support, and wanted the list of topics or issue areas to be more specific as well.

Following the negotiations, the six functions of the SN are now listed in paragraphs 9(a) to (f) of the COP 26 and CMA 3 decision on loss and damage:

'9. Decides that the Santiago Network is to have the following functions:

'(a) Contributing to the effective implementation of the functions of the Warsaw International Mechanism, in line with the provisions in paragraph 7 of decision 2/CP.19 and Article 8 of the Paris Agreement, by catalysing the technical assistance of organizations, bodies, networks and experts;

'(b) Catalysing demand-driven technical assistance including of relevant organizations, bodies, networks and experts, for the implementation of relevant approaches to averting, minimizing and addressing loss and damage in developing countries that are particularly vulnerable to the adverse effects of climate change by assisting in: (i) Identifying, prioritizing and communicating technical assistance needs and priorities; (ii) Identifying types of relevant technical assistance; (iii) Actively connecting those seeking technical assistance with best suited organizations, bodies, networks and experts; (iv) Accessing technical assistance available including from such organizations, bodies, networks and experts;

'(c) Facilitating the consideration of a wide range of topics relevant to averting, minimizing and addressing loss and damage approaches, including but not limited to current and future impacts, priorities, and actions related to averting, minimizing, and addressing loss and damage pursuant to decisions 3/CP.18, and 2/CP.19, the areas referred to in Article 8, paragraph 4, of the Paris Agreement and the strategic workstreams of the five-year rolling workplan of the Executive Committee;

'(d) Facilitating and catalysing collaboration, coordination, coherence and synergies to accelerate action by organizations, bodies, networks and experts, across communities of practices, and for them to deliver effective and efficient technical assistance to developing countries;

'(e) Facilitating the development, provision and dissemination of, and access to, knowledge and information on averting, minimizing and addressing loss and damage, including comprehensive risk management approaches, at the regional, national and local level;

'(f) Facilitating, through catalysing technical assistance, of organizations, bodies, networks and experts, access to action and support (finance, technology and capacity building) under and outside the Convention and the Paris Agreement, relevant to averting, minimising and addressing loss and damage associated with the adverse effects of climate change, including urgent and timely responses to the impacts of climate change.'

The Parties also agreed that the discussion on the SN's functions had been completed, and that the process in 2022 would then focus on the Network's institutional arrangements.

Developing countries were of the view that the functions for the SN that were agreed represented another key step forward in the further institutionalisation of loss and damage as a key pillar of the UNFCCC and its Paris Agreement's institutional architecture.

WIM governance

The third major issue related to loss and damage was the issue of 'WIM governance'. This is the debate about which governing body now governs the WIM.

The G77 has had a longstanding position that because the WIM was established by the COP in 2013 and there has since then been no explicit COP decision withdrawing its oversight over the WIM, the COP retains oversight over the WIM. When the Paris Agreement was adopted, its Article 8.2 states that the WIM 'shall be subject to the authority and guidance of the CMA', thereby giving the CMA concurrent joint authority over the WIM insofar as the conduct by the WIM (and its bodies).

However, because Article 8.2 does not explicitly state that the CMA has 'sole' authority over the WIM and neither did the COP explicitly give up its authority over the WIM through a COP decision, the current situation is that both the COP and the CMA have dual governance authority over the WIM and its bodies. This means, in practice, that the WIM's bodies, such as the Executive Committee and the SN, would be reporting to and are subject to the authority and guidance of the COP and the CMA.

For developing countries, dual governance is important because there are activities that may be undertaken through the WIM on loss and damage that may not necessarily fall under Article 8 of the Paris Agreement. This would include, for example, the provision of loss and damage finance.

The developed countries, on the other hand, state that precisely because of Article 8.2 of the Paris Agreement, the CMA now has sole authority over the WIM (including over the WIM's bodies such as the Executive Committee and the SN) and the WIM's functions are solely with respect to the implementation of Article 8 of the Paris Agreement. This would mean that paragraph 51 of decision 1/CP.21 (the decision adopting the Paris Agreement) would then be applicable to the work of the WIM and its bodies insofar as some aspects of loss and damage financing are concerned – i.e., 'that Article 8 of the Agreement does not involve or provide a basis for any liability or compensation'.

This issue was again flagged by the G77, with some of its constituency groups such as the LDC Group calling for a specific agenda item under the COP to discuss this issue. The Group also called for any decision on loss and damage to be jointly adopted by the COP and the CMA, such as by using 'mirrored' decisions.

However, no consultations or negotiations among the Parties were undertaken on this issue during the first week of COP 26. Instead, placeholder paragraphs were indicated in the SB decisions on the WIM that were adopted on 6 November.

The UK COP Presidency then conducted bilateral informal consultations under its authority on this issue during the second week of COP 26. Following such consultations, it concluded that there was no consensus on the issue, with Parties and groups standing by their own positions.

The UK COP Presidency decided to employ the approach taken by the Chilean COP 25 Presidency in Madrid to kick the WIM governance issue into the future, while at the same time essentially recognising that both the COP and the CMA have roles to play in having oversight and authority over the WIM.

Paragraph 13 of decision 7/CMA.3 'notes that considerations related to the governance of the WIM will continue at its fourth session (November 2022)', with a corresponding footnote 10 indicating that 'It is noted that discussions on governance of the WIM did not produce an outcome; this is without prejudice to further consideration of this matter'.

The COP 26 decision 7/CP.26 also noted that 'considerations related to the governance of the WIM will continue at its twenty-seventh session (November 2022)', with an identical footnote stating that 'It is noted that discussions on governance of the WIM did not produce an outcome; this is without prejudice to further consideration of this matter.'

Whether and when this WIM governance issue will be resolved in the future remains to be seen. – *TWN* ◆

Article 6 outcomes on market/non-market approaches

Meena Raman

Photo by IISD/ENB Mike Muzurakis

A sign seen at the Glasgow conference venue. Many developed countries are relying on the use of carbon markets to offset their emissions.

AFTER almost six years of negotiations over Article 6 of the Paris Agreement (PA), decisions were reached at the Glasgow climate talks on the rules for its implementation.

Article 6 of the PA refers to 'cooperative approaches' among Parties involving the use of market and non-market mechanisms in the implementation of their nationally determined contributions (NDCs). For particularly the developed countries which are relying on the use of carbon markets for offsetting their emissions to achieve their NDCs (by paying developing countries to undertake the reductions), the Glasgow guidance on the operationalisation of the approaches was seen as a significant step.

For those Parties, especially from developing countries led by the Like-Minded Developing Countries (LMDC) which advanced the use of the non-market route in achieving their NDCs, a big victory was in the establishment of the 'Glasgow Committee on Non-market Approaches' under Article 6.8 of the PA. With developed countries initially resisting a formal institutional mechanism to advance the non-market approaches (NMAs), the final outcome in favour of the Glasgow Committee was viewed as a significant win.

A big loss for developing countries was in relation to the market-based approach under Article 6.2, where they could not get a decision for a mandatory contribution to the Adaptation Fund (AF) from a share of proceeds from the cooperation among Parties in what is called the 'international transfer of mitigation outcomes' (ITMOs). The US was very strongly opposed to this despite the numerous pleas from developing countries. The final adopted decision only 'strongly encourages' Parties and stakeholders involved in the transaction to make a contribution to the AF, to the utter frustration of developing countries.

According to sources, in the final hours of the negotiations in Glasgow on 13 November, an intense discussion took place between the US, led by its climate envoy John Kerry, the minister from Gabon representing the Africa Group, and the Chair and Article 6 coordinator of the G77 and China from Guinea and Senegal respectively, on whether contributions from ITMOs to the AF under Article 6.2 through a 5% share of proceeds from ITMOs transactions should be made mandatory rather than simply being voluntary.

Having Article 6.2's share of proceeds from the transfers of ITMOs would have complemented the mandatory 5% share of proceeds for the AF under the Article 6.4 mechanism, increasing the flow of funds from Article 6.2 and 6.4 transactions to the AF, and thereby increasing adaptation funding for developing countries. The fear of developing countries was that with mandatory proceeds from only the Article 6.4 mechanism, Parties would prefer to use the ITMOs approach under Article 6.2 since the requirement thereunder would not be mandatory, thus depriving the AF from having a predictable source of revenue from the transactions.

[The PA provides for a share of proceeds from the Article 6.4 mechanism but does not provide for this under Article 6.2. Developing countries, led by the Africa Group in particular, have been insisting that despite the lack of mention in the PA in this regard, it is vital to have a similar provision for the ITMOs approach for the sake of having a predictable source of funding for the AF. The AF was set up under the Kyoto Protocol (KP) and received funding from a share of proceeds from the Clean Development Mechanism (CDM) under the KP. With the transition of the CDM to the Article 6.4 mechanism of the PA, the grave concern is whether the AF will continue to receive a predictable source of funds instead of just relying on the voluntary contributions from developed countries.]

The US made clear that it would not agree to mandatory contributions under Article 6.2, with Kerry stressing that the US had already pledged a lot of money for the AF and that such voluntary pledges were more reliable than having a mandatory share of proceeds under Article 6.2. Other members of the US delegation (who were also present at the meeting) cited difficulties in agreeing to institutional and administrative arrangements that would be needed to supervise any transfer of the share of proceeds to the AF if this was to be made mandatory. Kerry pointed out that the deal on the table with Article 6.2 contributions to the AF being voluntary was the most it could give, while the developing country representatives continued to press for mandatory contributions.

With no agreement in sight due to US opposition, ministers and heads of delegation from the G77 then met to discuss the way forward to deal with the US obstinacy. Sources said that the developing country ministers were divided on whether to block a deal in Glasgow over this, with some ministers expressing anger over the US stance while others feared being blamed for the collapse of the talks. With no G77 consensus on the matter due to the divergence of views within the group, the US position prevailed.

Photo by IISD/ENB Mike Muzurakis

At Glasgow, US climate envoy John Kerry voiced his country's opposition to a mandatory contribution to the Adaptation Fund from transactions involving 'international transfer of mitigation outcomes'.

There were also other contentious issues which negotiators on Article 6 have grappled with over the years, including:

- accounting aspects relating to corresponding adjustments;
- issues relating to metrics, other than the metric tonnes of carbon dioxide equivalent (tCO2eq) contained in NDCs;
- use of the approaches for other international mitigation purposes (apart from the purpose of achieving a Party's NDC);
- transition of activities under the KP (such as the emission reduction credits from the CDM);
- delivering on the overall mitigation in global emissions; and
- the governance of the framework for non-market approaches.

Some key highlights of the Article 6 decisions adopted are provided below.

What are ITMOs?

One issue at the last COP in Madrid (in 2019) was the definition of ITMOs and whether the mitigation outcomes to be transferred can be measured in metrics other than the tCO2eq metric, consistent with the NDCs of the participating Parties. Developed countries (but not including Japan) and the Alliance of Small Island States (AOSIS) were opposed to having any metrics other than tCO2eq, while some developing countries such as the LMDC, the Arab Group, India and South Korea were in support of the use of other metrics, reflecting all NDC types.

The guidance adopted under Article 6.2 in Glasgow covers all types of NDCs, all metrics and can be used to achieve the NDCs and also for other international mitigation purposes. It sets out what ITMOs are, that is:

'(a) Real, verified, and additional;

'(b) Emission reductions and removals, including mitigation co-benefits resulting from adaptation actions and/or economic diversification plans or the means to achieve them, when internationally transferred;

'(c) Measured in metric tonnes of carbon dioxide equivalent (t CO2 eq) in accordance with the methodologies and metrics assessed by the Intergovernmental Panel on Climate Change (IPCC) and adopted by the CMA or in other non-greenhouse gas (GHG) metrics determined by the participating Parties that are consistent with the NDCs of the participating Parties;

'(d) From a cooperative approach referred to in Article 6.2 … that involves the ITMOs authorized for use towards an NDC…;

'(e) Generated in respect of or representing mitigation from 2021 onward;

'(f) Mitigation outcomes authorized by a participating Party for use for international mitigation purposes other than achievement of an NDC (hereinafter referred to as international mitigation purposes) or authorized for other purposes as determined by the first transferring participating Party (hereinafter referred to as other purposes) (international mitigation purposes and other purposes are hereinafter referred to together as other international mitigation purposes);

'(g) Article 6.4 emission reductions issued under the mechanism established by Article 6.4, when they are authorized for use towards achievement of NDCs and/or authorized for use for other international mitigation purposes.'

Corresponding adjustments

In Paris in 2015, in decision1/CP.21, the Subsidiary Body for Scientific and Technological Advice (SBSTA) was tasked with developing the guidance for Article 6.2, 'including guidance to ensure that double counting is avoided on the basis of a corresponding adjustment by Parties for both anthropogenic emissions by sources and removals by sinks covered by their NDCs'.

This means that when a Party transfers a mitigation outcome internationally to be counted towards another Party's mitigation contribution, this mitigation outcome that is transferred cannot be counted by the transferring Party in the achievement of its own NDC; therefore, this requires a 'corresponding adjustment' to be made in the accounting of their emission reductions.

The guidance adopted in Glasgow provides that 'For all ITMOs (ITMOs in a non-GHG metric determined by the participating Parties and ITMOs measured in tCO2 eq), each participating Party shall apply corresponding adjustments, consistently with this guidance and relevant future decisions of the CMA'.

It further states that 'Each participating Party shall apply corresponding adjustments in a manner that ensures transparency, accuracy, completeness, comparability and consistency; that participation in cooperative approaches does not lead to a net increase in emissions across participating Parties within and between NDC implementation periods; and that corresponding adjustments shall be representative and consistent with the participating Party's NDC implementation and achievement'.

There are no limits to how much ITMOs a Party uses to achieve its NDC, but the caveat is that 'Each participating Party shall ensure that the use of cooperative approaches does not lead to a net increase in emissions of participating Parties within and between NDC implementation periods or across participating Parties…'.

The Glasgow decision has also requested the SBSTA to undertake further work to develop recommendations for the consideration and adoption by the CMA in November 2022 for the 'elaboration of further guidance in relation to corresponding adjustments for multi-year and single-year NDCs, in a manner that ensures the avoidance of double counting'.

Article 6.4 decision

The Article 6.4 decision adopted the rules for the mechanism established by Article 6.4; designated a 'Supervisory Body' for the mechanism; and invited 'the nomination of members and alternate members for the Supervisory Body' to advance further work.

An 'Article 6.4 emission reduction' (A6.4ER) is 'issued for mitigation achieved pursuant to Article 6, paragraphs 4-6, these rules, modalities and procedures, and any further relevant decisions of the CMA. It is measured in carbon dioxide equivalent and is equal to 1 tonne of carbon dioxide equivalent calculated in accordance with the methodologies and metrics assessed by the IPCC and adopted by the CMA or in other metrics adopted by the CMA…'.

The CMA decided that 'at least two meetings of the Supervisory Body shall be held in 2022' and requested the following of the Supervisory Body:

'(a) Develop provisions for the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, first transfer from the mechanism registry, voluntary cancellation and other processes…;

'(b) In the context of developing and approving new methodologies for the mechanism:

(i) Review the baseline and monitoring methodologies in use for the CDM under Article 12 of the KP with a view to applying them with revisions as appropriate … for the activities under the mechanism…;

(ii) Consider the baseline and monitoring methodologies used in other market-based mechanisms as a complementary input to the development of baselines and monitoring methodologies pursuant to chapter V.B of the annex (Methodologies);

'(c) Review the sustainable development tool in use for the CDM and other tools and safeguard systems in use in existing market-based mechanisms to promote sustainable development with a view to developing similar tools for the mechanism by the end of 2023;

'(d) Review the accreditation standards and procedures of the CDM with a view to applying them with revisions as appropriate, for the mechanism by the end of 2023;

'(e) Expeditiously accredit operational entities as designated operational entities;

'[and other matters].'

As regards the Article 6.4 activity design, the rules state that the activity 'shall be designed to achieve mitigation of GHG emissions that is additional, including reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans (… collectively referred to as emission reductions), and not lead to an increase in global emissions'.

The activity 'shall also: (i) deliver real, measurable and long-term benefits related to climate change…; (ii) minimise the risk of non-permanence of emission reductions over multiple NDC implementation periods, and, where reversals occur, ensure that these are addressed in full; (iii) minimise the risk of leakage and adjust for any remaining leakage in the calculation of emission reductions or removals; (iv) minimise and where possible, avoid negative environmental and social impacts'; and 'shall undergo local and, where appropriate, subnational stakeholder consultation consistent with applicable domestic arrangements in relation to public participation, local communities and indigenous peoples, as applicable'.

Share of proceeds

The decision adopted on Article 6.4 also provides for a levy of share of proceeds for the AF and to cover administrative expenses. The share of proceeds that is levied 'shall be comprised of: (a) A levy of 5 per cent of A6.4ERs at issuance; (b) A monetary contribution related to the scale of the Article 6.4 activity or to the number of A 6.4ERs issued, to be set by the Supervisory Body; (c) After the mechanism becomes self-financing, a periodic contribution from the remaining funds received from administrative expenses … after setting aside the operating costs for the mechanism and an operating reserve, at a level, and with a frequency to be determined by the CMA. The share of proceeds to cover administrative expenses shall be set in monetary terms at a level and implemented in a manner to be determined by the CMA'.

Transition of CDM activities and use of certified emission reductions towards first NDCs

A big sticking point over the Article 6.4 mechanism was around transition of the CDM projects and the transition of the certified emission reduction units (CERs) under the KP to the Article 6.4 mechanism.

The adopted rules for the mechanism in relation to transition of CDM projects state that '[p]roject activities and programmes of activities registered under the CDM … may transition to the mechanism and be registered as Article 6.4 activities' subject to certain conditions specified in the rules.

In relation to use of CERs, the rules state: 'CERs issued under the CDM may be used towards achievement of an NDC provided the following conditions are met:

'(a) The CDM project activity or CDM programme of activities was registered on or after 1 January 2013;

'(b) The CERs shall be transferred to and held in the mechanism registry and identified as pre-2021 emission reductions;

'(c) The CERs may be used towards achievement of the first NDC only;

'(d) The CDM host Party shall not be required to apply a corresponding adjustment … and not be subject to the share of proceeds…'.

An earlier version of the text had been as follows: 'CERs issued under the CDM may be used towards achievement of an NDC in accordance with the following conditions: (a) The CDM project activity or CDM programme of activities was registered on or after [1 January [2013][2016].' Parties agreed to the 2013 option instead of the 2016 timeframe.

Article 6.8 decision

In relation to Article 6.8 on NMAs, the problematic issue was around how to implement them. The CMA in Glasgow adopted 'the work programme under the framework for NMAs'.

The work programme adopted states that 'Each NMA facilitated under the framework, in the context of Article 6.8:

'(a) Aims to: (i) Promote mitigation and adaptation ambition; (ii) Enhance participation of public and private sector and civil society organizations in the implementation of NDCs; and (iii) Enable opportunities for coordination across instruments and relevant institutional arrangements;

'(b) Assists participating Parties in implementing their NDCs in an integrated, holistic and balanced manner, including through, inter alia: (i) Mitigation, adaptation, finance, technology development and transfer, and capacity-building, as appropriate; (ii) Contribution to sustainable development and poverty eradication.'

The work programme also provides that 'each NMA facilitated under the framework: (a) Is identified by the participating Parties on a voluntary basis; (b) Involves more than one participating Party; (c) Does not involve the transfer of any mitigation outcomes; (d) Facilitates the implementation of NDCs of host Parties and contributes to achieving the long-term temperature goal of the PA; (e) Is conducted in a manner that respects, promotes and considers respective obligations of Parties on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity; (f) Minimizes and, where possible, avoids negative environmental, economic and social impacts.'

On the governance of the NMA framework, the decision adopted states as follows:

'The Glasgow Committee on Non-market Approaches is hereby established to implement the framework and the work programme by providing Parties with opportunities for non-market-based cooperation to implement mitigation and adaptation actions in their NDCs.

'The Glasgow Committee will be convened by the Chair of the SBSTA and operate in accordance with the procedures applicable to contact groups and under the guidance of the Chair. It will meet in conjunction with the first and second sessional period meeting of the SBSTA each year, with its 1st meeting to take place in conjunction with SBSTA 56 (June 2022).'

