RAPID-RESPONSE NOTE

Finance Commitments under the Paris Rulebook of UNFCCC

Implications for Developing Countries and LDCs

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Abbreviations

AF	Adaptation Fund
AFB	Adaptation Fund Board
AMCEN	African Ministerial Conference on the Environment
APA	Ad hoc Working Group on the Paris Agreement
BTR	Biennial Transparency Report
CAHOSCC	Committee of African Heads of State and Government on Climate Change
CDM	Clean Development Mechanism
CEN SAD	Community of Sahel-Saharan States
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COMESA	Common Market for Eastern and Southern Africa
COP	Conference of Parties
CTFs	Common Tabular Formats
EAC	East Africa Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
ExCom	Executive Committee
GCF	Green Climate Fund
GEF	Global Environment Facility
GHGs	Greenhouse Gases
IGAD	Intergovernmental Authority on Development
INDC	Intended Nationally Determined Contributions
LDCF	Least Developed Countries Fund
LDCs	Least Developed Countries
LGAs	Local Government Authorities
MPGs	Modalities, Procedures and Guidelines
MRV	Measurement, Reporting and Verification
NAPA	National Adaptation Programme of Action

NDC	National Determined Contribution
PAWP	Paris Agreement Work Programme
RECs	Regional Economic Communities
SADC	Southern Africa Development Community
SB50	Fiftieth Session of the Subsidiary Bodies
SBI	Subsidiary Body for Implementation
SBSTA	Subsidiary Body for Scientific and Technological Advice
SCCF	Special Climate Change Fund
SCF	Standing Committee on Finance
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
WCC	World Climate Conference
WIM	Warsaw International Mechanism for Loss and Damage

Executive Summary

Adoption of the Paris Agreement on 12th December 2015 is the culmination of more than a quarter century of climate change diplomacy with climate finance being at the core of the negotiations. The Paris Agreement is a landmark agreement aiming to combat climate change and to accelerate and intensify the actions and investments needed for climate resilient and sustainable low greenhouse gases development. In addition to climate finance, the Agreement also provides for mitigation, NDCs, adaptation, loss and damage, technology development and transfer, capacity building, transparency, stocktake, compliance and administrative issues.

Specifically, the Agreement's mandates on climate finance are mainly stipulated under *Article 9 (1-9)* and also *paragraph 52 to 64* of the decision part of the agreement. These provide for obligation to developed country Parties to provide financial resources, take lead in mobilizing climate finance and communicate on indicative and provided and mobilized climate finance. Other Parties have also been encouraged to perform these mandates. The Agreement also provides for financial mechanism (of the UNFCCC) and its operating entities to serve under it. This also include the UNFCCC secretariat and other entities, specifically the Standing Committee on Finance.

Since COP21 in Paris, progress has been made to operationalize the Agreement including adoption of its Work Programme during COP24 and advancement of matters related to climate finance. These include decisions to initiate deliberations on setting a new collective quantified goal from a floor of USD 100 billion per year at CMA3 in 2020; urging developed country Parties to meet their obligation of mobilising USD 100 billion per year by 2020; agreeing the Adaptation Fund shall serve the Paris Agreement; and welcoming the first formal and seventh replenishment of Green Climate Fund and Global Environment Facility respectively. Also, Parties agreed on both ex-ante and ex-post information to be biennially communicated by developed country Parties starting in 2020 as per the specified information which will be housed on a dedicated online portal to be established.

African developing and least developed country Parties played a key role in the whole process as individual Party and as part of the regional and/or political groups. African's concerns and interest on climate finance remain on access to climate finance resources; having a balance between adaptation and mitigation; ensure reliable sources of financing and maintain the current governance structure for the Adaptation Fund; financing actions to address loss and damage; having a robust reporting framework for indicative, provided and mobilised climate resources; and on setting a new ambitious and scientifically-based quantified climate finance goal that will reflect African needs and priorities.

Moving forward, Parties need to embrace the spirit of collaboration and compromise that made possible for the Paris Agreement to be adopted in 2015. Also, to ensure its implementation on climate finance and take into account interests of African developing and least developed countries; Parties should ensure multi-stakeholders' approach; strengthen compliance mechanism and transparency framework; and make best-use of technological advancement. Also, African countries should innovatively mobilise domestic resources to complement the international climate funding; create new and strengthen existing partnership between Africa countries.

Section 1

The Paris Agreement and Climate Finance

1. Background to the Paris Agreement Negotiations and Climate Finance

1.1. Paris Agreement Negotiations and Climate Finance

Adoption of the Paris Agreement is the culmination of more than three decades of international climate diplomacy. The process traced back to 1970s whereby the first World Climate Conference (WCC) was held in Geneva. Later in 1992, the United Nations Framework Convention on Climate Change (UNFCCC) was adopted and entered into force in 1994.Supplementing commitment made under the UNFCCC, in 1997 at Kyoto during the Third Conference of Parties (COP3), the Kyoto Protocol was adopted and came into force in 2005.