The CMA also decided that the initial focus areas of the work programme activities include 'adaptation, resilience and sustainability'; 'mitigation measures to address climate change and contribute to sustainable development'; and 'development of clean energy sources'.

The CMA also requested the Glasgow Committee on Non-market Approaches to 'develop and recommend a schedule for implementing the work programme activities…, which may contain the timeline and expected outcomes for each activity, including specifications for the UNFCCC web-based platform … such as its functions, form, target users and information to be contained thereon, with a view to supporting the effective implementation of the work programme, for consideration and adoption by CMA 4 (November 2022)'.

Developing countries led by the LMDC had wanted a dedicated institution to undertake the work programme, instead of just the SBSTA being tasked to do this, since the SBSTA has many matters on its agenda. The final outcome in establishing the Glasgow Committee was welcomed by developing countries.

Further work will continue in the coming years on taking the Glasgow Article 6 decisions forward. ◆

'Utterly obscene': Just eight Pfizer and Moderna investors became $10 billion richer after Omicron emerged

As the Omicron coronavirus variant continues its rampage, shareholders and executives of COVID-19 vaccine giants Pfizer and Moderna 'are making a killing from a crisis they helped to create'.

Jon Queally

IN the first week that the Omicron variant sparked global fears of a new wave of infections, a small handful of investors and executives with Pfizer and Moderna – currently the world's preeminent makers of COVID-19 vaccines – saw over $10 billion in new wealth, with Moderna's CEO alone adding over $800 million to his personal fortune.

Based on data compiled by Global Justice Now and released on 4 December, 'just 8 top Pfizer and Moderna shareholders' added a combined $10.31 billion to their fortunes after stock prices soared in response to the emergence of Omicron. According to a statement by the group:

'Moderna's shares skyrocketed after the announcement and settled at $310.61/share on Wednesday 1 December, up 13.61% from $273.39/share since Wednesday 24 November, the day before the announcement. Pfizer's shares rose by 7.41% from $50.91/share to $54.68/share.

'Moderna's CEO, Stephane Bancel, personally became more than $824m richer in the week after the announcement, with the value of his shares rising from $6,052,522,978 to $6,876,528,630. He sold off 10,000 shares for $319 each on 26 November, the day after the variant was announced, cashing out $3.19 million.

'At close of business on Tuesday, Bancel's shares had grown by $1.7 billion since the announcement, before falling after the company lost a legal dispute over patents.

'Bancel has refused to share the recipe for Moderna's vaccine with the World Health Organisation to help scale-up manufacturing of mRNA vaccines through its new hub in South Africa. WHO scientists are now trying to reverse-engineer the vaccine. His company is also waging a legal battle to erase the role of massive public funding and public scientists in developing the jab.'

With nations in the European Union, the United Kingdom and others continuing to block a demand for a vaccine patent waiver at the World Trade Organization (WTO), public health campaigners have hammered government leaders for doing the bidding of the pharmaceutical industry. Anger has become especially harsh because the emergence of new and dangerous variants was predicted as the likely outcome if nations did not move swiftly to vaccinate the world by making shots universally available.

'Pharmaceutical companies knew that grotesque levels of vaccine inequality would create prime conditions for new variants to emerge,' said Tim Bierley, pharma campaigner at Global Justice Now. 'They let COVID-19 spread unabated in low- and middle-income countries. And now the same pharma execs and shareholders are making a killing from a crisis they helped to create. It's utterly obscene.'

'At every turn,' he continued, 'these companies have obstructed efforts to more equitably distribute vaccines around the world. They have made more than enough money from the pandemic, selling two of the most lucrative drugs in history. It's time to hand over the recipe for these essential medicines to the WHO so we can finally end this pandemic.'

Progressives worldwide have insisted that there will be no end to the global pandemic until vaccine apartheid is brought to an end.

Nobel-winning economist Joseph Stiglitz and trade expert Lori Wallach argued in a 1 December op-ed that the pandemic cannot be defeated until the waiver is approved. 'As the Omicron variant shows, as long as there are raging outbreaks anywhere, COVID-19 will mutate and the possibility of more infectious or deadly strains increases,' the pair wrote. 'That's why, unless people everywhere are vaccinated, we face the prospect of an endless pandemic.'

When the 'underlying problem is a lack of global supply,' they argued – and more vaccines and boosters will be needed to fend off variants – the WTO waiver 'is an obvious way of increasing supply and helping put an end to the pandemic for good'.

And as Bierley said, 'It's long past time for the UK and the EU to stand on the side of global health instead of vaccine billionaires – and get behind an intellectual property waiver on COVID-19 vaccines, tests, and treatments.' ◆

Jon Queally is managing editor and staff writer for Common Dreams (commondreams.org), from which this article is reproduced under a Creative Commons licence (CC BY-NC-ND 3.0).

For South, all roads in global economic governance lead to inequality

The custodians of the international economic order are failing to deliver the development financing so desperately needed by the South.

Bhumika Muchhala

Even as the developing world is faced with a wave of debt distress, debt relief and cancellation have not been forthcoming.

THE October annual meetings of the International Monetary Fund (IMF), World Bank and G20 finance ministers illustrated that despite a historic debt crisis sweeping across developing countries and their urgent need for external financing for health and economic recovery, global economic institutions governed by rich countries do not possess the political will to deliver meaningful solutions.

The inadequacy of the G20's debt relief framework, which has failed to restructure sovereign debt since its inception, stands without change or any fresh effort to mobilise private sector participation in debt relief.

Despite the broad call to recycle Special Drawing Rights (SDRs) from rich to poor countries, the few countries that made commitments to do so are employing a conditional loan mechanism which will further drive fiscal consolidation measures in low-income countries.

Deprived of the policy independence and vaccines that allow advanced economies to enact massive fiscal stimulus programmes and open their economies, many developing countries are facing a cycle of deflation and despair.

The IMF's flagship *World Economic Outlook* (*WEO*) report confirms the entrenchment of global divergence between North and South by reporting that developed countries will return to pre-crisis growth projections in 2022 while developing countries' recovery will stretch to 2024, in a journey marked by 'permanent economic scarring and revenue losses' for the South.

The *WEO* concludes that unemployment is a major driver of this gap and unemployment rates would be persistently higher if trouble with vaccinations leads to COVID-19 becoming 'endemic'.

A brand new (and conditional) loan to recycle SDRs?

In the months preceding the largest ever allocation of $650 billion in SDRs by the IMF on 23 August, a momentum to recycle SDRs from rich to poor countries was generated by a broad range of actors, including the UN, governments and civil society.

A milestone was achieved when leaders of the G7 leading developed countries committed to voluntarily channelling $100 billion of their unused SDRs.

Despite this amount falling short of the IMF's own conservative estimate of a $200 billion financing shortfall in low-income countries between 2021 and 2025, the move was welcomed in light of the unequal distribution of SDRs based on IMF members' quotas, where over 60% (or $400 billion) of the SDRs go to developed countries.

After France announced it will channel 20% of its SDR allocation to African countries, with a focus on vaccine donations, all eyes were on the annual meetings in October for announcements by other rich countries.

In a virtual panel, IMF Managing Director Kristalina Georgieva said that the '100 billion number is very achievable', alluding to several countries which had stated their intentions to channel SDRs but not yet committed exact amounts.

Given the urgency of fiscal space and external financing across developing countries, more details were expected.

The IMF was tasked by the G20,

G7 and Fund membership to design a mechanism to recycle the funds. In response, it proposed two key pathways: scaling up the longstanding Poverty Reduction and Growth Trust (PRGT) concessional loan facility for low-income countries, and establishing a new Resilience and Sustainability Trust (RST) that would be accessible to middle-income countries.

While both proposals were accepted by the G20 and the G24 group of developing countries in the IMF, years of critique loom over the PRGT for its fiscal consolidation conditions, including by the Fund itself. Empirical research has long illustrated how the PRGT shrinks public expenditure for indispensable social services and employees in health and education and promotes regressive taxation measures that disproportionately hurt women and low-income communities.

Meanwhile, the RST, which is still being formulated and will be presented for approval to the Fund's Board in 2022, is the first loan facility to address balance-of-payments risks stemming from climate change and pandemics, featuring conditionality related to climate or pandemic preparedness designed and monitored in coordination with the World Bank.

There are three key concerns that already emerge in the little that is currently published or known of the Fund's design of the RST.

First, access to the RST will be contingent on having a conditional IMF loan programme already in place. According to one of the only published sources on the RST, it would likely 'top up' a regular IMF loan programme.

Second, while many in the international community have asked the IMF to support countries with climate transition risks, including financing for a just transition, the RST should not be counted as climate finance. The latter is direct budget support for climate change mitigation and adaptation, while the RST addresses budget distortions that may arise from climate change.

Third, it remains to be seen whether the RST's stated objective of catalysing private and other multilateral financing will involve creating an enabling environment for the vested interests of private finance in forging investable climate-oriented schemes that yield more for profit than for people.

In a letter to G20 finance officials and the IMF, over 280 civil society organisations and networks, including researchers and academics, called for a set of principles to govern the fair channelling of SDRs to developing countries. These principles include avoiding the attachment of policy conditionality and accrual of more debt, avoiding the double-counting of SDRs as aid, and ensuring access for middle-income countries that are often excluded from multilateral schemes.

The letter stressed the importance of recycling SDRs through grant funding that facilitates budget support for public services and a fair recovery that supports climate justice, and tackles economic and gender inequality, including the unpaid care burden that women bear and that the pandemic exacerbated.

A critical opportunity to progressively alter the basic tenets of development financing in the current global financial architecture has been missed by the Fund and its rich-country members.

G20 fails to address record high debt distress

As the G20's wholly inadequate debt moratorium concludes at the end of 2021, the World Bank reports that the debt burden of low-income countries rose to a record $860 billion and half of the world's poorest countries are in external debt distress as a result of the pandemic.

And yet, the G20's finance ministers have again failed to advance real debt solutions such as debt relief, debt cancellation and fair restructuring mechanisms for countries requesting debt reduction.

Indeed, no new relief scheme or possibility of a debt standstill was announced by the G20 finance ministers' communique, even with the imminent closure of the G20's Debt Service Suspension Initiative (DSSI).

Meanwhile, the G20 proved once again their lack of power to increase private sector creditor participation in debt reduction initiatives beyond mere reaffirmations.

At the IMF-World Bank spring meetings in April 2021, Mohamed El-Erian, President of Queens' College, Cambridge, and Chief Economic Advisor at Allianz, had said at a webinar that the Paris Club process of case-by-case debt treatments is 'not enough to overcome coordination problems in the private sector; the Paris Club needs to impose more of a stick for the private sector.'

The inability to regulate the private sector into debt relief participation points to how the 'chutzpah' of bondholders is a direct outcome of the way G20 leaders and their central banks have nurtured private finance to become so powerful that they now find themselves unable to curtail its might.

The Jubilee Debt Coalition stated in a press release that the G20 are asleep at the wheel as the debt crisis intensifies in low-income countries, pointing out that the DSSI has suspended less than a quarter of debt payments, while the G20's Common Framework for Debt Treatments (CF) has restructured no debt.

In particular, private creditors received the largest amount of debt payments, $14.9 billion, and suspended just 0.2% of debt payments.

In early 2021, Chad, Ethiopia and Zambia applied to the CF for debt restructuring. So far, none have been successful, in large part due to private lenders' refusal to take part in debt reductions.

Meanwhile, the current rise in global interest rates will increase the cost of debt servicing, worsening debt crises and preventing both economic and health recovery in indebted countries.

In response to the wave of debt distress sweeping across the South, the UN Conference on Trade and

Instead of facilitating public investment in health, education and social protection systems, loans from the IMF come attached with fiscal austerity conditions.

Development (UNCTAD) has called for substantive debt relief and outright cancellation. The counterfactual, it states, is another lost decade for development marked by developing countries using their vital public finances for debt payments rather than for investing in pandemic and economic recovery.

Even the IMF's *Fiscal Monitor* report highlights limitations of the international debt architecture in supporting orderly restructurings as a core risk for global pandemic recovery.

In stark contrast to the G20, several developing countries at the 76th UN General Assembly in September called for debt cancellation, comprehensive debt restructuring and debt relief linked to middle-income countries or to the UN Sustainable Development Goals (SDGs). Small island developing states called for debt relief in the context of a new vulnerability index for the provision of multilateral support.

Against these segmented scales of political and economic power, a democratisation of decision-making in the global debt architecture is increasingly urgent. As long as the multilateral response to the debt crisis generated by the economic fallout of the pandemic is governed by creditor countries, the decades-old imperative to establish a debt workout mechanism capable of carrying out timely and fair restructuring, including debt cancellation, will remain unmet.

Fiscal austerity continues to exacerbate global inequalities

At the IMF-World Bank annual meetings, the IMF's Georgieva underscored that health spending is a priority and that where fiscal space is limited, 'lifelines should be increasingly targeted toward the most vulnerable groups'.

However, in her own institution's *Fiscal Monitor*, an explicit priority is placed on reducing deficit and debt levels, 'undertaking structural fiscal reforms (such as pension or subsidies reform) ... and committing to fiscal rules that lead to deficit reduction in the future'.

The IMF's historical preoccupation with fiscal consolidation is a reflection of capital market and investor reasoning, in which the only path to securing access to low-cost borrowing for most developing countries is 'strengthening the credibility of their fiscal policy'.

Embedded within a financial architecture shaped by a short-term and speculative logic and pro-austerity bias, the South's public budgets are subject to private interests that are in diametric opposition to equitable and rights-based development.

The priority of securing the confidence of creditors is illustrated by Oxfam's finding that out of 107 IMF loans, 90 require fiscal consolidation measures across 73 countries.

Instead of facilitating public investment in health, education and social protection systems, medium-term policy advice in the loans seeks to cut and freeze public sector wage bills, and increase or expand value-added and general sales taxes.

As UNCTAD puts it, unless the autonomy and impunity enjoyed by global finance is seriously regulated, the potential of fiscal policy to play a structural role in sustained decent work creation and pursuing the right to equitable development is rendered defunct.

Deepening inequality and poverty across the South is a direct result of the failure of effective multilateralism. Between 65 and 75 million people have been thrown into poverty, the gap between the top 10% and bottom 80% is growing, and achieving the SDGs by 2030 is rendered close to fantasy in many developing countries. Women have been dealt the most unequal hand, experiencing at least $800 billion in lost income globally in 2020 while low-wage informal work and unpaid care work have increased beyond measure.

Ultimately, the principles of historical responsibility, distributive justice and interdependency of recovery must guide the centres of financial and economic clout to support rather than hinder health and economic recovery for the most vulnerable regions of the South.

Technocratic tinkering with power and resource asymmetries created by centuries of colonial history, and more recently by four decades of neoliberalism that has institutionalised a pathologically unequal financialised world economy, will no longer suffice. Structural change is indispensable, precisely because the counterfactual may well be a lost decade for the vast majority of the human race. – *IPS* ◆

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SDR issuance must be redistributed from rich to developing countries

The Special Drawing Rights allocated under the recent record issuance of these international reserve assets should be channelled to the countries most in need, writes *Bhumika Muchhala*.

The International Monetary Fund issued a record $650 billion in Special Drawing Rights in 2021.

ON 23 August, the International Monetary Fund (IMF) issuance of $650 billion in Special Drawing Rights (SDRs) came into effect.

It is lauded as historic for being the largest-ever distribution of monetary reserves and provides much-needed additional liquidity for the global economy, particularly for developing countries with formidable fiscal needs.

IMF Managing Director Kristalina Georgieva announced to the press that it will provide a 'significant shot in the arm' for global efforts to combat the COVID-19 pandemic by supplementing member countries' foreign exchange reserves and reducing their reliance on more expensive domestic or external debt.

Since all IMF member countries will receive SDRs in proportion to their quotas, or financial contributions to the IMF, a small number of rich countries in the Group of 8 will receive the vast majority of this SDR issuance. Despite not needing additional reserves, high-income countries will receive approximately $390 billion, or 60% of the total allocation. Meanwhile, low-income countries will receive $21 billion, or 3.23% of the total allocation.

In light of this reality, the need to redistribute SDRs from rich countries to all developing countries in need is urgent, particularly for those developing countries facing economic recession and upturns in poverty.

A wide coalition of international civil society organisations and networks, in alliance with economists and academics, are calling on rich countries to channel their SDRs to developing countries in need through a broad range of mechanisms that adhere to a core framework of principles (see box). These principles include the following concerns and priorities:

(1) Developing countries should be able to use the SDRs that are channelled to their reserves without policy conditionalities enforced by either the IMF or other authorised holders of SDRs.

(2) Mechanisms by which SDRs are channelled from rich countries to developing countries should not result in the augmentation of sovereign debt burdens.

(3) Redistributed SDRs should be accessible to all middle-income countries.

(4) They should also be additional to existing official development assistance (ODA) and climate finance commitments, in that they should not replace or be double-counted as ODA or climate finance.

(5) Redistributed SDRs should employ approaches that proactively promote a fair recovery from the COVID-19 pandemic through support for climate change mitigation and adaptation as well as addressing economic, gender and social inequalities, including the unpaid care work burden that women bear, which has been exacerbated by the lockdowns and health crisis of COVID-19.

(6) Transparency and accountability over the use of redistributed SDRs should be ensured, as well as full inclusivity and participation by SDR-receiving

Civil society organisations call for principles for fair channelling of SDRs

The following is the text of an open letter to G20 finance ministers, central bank governors and the IMF signed by 280 civil society groups and academics from around the world following the announcement of the $650 billion SDR allocation.

As the pandemic exacerbates multiple crises in developing countries, Special Drawing Rights (SDRs) are a crucial option to help finance the COVID response and hasten an equitable and inclusive economic recovery. With the SDR distribution being proportional to IMF countries' quotas, the new allocation of $650 billion does not ensure sufficient SDRs go to developing countries. This is why many have been calling for an allocation in the order of $3 trillion. Moreover, advanced economies are in less need of SDRs given their access to a wider array of monetary and financial tools for the response and recovery. Thus, it is essential that the recent allocation be quickly followed by rechannelling a significant portion of advanced economies' SDRs to developing countries.

We strongly believe that successful and equitable recovery is contingent on transparency and a participatory process inclusive of civil society in all countries. This also applies to international spaces making decisions on SDR channelling mechanisms, including the G20 and the IMF, where civil society has not had, so far, sufficient opportunities to engage on this matter.

We urge you to ensure SDR channelling options align with a basic framework of principles that many academics, experts and civil society colleagues around the world echoed over recent months.

The channelling options should:

1. Provide debt-free financing, so it does not add to unsustainable debt burdens of developing countries, whose annual external public debt payments are projected to average $300 billion over 2021 and 2022. Grant-based financing is ideal but, if additional loans are to be offered, then maximum concessionality is critical (zero interest and lengthy repayment terms with extended grace periods).

2. Refrain from tying transfers to policy conditionality (directly or indirectly). Conditionality will lengthen the time it takes to negotiate such financing, could force countries into adopting difficult adjustment or austerity measures, or put the financing beyond reach for countries unable to comply with such conditions.

3. Be accessible to middle-income countries. These countries have persistently been left out of debt relief initiatives and concessional financing, and should not be excluded from yet another financial assistance option when many of them face deep debt distress and challenging pandemic vulnerabilities.

4. Include transparency and accountability safeguards on both providers and recipients of such financing in the spirit of democratic ownership, strengthening independent scrutiny, participation and accountability to citizens.

5. Ensure that SDR contributions are additional to existing ODA and climate finance commitments. Only SDRs channelled to developing countries as grants should count as ODA, or, where appropriate, against the climate finance goal of $100 billion.

6. Prioritise SDR use that expands international grant funding for combatting the pandemic through budget support for public services and the public sector workforce in health and education, for social protection and other needs. Grants can also target promotion of a fair recovery that supports climate justice, and tackles economic and gender inequality, including the unpaid care burden that women bear, and the COVID-19 pandemic exacerbated.

We also call for agreement on a global repository to report on channelled SDRs. This will help limit fragmentation and be an important measure for accountability of commitments and tracking the overall impact of SDRs, including for ongoing learning.

We are aware that the Poverty Reduction and Growth Trust (PRGT) is being considered as a favoured option for SDRs channelling; however, it is important to note that the PRGT does not reflect the principles of being debt-free, conditionality-free, and accessible to all developing countries. We urge you to consider ways to improve the PRGT option, including channelling via its emergency financing vehicle (Rapid Credit Facility).

We also encourage you to identify SDR channelling mechanisms that support debt cancellation, including through the Catastrophe Containment and Relief Trust, and to consider alternative options which align best with the principles stated above.

To create options to scale up SDR channelling volumes and reach more developing countries we encourage you to seriously discuss alternative options beyond the PRGT and beyond the IMF more broadly. However, other rechannelling vehicles under discussion, such as a Resilience and Sustainability Trust and Multilateral Development Banks, still appear far from embodying these principles.

Finally, neither the initial SDR allocation nor the channelling of SDRs can be a substitute for the urgent implementation of debt relief measures that benefit both low- and middle-income countries, especially to ensure that the additional resources are not directed to repay external private and other creditors.

country governments and citizens.

(7) SDRs channelled to receiving countries should not result in any financial costs beyond what is required by the current SDR rules.

Importantly, the channelling of SDRs from rich countries to developing countries cannot be a substitute for the need to restructure and relieve sovereign debt burdens in low- and middle-income countries. This is critical to prevent a scenario where SDRs are used to repay external private and other creditors, rather than being directed to economic recovery and social needs.

In July 2021, a letter was sent by a group of international civil society

There is an urgent need to redistribute SDRs from rich countries to particularly those developing countries facing economic recession and upturns in poverty.

organisations to the IMF's Executive Board to encourage it to employ these principles in the channelling mechanisms that the Fund is proposing and outlining, as mandated by the G20.

Mechanisms by which SDRs are channelled should also not be limited to only IMF lending facilities, such as the Poverty Reduction and Growth Trust (PRGT), the primary trust used by the IMF to provide concessional financing to low-income countries. While the PRGT has been supported by SDRs in the past, the loans typically come with harmful conditionalities such as regressive taxation and cuts in vital social expenditures in healthcare, education and social protection systems.

Apart from the IMF and its member states, there are 15 entities that are authorised holders of SDRs and therefore can engage in redistributing SDRs from rich to developing countries.

These authorised holders include four supranational central banks, three regional monetary authorities and eight development institutions. They should be encouraged to actively cooperate with each other to establish the ways and means to distribute SDRs directly to countries with active fiscal gaps.

$650 billion is not enough

Despite being the largest SDR issuance in history, the international community must acknowledge that $650 billion in SDRs does not meet the real fiscal needs of lower-middle-income and low-income countries.

Juxtaposed against massive South-North flows, the $650 billion SDR issuance pales significantly.

According to Yilmaz Akyuz, former chief economist of the UN Conference on Trade and Development (UNCTAD) and author of *Playing with Fire: Deepened Financial Integration and Changing Vulnerabilities of the Global South*: 'The nine G20 EMEs [emerging economies] taken together have been transferring around 2.7 per cent of their combined GDP per year in the new millennium mainly to AEs [advanced economies] as a result of the negative return gap between their foreign assets and liabilities and capital losses resulting from changes in asset prices and exchange rates.

'These resource costs are incurred in large part because EMEs favour a particular structure of external balance sheets (highly liquid low-yielding assets, less liquid high-yielding liabilities) that is believed to be more resilient to external financial shocks.

'This means that, in effect, EMEs are transferring large sums of resources to AEs in order to protect themselves against the shocks created mainly by policies of the very same countries. This is underpinned by an international reserves system that allows a handful of reserve-issuing countries, notably the US, to constantly extract resources from the rest of the world' (Akyuz, 'Financial globalization, North-South wealth distribution and resource transfers', Inter Press Service, 6 February 2019).

That 2.7% in terms of 2016 GDP amounted to about $570 billion.

In order to meet the financing gaps, the IMF should agree to issue further SDRs on a per annum basis, at least for the next several years. These subsequent issuances should be supported by redistributive mechanisms in alignment with the above seven principles.

Political will must be generated to channel and use the opportunities presented by this latest SDR issuance.

While some developed-country central bank officials abide rigidly by the rules of central bank reserve assets that technically or legally block the use of SDRs for fiscal needs, SDRs can, in practice, be redistributed in a multitude of ways that consider the core principles mentioned above.

The $650 billion issuance provides a window to pool rich-country SDR resources in an act of international cooperation that can reduce risks to any one country or to the global financial system.

The world's political leaders can activate the use of some portion of dormant SDRs to confront the twin global crises of health and climate through executive decision-making to address the serious economic and social inequalities being exacerbated by the pandemic.

The opportunity created by this SDR issuance should be acted on to provide reserve assets that can be constructively used to meet the pandemic's formidable economic, social and humanitarian costs across the developing world. It will importantly be a step towards correcting the inequitable persistent South-North financial transfers. ◆

This article first appeared in the South-North Development Monitor *(*SUNS*, No. 9408, 31 August 2021), which is published by the Third World Network.*

Mobilising climate financing from SDRs: Some reflections

SDRs can be a useful means of funding measures to address climate change. *Manuel Montes* looks at how this unique resource could be harnessed towards this end.

'You never give me your money
You only give me your funny paper
And in the middle of negotiation
You break down.'
– Lennon and McCartney (1969)
'You Never Give Me Your Money'

Barbados Prime Minister Mia Mottley speaking at the Glasgow climate conference, where she proposed regular allocations of Special Drawing Rights to finance climate actions.

On 1 November, the Prime Minister of Barbados, Mia Mottley, proposed the mobilising of climate financing from regular distributions of the International Monetary Fund (IMF)'s Special Drawing Rights (SDRs). She proposed an annual issuance of $500 billion for 20 years that can be applied towards climate finance.

The reality is that, at this writing, the Barbados proposal is not an element of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. What must be recognised, however, is that the proposal opens the door to deploying a common global resource to advance global climate action at an adequate scale. The application of SDRs to climate finance, as will be discussed below, will involve fiscal actions by Parties to the UNFCCC. These actions are consistent with developed countries discharging an obligation from the 15th Conference of the Parties to the UNFCCC (COP 15)[1] (United Nations 2011, paragraph 98), and SDRs are one way – a method never used before – of doing so.

As this article will explore, the regular issuance of SDRs for finance climate action can arise out of an agreement in the UNFCCC. Because of its nature as a monetary substance under the political control of sovereign states, there is no 'magical' financial engineering outcome for climate funding in using SDRs.

This article will examine what the necessary steps are to make this happen. There are two steps. The final section locates the discussion in a broader context.

While taking full responsibility for all this article's contents, the author is grateful for the comments and suggestions on a first draft by Avinash Persaud, Emeritus Professor of Gresham College and Chair of the Caribbean Community (CARICOM) Commission on the Economy. Persaud is senior advisor to the Prime Minister of Barbados and was instrumental in the design of the Prime Minister's proposal; Persaud (2021) expands on the thinking behind the proposal. The reflections below are informed by these informal consultations, but the author's views are his own and independent of those of Persaud. This piece will identify those ideas which are at variance with the intentions of the original proponents.

A major difference between this analysis and the thinking behind the original proposal is that the proponents intended the contributed SDRs to be held in a new trust fund to be managed by the IMF staff to finance climate change mitigation and adaptation projects. I propose a different path to convert SDR-mobilised resources to finance climate action.

What would be the necessary steps to turn SDRs in this proposal into climate finance?

First step: IMF members agree to issue $500 billion annually for the next 20 years

With 85% or more of the weighted votes of members, IMF members can issue the equivalent of $500 billion in SDRs every year. To get the equivalent of $500 billion, members only must agree to issue 355 billion SDRs at current exchange rates.[2] SDRs are distributed to individual country members according to their quotas in the IMF. Since developed countries have higher quotas, developing countries as a group get only 39.5% of the issuance under current quotas. Developing countries would thus share among themselves (according to their quotas) about $197 billion.

SDRs are international reserves, unconditionally distributed among

IMF members for a wide variety of uses.[3] Members can add the SDRs to that portion of international reserves held in their country accounts in the IMF and send a signal to international markets that they have more money to service external debt. They can convert the SDRs into US dollars or other internationally traded ('hard') currencies to pay off existing debt or to pay for imports (including imported inputs needed for climate investments).

SDRs are not hard currency such as US dollars or euros. SDRs are allocations of 'IMF money' to central banks of member states. To convert an SDR into hard currency, some other country with the hard currency must be willing to accept the SDR in exchange for hard currency.[4] In 2009, IMF staff assisted Ecuador in finding another member state willing to exchange Ecuador's SDR allocation for hard currency.[5] There is no exchange 'market' for SDRs; conversion has required voluntary actions by countries willing to hold SDRs in the IMF and part with part of their stock of hard currency. [See Latindadd (2021) for various options to convert SDRs into hard currency.]

For the most part, most developed countries – because they have adequate reserves in hard currency – have no use for the reserves they have received. These countries can 'lend'[6] their unneeded SDRs to other members. The IMF pays a floating weighted average of the rates of government-issued treasury instruments of the five currencies in the SDR basket. An IMF member which receives a lent SDR[7] takes on the burden of servicing the interest payments by paying what the IMF would have paid to the lending member state. Because countries in the SDR basket tend to borrow internationally at the lowest rates compared with other countries, for most developing countries, the interest cost of borrowed SDRs is about at least five times less costly than the interest on non-concessional loans from the international financial institutions to middle-income countries and on debt from private lenders obtained by least developed countries.

The reality, however, is that the issuance of SDRs is a rare event. There have only been five distributions of SDRs since these were created in 1966. IMF members have issued a total SDR 660.7 billion (about $930 billion). The United States, whose currency is the dominant international money accepted for transactions and valuation, enjoys what are called seigniorage rights in the global economy – the ability to print money in exchange for real goods and services. For this reason, the US is hostile to new distributions of SDRs, let alone regular annual distributions as proposed by Barbados. The US has 16.5% of the weight of votes in the IMF and can easily frustrate proposals for SDR distribution. (A proposal for an SDR distribution is approved only with a minimum of 85% of the weighted votes of IMF members.)

The first step in allocating SDRs for climate finance will thus require UNFCCC Parties to convince the US to agree to an annual distribution of $500 billion worth of SDRs. There would have to be a decision of the UNFCCC Parties, both developed (with about 60% of votes) and developing countries, in order to gain enough votes to reach the 85% threshold for any distribution of SDRs.

One important dimension of such a possible decision is that it arises out of the UNFCCC: it can arise from a coalition of governments assembled in the premises of the UNFCCC. The actual implementing decision is made in the IMF Board of Governors, with countries voting according to the decision made in the UNFCCC. One precedent is the April 2009 decision by the G20 grouping of major economies to issue what was at that time the largest volume of new SDRs, in response to the subprime financial crisis of 2007-08. The G20 decision was officially executed in the IMF Board.

Opponents of using SDRs for climate finance could argue that SDRs are meant as a tool to meet a shortage of global liquidity.[8] This argument would have to be made of a discernible global gap in global reserves estimated by the IMF (US Treasury 2021a).

Each SDR general allocation (or cancellation) is made within the IMF's 'basic period' which is a five-year period [Article 8, Section 2(a) of the IMF's Articles of Agreement] for making such decisions.

Each government's support towards a regular 20-year $500 billion SDR distribution will depend on its own domestic laws. In the case of the United States, the annual amount of $500 billion is within the ability of the US Treasury Department to vote for it inside the IMF without Congressional approval within one 'basic period'.

The US Treasury is authorised by the US Congress to support an SDR distribution up to the amount of its existing quota within a 'basic period'. The current 'basic period' (the eleventh) ends in December 2021 and the twelfth basic period begins in January 2022. In 2021, the US Treasury used this authorisation to agree to the August distribution of SDRs in response to the pandemic. In 2022, at the start of a new 'basic period', the US Treasury could support another such distribution of comparable amount for one year. However, any further US support for another annual SDR distribution will require Congressional authorisation. Legislative action by the US is thus necessary for a regular annual distribution of SDRs on the scale proposed by Barbados.

As the rest of the world learnt in 2017 from the abrogation by the incoming Trump administration of US engagement in the Paris Agreement on climate change, any international obligation accepted by the executive branch can be abrogated by a new administration. For this reason, US Congressional action, while unavoidable, is also infinitely preferred. It must be recognised, however, that the record of the US legislature in committing the US to climate action and finance is uncertain at best. Such an action will therefore require a sea change in US politics on the climate change issue.

The Barbados proposal calls for a review every three years. Even a one presidential term discharge of the US obligation does not, by itself, fulfil the paragraph 98 (United Nations 2011) obligation of $100 billion annually by 2020. The Glasgow COP 26 effectively shifted this obligation to the year 2025.

One issue is whether annual distributions of the proposed amount would be inflationary or a source of global exchange rate instability. This question was formally examined by the IMF in 2011 through a commissioned study (Cooper 2011). The study concluded that the probability of SDRs igniting global inflation is highly unlikely and that other factors would be more important determinants.

The IMF monitors the shortfall in global international reserves. According to the US Treasury (2021a): 'In 2016, the IMF estimated the global reserves gap to be $430 billion to $1.4 trillion. This shortfall of international reserves is likely larger now.'

Ocampo (2017, p. 70) underlines that IMF calculations indicate 'a considerable rise in the projected demand for reserve assets', based on the updating of the estimated demand of $700-900 billion in 2009 (IMF 2009) to $800-1,600 billion in 2011 (IMF 2011). In 2011, the IMF (2011) staff recommended SDR allocations of $350-400 billion on an annual basis to maintain a stable level of supply for global reserve assets. Consultations undertaken by the Acting Managing Director indicated that 'it would be premature at this stage to bring an allocation proposal to the Board of Governors' (IMF 2011, p. 1), so the staff recommendation was shelved. An SDR distribution of $350-400 billion would be well within[9] the $500 billion a year of the Barbados proposal, while the needs have increased based on the US Treasury (2021a) report.

Some rule-of-thumb calculations provide context to the potential impact of $500 billion annual SDR distributions. An estimated value of physical money plus those in checking and savings accounts is $40 trillion (RankRed 2021). $500 billion would represent a 1.25% injection into this total amount. A global economy growing by 2% per year can absorb the additional liquidity within the scale of transactions required. A 2% global growth rate – that is, below the rate of population growth – sustained over 20 years is a recessionary rate of growth based on the historical record.

Another benchmark, suggested by Persaud to this author, is that $500 billion would represent just 2% of the amount disbursed through quantitative easing by countries over the past 12 years (including in the aftermath of the 2007-08 subprime financial crisis). This means that over 20 years, the amount of SDR distribution being proposed would come to 40% of monetary distributions in the last 12 years.

Second step: Converting SDR allocations to climate action

SDRs are an unconditional grant of global liquidity to members of the IMF (IMF 2021a). Recipients can apply the new resources as they see fit[10] within the overall purpose[11] of a particular distribution. Because of the variety of potential applications of SDR-acquired resources plus the well-known fungibility feature of money, moral suasion on the part of UNFCCC countries is a vital ingredient to ensure that recipients apply the resources from new distributions to climate action. A recipient could very well simply keep the accounting entry with the IMF without doing anything about it. Any country could very well convert the SDRs into hard currency to help finance the installation of a coal-fired facility.

In the case of a trust fund destination for the new SDR resources, Persaud alludes to a precedent in the IMF's Poverty Reduction and Growth Trust to support low-income countries (LICs) in debt distress. The Barbados proposal is to establish a new Climate Mitigation and Adaptation Trust. Countries can voluntarily lend their SDRs to the Trust as they currently do for the PRGT.

The present system of distributing SDRs is according to members' existing quotas. So, the initial effect of an SDR issuance is that each IMF member state receives part of the issuance in proportion to its quota and that is added to its reserves in the books of the IMF. Applying SDRs for climate action constitutes a fiscal as opposed to a monetary action. A country that wants to use its SDRs to pay for the costs of decommissioning a coal-fired plant, for example, will have to convert its SDRs to hard currency (see Latindadd 2021).

In any SDR issuance, the first outcome is that the SDRs 'land' in the individual country accounts with the IMF, accounts most frequently owned by the monetary authorities of IMF member states. SDRs are not money controlled by the IMF staff, who are limited to a purely ministerial role in managing each member's account. To put (a part of) an SDR distribution under the control of IMF staff, members must contribute ('lend'[12]) their SDRs to a trust fund. For example, to set up the IMF's proposed Resilience and Sustainability Trust (RST) at a size of $30 billion (IMF 2021b) using SDRs, there are two routes. IMF members can contribute en masse in proportion to their quotas (assuming all states have leftover SDR balances with the IMF). Or, the IMF managing director Kristalina Georgieva wrangles the $30 billion from member states to assign their SDR balances to such a fund. This second way could involve negotiations since not all states are alike in terms of currency assets, interests and motives.

A third way is for countries receiving unneeded SDRs to contribute the equivalent amount of hard currency from their international reserves to existing funds such as the COVAX fund and the Green Climate Fund (CAFOD 2021). The total reserves of the contributing country remain the same with reduced proportion of hard currencies. These resources can also be directly 'reused' through the same channels as official development assistance. Each country will have its own domestic legal ways of rechannelling international reserves into fiscal expenditures. The additional step required – even for the direct use of hard currencies already in hand by donating countries – to convert SDR-based monetary resources towards fiscal expenditures underlines the political importance of having a UNFCCC decision to underpin the use of SDRs for climate finance.

IMF members which do not need their SDRs can donate their SDRs for use by other IMF members. Each IMF member state will have its own domestic legal system for such actions. For example, if a country's legal system allows its central bank to undertake fiscal expenditures, then the central bank can usually do the donation. In the more familiar case, central banks do not have such fiscal powers; in this case, as a fiscal action, a donation would require enactment by the state's legislative branch. When the US donates its SDRs to an IMF trust fund, such as the PRGT or the proposed RST, Congressional action is required since this is a fiscal action.

The obligations of developed country Parties in the UNFCCC to contribute to the $100 billion transfer to developing countries are most directly discharged through fiscal action.[13] In theory, even though SDRs are not a UNFCCC category at this writing, contributions of SDRs by developed countries for climate action can be counted towards meeting this obligation. These are fiscal actions and there appears to be no need for explicit UNFCCC rules to count SDR contributions towards the obligations.

The advantage of utilising a regular distribution to finance climate action is glaringly obvious. Both developing and developed countries can apply their own SDR balances to finance the costs of climate action, especially those costs requiring foreign exchange. These are fiscal policy actions, so the monetary receipts from SDRs must be converted to hard currency, as long as SDRs cannot be traded in markets.[14] Ocampo (2019) examines the steps required to eventually allow SDRs to be used by private parties.

SDR-financed fiscal actions have two distinct advantages. First, these expenditures do not require raising taxes to keep the public deficit unchanged, or the allocation of expenses away from other public spending priorities. Second, SDR-financed fiscal actions do not create external debt, even if applied to foreign exchange transactions.

Aside from central banks, there are 15 international agencies that are 'prescribed holders' of SDRs under the IMF's Articles of Agreement (its articles of incorporation). These include international financial institutions such as the African Development Bank, African Development Fund, Asian Development Bank, International Bank for Reconstruction and Development and the International Development Association, Islamic Development Bank, Nordic Investment Bank, and International Fund for Agricultural Development. Individual IMF members can contribute their unused SDR balances to the resources of these institutions as a fiscal action, parallel to their development cooperation activities. In this event, there will still be a need for the SDR to be converted to a hard currency, either by the donating country itself or by the receiving institution.

The Green Climate Fund is not in this list of institutions. As a test vote on the Barbados proposal, UNFCCC Parties, acting as country members of the IMF's Board of Governors, can agree to add the GCF to this list.[15] As a fiscal action, donor countries applying their unused SDR balances could be counted by the UNFCCC as counting towards their $100 billion obligations.

Because of the rarity of SDR distributions, a decision to make regular distributions for the purpose of climate financing will carry the moral obligation that such resources should be applied for climate action. This opens the possibility of peer design, monitoring and action among UNFCCC Parties. An extremely attractive, but still to be tried in practice, example would be the Just Energy Transition Partnership with South Africa among the governments of South Africa, the UK, the US, France and Germany, and the European Union.