To further strengthen such efforts and address shortfalls of the Kyoto Protocol, a process to establish a new climate regime under the UNFCCC was initiated. This failed short in 2009 during COP15 in Copenhagen whereby Parties failed to reach a detailed agreement. Therefore, negotiation continued from 2010 at COP16 in Cancun to 2015 at COP21 in Paris with attempt to plug the ambition gap between the commitment taken by Parties by 2020 (pre-2020) and those necessary to limit global warming to less than 2°c by the end of the century (post-2020). The latter was mostly dealt with in the COP21 in Paris whereby eventually the Paris Agreement was adopted. Further details of the Agreement including mandates, relevant articles and ensuring work plan on climate finance are provided in sub-section 2.

Climate finance was at the core of such negotiations since the UNFCCC was adopted, entered into force and later on with Kyoto Protocol and Paris Agreement too. To facilitate the provision of climate finance, the UNFCCC established a financial mechanism to provide financial resources to developing country Parties. The financial mechanism also currently serves the Kyoto Protocol and the Paris Agreement. The UNFCCC states that the operation of the financial mechanism can be entrusted to one or more existing international entities. The Global Environment Facility (GEF) has served as an operating entity of the financial mechanism since the UNFCCC entry into force in 1994. The financial mechanism is accountable to the COP which decides on its policies, programme priorities and eligibility criteria for funding. In addition to providing guidance to the GEF and the Green Climate Fund (GCF), Parties have established two special funds which are the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF), both managed by the GEF. Also, the Adaptation Fund (AF) was established under the Kyoto Protocol in 2001 and launched in 2007[1]. More information on these funds are further outlined in the next sub-section.

At COP15 in 2009, under the Copenhagen Accord, it was established that developed countries would collectively commit to providing new and additional resources approaching United States Dollar (USD) 30 billion in 'fast start' money for the 2010–12 period, to be balanced between adaptation and mitigation for Least Developed Countries (LDCs). This amount was set to increase towards USD 100 billion per year by 2020; this has also been incorporated into the Cancun Agreement. In addition, the Copenhagen Accord also

[1] UNFCCC. 2019. Introduction to Climate Finance

called for the creation of the GCF through which a significant part of the finance would be transferred, and a high-level panel to identify potential sources of revenue to meet the USD 100 billion per year target.
These calls were answered in Cancun at COP16 in 2010 whereby Parties established the GCF and in 2011 also designated it as an operating entity of the financial mechanism. At the same conference, Parties decided to establish the Standing Committee on Finance (SCF) to assist the COP in exercising its functions in relation to the financial mechanism of the Convention.

Later on at COP21 in 2015, Parties agreed that the operating entities of the financial mechanism, GCF and GEF, as well as the SCCF and the LDCF shall serve the Paris Agreement. Also, Parties decided that the SCF shall also serve the Paris Agreement. Initially during COP21, Parties did not decide on AF serving the Paris Agreement until 2018 during COP24 in Katowice were Parties agreed that the Fund shall serve the Paris Agreement. This was after deliberations under the Ad hoc Working Group on the Paris Agreement (APA).

Climate Finance Mechanism and Operating Entities
As indicated in the previous sub-section, financial mechanism and operating entities were established to facilitate provisions of the UNFCCC, Kyoto Protocol and Paris Agreement. These are further outlined below:

Green Climate Fund

GCF is a global fund created to support the efforts of developing countries to respond to the challenge of climate change. It works to help developing countries limit or reduce their Greenhouse Gas (GHG) emissions and adapt to climate change. It seeks to promote a paradigm shift to low-emission and climate-resilient development, taking into account the needs of nations that are particularly vulnerable to climate change impacts. It aims to deliver equal amounts of funding to mitigation and adaptation while being guided by the UNFCCC's principles and provisions. The Fund pays particular attention to the needs of societies that are highly vulnerable to the effects of climate change, in particular LDCs, Small Island Developing States (SIDS), and African States[2].

Global Environment Facility

GEF was established in 1991 and provides funding to developing countries and countries with economies in transition. It provided such funding for projects related to the focal areas of biodiversity, climate change, international waters, land degradation, ozone layer, and persistent organic pollutants. GEF provided funding in the form of both grants and concessional loans. It covers the incremental or additional costs associated with transforming a project with national benefits into one with global environmental benefits. GEF also administers two funds under the UNFCCC, these are LDCF and SCCF[3].

Least Developed Country Fund

LDCF was established in 2001 to assist LDCs Parties carry out the preparation and implementation of National Adaptation Programmes of Action (NAPAs)[4]. NAPAs are country-driven strategies that identify the most immediate needs of LDCs to adapt to climate change. The target sectors include water, agriculture and food security, health, disaster risk management and prevention, infrastructure, and fragile ecosystems. The LDCF focuses on reducing the vulnerability of key sectors identified through the NAPA process and financing on-the-ground adaptation activities that provide concrete results in support of vulnerable communities[5].

Special Climate Change Fund

SCCF was established in 2001 to finance projects relating to adaptation, technology transfer and capacity building, energy, transport, industry, agriculture, forestry, waste management and economic diversification. It complements other funding mechanisms for the implementation of the UNFCCC[6] and is the only adaptation fund open to all vulnerable developing countries[7].