The Barbados proposal envisages a different path to fiscal climate action – management by the IMF of a trust fund. Aside from the PRGT, a recent example relates to the pandemic-triggered $650 billion SDR issuance of August 2021. Plant, Hicklin and Andrews (2021) propose that IMF members contribute their unneeded SDRs into a trust operated by the IMF; it is highly likely that the mechanisms for the proposed RST (IMF 2021b) will follow this proposal.[16] The proposal to direct unused SDR allocations to an IMF trust fund helps to solve the 'fiscal action issue' of donor countries because – depending on the variety of legal rules in different countries – participating governments must obtain approval to 'spend' the new SDRs towards a fiscal purpose.

However, this approach raises three conundrums, the first two springing from the inherent nature of the SDR in the IMF economic cooperation space, and the third relating to the principles of the UNFCCC. First, rechannelling unused SDRs to finance the needs of IMF member states violates the fundamentally unconditional nature of the SDR on the recipient's side. To access the trust, countries must have an IMF programme in place, with its associated conditionalities. Second, the proposed annual distribution of SDRs channelled this way creates new gross debt on the part of recipient countries, violating the non-debt-creating feature of a new issuance of SDRs.

Third, financing through a trust fund operated by trustees, presumably

IMF staff with accountability to the trust's donors and ultimately to the weighted distribution of votes in the IMF Board of Governors, potentially violates the UNFCCC's 'common but differentiated responsibilities' principle. True, the donors are UNFCCC Parties with available resources (and obligations) to share with those in need of financing. But debt-creating finance mobilisation through a trust with associated conditionalities opens the door to requiring performance of obligations on the part of debtors not necessarily matched by the discharge of obligations by trust fund contributors.

In contrast, a UNFCCC-mediated SDR distribution, by Parties acting in their sovereign fiscal capacities, can be designed free of IMF conditionalities, but of course subject to obligations jointly agreed in the context of UNFCCC obligations by its Parties.

One possible advantage of the trust approach is that the allocation of financing by IMF staff could potentially be less 'political'. This is a view held by Persaud in a private communication. It is not clear to me, however, that centralising the distribution of SDR-derived climate action financing in a technical secretariat is necessarily less political.[17] In the case of the South Africa programme – a programme on mitigation alone – there will be the question of reducing demand for coal which is domestically produced; domestic unions have expressed concerns about this possibility (IndustriALL 2021).

The record of the IMF and the World Bank in the matter of conditionality and 'country ownership' of programmes is long and not admirable. One can also imagine IMF staff having to referee choices among technologies of green primary energy supply among donor countries. A technical secretariat will be conscious of their ministerial role in efficiently programming funds contributed by a diverse donor group with a variety of concerns and interests.

While untested and not necessarily immune from donor collusion[18] and coercion, the South Africa transition arrangement has the potential to be able to reserve the inherently political decisions on mitigation (and adaptation and loss-and-damage, if those could be financed from SDR-derived financing) to the recipient country.

In connection with South Africa's Just Energy Transition programme, the graph from Burton (2021) on this page reflects the variety of capabilities and priorities of donor countries in the various categories in mitigation *alone* which will have to be navigated in climate financing. This variety of situations and experiences is rooted in a diverse set of geographical situations and technical, financing and implementing capabilities.

One advantage of the South African programme is that the effort is in the context of the UNFCCC, not the IMF as it would be in a trust fund.

In December, during the 2021 Forum on China-Africa Cooperation, China announced that it will allocate $10 billion worth of SDRs to African countries. If African countries are able to access these funds directly as SDRs, then it provides access to almost-no-cost financing to combat the pandemic and to apply towards a transition to clean energy (Farand 2021).

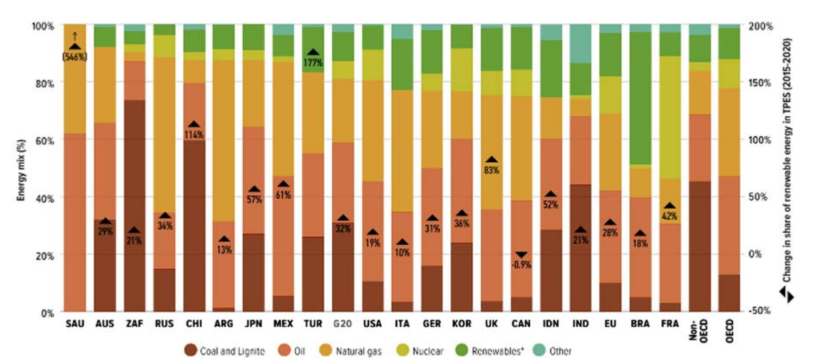
Final remarks

A path to SDR-financed climate actions is *not* an immediate prospect. SDRs are not a UNFCCC category. Given present IMF rules, climate finance from SDRs is not conceivable without US participation. In that path still not taken, the considerations presented here can be useful. One important consideration is worth underlining in this paragraph: US participation, which presently looks impossible and improbable, in a UNFCCC-impelled SDR distribution as proposed by Barbados defines precisely what the SDRs are for: these SDRs are for financing climate action among the Parties of the UNFCCC.

The current context is that proposals have been broached and will likely proliferate, even as possibly throwaway lines in press conferences. Bergamaschi (2021) quotes Italian Prime Minister Mario Draghi in a press conference on the final day of a G20 meeting in Rome thus: 'We can use SDRs allocation to fill any remaining gaps. I'm glad to announce that Italy will nearly triple its finance commitment to 1.4 billion dollars a year for the next five years to this effort.' US Treasury Secretary Janet Yellen in a press conference in July also discussed exploring how to use SDRs to 'lend' to vulnerable countries (US Treasury 2021b).

The proposal of the Prime Minister of Barbados is a thoughtful introduction of these possibilities into the UNFCCC space. It recognises that SDR-based climate finance cannot be a one-off action. This proposal contrasts sharply with previous proposals to apply SDRs for emergency situations and is more

Mitigation: Variety of donor status



along the line of proposals for regular SDR distributions such as those from the IMF (2011) and Ocampo (2017). Paragraph 98 of the Cancun Accord (UNFCCC 2011) in the first place requires a stream of climate finance transfers to developing countries. The Barbados proposal seeks a regular SDR distribution over 20 years for a stated purpose. This article proposes a role for the UNFCCC in overseeing the use of these resources for climate action.

The first time this author is aware of that SDRs were seriously discussed as climate finance [Bredenkamp and Pattillo (2010) in the IMF] was provoked by the Copenhagen climate financing text. The study examined how $100 billion annually could be disbursed centrally through a facility called the 'Green Fund'. The study particularly recognised the possibility that the unused SDRs of developed countries from the 2009 distribution could be invested to provide the initial capitalisation towards an eventual amount of about $120 billion. This level of equity was expected to be able to generate an annual $100 billion of climate financing flows. The SDRs would thus sit in the equity account of the 'Green Fund'. The entity would borrow from global bond markets to the tune of $1 trillion over 30 years.

Interestingly, the 2010 study assumed for illustrative purposes that the lending of the fund would be split 50-50 between mitigation and adaptation. It presumed at that time that 'Resources for adaptation would go primarily to low-income countries and, since they may not generate returns to service additional debt, would likely be disbursed almost entirely as grants.' To be viable, the fund would require additional subsidies 'on the order of $10 billion a year during 2011-13, rising to $60 billion a year by 2020' (Bredenkamp and Pattillo 2010, p. 7). This means that developed countries must additionally be ready to contribute $60 billion a year to the fund because, according to the study's illustration, climate action projects supported by the fund are not expected to fully pay back their cost.

In full operation, the fund would disburse a financing stream of $40 billion annually in loan resources and $60 billion in subsidies to low-income countries. In the conclusion, the study recognised the necessity of a 'major political effort upfront by all participating countries'. The authors argue that '[t]he potential payoff, however, is enormous. Once created, the Green Fund could provide a unified resource mobilisation framework capable of meeting the financing needs identified at Copenhagen for decades to come. This seems far preferable to the alternative – a succession of difficult international negotiations every few years, with uncertain outcomes' (Bredenkamp and Pattillo 2010, p. 13).

Eleven years later, the unpreferred alternative of the paper has not been avoided. This unpreferred alternative is now complicated by the rising costs of adaptation for which even middle-income countries appear to require external financing, contrary to the illustrative calculations in Bredenkamp and Pattillo (2010).

The failed effort towards $100 billion in annual climate finance to developing countries by 2020 was mired in a struggle over equity among developed country parties, since the commitment did not include a method of distributing the burden of contributions. This will continue with the Glasgow COP 26 decision to shift the target to 2025. This is yet another reason why discussions on SDRs as a source of climate action finance will persist. ◆

Acknowledgements

I must emphasise that I am solely responsible for all errors, opinions and analyses in this piece. However, without impugning any responsibility for errors, I must acknowledge the vital assistance of Aldo Caliari, Kevin Gallagher, Jose Antonio Ocampo, Barry Herman and Avinash Persaud for crucial comments and suggestions on earlier versions. Aldo Caliari shared information on the fiscal restrictions on SDR use specific to the US, and Kevin Gallagher on the limits and restrictions from the SDR rules in the IMF. I am grateful to Avinash Persaud for sharing the thinking behind the original proposal beyond his piece of 2 November 2021 (Persaud 2021). Barry Herman alerted me to the critical role IMF staff could play in mediating the transformation of SDRs to fiscal spending. This version benefited immensely from Jose Antonio Ocampo's comments drawing on his analyses in Ocampo (2017, 2019) and his involvement in the SDR external advisory group for IMF (2018). While not intending to cover all the arcana of SDRs, I have striven to place the arcane aspects of SDR usage in the endnotes; see also Plant (2021).

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Endnotes

1 The first mention of a potential $100 billion obligation was in paragraph 8 of the controversial 'Copenhagen Accord' from the outcome document of COP 15 which took place in 2009. However, this 'Accord' did not represent an actual obligation since the action under Decision 2/CP.15 of the Conference of the Parties on the 'Copenhagen Accord' was only to note the document.

2 The value of an SDR fluctuates every day and is a weighted average of the values of the five currencies in the SDR basket – US dollar, European euro, UK pound, Japanese yen and Chinese renminbi.

3 Herman (2020) presents an excellent general treatment of SDRs in the context of developing countries' needs for international finance particularly in the time of COVID.

4 Barry Herman in a private comment points out: 'While SDR transactions among countries have been voluntary in practice, there is a provision that the IMF can "designate" a country deemed to be in a strong BoP [balance of payments] and reserve position to involuntarily receive SDRs in exchange for its currency.'

5 The references to Ecuador's use of its SDRs in connection with the 2009 SDR distribution are in Latindadd (2021) and Arauz (2021).

6 Because SDRs are reserve assets, at

present there is no means for simply donating SDRs, as in the case of resource transfers under official development assistance.

7 Another arcane aspect of SDR lending is that SDR lending countries usually set aside money to insure against non-payment; in the case of the US, this will require legislative action. In the case of an IMF trust fund, contributors (creditor countries) are asked to contribute to a reserve account, aside from a loan account, 'the latter of which would provide an additional buffer against credit risks' (Plant, Hicklin and Andrews 2021, p. 2).

8 I am grateful to Barry Herman for bringing up this objection.

9 In a comment on a previous version, Kevin Gallagher shares an estimate that, at minimum, emerging and developing countries need to mobilise an extra 2-5% of GDP annually through 2060, much of which will need to be in hard currency.

10 Here are examples of the variety of uses to which countries applied their SDR receipts from the 2009 distribution (US Treasury 2010): Bosnia and Herzegovina used a substantial portion of its SDR holdings to help finance its 2009 budget deficit, replacing a portion of expected external budget support funds. Malawi, facing a foreign exchange shortage, used the 2009 special allocation of SDRs in November 2009. Mauritania, facing a deteriorating fiscal position, used a significant portion of its 2009 SDR allocation to help close a fiscal financing gap. In Moldova, the authorities used most of their SDR allocation for budget financing in late 2009, helping to clear accumulated expenditure arrears and reduce reliance on more expensive short-term domestic financing. With a relatively comfortable foreign exchange reserve position, Serbian authorities decided to use the full amount of the SDR allocation for budgetary purposes. Ukraine used its 2009 SDR allocation to meet external obligations to natural gas suppliers. Zimbabwe used a portion of its SDR holdings for budgetary purposes.

11 One arcane aspect of the SDR general allocation is the need to justify a purpose and a policy focus of such an act. 'In principle, there is nothing to prevent the purpose embracing resilience to climate change (through policies aimed at mitigation, adaptation, and structural transition of economy)' (Plant, Hicklin and Andrews 2021, p.4).

12 The standard approach is to 'lend' the unneeded SDRs through the facilities of the IMF. SDRs are still counted in the reserves of the lending country and the trust pays the country the low rate of interest earned by SDRs (a weighted average of the prime rates of each of the five currencies in the SDR pool).

13 However, there appears to be some looseness in the nature of the developed country obligation. In the paragraph immediately following the $100 billion obligation, paragraph 99 in the Cancun Accord qualifies the source of the financing obligation with the text 'funds provided to developing country Parties may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources'. In the UN's financing-for-development process, foreign direct investment is one of the six channels of finance and consistently promoted by developed countries. However, when developing countries have sought to legislate commitments on the part of developed countries on the volume of foreign direct investment, developed countries have balked. It is uncertain if the private sources of financial transfer in this sentence are enforceable.

14 Under current rules, SDRs have value only because all central banks of IMF members are obliged to accept them. SDRs cannot be held by private entities and individuals. There are no operating SDR markets. It is not clear to me if regular SDR distributions will necessarily reduce the international demand for US dollars under current rules since any country that wants to apply its SDRs beyond having them counted in its international reserves will require a conversion to an internationally tradable currency.

15 Barry Herman points out that G20 countries can also agree to add the GCF as a 'prescribed holder.' However, the UNFCCC route is preferable in terms of its climate action dimension.

16 However, the initial pronouncements from the IMF regarding the operation of the proposed Resilience and Sustainability Trust reveal serious design flaws that subvert its intended objectives (Ahmed, Bárcena and Titelman 2021). Aside from the intended conditionality just as the IMF is initiating its capacity to respond to climate financing proposals, eligibility will be based on income even as climate vulnerability is not, and an interest rate comparable to what it charges middle-income countries has been proposed.

17 Bredenkamp and Pattillo (2010, p. 11) recognised the possibly negative aspects of one centralised climate fund, compared with the opportunity for donors and recipients to cooperate in climate action in a variety of ways.

18 Donor coordination is highly valued in the OECD (Führer 1996). In the 1980s, when Sweden, a Scandinavian country, became one of the first donors to condition its development aid on the existence of a structural adjustment programme and was followed by other donor countries, the donor-versus-recipient power imbalance tilted strongly in favour of a development model preferred by staff in the Bretton Woods institutions. See Lundstrom (1988), Bigsten, Isaksson and Tengstam (2016), and Rodrik (2006).

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Wrestling international finance into observing the Paris Agreement

As private actors enter the climate finance fray, regulation is needed to align such investment and lending with climate-friendly goals.

Manuel Montes

Mark Carney ***(left)*****, former governor of the Canadian and UK central banks, speaking with UK Chancellor of the Exchequer Rishi Sunak at the Glasgow climate conference. Carney organised the Glasgow Financial Alliance for Net Zero, which has announced a pledge of $100 trillion of private capital to bring about a 'net zero' economy.**

ON 3 November, at the premises of the COP 26 climate conference in Glasgow, in a triumph of illusion over hope, over 450 firms with $130 trillion in assets from over 45 countries announced a pledge of $100 trillion of private capital to transform the economy to 'net zero'. What was almost unexpected was the chorus of skeptical and critical commentary triggered by the announcement in those media outlets most accessible to professional players in financial markets.

The new grouping, called GFANZ (Glasgow Financial Alliance for Net Zero), was organised by Mark Carney, former governor of the Canadian central bank and then governor of the Bank of England. In 2015, in a speech at the Bank for International Settlements (BIS 2015), he made waves by presenting the concept of 'stranded assets', investments whose returns climate change could wipe out before their associated debt liabilities could be fully paid back.

The GFANZ proposal was seen as too big to be credible (FT 2021). Larry Fink, the chief executive officer of BlackRock Inc., in a COP 26 panel said 'deploying that capital is going to be far harder' than securing the announced commitments (Bloomberg 2021a).

GFANZ joins the unbroken string of, often grudging, promises on climate financing from the resource-rich North. The plodding moves towards redeeming one of these promises – annual $100 billion climate financing from developed countries to developing countries, a pledge made in 2009 that was not delivered in 2020 – were a harsh highlight of COP 26. However, COP 26 was the venue for even more new announcements (promises) from a variety of country groupings and non-state parties.

To be sure, GFANZ is not fundamental to the system of cross-topic obligations of the Parties under the 2015 Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC). But it represents a distinct intrusion of potentially the largest source of financing that could be deployed towards climate action – private finance.

In fact, as developing countries struggle to compel developed countries in the UNFCCC to recognise the latter's historical responsibilities and fulfil their financing obligations, the private sector, predominantly regulated (or not) by developed countries, has been making enormous profits from oil, gas and coal-related projects, and it is not clear if this sector has the 'willpower' to stop this practice (Metcalf and Marsh 2021). Private investments in these kinds of projects have been double those in 'green projects'.

One well-known problem is that of 'greenwashing'. Activists have called out banks – 12 banks that are members of Prince Charles's Financial Services Taskforce including Bank of America, Citi, JP Morgan, Barclays and BNP Paribas – lobbying to water down GFANZ's benchmarks (STMP 2021).

But the problem is more fundamental than the public relations dimension and is rooted in the misshapen incentives in global private finance.

The problem is less that much

more private finance has to be mobilised to fund climate action – drumroll for GFANZ – it is more that the international financial sector's deeds must be wrestled towards *not* acting at cross-purposes with the Paris Agreement.

Developing countries are simultaneously energy-poor (which caps income growth rates), financing- and capital-poor (which prevents needed climate investment at scale), and fiscal-policy-resources-poor (which makes their governments more dependent on international finance compared with developed countries).

Developing countries must cope with the shifting impulses and whims arising from international private finance. At present, the enormity of the announced GFANZ resources highlights the large international pool of financial wealth that can be lent to developing countries to overcome energy poverty. However, these must be borrowed at annual interest rates of 5-8 percentage points more than the rates available to developed countries and large companies, often at floating interest rates (which can climb overnight if developed countries decide to tighten their own public spending) and for short periods, certainly for periods not as long as the life of an energy plant – whether green or not.

Lending into risky and debt-distressed countries has become a highly profitable area for international private finance. The ongoing experience with COVID-19 pandemic finance has indeed sparked interest in a possibly new, highly profitable 'asset class' playground called 'distressed debt and opportunistic credit' (Bloomberg 2021b, Oaktree 2021).

Such funding alacrity on the part of the private sector stems from the fact that international private finance has barely borne any losses from irresponsible lending in the past. Debtor countries became the only parties responsible for failed loans from private sources.

In the COVID-19 pandemic, both the poorest countries eligible for the G20 debt relief programmes and middle-income countries have run up their international public debt to pay for pandemic spending and service debt payments coming due.

Through all of these, international private finance, through the Institute of International Finance (IIF), has stymied efforts for private lenders to provide debt relief at comparable rates to those offered by public lenders. The IIF has deeply engaged the G20 process to confine debt relief and restructuring to fully voluntary efforts (Vander Stichele 2021).

Going back to COP 26, GFANZ and financing climate action, even if certain 'clean technologies' might be competitive, securing finance for developing countries would still suffer the same high-cost constraints because the financing cost is still determined by the credit rating of the borrower – developing countries carrying the baggage of existing debt and previous crises.

Developing-country authorities must also understand the mechanics of money flowing out of GFANZ. The start of the process is not the planning and identification of a climate-sound port facility or the decommissioning of a coal-fired plant. Parts of the international pool are parcelled out into 'asset classes' and the first step is the 'creation' of an asset class.

Investors place their funds into asset classes. Financial investors can make money if the projects in the asset class succeed. But private investors can also succeed by betting against the success of an asset class, by taking a 'short position'. Thus, these investors do not have an essential interest in the long-term success of climate action.

De-risking the capitalisation and trading of nature

'Nature' is one such new asset class, with 'NACs' (nature asset companies) beginning to be traded on the New York Stock Exchange (Harty 2021). The 'nature' asset class falls under the umbrella asset class called 'environmental, social and governance' (ESG) investing. Note how expansive the category is. How can private investors make money from better governance, for example?

Financial investors must continually hunt for ways to derive a flow of returns from these asset classes, which for the most part is not available without public sector action. The *Financial Times*, in commenting on GFANZ, put it this way: 'The reality is that carbon transition will require huge state intervention and investment' (FT 2021).

The game of lending by the private sector to capital-poor developing countries began in the 1970s when the International Monetary Fund (IMF) and the World Bank proudly assisted deposit money banks based in New York to recycle petrodollar deposits from oil exporters by lending these deposits to developing countries suffering from balance-of-payments problems due to higher oil prices.

Private banks did not have the expertise and relied on IMF and World Bank staff assistance and analysis. When these loans failed, the IMF and the World Bank played the indispensable role of making sure the private bank creditors were paid back, instead of being forced to declare bankruptcy, by lending to debtor countries in the form of policy reform loans.

While there are numerous details about these 'debtor country rescues', these policy loans did not require investment in new activities but instead required a schedule of government reforms (the 'G' in ESG portfolio investment) to be met. The funds received by developing countries were immediately 'recycled' to pay scheduled debt service to the international private banks. No need for the slow slog to look for projects that will produce earnings from which the creditors could be paid back.

This created an international finance sector that capitalises on irresponsible lending with impunity – akin to the way that the portion of humanity with spending power consumes and produces too much under carbon prices that are set too low.

Thus, one could say that for decades now, the 'put' (portfolio investment) on developing-country lending was guaranteed by public sector policies of developed countries over international debt markets (buttressed by their domestic laws on the basis of which international debt conflicts are settled). This has mutated into the present situation in which the priority is placed on 'de-risking' private financing for developing countries, which Gabor (2021) calls the 'Wall Street Consensus', to mobilise private finance to participate in global climate action.

Beware then of GFANZ whose arena of lending is ESG, with emphasis on 'environmental'.

A former senior manager of BlackRock ESG investing characterises the ESG lending industry as downright dangerous (Armstrong 2021). BlackRock itself is a member of GFANZ and 'co-leading GFANZ's work on sectoral decarbonization pathways' (BlackRock 2021).

The game of international private lending to developing countries continues to evolve under the theme of 'de-risking'. In this framework, GFANZ generously promises enormous but hazard-laden resources to developing countries through private lending.

Instead of worrying about whether there is enough private investment and lending for climate action, public authorities of Parties to the UNFCCC should concern themselves with regulating international private finance.

This must be done, first, with international regulations that end irresponsible international lending *even if* the intentions are laudably ESG- or pandemic-related. As a start, developed countries whose representatives de facto dominate institutional regulators of international finance such as the IMF and the Paris Club should mandate comparable debt relief from the pandemic. As dominant shareholders of the World Bank, they must ensure that the World Bank itself participate in comparable debt relief.

After decades of experience, however, developing-country Parties to the UNFCCC cannot count on developed countries to 'do the right thing' and regulate international finance properly. They must institute a deliberate and transparent process to recover capabilities to regulate their capital accounts.

Through its capital controls, China has managed to keep the financing costs of domestic investments lower and independent of events overseas. This is critical for affordable climate action. Other developing countries are not China. They will need to revive tools to monitor trends in the volumes and the costs of external debts and liabilities, while engaging with international private sector creditors – not an easy task.

The alternative, however, is walking into another debt crisis.

Developing-country authorities, especially central banks, must monitor and regulate GFANZ-financed projects – particularly those involving government agencies themselves – regarding their bona fides as genuine climate action projects, their ability to generate returns in a possibly extended period of unduly low global carbon prices, and the capacity of the domestic borrower to service the loans.

If the petrodollar experience is any guide, there is room for much mischief in GFANZ. ◆

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No climate justice without debt justice

Ensuring sufficient climate finance demands resolution of the debt crisis weighing down the Global South, as called for in the following statement issued by over 200 civil society groups from around the world in October.

THE climate emergency is fuelling the accumulation of debt in countries in the global south.

Countries suffering from the worst impacts of climate change have contributed very little to it, yet they are facing more expensive borrowing costs because of their climate vulnerabilities. They are left with almost no option but to borrow to finance climate mitigation and adaptation, and fund reconstruction and recovery after an extreme climate event. Countries that have accumulated unsustainable debt levels have reduced fiscal space and opportunities to invest in adaptation and mitigation, as well as to recover from loss and damage from increasingly severe climate extreme events, slow onset events and environmental hazards. At the same time, climate finance – which should respond to the principle of common but differentiated responsibilities, as formulated in the 1992 Rio Principles to reflect historical climate debt – is being delivered mainly through loans and debt-creating modalities, placing the financial burden onto the shoulders of the global south.

All this is happening in a context of increasing debt vulnerabilities. Even before the COVID-19 outbreak, countries in the global south were facing an unfurling debt crisis, which has been fuelled by the economic impacts of the pandemic. Lending to fund fossil fuel projects, by multilateral development banks, export credit agencies and other financial institutions in the global north, has added to the unsustainable and illegitimate debts in the global south.

One of the consequences of having high debt levels is a sharply reduced fiscal space for public spending and therefore very limited opportunities to invest in the adaptation and mitigation measures necessary to guarantee people's right to a healthy environment. Moreover, this puts countries in an even worse situation when recovering from loss and damage after a climate disaster. The demand that countries prioritise debt payments, often at high interest rates, means that they cannot respond adequately to the emergencies faced by their populations, such as the pandemic and the climate emergency. The cost of servicing debt has also largely affected women and children who are the most vulnerable groups in society in most countries in the global south. This is so because when governments reduce public spending especially on social protection women and children will suffer the most.

On the other hand, the global north economies have built up an enormous climate debt to the people and countries in the global south due to their disproportionate contribution to carbon and other greenhouse emissions, amounting to nearly two-thirds of aggregate 'carbon space' since the 1800s. The concept of climate debt calls for systemic change. Such change entails not only a recognition of climate debt, but also restitution and reparation for the multiplicities of financial, social and ecological debt owed by the global north to the global south, built in the colonial past and through neo-colonial dynamics today.

In this context, the need to transition globally towards a more sustainable and equitable economy will not be possible without sustainable, responsible, sufficient, fair and non-debt creating climate finance, as well as finance for transition that does not exacerbate debt vulnerabilities in the global south. Furthermore, debt cancellation is needed for countries not only to be able to fight the COVID-19 pandemic, but also to address the challenges of climate change and pursue a green and inclusive recovery. The urgent message is precisely that: climate justice will not be possible without economic and debt justice. And debt and economic justice won't be possible without environmental and climate justice.

Debt cancellation is needed for countries not only to be able to fight the COVID-19 pandemic, but also to address the challenges of climate change and pursue a green and inclusive recovery.

This means recognising the climate debt that the global north owes to the global south, and providing sufficient and quality debt-free climate finance as partial restitution for that climate debt. Climate debt reparations also mean that global north countries must contribute to ecological restoration, end extractivism and the use of fossil fuels, and shift to low and zero carbon modes of production, distribution and consumption, rooted in legal and policy paradigm changes for technology transfer and equitable trade rules. Debt cancellation is also necessary, recognising the role that it has historically played in promoting and imposing a 'development' model that is unjust and unsustainable, and the obstacle it represents today for a fair, equitable and sustainable recovery.

We demand much more than piecemeal flows of climate finance and one-off instances of 'debt relief', we demand a guarantee of non-repetition through structural change for climate justice and debt justice. We demand systemic change.

We call on world leaders, national governments, public and private financial institutions, to take urgent, just, ambitious action, in compliance with their obligations and responsibilities and commit to the following:

1. Recognition of the existence of a **climate debt**, additional to a historical, financial, ecological and social debt, that the global north owes to the global south. This recognition should lead to structural and financial **reparations**, including delivery of climate finance obligations and debt cancellation, as well as ecological restoration, phasing out fossil fuel subsidies, ending extractivism, and shifting to decarbonised modes of production, distribution and consumption.

2. Urgent delivery of **new and additional, non-debt creating climate finance** beyond the unfulfilled $100 billion per year target, that is sufficient and responsive to the **climate mitigation, adaptation and loss and damage** needs of the peoples and communities of the Global South. The priority given to mitigation in climate finance needs to be reversed, addressing and prioritising the needs that climate vulnerable communities have to adapt and address ever worsening losses and damages. Climate finance delivery must have an inclusive process that will ensure the contributions are based on fair-shares and will warrant equitable allocation and access, especially to the most vulnerable nations.

3. Climate finance should be **non-debt creating and without conditions**. This means it should be primarily delivered in the form of grants. If loans are to be used, it should only be in highly concessional terms and only for certain purposes and programmes that will not lead to the accumulation of unsustainable and illegitimate debt burdens. Climate finance should also be **public and disbursed for public and publicly accountable programmes and projects** rather than private for-profit initiatives or public-private partnerships.

4. Lenders and IFIs [international financial institutions] should take immediate action to implement **ambitious unconditional debt cancellation of unsustainable and illegitimate debts**, particularly those generated by funding fossil fuel projects, in order to enable sovereign and participatory policy decisions by those countries so they can meet their human and nature rights' responsibilities.

5. **An automatic mechanism for debt payments suspension, debt cancellation and debt restructuring**, covering public and private lenders, in the aftermath of extreme climatic events, in addition to immediate access to non-debt creating **resources for loss and damages**. A disaster related to a weather, climate or water hazard occurred every day on average over the past 50 years – killing 115 people and causing $202 million in losses daily. Governments in the global north must set up a separate and additional mechanism for loss and damages in recognition of their responsibility in causing the increased frequency and severity of these extreme events.

6. In addition to climate finance and debt cancellation, governments in the global north should provide sufficient **additional non-debt creating resources** to support countries in the global south to **tackle the health, social and economic crises**. Any new lending and borrowing should be made following **responsible lending and borrowing rules**, including hurricane clauses and other state contingent clauses so that debt cancellation is automatically granted in the case of climate, health and other emergencies.

7. Governments and international organisations should promote an **open review of the approach to debt sustainability**, with UN guidance and civil society participation, in order to move towards a debt sustainability concept that has at its core environmental and climate vulnerabilities, together with human rights and other social, gender and development considerations. Debt cannot be considered sustainable if its payment prevents a country from affording climate resilience plans.

8. Governments and international organisations should support and work towards the **reform of the international financial architecture**, in order to bring international finance in line with universally accepted human rights obligations, including the right to development, gender equality and the right of all to live in a healthy environment. Such reform should address the need for a fair, transparent and multilateral framework for debt crisis resolution, under the auspices of the UN and not in lender-dominated arenas, that addresses unsustainable and illegitimate debt.

9. Governments and international organisations should focus on actions that **address the root causes and historical responsibilities for the present debt and climate emergencies**. Peoples' rights to participate in and control the decision-making and implementation of policies to ensure a just and inclusive transition must be guaranteed. There are a number of initiatives being discussed, such as debt-for-climate swaps, and market-based solutions like green bonds and nature-performance bonds that are unlikely to generate fair outcomes in this regard, and could actually add to the debt burden of climate vulnerable countries. ◆

COVER

Oil and water: Testing the G20's faith in private creditors

The case of embattled oil-producing Chad, which is seeking restructuring of a major loan from the world's largest commodities trader, is seen as a litmus test of how amenable private creditors are to providing debt relief to sovereign borrowers.

The commodities trading giant Glencore is Chad's largest commercial creditor.

Alexander Kozul-Wright

AT the end of October, Glencore – the world's largest commodities trader – revealed that core earnings were on course to top $3.2 billion, eclipsing the company's guidance expectations. For context, 2020's trading profits of $3 billion (before tax and interest) marked a record high.

In 2020, the Switzerland-based group took advantage of an unprecedented drop in oil prices to buy cheap barrels of crude and then sell them in futures markets for significant profits.

In 2021, commodity prices surged on the back of strong demand for raw materials linked to the post-COVID-19 recovery. Recent energy shortages in Europe and China have also amplified price gains for natural gas and coal, which are used to generate electricity.

Glencore looks set to make a healthy return on a $588 million acquisition of BHP and Anglo-American assets in Carrejon, a Colombian coal mine. It is also the world's largest exporter of seaborne thermal coal, which soared to a record price above $250 per tonne in September before falling back to roughly $165, where it was trading on 12 November.

While prices have dropped recently (coal and metals prices edged down in October as China moved to tackle its energy shortage), market moves in either direction present opportunities for commodity traders to exploit differences in price.

Lender of first resort

Starting in the 1970s, newly independent countries across the developing world began reclaiming control of their commodity exports in a wave of nationalisations. In the process, traders such as Glencore (founded in 1974) successfully positioned themselves as hard currency lenders to new governments with limited access to international capital markets.

Under Idriss Déby Itno, a self-styled guerilla general who seized power in a 1990 coup d'état, the Republic of Chad followed other politically brittle but resource-rich African countries in requesting loans from Glencore in exchange for future oil supplies, known as prepayments. These types of financing arrangements often go unregulated.

The original loan, finalised in May 2013, was worth $300 million. By the end of the year, the loan had doubled in size to $600 million. In 2014, Déby borrowed an additional $1.45 billion from Glencore and a consortium of the company's bankers to purchase Chevron's remaining stake in Chad's oilfields.

Glencore maintained an amicable relationship with Déby while oil prices remained over $100 a barrel. When the commodity 'super cycle' ground to a halt in 2015, however, tensions flared as prices tanked – crude fell to roughly $35 by end-December of that year.

As oil prices collapsed, Chad's worsening finances triggered an economic crisis. After protracted talks in 2015, Glencore agreed to restructure the loan in exchange for funds made available from budgetary cuts to healthcare, education and state salaries.

Following years of austerity, Déby asked for another revision to the lending terms, which Glencore eventually agreed to in 2018. The maturity of the loan was extended, a two-year grace period on principal payments was agreed, and the interest rate was lowered. Even at these more forgiving terms, however, Glencore remained Chad's largest commercial creditor.

Chronic food shortages and malnutrition continue to beset Chad's population, 40% of whom live in absolute poverty.

Back to the drawing board

In January 2021, Chad became the world's first country to request a sovereign debt restructuring under the Group of 20 (G20) major economies' 'common framework', designed to help countries manage their debt repayments in the wake of COVID-19. For Chad, the proposal came with a new $560 million International Monetary Fund (IMF) lending programme (slightly less than Glencore's Colombian coal mine deal).

The common framework is premised on comparable debt treatment for public and private creditors. This is crucial, since money freed up from otherwise restructured public debt will be ringfenced from repaying private creditors and can be used to buy basic imports like food and vaccines.

Chad was already struggling with high debt burdens before COVID-19, which sent oil prices into a tailspin and slashed crude exports, which make up roughly two-thirds of the country's foreign earnings. Chad was also thrown into political turmoil in April following the battlefield death of President Déby.

In June, Chad's largest bilateral lenders (including China) agreed to restructure their claims and back the IMF loan. Under the common framework, however, IMF programme lending will be withheld until Chad can secure comparable terms from all of its creditors.

On 15 October, a consortium of private lenders headed by Glencore sent a letter to the IMF stating that it had begun engaging with authorities in a 'constructive and good faith manner', following a request for talks.

In response, Chad's Finance Minister, Tahir Hamid Nguilin, told Reuters that Chad 'welcomes the good faith gesture of our [private lenders] to open discussions about the restructuring of our debt'. He added that Chad's economic recovery depends on constructive talks.

Waiting game

The outcome of negotiations will be seen as a bellwether for countries (including Zambia and Ethiopia) currently enlisted in the common framework. Potential applicants will also be keeping an eye on proceedings in Chad.

A speedy resolution would require Glencore to reconcile its repayment expectations with the IMF's view that Chad's external debt burden is 'unsustainable' and lower its demands accordingly. However, in its recent letter, Glencore noted that its 2015 and 2018 concessions need 'to be taken into account'.

Glenore can afford to stonewall – it has oil securities collateralised against the loan. It will also argue that high oil prices (currently at $82 per barrel) have improved Chad's debt position. Still, the loan has become a thorn in the side of the trading giant. Though small compared with the size of the company, the deal has attracted negative attention from campaigners who criticise such loans as predatory.

'Collateralised contracts are problematic for sovereign borrowers,' says Daniel Munevar, a senior policy and advocacy officer at the European Network on Debt and Development (Eurodad). 'For Chad, the money-for-oil scheme almost certainly undermined authorities' capacity to diversify their funding base. By promising Glencore direct recourse to the country's main source of foreign exchange, the loan probably deterred other would-be investors.'

While limited recourse to funding may have handicapped Chad in 2013, Glencore's outsized influence on upcoming negotiations should make coordination more, not less, straightforward. In effect, Chad has just one senior (or high priority) creditor to contend with.

By resisting more radical steps (passing laws, for instance, requiring companies under UK and US jurisdictions to publicly disclose loans made to governments), the G20 is pinning its faith on private companies to voluntarily provide debt relief to countries such as Chad. Time will tell whether confidence in Glencore's sense of self-sacrifice is justified.

Meanwhile, chronic food shortages and malnutrition continue to beset Chad's population, 40% of whom live in absolute poverty. At the same time, the pandemic has cast a shadow over Chad's anaemic healthcare system, which has administered vaccines to less than 1% of its population – one of, if not the, lowest in the world. – *IDN-InDepthNews* ◆

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Unheeded risks in the turn towards blended biodiversity finance

As with climate finance, involvement of the private sector in funding biodiversity conservation is rife with potential pitfalls.

Jens Christiansen and
Lim Li Ching

Photo by Alenka Skvarc on Unsplash

Drawing on public resources to leverage private financing for the protection of biodiversity brings many risks and uncertain benefits.

PARTIES to the Convention on Biological Diversity (CBD) are currently negotiating a post-2020 Global Biodiversity Framework (GBF) that is meant to set out how governments implement their general obligations under this legally binding treaty through specific goals and targets for the next decade.

The First Draft of the GBF, released in July 2021, comprises four goals and 21 targets. Among these are those relating to resource mobilisation for the effective implementation of the GBF.

In the current Target 19, nestled among the many ideas on how to increase financial resources for biodiversity, is the phrase 'leveraging private finance'. The inclusion of this phrase is based on the claim that the public sector cannot provide all the finance needed, therefore there is a need to increase private sector financing.

'Leveraging private finance' is essentially about blended finance – the use of public, philanthropic or supranational funding to 'leverage', 'unlock' or 'catalyse' private investments, often through direct grants, tax relief or debt-based instruments like loan guarantees.

The fundamental question is, to what extent should public funds be used to essentially de-risk private capital investment? This article unpacks the notion of blended finance for biodiversity, drawing out some key concerns with the approach and its inappropriateness for financing biodiversity. The evidence surrounding blended finance suggests that it is a false solution to ongoing conditions of debt and austerity in developing countries.

Shortcomings and potential adverse effects

Blended finance – the notion that development finance institutions, philanthropists and non-governmental organisations (NGOs) can offset private investors' risk-return requirements and thereby attract much-needed capital for development, while leveraging or scaling up financial returns and the scale of private investments – has recently gained traction in international debates concerning biodiversity finance. Blended finance has especially come to prominence after the introduction of the Sustainable Development Goals.[1] The idea behind blended finance is that savvy ways of deploying development finance through technical assistance, risk underwriting and monetary incentives for private investors will enable further resource mobilisation.[2] While it is difficult to *tout court* reject that some blended finance projects may lead to socially and environmentally beneficial projects, we also need to draw attention to some of the shortcomings, potential adverse effects and demonstrated evidence of the failings of blended finance.

First, while blended finance is sometimes highlighted as a novel approach, development finance institutions and NGOs have arguably been doing blended finance for years. Development finance institutions (such as the World Bank) have often been used to facilitate private investments and the link between development efforts – where development is defined either in narrow economic terms or in broader social and environmental terms – and private investment is therefore not new. The inclusion of, say, technical assistance in the concept of blended finance means that NGOs, philanthrocapitalists and development finance institutions have been applying green variants of blended finance on a large scale before the concept became widely popularised, at least since the introduction of the Clean Development Mechanism (CDM). While the rise of blended finance as discourse may indicate that some actors in development are acknowledging the difficulty of getting private investors to ethically and responsibly invest in nature and highlights the role of development actors in creating new markets, **the transformative potential of blended finance and its novelty should not be overstated**.[3]

Protesting against tax havens. Instead of turning to blended finance, there are ways to mobilise public funds for biodiversity, including through international tax cooperation to address illicit financial outflows.

Second, while there is little systematic research on blended finance for biodiversity, research on blended finance as such indicates that earlier claimed benefits of this approach have been overestimated. There is no agreed-upon and systematic way of accounting for blended finance's ability to 'leverage' private investments, but some researchers have argued that – rather than using billions of development finance dollars to leverage trillions of private dollars – it is more realistic to talk about 'billions to billions'.[4] Even if we assume that blended finance is desirable (despite evidence so far indicating otherwise[5]), these blended deals usually do not take place in low-income countries.[6] And even if there is no clear understanding of the effects of blended finance for investments in biodiversity yet, it is important to take note of research that indicates that turning biodiversity into an investment opportunity is notoriously difficult, especially when employing the categories, metrics, taxonomies and accounting methods of the private finance sector.[7] This suggests that **it would take a lot of blending before biodiversity becomes an investment opportunity for investors**: that is, large amounts of public capital will be needed to leverage the desired private capital.

Third, blended finance approaches tend to conceptualise development challenges as being due to insufficient capital. However, there is no guarantee that more private capital will bring development and sustainability. Some research highlights that blended deals can be costly for public actors. This is particularly the case with public-private partnerships (PPPs), which have become a central tool for the deployment of blended finance. Insofar as blended deals are made with public guarantees or blended finance is used for issuing debt, **there is a risk that blended financing deals can become a drain on existing and often scarce public resources**.[8]

Fourth, researchers have highlighted that blended finance can lead to a lack of transparency.[9] It is sometimes argued that blended finance will promote more socially responsible or sustainable investments, but **blended finance can imply lack of democratic oversight as investments are made in private entities**. Jomo and Chowdhury highlight how this can be a result of governments' efforts to take public debt and risks 'off the books' or not accounting for these in public debt accounting, as government involvement with PPPs does not figure as a regular expenditure.[10]

Fifth, whereas financial investors receive public guarantees to make sure they get a return, discourses on blended finance do not put any emphasis on the need for guaranteeing good jobs for employees or guaranteeing environmentally beneficial outcomes. Although some blended finance projects may deliver good jobs, this would be the result of more or less accidental trickle-down development finance.[11] As Oscar Reyes has suggested, rather than creating blends for international finance, the same development money may be better spent supporting local small and medium-sized enterprises (SMEs) in developing countries through more direct budget support.[12] Furthermore, when the state outsources the production and distribution of public goods to private actors, 'the fiscal burden of provision of basic goods and services remains with the state'.[13] Biodiversity is no exception in this regard. A question that needs to be addressed is what happens if private actors fail on delivering public environmental goods. **There is a risk of private gains and social losses, as blended finance merely guarantees the incomes of investors and investment bankers, rather than peoples and nature.** Finally, harms to biodiversity can be created by the priority on investment returns, rather than on considerations for social rights, biodiversity protection and equity.[14]

Conclusion

Ultimately, blended finance for biodiversity relies on the premise that we are stuck in global austerity, rendering the public sector inadequate and constrained, and therefore the abundance of private capital must be attracted and facilitated. Blended finance furthermore relies on the assumptions that there is an abundance of private capital committed to sustainable development and that we need to meet private capital's return requirements.[15] The fundamental political question remains as to whether the public should subsidise and assume the risks of private investments. Rather, we should find other ways of mobilising public funds and make policies that disincentivise environmental degradation in the first place. This could involve improving taxation, re-regulating industries that damage biodiversity, changing banks' capital requirements and undoing the debt-austerity nexus that limits public funds for biodiversity. Some specific actions that could be taken would include addressing illicit financial outflows through international tax cooperation, establishing a multilateral mechanism for debt workouts, and putting an end to the fiscal-austerity-related conditions in International Monetary Fund (IMF) and World Bank financial assistance.[16]

For these reasons, the concepts of 'blended finance' and 'leveraging private finance' should find no place in the post-2020 GBF or in discussions on mobilising resources for biodiversity. ◆

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This article was first published as a Third World Network Briefing Paper (August 2021).

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QE or no QE, that is the question

Developing-country policymakers looking to fuel economic growth may consider one unconventional option: quantitative easing.

Alexander Kozul-Wright

THE guardians of the global economy convened in Washington in October to discuss their latest global growth forecasts.

The World Bank-International Monetary Fund (IMF) Board of Governors' meetings have been squarely focused on the global response to COVID-19, with economists warning of slowing momentum in wealthy nations and grossly uneven recoveries across the developing world.

Still, since February 2020, governments around the world have deployed $16 trillion in fiscal support measures to combat the pandemic. These vast sums have provided emergency lifelines to healthcare systems, businesses and households.

High fiscal expenditure and low tax revenues raised government debt in 2020 to a record 97% of world gross domestic product (GDP). It is projected to stabilise at 99% this year, according to the IMF's latest *Fiscal Monitor* report, published on 13 October.

The report also contends that 'exceptional policy responses triggered by the pandemic pose a challenge for discerning the best path forward for fiscal policy'.

Typically, governments deploy a two-pronged approach to fund spending: they can either borrow more or raise taxes (or both). Quantitative easing (QE) represents another, unconventional policy choice that authorities have turned to in recent economic crises.

QE is shorthand for a set of unorthodox monetary policies in which a central bank purchases government debt (as well as other assets) to increase money supply and lower interest rates. It is designed to spur consumption and investment and, in turn, shore up GDP growth.

While central banks in advanced economies (AEs) have deployed QE since the 2008 financial crisis, constraints are more binding in emerging market (EM) economies. EMs lack the deep financial markets observed in AEs, relying instead on foreign investors (attracted by high interest rates) to cover deficits. As such, measures designed to lower interest rates are seen to deter foreign investors and place downward pressure on domestic currencies.

What's more, EM governments with access to central bank financing are, rightly or wrongly, thought to exercise less fiscal discipline than their AE counterparts. In turn, rampant quantitative easing risks undermining monetary policy credibility.

In large part, this concern underscores why EM policymakers attribute so much importance to central bank independence – a nebulous concept under normal circumstances, let alone in a crisis, but critical when thinking about the impact debt monetisation can have.

First, the erosion between fiscal and monetary policy risks stoking runaway inflation by expanding the monetary base.

And second, even if government bond yields are not immediately driven up by money creation, it could happen over the medium term, raising the cost of future debt financing.

The trade-off between continuing to support economic activity and preserving fiscal space (room in the government budget for extra spending) is therefore thornier for EMs than AEs.

'EM central banks are trying to find ways of financing their budgets without being accused of printing money,' says Yilmaz Akyuz, former chief economist at the United Nations Conference on Trade and Development (UNCTAD). 'Just as in 2009, the IMF is already talking about returning to "normal" central bank policies,' he noted.

Indeed, another IMF report published in October cast aspersions on EM quantitative easing, decrying a lack of policy experience and warning about the 'threat of exiting these types of programmes'.

But despite the Fund's repeated exhortations, the central bank of Indonesia, Bank Indonesia (BI), recently pledged to continue buying trillions of rupiah (billions in US$ equivalent) worth of government debt.

The 'burden-sharing' agreement, unveiled in July 2020, was designed to help finance the 2020 fiscal deficit in the wake of COVID-19. Last year, BI purchased long-dated government bonds in both primary and secondary markets, in addition to rebating interest payments for certain types of debt. Overall, BI financed roughly half of Indonesia's 6.1% (of GDP) deficit in 2020, lowering debt repayment costs and providing greater scope to respond to the pandemic.

Back in 2020, the bond-purchasing scheme was deemed a 'one-off', and was widely expected to conclude this year. In August 2021, however, the central bank pledged to extend deficit financing into 2022.

Since August, the prices of both government bonds and the rupiah have remained relatively stable. And so long as investors maintain their trust in BI independence and the government's commitment to fiscal sustainability, Indonesia's experiment with unorthodox economic policy looks set to continue. – *IPS* ◆

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What's cooking for MC12?

Two processes that could reshape the WTO in the interest of the most powerful

When it finally convenes, the postponed 12th Ministerial Conference of the World Trade Organization may be made to greenlight an agenda of liberalisation measures and institutional reforms inimical to the needs of developing-country members.

The unfolding big picture of MC12

THE World Trade Organization (WTO)'s upcoming 12th Ministerial Conference (MC12) may become a stage for reshaping the multilateral trading system in the interest of the most powerful, including corporate lobbies. While the proposed WTO intellectual property waiver for COVID-19 vaccines and treatments has been continuously blocked through various strategies and tactics for more than a year, it is increasingly clear that the interests of developed countries are focused on establishing two post-MC12 processes.

One, entitled 'WTO response to the COVID-19 pandemic', is focused on promoting more liberalisation and regulatory constraints instead of delivering the intellectual property waiver (TRIPS waiver). The other process is focused on the notion of 'WTO reform', which several developed countries including the United States, the European Union, Japan and others have been using to push their ideas for redesigning the WTO and its rules of decision-making.

At the same time, issues of concern to developing countries and least developed countries (LDCs) and civil society are being further marginalised. These include the TRIPS waiver proposal and proposals to correct the rules of the WTO Agreement on Agriculture, which have led to the effective demise of the agricultural sector in many poor countries and exacerbated food insecurity around the world. Other important issues include strengthening and operationalising special and differential treatment for developing countries and LDCs, which is integral and crucial to the proper functioning of the multilateral trading system.


Photo by Michael on Unsplash

The process of formulating the 'WTO response to the COVID-19 pandemic' is focused on promoting still more trade liberalisation while sidelining issues raised by developing countries.

The process claiming to find a WTO response to the COVID-19 pandemic

In June 2021, the chairperson of the WTO General Council unilaterally selected David Walker, New Zealand's Ambassador to the WTO, to facilitate a series of negotiations supposedly focused on ensuring a WTO response to the COVID-19 pandemic. Consequently, this process came to be known as the 'Walker process'. Walker's work, reflected in his reports to the WTO General Council, revolved around a premise that what is needed is more liberalisation, interventions that will further constrain regulatory space and policy tools available to WTO member states, and more reliance on the private sector.

From among the voices and proposals that Walker had heard, he chose to focus on the following issues:

- pushing trade facilitation and regulatory coherence in a way that undermines developing countries' flexibilities under the existing rules and further limits regulatory space;
- promoting services liberalisation as one of the answers to the pandemic;

- limiting the ability to use export restrictions that are currently allowed under WTO rules. The pandemic has shown that when demand exceeds supply, developing countries/LDCs will be outbid by developed countries which can afford to pay much higher prices. In such contexts, developing and least developed countries have a special need to utilise export restrictions, given the limited policy tools available to them.
- pushing an expansive notification and monitoring regime that will further put pressure on developing countries in implementing their trade policies; and
- opening the door wider for the private sector to exert influence on WTO processes, on the grounds of expanding collaboration with other international organisations and other stakeholders, with a specific mention of the private sector.

Issues raised by developing countries such as food security and intellectual property issues have been sidelined in the reports by Walker, who also repeatedly refused to cover the issues pertaining to the TRIPS waiver.

A skewed process leaving most WTO members in the dark

Without proper consultations, Walker produced a draft text of a Ministerial Declaration to be adopted by MC12 on the WTO response to the pandemic. He proposed it as a basis for deliberations among a very small group of selected countries. Such processes are designed to put pressure on the rest of the WTO membership, which are not in the room to negotiate, to accept the outcome when they are shown the result of the deliberations at the last moment. They are given no proper chance or time to meaningfully engage in the negotiations. The appealing name of 'WTO response to the COVID-19 pandemic' is invoked to further pressure delegations to feel compelled not to refuse the outcome despite the fact that they were not given the chance to meaningfully participate in deliberating it and that the content does not reflect their views and potentially becomes very damaging for their interests.

A group of developing countries stress TRIPS waiver, structural transformation, economic resilience and food security

In October 2021, a group of developing countries including Pakistan, Egypt, Tunisia, South Africa, Sri Lanka and Uganda presented a submission at the WTO that sought to capture a lot of the concerns of developing countries.

Developed countries have had the capacity to employ exceptional fiscal and monetary policies to manage the shock from the COVID-19 crisis and to cushion the economic and social impact. In comparison, developing countries and LDCs do not possess the tools that would allow them to respond and recover and maintain resilience to withstand a global crisis of this scale.

The above submission emphasises that the focus of the work on the WTO response to the pandemic ought to shift from liberalisation and regulatory constraints to policy space and enablers of structural transformation and resilience building, including economic resilience and food security issues. It also stresses that any proposals considered under the WTO pandemic response should in no way constrain the policy tools and space that developing countries and LDCs need in order to respond to pandemics and similar crises, nor restrict tools and flexibilities available to developing countries and LDCs under the WTO agreements.

The submission also emphasises that the TRIPS waiver is central to the WTO's response to the pandemic. It also adds that WTO members should not, directly or indirectly, prevent or discourage another member(s) from fully utilising the flexibilities of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) or in any way limit such flexibilities.

The dangerous push for a post-MC12 work plan and implementing body

Developed countries, including the US and the EU, are pushing towards setting up a work plan and related implementing body that will carry out the post-MC12 work on the WTO response to the COVID-19 pandemic and potentially other future pandemics and crises. One proposition is for this body to be chaired by a head of delegation appointed by the General Council chair. Proponents of this idea are pushing for agreement over a Ministerial Decision at MC12 on this matter even before the WTO membership gets the chance to negotiate and agree to common grounds on what should entail a WTO response to the pandemic.

In effect, agreeing to such a post-MC12 work plan and body while the content of the work plan is not agreed could serve as a blank cheque that could be manipulated to push the liberalisation and deregulatory interests that were revealed in the first version of the text that Walker released. Its relation to the existing mandates of negotiations – including the Doha mandate of 2001 which has multiple issues of interest to developing countries that were never delivered – is not clear. This means its operationalisation could end up further marginalising work on existing mandates.

The proposition to delegate to the General Council chair the selection of a chair for this work could lead to a process similar to the 'Walker process', whereby most of the developing countries and LDCs remain outside the negotiating room or uninformed about the deliberations, except for what they get to know from periodic reports at the General Council.

'WTO reform' and attempts to replace state-led multilateralism with corporate-fuelled plurilateralism

The narrative about 'WTO reform' has been populating the WTO deliberations for a while. In the run-up towards MC12, the WTO Director-General has facilitated a push to have WTO reform at the forefront of issues to be addressed in the conference. But there is a major difference between what developing countries mean by reform and the ideas being pushed by some developed countries under the guise of 'reform', which has become a bone of contention among the WTO membership.

Developing countries have long called for reform of the multilateral trading system in favour of developing countries and large vulnerable constituencies such as small farmers, producers, workers, patient groups and indigenous peoples. In December 2020, a collective submission by the group of African states at the WTO, India and Cuba stressed that central to this reform agenda was the call to review and rebalance existing WTO rules, in order to address the implementation challenges that developing countries and LDCs have been facing and to strengthen and improve operational special and differential treatment.

In contrast, the narrative and proposals pertaining to WTO reform as promoted by developed countries, led by the US and the EU, continue to push for:

- agreements on new issues (such as rules on industrial subsidies);
- new approaches on special and differential treatment that will eventually limit the availability of these flexibilities to developing and least developed countries;
- injecting into the WTO agenda issues that will further constrain the policy tools available to developing countries and undermine inclusivity and participation in WTO negotiations, through attempting to alter decision-making procedures;
- normalising plurilateral approaches to setting the WTO negotiating agenda and adopting new rules which will undermine the multilateral nature of the organisation and its ability to deliver anything useful for developing countries and LDCs;
- extending the WTO monitoring mechanisms in a way that would put further pressure on developing countries in implementing their trade policies;
- opening up more space for big business in the WTO under the umbrella of 'multi-stakeholderism'.

In the context of negotiating the outcome document of MC12 (i.e., the Ministerial Declaration), a number of mainly developed countries are pushing for the establishment of a new working group on what they call 'improvements of the functioning of the WTO'. The EU and Brazil informally floated a proposal seeking the establishment of such a working group to consider 'institutional improvements to the functioning of the WTO' and address the WTO monitoring and deliberating function, negotiating function and dispute settlement function.

Setting up such a body while there remains major disagreement on what 'WTO reform' means and the direction sought from such work will allow the US, the EU and other developed countries to utilise this platform to push for operationalising the ideas they have in mind for 'WTO reform'. Such approaches significantly undermine and limit the ability of developing countries and LDCs to influence agenda setting and pursue issues of interest to them in the negotiations. They will also legitimise a bigger role for the private sector, mainly big business, in influencing agenda setting and negotiations in the WTO, thereby creating a more imbalanced institution that is responsive mainly to the commercial interests of big business.

The truth of what is being prepared for MC12

While some developed countries continue to block any progress towards the TRIPS waiver, and the WTO Director-General and secretariat facilitate such obstructionist positions, the push on the two fronts detailed above could result in fundamental changes to the WTO's institutional architecture and function. It is another step in the attempt to circumscribe the fundamental rules of decision-making that the WTO was built around in order to remedy the major deficiencies that characterised the GATT (General Agreement on Tariffs and Trade) system that preceded it.

These latest attempts should be seen in the light of the developments since the last two WTO Ministerial Conferences, held in Nairobi in 2015 and in Buenos Aires in 2017. Back then, the developed countries succeeded in pushing back on the existing negotiation mandates of interest to developing countries, although they did not succeed in fully killing the Doha Round. They also commenced an intensive push towards illegally expanding plurilateral approaches to defining issues of negotiations and to changing WTO agreement rules. What could unfold in MC12 could further serve these attempts.

In effect, these processes would open the door to reinventing the WTO as a power-based rather than rules-based organisation. The result will be to deny space for developing countries and their development issues in order to facilitate corporate power grab of the WTO. This will also significantly undermine, if not put an end to, many of the common goals of civil society campaigns that have been calling for correcting trade rules to make them less harmful and constraining on development processes and the transformations needed to address the global climate crisis and more recently the global pandemic. – *TWN* ◆

The above was first published as a TWN briefing paper (14 November 2021).

Chile: Another good-sized nail in neoliberalism's coffin

The recent victory of Gabriel Boric in Chile's presidential election has energised efforts to do away with the exploitative neoliberal economic system in place in the country. To further advance this push, a more cohesive movement for change now needs to be forged.

Francisco Dominguez

'Men [and women] make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living.' – Marx, *The Eighteenth Brumaire of Louis Bonaparte*

The recent victory of Gabriel Boric in the presidential vote will give enormous impetus to efforts to constitutionally replace the existing neoliberal economic model in Chile.

A few weeks ago, when neofascist candidate José Antonio Kast was winning the first round of the country's presidential elections, Chile's 2019 rebellion aimed at burying neoliberalism appeared to be at an end. But it's been reinvigorated with the landslide victory of the Apruebo Dignidad ('I Vote For Dignity')[1] candidate Gabriel Boric Font, who obtained 56% of the vote in the second round – nearly five million votes, and the largest majority in the country's history. At 35, Boric is the youngest president ever.

That result would have been greater had it not been for the policy of transport minister Gloria Hutt Hesse, who deliberately offered almost no public transport services, especially buses to the poor barrios, in the hope of forcing Boric voters to give up and go back home.[2] On Election Day, there were constant reports in the mainstream media featuring people throughout the country, and particularly in Santiago,[3] complaining about having to wait for two or even three hours for buses to polling centres. There were therefore justified fears that the election would be rigged – but the determination of poor voters was such that the move failed.

Kast's campaign, with the complicity of the Right and the mainstream media, was one of the dirtiest in the country's history, reminiscent of the US-funded and -led 'terror propaganda' mounted against socialist candidate (and eventual president) Salvador Allende in 1958, 1964 and 1970. Through innuendo and the use of social media, the Kast camp spewed out crass anti-communist propaganda, charged Boric with assisting terrorism, and suggested that he would install a totalitarian regime in Chile. The campaign sought to instil fear primarily in the petty bourgeoisie by repeatedly predicting that drug addiction, crime and narco-trafficking would spin out of control if Boric became president, and even implying that Boric himself takes drugs. The mainstream media also assailed Boric with insidious questions about Venezuela, Nicaragua and Cuba, to which he did not produce the most impressive answers.

But the mass of the population saw through it, sure in the knowledge that their vote was the only way to stop Pinochetismo taking hold of the presidency. They had had enough of President Sebastián Piñera. They also knew that, in the circumstances, the best way to secure the aims of the social rebellion of October 2019 was to defeat Kast and his brand of unalloyed Pinochetismo.

As the electoral campaign unfolded, Kast backtracked on some of his most virulent Pinochetista statements – but people knew that if he won, he wouldn't hesitate to fully implement them. Among other gems, Kast declared his intention as president to abolish the ministry for women, same-sex marriage and abortion (the laws on which are already very restrictive); eliminate funding for the museum in memory of the victims of the dictatorship and the Gabriela Mistral Center for the promotion of arts, literature and theatre; withdraw Chile from the International Commission of Human Rights and close down the National Institute of Human Rights; cease the activities of FLACSO (Facultad

Latinoamericana de Ciencias Sociales), the prestigious Latin American centre of sociological investigation; build a ditch in the north of Chile, at the border with Bolivia and Peru, to stop illegal immigration; and empower the president with the legal authority to detain people in places other than police stations or jails – that is, restore the illegal procedures of Augusto Pinochet's sinister police.

Kast's intentions left no doubt as to what the right choice was in the election. I was, however, flabbergasted by various leftist analyses advocating against voting, in one case because 'there [was] no essential difference between Kast and Boric'. Worse, another suggested that 'the dilemma between fascism and democracy was false' because Chile's democracy is defective. My despair with such 'principled posturing', probably dictated by the best of political intentions, turned into shock when on election day itself a teleSUR correspondent in Santiago interviewed a Chilean activist who only attacked Boric, the main message of the feature being that 'whoever wins, Chile loses'.[4]

The centre-left Concertación coalition,[5] which in the 1990-2021 period governed the nation for 24 years and bears a heavy responsibility for maintaining and even perfecting the neoliberal system, openly expressed its preference for Boric, assiduously courting support for him in the second round. Those who believe there is no difference between Kast and Boric do so not only from an ultra-left stance, but also through finding Boric guilty by association, even though he has not yet had the chance to commit a crime.

This brings us to a central political issue: What do the legacy of the October 2019 rebellion and all its positive consequences mean for the Chilean working class? What is now posed in Chile is the struggle not for power, but for the masses who for decades were conned into accepting – however grudgingly – neoliberalism as a fact of life. The 2019 rebellion was the first mass mobilisation that sought not only to oppose but also to get rid of neoliberalism.[6] That rebellion extracted extraordinary concessions from the ruling class, including a referendum for a constitutional convention entrusted legally with the task of drafting an anti-neoliberal constitution to replace the 1980 one promulgated under Pinochet's rule.

The referendum approved the proposal of a new constitution and the election of a convention by 78% and 79% respectively in October 2020. The election of the convention gave Chile's right only 37 seats out of 155 – barely 23% – whereas those in favour of radical change got an aggregated total of 118 seats, or 77%. More noticeably, Socialists and Christian Democrats, the old Concertación parties, got a joint total of 17 seats.

The biggest problem remains the fragmentation of the emerging forces aiming for change. Together, they hold almost all the remaining seats, but they are structured in at least 50 different groups. Nevertheless, in tune with the political context, the convention elected Elisa Loncón Antileo, a Mapuche indigenous leader, as its president, and there were 17 seats reserved exclusively for the indigenous nations and elected only by them – a development of huge significance.

The 2019 rebellion also obtained other concessions from the government and parliament, including the return of 70% of pension contributions from the private 'pension administrators' (AFPs), which Chileans rightly see as a massive swindle that has lasted for more than three decades. This has dealt a heavy blow to Chile's financial capital. A proposal in Parliament for the return of the remaining 30% at the end of September 2021 failed to be approved by a very small margin of votes, but I am certain the AFPs have not heard the last on the matter.

The scenario depicted above suddenly became confused with the results of the presidential election's first round, which not only saw Kast come out first (with 27% against 25% for Boric), but also elected deputies and senators for Chile's two parliamentary chambers. Though Apruebo Dignidad did very well with 37 deputies (out of 155) and five senators (out of 50), the right-wing Chile Podemos Más (Piñera's supporters) got 53 deputies and 22 senators, and the old Concertación got 37 deputies and 17 senators.

There are several dynamics at work here. With regard to the parliamentary election, traditional mechanisms and existing client relationships apply, with experienced politicians exerting local influence and getting elected. In contrast, most of the elected members of the convention are from an emerging bunch of motley pressure groups organised around single-issue campaigns (AFPs, the privatisation of water, the price of gas, the abuse of utility companies, the defence of Mapuche ancestral lands, state corruption, and so forth) and which did not stand candidates for a parliamentary seat.

On 19 December, Boric publicly committed to supporting and working together with the constitutional convention for a new constitution in his victory speech. This has given and will give enormous impetus to the efforts to constitutionally replace the existing neoliberal economic model.

What the Chilean working class must now address is their lack of political leadership. They lack a National Front of Popular Resistance (Frente Nacional de Resistencia Popular, FNRP) like the one organised by the people of Honduras to fight against the coup that ousted Mel Zelaya in 2009. The FNRP, made up of many and varied social and political movements, evolved into the Libre party that has just succeeded in electing Xiomara Castro, the country's first female president.[7] The obvious possible avenue to address this potentially dangerous shortcoming would be to bring together in a national conference all the many single-issue groups alongside all social movements and willing political currents to set up a Popular Front for an Anti-Neoliberal Constitution.

After all, they have taken to the streets for two years to bury the oppressive, abusive and exploitative neoliberal model, and it's becoming clearer what they should replace it with: a system based on a new constitution that allows the nationalisation of all utilities and natural resources, punishes the corrupt, respects the ancestral lands of the Mapuche, and guarantees decent health, education and pensions. The road there will be bumpy, but we have won the masses; now, with a sympathetic government in place, we can launch the transformation of the state and build a better Chile. ◆

Francisco Dominguez is head of the Research Group on Latin America at Middlesex University in the UK. He is also the national secretary of the Venezuela Solidarity Campaign and co-author of Right-Wing Politics in the New Latin America *(Zed, 2011). The above article is reproduced from the Public Reading Rooms website (prruk.org).*

Endnotes

1 An electoral coalition of essentially the Broad Front and the Communist Party, with smaller groups.

2 In Chile, voting is voluntary and the level of abstention for the first round was 53%; *El País* on 17 December reported that 60% of the voters in La Pintana, a Boric stronghold, stayed home in the first round.

3 Santiago has over 6 million inhabitants of the 19 million Chilean total.

4 The leaders and presidents of the Latin American countries that make teleSUR possible would fundamentally disagree with such an, in my view, irresponsible message.

5 The Concertación is made up essentially of the Socialist and Christian Democratic parties, plus other smaller parties, with the Socialists and Christian Democrats holding Chile's presidency respectively for three and two periods out of a total six.

6 'The battle for Chile', https://prruk.org/the-battle-for-chile/

7 See my take on Honduras at https://prruk.org/honduras-left-wing-breakthrough/

What Archbishop Tutu said about Israel-Palestine

The late anti-apartheid champion Archbishop Desmond Tutu's strident opposition to injustice extended to his denunciation of the Israeli occupation in Palestine.

Middle East Eye staff, www.middleeasteye.net

SOUTH Africa's anti-apartheid icon Archbishop Desmond Tutu, Nobel Peace Prize laureate, died on 26 December 2021 aged 90.

A contemporary of Nelson Mandela, Tutu was known not just for his role in ending a dark chapter of racial discrimination in his country but also for speaking out against injustices around the world, including in the Middle East.

South Africa's President Cyril Ramaphosa honoured this fight in a tribute to Tutu announcing the archbishop's death. 'The passing of Archbishop Emeritus Desmond Tutu is another chapter of bereavement in our nation's farewell to a generation of outstanding South Africans who have bequeathed us a liberated South Africa,' he said in a statement.

'A man of extraordinary intellect, integrity and invincibility against the forces of apartheid, he was also tender and vulnerable in his compassion for those who had suffered oppression, injustice and violence under apartheid, and oppressed and downtrodden people around the world.'

Israeli-Palestinian conflict

Archbishop Tutu was an outspoken critic of Israeli occupation in Palestine and the siege on Gaza.

'I wish I could keep quiet about the plight of the Palestinians. I can't! The God who was there and showed that we should become free is the God described in the Scriptures as the same yesterday, today and forever,' he told *The Washington Post* in 2013.

He drew parallels between Israeli occupation and apartheid in South Africa. 'What's being done to the Palestinians at checkpoints, for us, it's the kind of thing we experienced in South Africa.'

Tutu was to lead a UN fact-finding mission with Professor Christine Chinkin to investigate a November 2006 Israeli attack on Gaza's Beit Hanoun district that led to the deaths of 19 Palestinians, including seven children. Israel refused to grant Archbishop Tutu and Professor Chinkin authorisation to enter Gaza, but they were eventually able to travel to the besieged territory via Egypt. They met with survivors and eyewitnesses and produced a report to the UN Human Rights Council.

In a May 2008 statement about his mission, the archbishop decried the Israeli siege on Gaza, in place since 2007, as 'a gross violation of human rights'. He also said the Israeli siege contradicted the Jewish and Christian scriptures. 'Those scriptures speak about a God: a God of the Exodus, a God notoriously biased in favour of the weak, of the oppressed, of the suffering, of the orphan, of the widow, of the alien,' he said.

'We are in a state of shock, exacerbated by what we subsequently heard from the victims and survivors of the Beit Hanoun massacre. For us, the entire situation is abominable,' the joint statement by Archbishop Tutu and Professor Chinkin said.

'We believe that ordinary Israeli citizens would not support this blockade, this siege if they knew what it meant for ordinary people like themselves. No, they would not support a policy which limits fuel supplies or automatically cuts off the electricity supply.

'They would not support a policy which jeopardises the lives of ordinary men and women in hospital, that cuts off water and food from hospitals, jeopardizing the lives of babies.'

In August 2009, Archbishop Tutu joined a delegation of the international NGO The Elders in a visit to Israel and occupied Palestinian territories to advocate for peace.

Most recently, in an article published in the Israeli newspaper *Haaretz* in 2014, he declared his support for the international movement of boycott, divestment and sanctions (BDS) as a peaceful means of opposing Israeli occupation. 'Those who continue to do business with Israel, who contribute to a sense of "normalcy" in Israeli society, are doing the people of Israel and Palestine a disservice. They are contributing to the perpetuation of a profoundly unjust status quo,' he wrote.

The archbishop voiced his opposition to acts of violence by both sides of the conflict, although he described Israel's response to Palestinian missiles as 'disproportionately brutal'.

'I have condemned those in Palestine responsible for firing missiles and rockets at Israel. They are fanning the flames of hatred. I am opposed to all manifestations of violence.

'Missiles, bombs and crude invective are not part of the solution. There is no military solution.

'The solution is more likely to come from that nonviolent toolbox we developed in South Africa in the 1980s, to persuade the government of the necessity of altering its policies.' ◆

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The judicial kidnapping of Julian Assange

Truths ignored and dubious promises accepted – how a British court arrived at a decision to extradite WikiLeaks founder Julian Assange to the United States.

John Pilger

Supporters of Julian Assange outside the British court which decided that he can be extradited to the US.

'Let us look at ourselves, if we have the courage, to see what is happening to us.' – Jean-Paul Sartre

Sartre's words should echo in all our minds following the grotesque decision of Britain's High Court to extradite Julian Assange to the United States where he faces 'a living death'. This is his punishment for the crime of authentic, accurate, courageous, vital journalism.

Miscarriage of justice is an inadequate term in these circumstances. It took the bewigged courtiers of Britain's *ancien regime* just nine minutes on 10 December to uphold an American appeal against a District Court judge's acceptance last January of a cataract of evidence that hell on earth awaited Assange across the Atlantic: a hell in which, it was expertly predicted, he would find a way to take his own life.

Volumes of witness by people of distinction, who examined and studied Julian and diagnosed his autism and his Asperger's Syndrome and revealed that he had already come within an ace of killing himself at Belmarsh prison, Britain's very own hell, were ignored.

The recent confession of a crucial FBI informant and prosecution stooge, a fraudster and serial liar, that he had fabricated his evidence against Julian was ignored. The revelation that the Spanish-run security firm at the Ecuadorian embassy in London, where Julian had been granted political refuge, was a CIA front that spied on Julian's lawyers and doctors and confidants (myself included) – that, too, was ignored.

The recent journalistic disclosure, repeated graphically by defence counsel before the High Court in October, that the CIA had planned to murder Julian in London – even that was ignored.

Each of these 'matters', as lawyers like to say, was enough on its own for a judge upholding the law to throw out the disgraceful case mounted against Assange by a corrupt US Department of Justice and their hired guns in Britain. Julian's state of mind, bellowed James Lewis, QC, America's man at the Old Bailey in 2020, was no more than 'malingering' – an archaic Victorian term used to deny the very existence of mental illness.

To Lewis, almost every defence witness, including those who described from the depth of their experience and knowledge the barbaric American prison system, was to be interrupted, abused, discredited. Sitting behind him, passing him notes, was his American conductor: young, short-haired, clearly an Ivy League man on the rise.

In their nine minutes of dismissal of the fate of journalist Assange, two of the most senior judges in Britain, including the Lord Chief Justice, Lord Burnett (a lifelong buddy of Sir Alan Duncan, Boris Johnson's former foreign minister who arranged the brutal police kidnapping of Assange from the Ecuadorian embassy), referred to not one of a litany of truths aired at previous hearings in the District Court – truths that had struggled to be heard in a lower court presided over by a weirdly hostile judge, Vanessa Baraitser. Her insulting behaviour towards a clearly stricken Assange, struggling through a fog of prison-dispensed medication to remember his name, is unforgettable.

What was truly shocking on 10 December was that the High Court judges – Lord Burnett and Lord Justice Timothy Holyrode, who read out their words – showed no hesitation in sending Julian to his death, living or otherwise. They offered no mitigation, no suggestion that they had agonised over legalities or even basic morality.

Their ruling in favour, if not on behalf, of the United States is based squarely on transparently fraudulent 'assurances' scrabbled together by the Biden administration when it looked last January like justice might prevail.

These 'assurances' are that once in American custody, Assange will not be subject to the Orwellian SAMS – Special Administrative Measures – which would make him an un-person; that he will not be imprisoned at ADX Florence, a prison in Colorado long condemned by jurists and human rights groups as illegal: 'a pit of punishment and disappearance'; that he can be transferred to an Australian prison to finish his sentence there.

The absurdity lies in what the judges omitted to say. In offering its 'assurances', the US reserves the right not to *guarantee* anything should Assange do something that displeases his jailers. In other words, as Amnesty has pointed out, it reserves the right to break any promise.

There are abundant examples of the US doing just that. As investigative journalist Richard Medhurst revealed in November, David Mendoza Herrarte was extradited from Spain to the US on the 'promise' that he would serve his sentence in Spain. The Spanish courts regarded this as a binding condition.

'Classified documents reveal the diplomatic assurances given by the US Embassy in Madrid and how the US violated the conditions of the extradition,' wrote Medhurst. 'Mendoza spent six years in the US trying to return to Spain. Court documents show the United States denied his transfer application multiple times.'

Julian Assange's fiancee Stella Moris speaking with journalists outside the court in London on 10 December.

The High Court judges – who were aware of the Mendoza case and of Washington's habitual duplicity – describe the 'assurances' not to be beastly to Julian Assange as a 'solemn undertaking offered by one government to another'. This article would stretch into infinity if I listed the times the rapacious United States has broken 'solemn undertakings' to governments, such as treaties that are summarily torn up and civil wars that are fuelled. It is the way Washington has ruled the world, and before it Britain: the way of imperial power, as history teaches us.

It is this institutional lying and duplicity that Julian Assange brought into the open and in so doing performed perhaps the greatest public service of any journalist in modern times.

Julian himself has been a prisoner of lying governments for more than a decade now. During these long years, I have sat in many courts as the United States has sought to manipulate the law to silence him and WikiLeaks.

This reached a bizarre moment when, in the tiny Ecuadorian embassy, he and I were forced to flatten ourselves against a wall, each with a notepad in which we conversed, taking care to shield what we had written to each other from the ubiquitous spy cameras – installed, as we now know, by a proxy of the CIA, the world's most enduring criminal organisation.

This brings me to the quotation at the top of this article: 'Let us look at ourselves, if we have the courage, to see what is happening.'

Jean-Paul Sartre wrote this in his preface to Frantz Fanon's *The Wretched of the Earth*, the classic study of how colonised and seduced and coerced and, yes, craven peoples do the bidding of the powerful.

Who among us is prepared to stand up rather than remain mere bystanders to an epic travesty such as the judicial kidnapping of Julian Assange? What is at stake is both a courageous man's life and, if we remain silent, the conquest of our intellects and sense of right and wrong: indeed, our very humanity. ◆

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Where Brazil's neglected people live

In Brazil's impoverished favelas, residents face deprivation and discrimination but also find a valued sense of community.

Thuany Rodrigues

According to census data, about 6% of Brazilians lived in one of the more than 6,300 favelas in 2010.

FAVELAS were initially informal settlements that, over many decades, have developed into a particular kind of disadvantaged urban settlement. Most residents are better off than slum dwellers in least-developed countries, but they are poor by Brazilian standards – and they remain marginalised in several ways.

According to census data, about 6% of Brazilians lived in one of the more than 6,300 favelas in 2010. The Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE) defines a favela as a group of households with at least 51 units, which occupies – in a disordered and dense manner – land owned by others and which does not have access to essential public services. Rio de Janeiro has about 1,000 such slums. About 100,000 people live in Rocinha, the largest.

Favelas are not all the same. What they have in common is that they developed without systematic planning and with much improvisation. Small, low-rise buildings are typical. Over the decades, however, makeshift shelters were replaced with houses made of bricks or concrete. Infrastructure gradually improved, to some extent because of residents' efforts and to some extent due to government programmes. However, the authorities have a long history of neglecting the favelas and often still do not take full account of the conditions in which people live. Grassroots organisations are very important, and some non-governmental outfits are politically active or raise public awareness.

Some favela families tend to sleep in a single room, but it is not unusual to find households with two bedrooms. To create more rooms, people often build another storey onto their house. That happens when a child marries, for example. If a building has more than two floors, the ground floor often serves as a shop or workshop, while people live upstairs.

Favela roads are narrow and crowded. According to the IBGE, 56% of favela households were linked to the sewage network in 2010, but 1% did not even have a bathroom. The share of households with access to the water distribution system was 88%. Electric power supply is less reliable than in other urban areas, and some homes still do not have access.

Most homes had a refrigerator and a TV set in 2010, and did not differ from other Brazilian households in that respect. The IBGE, however, found washing machines in only 41% of favela households, while the comparative figure in other neighbourhoods was 67%. The share for computer ownership was 28% in favelas and 56% elsewhere. These figures have certainly increased in the past 10 years. According to Data Favela, a non-governmental institute, 78% of those in the 16-29 age group were regularly accessing the Internet in 2013.

A lot of informal economic activity takes place in favelas, but officially registered businesses operate here too. The residents do not only belong to the working class, but to the lower middle class as well. The reputation for lawlessness and violence is exaggerated, but not unfounded (see box).

'African neighbourhoods'

Some favelas are actually quite old. The first emerged in the late 19th century, when former soldiers and former slaves built themselves informal homes in major cities. Often they settled on steep slopes because that land was unused without anybody laying claim to it. From the very beginning, there was a race dimension. Initially, favelas were sometimes called '*bairros Africanos*' (African neighbourhoods).

People of colour are still more likely to live in a favela than those of exclusively European ancestry. The 2010 census showed that 45% of Brazil's population were white, but white people only accounted for not quite a third of the favela population, while 13% were black and 55% were mixed race. Members of indigenous peoples tend to be marginalised as well, but only rather few live in urban agglomerations.

Data Favela has found that 70% of women living in favelas have children, and the majority had their first child before the age of 20. The number of children varies. It is not unusual for a mother to have five or even six kids. Data Favela research has also revealed that women head 44% of favela households. Moreover, the institute recently reported that 72% of favela residents do not have any savings. They can maintain their low standard of living for a week at most if they lose their source of income. Social disparities are huge in Brazil, given that the country has more billionaires than France, as *Forbes* magazine has reported.

A large share of the favela population depends on informal activities. According to IBGE data, 27.8% of the residents work without a contract. Elsewhere, that share is just 20.5%. Given that poor families tend to be large and include many dependent persons, half of the favela population probably depend on informal livelihoods.

This sector is marked by racism too. Black and brown people tend to be paid less than white people, even if they do the same work. Most often, they get the worst jobs. That is not different in the formal sector, of course, where white staff members earned about 42% more than black and brown people in 2018, according to the IBGE.

If all favelas together were one of Brazil's states, that state would be the fifth most populous. Its monthly per capita income, however, would be the equivalent of about 100 euro, only half of Brazil's official minimum wage, researchers from Data Favela and Locomotiva reckon. Nonetheless, its gross domestic product would be larger than Bolivia's.

It is no surprise, of course, that the favela population is particularly hard hit by the COVID-19 pandemic. That is true in both health and economic terms. Where population density is high, the virus spreads fast, and where people lack the kind of protection that comes with formal-sector jobs, they drop into poverty faster.

Most people do not want to leave

Life is tough in the favelas. Nonetheless, most residents do not want to leave. In 2014, the Data Popular Institute did a survey of 63 slums. Of 2,000 respondents, 94% said they were happy, and 66% said they did not want to move to another place. The reason is that people depend on the communities they live in. People like to be surrounded by family and friends. Close ties offer a sense of protection and provide support in times of need. Moreover, local networks facilitate joyful social activities – including Samba and Carnival, for example.

Karen Cândido, who works for the community-based media platform Voz das Communidades (Voice of the Communities), says: 'The people in the favelas fight for their rights and are happy as they are.' There are many problems, she says, but people are determined to make progress. 'What makes us proud,' she adds, 'is moving forward. And if you need help, the neighbours will provide it.' ◆

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Rio's poor have reason to fear the police

FOR residents of favelas in Rio de Janeiro, death sometimes comes from high above. Fighting violent gangs, police snipers shoot from helicopters. All too often, they kill innocent people, including children. Things became so bad that the Federal Supreme Court intervened and restricted the use of police helicopters.

Luis Felipe Rodrigues belongs to a Samba group in one of Rio's favelas. He says that perhaps 7% of the local people have some kind of connection to the illegal drug business and the mafia gangs that control it. The other 93%, however, are exposed to police violence. According to the Public Security Institute, an agency of the state government, the police killed 885 people in the first half of 2019 alone, of whom 711 – or 80% – were persons of colour.

Rio de Paz, a non-governmental organisation, has surveyed 57 press reports about children being killed by stray bullets from 2007 to 2019. In more than half of the cases, the cause was skirmishes between the police and gangsters.

Upper-class Brazilians tend to blame favelas for breeding crime. What they ignore is that many rich people are involved in white-collar crime. A prominent example is Sérgio Cabral, a former governor of Rio de Janeiro state, who was sentenced to 45 years in prison for corruption as well as embezzling and laundering money.

It is also well understood that the drug mafias have close ties to state agencies. The scholar Thiago Rodrigues speaks of 'symbiotic relations'. He argued this case in 2018 in an essay he wrote for the Konrad Adenauer Foundation. The drug trade is the dominant industry in some favelas, Rodrigues admits, but the gangs bribe security forces, judges and policymakers. Typically, a precarious equilibrium is found, reducing risks for all parties involved and delivering considerable benefits to the most powerful players.

Sometimes, however, the police invade a favela, and things turn violent. Those who suffer the impacts are mostly bystanders and perhaps some low-level gangsters, reckons favela resident Luis Felipe Rodrigues. – *Thuany Rodrigues/D+C*

The feminist building-blocks of a just, sustainable economy

Jayati Ghosh outlines the contours of a feminist approach to the economy.

FEMINIST economists have long argued that the purpose of an economy is to support the survival and flourishing of life, in all its forms. This may seem obvious but it turns on its head the prevailing view, which implicitly assumes the opposite causation: the economy runs according to its own laws, which must be respected by mere human actors. In this market-fundamentalist perspective, it is a potential angry god which can deliver prosperity or devastation and must be placated through all sorts of measures – including sacrifices made in its name.

Yet the economy, its markets and its various institutional forms are human creations, which can also be revised and reshaped according to democratic will. That means economic policies can and should be aligned with social and environmental goals.

This used to be seen as a rather wishful, even eccentric, view. But the pandemic and the emergent threats posed by climate change and other ecological destruction have given it more resonance. Even so, the basic idea can seem a bit woolly and unstructured – full of good intent rather than practical strategies for implementation.

Now UN Women has produced a Feminist Plan for Sustainability and Social Justice, which puts much-needed flesh on the bare bones of a feminist approach to the economy, relevant to the contemporary world. It not only rehearses the well-known problems with how economies are functioning but provides clear guidelines for policy, at local, national and international levels. It is based on the goal of ensuring sustainable livelihoods for all, while enabling the equitable flowering of human potential in harmony with nature.

Care work and the environment

Once it is accepted that economic policies must be put at the service of sustainability, gender equality and social justice, what follows? First, unpaid care work and the environment cannot be treated – as they effectively have been all this time – as limitless resources which can be used for free and depleted without cost or consequence.

Instead, economic institutions and policies must not only recognise the contributions of care work and nature, but be directed towards socially valuing them and providing the conditions in which they will flourish. A priority of economic policy then becomes creation of decent jobs in strategic green sectors, such as care, agroecology and decentralised renewable energy.

Investing in care is absolutely essential, without treating it as a commodity, personal choice or family obligation. Rather, care work must be seen as a collective good to be adequately resourced and regulated, with expansion of affordable, quality care services which provide decent work to such workers. Social and financial support to unpaid caregivers must also be increased, including through paid family leave and universal child allowances.

The institutions, regulations and policies that provide essential protection for labour, including collective-bargaining rights, living wages, decent working conditions and social protection, have to be strengthened, and the structures and systems made more gender-sensitive and responsive. Workers' rights in the informal economy are particularly important, as women proliferate as small-scale farmers, domestic workers, home-based industrial outworkers, waste pickers, petty retail traders and food vendors. The expansion of gender-responsive social-protection systems has the macroeconomic advantage of boosting demand, even as it enables greater social resilience against future shocks – including those caused by the escalating environmental crisis.

Unpaid care work and the environment cannot be treated as limitless resources which can be used for free and depleted without cost or consequence.

The global food system is broken – unhealthy, environmentally disastrous and economically unequal. It needs to be rebuilt from the bottom up, so that it supports diverse crop production in sustainable ways for local, national and regional markets, provides food security for all, promotes biodiversity and ensures livelihood security especially for small producers, including women.

We need rapid transitions to sustainable patterns of production and consumption to stave off the looming environmental catastrophe. Decentralised renewable energy systems are now more feasible and can provide more jobs for women, while providing alternatives to polluting, ecologically-damaging, traditional cooking fuels and reducing the drudgery of unpaid care work.

Public investment

All this necessarily requires a big public-investment push, to enable economic recovery and lay the basis for structural transformation. That in turn demands a global architecture that allows nations to enlarge their 'fiscal space' through progressive macroeconomic policies and multilateral cooperation – especially through tax cooperation which ensures multinational companies and the wealthiest people contribute the most. Public spending in support of care and environmental preservation should be seen as part of global public investment, rather than as 'aid' or consumption.

Whenever there is talk of partnerships nowadays, the focus is on 'public-private partnerships', whereby governments underwrite the risks and subsidise the costs of corporate investment. But these need to prioritise people and the environment over profits, unlike the experience with COVID-19 vaccines. Also, it is just as important (if not more so) for governments to focus on families, community organisations and small businesses as interlocutors, so that states can promote innovation in all areas relevant to life and nature.

Such enhanced involvement requires states to be more responsible and responsive, along with greater accountability for non-state actors, within and beyond national boundaries. Feminist movements and civil society organisations are essential to counterbalance both state and market power, providing voice to marginalised and excluded groups – and they need to work in tandem.

UN Women have offered us a clear and persuasive blueprint for what can be done. Now the task is to do it. ◆

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OPINION

Myanmar's 'triple crisis': Impact on the pro-democracy movement

While the interlinked political, health and economic crises have led to a humanitarian disaster in Myanmar, the debacle has had a sometimes paradoxical effect on the country's democratic forces.

Jasmin Lorch

AFTER 10 years of tacit liberalisation, Myanmar is back under military rule. On 1 February 2021, the country's military, known as the Tatmadaw, staged a coup to prevent Aung San Suu Kyi's National League for Democracy (NLD) from assuming its second term in office. Without providing evidence, the Tatmadaw claimed that the NLD had rigged the November 2020 elections, which it had won in a landslide. One day after the coup, the military leadership invoked a state of emergency and established the State Administration Council (SAC), headed by commander-in-chief Min Aung Hlaing.[1]

The coup was followed by the emergence of a large-scale Civil Disobedience Movement (CDM) that sought to bring down the new military junta through strict non-collaboration and massive street demonstrations. The Tatmadaw responded by mounting a violent crackdown, which in turn prompted the movement's increasing radicalisation. The military coup and its economic repercussions combined with the devastation caused by the COVID-19 pandemic have led to massive human suffering.

This article examines Myanmar's 'triple crisis' and its domestic political implications. First, it sketches the outlines of the political, health and economic crises facing the country. Next, it highlights the ways in which these crises are interrelated. Finally, it considers how Myanmar's triple crisis might affect the country's prospects for democracy and the development of democratic practices within its pro-democracy movement.

The triple crisis: military coup, COVID-19 and a crippled economy

Rather than constituting separate phenomena, Myanmar's political, health and economic crises are inextricably interlinked. The Tatmadaw itself had initiated the limited political liberalisation that occurred from 2010 to 2020-21 and had always controlled it from behind the scenes. Nevertheless, most citizens and especially the younger generation, which grew up with significant freedom of expression and access to the world through the Internet, placed high hopes in the nascent democratic system.[2]

With the coup, these hopes were shattered, making many young people determined to either force the military down or die. After a short period in which protests were somewhat tolerated, the Tatmadaw began to brutally crack down on the CDM, killing more than 1,000 people and arresting another 6,000 by mid-September 2021.[3] Many young protesters were shot in the head by snipers, while the military also deliberately killed children during its raids on residential areas.[4] As a result, parts of the resistance movement have started to radicalise, raising the risk of state collapse.[5]

Doctors and health workers were among the first to initiate the CDM. After suspending their work in public hospitals, many tried to treat patients in their homes or community-based, private clinics. The military, however, has cracked down on such initiatives, arresting many doctors and nurses belonging to the CDM.[6]

To go after its critics, the military junta has also weaponised COVID-19. Leading NLD politicians, including Aung San Suu Kyi and former President Win Myint, have been charged with violating COVID-19 regulations.[7] Shortly after the coup, the head of the NLD government's vaccination programme was arrested, dealing a huge blow to the rollout of vaccines.[8] Moreover, given the widespread public distrust of the Tatmadaw, most people have refused to be vaccinated under the SAC's vaccination programme.[9]

When the third wave of COVID-19 hit the country with the more infectious Delta variant in July and August 2021, the health system collapsed.[10] As of the latter half of September, Myanmar had officially reported a total of 448,158 cases and 17,129 deaths.[11] These figures, however, are bound to be a gross underestimation, because they only include COVID-related deaths in public clinics, while most people have died at home. Although infections are currently declining, public healthcare remains in shambles, owing to ongoing civil disobedience and the military's onslaught against medical personnel.

The military coup also has had a devastating impact on Myanmar's fledgling economy. Determined to disobey and resist the SAC at any cost, factory workers, bank employees and even significant numbers of civil servants joined the CDM, bringing economic activities in many sectors to a standstill.[12] While the United States and the European Union have enacted targeted sanctions against military-owned conglomerates, private investors have begun to shun the country due to growing political instability. In addition, business transactions have been hampered by Internet shutdowns imposed by the military to stifle protests.

With many banks affected by ongoing strikes, enterprises that have meanwhile reopened have lacked access to credit. Concurrently, many citizens have withdrawn their deposits, raising the risk of inflation.[13] As early as March 2021, the UN World Food Programme had warned that rising consumer prices might soon push poor families into hunger.[14] Around the same time, CDM activists already had reported that they were surviving on mutual aid and solidarity initiatives, such as soup kitchens. Nevertheless, many prioritised overthrowing the SAC over safeguarding the economy.[15]

Due to the military's appalling brutality against unarmed protesters, defections from the security forces have been on the rise. In late August 2021, *The Irrawaddy* reported that around 2,000 members of the law enforcement agencies had defected, approximately one-third of whom were military personnel. While most renegade soldiers seem to be from the lower echelons of the armed forces, around 100 officers from the ranks of lieutenant to major are also reported to have joined the CDM.[16] While the overall numbers are still low, the development is noteworthy given the Tatmadaw's hierarchical structure and historically strong esprit de corps.

Democracy movement underground: Between inclusion, violence and prospective hierarchies

Nine months into the February 2021 coup, the military has mostly managed to suppress open demonstrations, forcing the pro-democracy movement underground. Concurrently, both the SAC and the democratic resistance have made it clear that they don't want to dialogue with each other. While the Tatmadaw has resumed its old habit of demanding obedience and submission from the population it is meant to serve, the CDM, for understandable reasons, does not view the SAC as a legitimate dialogue partner.[17]

Accordingly, another guided liberalisation such as the one that occurred between 2010 and 2020 is unlikely in the near term. Similarly, chances for a negotiated settlement remain close to nil – except in the unlikely eventuality that military defections rise to such a level that the Tatmadaw splits and there emerges a reform-minded faction of the military that is willing to enter a dialogue with the democratic resistance and the latter reciprocates.

Myanmar's new generation of pro-democracy activists will have to struggle hard to avoid history repeating itself.

In addition, the triple crisis of the military coup, COVID-19 and Myanmar's economic disaster has profoundly affected the internal structure and the prevalence of democratic practices within the pro-democracy movement itself. First and foremost, the post-coup period has been marked by a massive rejuvenation of the democratic movement. Led by students and other young protesters belonging to the so-called 'Generation Z'[18] (young people born after 1997),[19] the anti-military demonstrations that erupted after the coup were highly innovative and creative, with protest repertoires including street performances, the flashing of the three-finger salute (a gesture from the science fiction movie *The Hunger Games*) and imaginative blockades, such as 'car mobs'.[20]

Moreover, the mass demonstrations that unfolded after the coup united diverse political, ethnic and religious groups, thereby enhancing tolerance and inclusiveness within the pro-democracy movement. Specifically, members of Myanmar's disenfranchised Muslim minority protested alongside activists belonging to the Buddhist Bamar majority. Importantly, this also included members of the persecuted ethno-linguistic minority Rohingya, who were often welcomed by Bamar protesters carrying placards inscribed with the slogan 'we regret' – a reference to the military's genocidal campaign against the Rohingya.[21] Regarding inter-ethnic and inter-religious tolerance, the military coup in this sense had a 'paradoxical benefit', as a seasoned pro-democracy activist put it.[22]

In line with its anti-military and anti-authoritarian orientation, the democratic resistance movement quickly adopted revolutionary demands aimed at pushing the military out of politics.[23] On 5 February 2021, a group of parliamentarians formed the Committee Representing Pyidaungsu Hluttaw (CRPH) as a parallel government. In March 2021, the CRPH declared the 2008 constitution, which enshrines the Tatmadaw's veto power in politics, voided[24] and replaced it with its own Federal Democracy Charter.[25] In April, the CRPH transformed itself into the more inclusive National Unity Government (NUG) that has since reached out to many ethnic armed organisations (EAOs) and diverse elements of the CDM.

Similarly, it has recognised the Rohingya and made their dignified return to Myanmar a key priority.[26] In this regard, the position of the NUG goes far beyond that of the displaced NLD government,[27] which not only kept silent about the military's atrocities but refrained from using the word 'Rohingya', thereby implicitly stripping the minority of their identity and rights.[28] So far, however, the NUG mainly operates underground, from border areas controlled by friendly ethnic armies and from exile, and thus lacks territorial control inside mainland Myanmar.[29]

With the SAC being unable to tackle the health and related socio-economic crises caused by the COVID-19 pandemic, civil society organisations and engaged citizens have provided the bulk of emergency relief. For instance, volunteer associations have taken care of the cremation of corpses, while faith-based and other community-oriented initiatives have distributed oxygen free of charge. According to press reports, members of the Muslim minority have participated prominently in such relief efforts, catering to patients irrespective of ethnicity and religious belonging.[30] Just like the mass demonstrations that followed the February 2021 military coup, civil society engagement in the health sector may hence strengthen social cohesion as well as inter-religious and inter-ethnic tolerance.

Recently, however, the pro-democracy movement has also been marked by an increasing fusion of democratic practices with violence. While the CDM was strictly non-violent when it started, the military's brutal crackdown on peaceful protests has radicalised parts of the democratic resistance movement. Similarly, it has also led many ordinary citizens to consider violence as a legitimate means of last resort.[31] CDM activists who saw their friends or relatives shot in the streets have escaped to territories controlled by EAOs, such as the Karen National Union (KNU) and the Kachin Independence Organization (KIO), who have instructed them on how to defend themselves against military onslaughts and, at times, provided them with full-fledged military training.[32]

Throughout the country, so-called People's Defence Forces (PDFs) have been formed to protect communities from military attacks. However, PDFs have also actively fought or ambushed the Tatmadaw in some cases. In the cities, urban cells consisting of radicalised factions of the CDM have begun to conduct urban guerilla warfare and engaged in bombings and targeted assassinations of military and government personnel. People suspected of being military stooges have also, at times, been killed by such cells.[33] While the NUG does not seem to have direct control over most of these groups, it has publicly claimed to have established the PDFs as precursors to a 'federal army'.[34]

In addition, the nearly five decades of direct military rule (1962-2010) have shown that the more the Myanmar pro-democracy movement is driven underground, the more hierarchical it tends to get internally. The student movement that fought the previous military regime, for instance, was characterised by strong internal hierarchies and rigid structures of command and control, owing to its underground nature and the secrecy with which it had to operate.[35]

To date, the CDM has largely been characterised by leaderless resistance. According to a former political prisoner, this also reflects attempts by the new generation of pro-democracy activists to avoid the pitfalls of the 1988 student movement,[36] which was partially co-opted by individual leaders. Having to operate underground, however, is bound to reinforce hierarchies within the new pro-democracy movement as well, especially if a resort to violent means of resistance further enhances structures of command and control.

Conclusion

The three interrelated crises of the February 2021 military coup, COVID-19 and a crippled national economy have pushed Myanmar into a humanitarian disaster that can only worsen as brutal military crackdowns and increasingly violent resistance to them enhance the risk of countrywide civil war and ultimately state collapse.[37] Although this triple crisis has harmed the country's democratic forces, it has had an ambivalent and, at times, a paradoxical impact on the pro-democracy movement. Broad-based popular resistance against the military takeover and civil society-based relief efforts to alleviate the health and welfare needs inflicted by COVID-19 have interacted to unite diverse political, ethnic and religious groups, leading to growing inclusivity and tolerance within the pro-democracy movement.

Similarly, a massive rejuvenation of the democratic movement has opened new perspectives for democratic change beyond the established NLD leadership, which has lost much of its democratic integrity due to its failure to condemn the military's ethnic cleansing of the Rohingya. However, the more drawn-out and violent the conflict between the Tatmadaw and the democratic resistance gets, the more the new pro-democracy movement is likely to be beset by internal hierarchies and structures of exclusion. Hence, Myanmar's democratic movement will be heavily shaped by the political context of repression in which it operates, and the country's new generation of pro-democracy activists will have to struggle hard to avoid history repeating itself. ◆

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Endnotes

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Long regarded as modern Turkey's greatest poet, *Nazim Hikmet* (1902-63) wrote many of his poems in prison, where he spent some 13 years of his life. He was also a playwright, novelist and screenwriter.

I'm getting used to growing old

Nazim Hikmet

I'm getting used to growing old,

the hardest art in the world –

knocking on doors for the last time,

endless separation.

The hours run and run and run...

I want to understand at the cost of losing faith.

I tried to tell you something, and I couldn't.

The world tastes like an early morning cigarette:

death has sent me its loneliness first.

I envy those who don't even know they're growing old,

they're so buried in their work.

Translated by Randy Blasing and Mutlu Konuk Blasing