[2] GCF. 2019. Who we are, About the Fund
[3] UNFCCC. 2019. Global Environment Facility
[4] UNFCCC. 2019. Global Environment Facility
[5] GEF. 2019. Least Developed Countries Fund (LDCF)
[6] UNFCCC. 2019. Global Environment Facility
[7] GEF. 2019. Special Climate Change Fund (SCCF)

Adaptation Fund

AF established to finance concrete adaptation projects and programmes in developing country. It supports initiatives that are based on country needs, views and priorities. Initially, it was to provide support for Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change; but since 1st January 2019, AF also serves under the Paris Agreement. The main financing sources of the AF is voluntary contributions and share of proceeds. During the last COP, it was decided that the Fund will no longer serve the Kyoto Protocol once the share of proceeds becomes available under Article 6, paragraph 4, of the Paris Agreement[8].

Standing Committee on Finance

SCF was established to assist the COP in exercising its functions with respect to the financial mechanism of the UNFCCC. This is in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financial mechanism, mobilization of financial resources and Measurement, Reporting and Verification (MRV) of support provided to developing country Parties.

It assists through activities such as organizing forums for communication and continued exchange of information; maintaining linkages with the Subsidiary Body for Implementation (SBI) and thematic bodies of the UNFCCC; providing draft guidance and making recommendations on how to improve the coherence, effectiveness and efficiency for the operating entities of the UNFCCC financial mechanism; providing expert input into the preparation and conduct of the periodic reviews of the financial mechanism; and preparing biennial assessments and overview of climate finance flows[9].

2. Introduction to the Paris Agreement and Mandate on Climate Finance

2.1. Overview of the Paris Agreement

The Paris Agreement is a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable climate resilience and low-GHGs development. It was adopted on 12th December 2015, open for signature on 22nd April 2016 and entered into force on 4th November 2016. It is currently has 186 Parties that have ratified it including 41 country Parties from Africa. The Agreement has three main purposes which have been stipulated under *Article 2*. These are:

- Holding the increase in the global average temperature to well below 2.0ºc above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 ºc above pre-industrial levels[10];
- Increase ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development[11]; and
- Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development[12].

It was adopted as part of the decision one of the COP21 (1/CP.21) and therefore has two parts which are decision part and the agreement part itself which was annexed to the decision. The decision part consists of six sub-parts which are adoption, Intended Nationally Determined Contributions (INDCs), decision to give effects to the agreement, enhanced action prior to 2020, non-party stakeholders, and administrative and budgetary matters. While the agreement part constitute of 29 Articles whereby each article focus on an issue which include Nationally Determined

[8] UNFCCC. 2019. Adaptation Fund
[9] UNFCCC. 2019. About the Standing Committee on Finance (SCF)
[10] UNFCCC. 2015. Decision 1/CO21, Adoption of the Paris Agreement
[11] Ibid.
[12] Ibid.

Contributions (NDCs), mitigation, adaptation, loss and damage, finance, technology development and transfer, capacity building, transparency, stocktake, compliance and administrative issues.

Apart from the decision and agreement parts, the Paris Agreement has a set of guidelines for its implementation. This is known as the Paris Agreement Work Programme (PAWP) or informally as the "Rule book". The PAWP provides, among other, a detailed transparency framework on how countries will provide information about their national climate action plans in both mitigation and adaptation measures. Also, it provides on how to uniformly count greenhouse gas emissions; collectively assess the effectiveness of climate action; monitor and report progress on the development and transfer of technology; and financing from developed countries in support of climate action in developing countries[13].

2.2. Paris Agreement Mandate on Climate Finance

Climate finance was a key issue of discussion during the negotiations for the Paris Agreement and thereafter for its "rulebook". It is therefore covered in both the decision and agreement part. The notable mandates are mainly stipulated under *Article 9 (1-9)* of the Paris Agreement but climate finance also form substantial portion of the decision part of the agreement including *from paragraph 52 to 64*. These provisions and paragraphs are further explained below:

The Agreement obliged developed country Parties to provide financial resources to developing country Parties. This obligation is derived from *Article 4* of the UNFCCC and therefore a continuation rather than introduction of new ones. The Agreement further stipulate that the financial resources to be provided should enhance implementation of developing country Parties' national policies, strategies of both mitigation and adaptation actions. These should aim at assisting the developing country Parties to fulfil their obligations under the agreement. *Article 9.2* of the Agreement welcome other Parties to voluntarily provide or continue to provide such financial resources.

Article 9.3 of the Agreement provides for mobilization of climate finance as part of global efforts. Developed country Parties are called to continue taking lead in the mobilization process from variety of sources with significant role of public funds recognised. Also, this mobilization is expected to be a progression from previous commitments. The previous commitments of mobilizing USD 100 billion per year by 2020 was agreed during COP15 in Copenhagen and the Paris Agreement extended that period to 2025.

Therefore, to reach such progression, the Agreement obliges Parties to set a new collective quantified goal from the floor of USD 100 billion per year prior to year 2025. The scaled-up resources are required to both aim to balance between adaptation and mitigation, and take into account the needs and priorities of the developing countries. Priority is further provided to LDCs and SIDS; and also on public and grant-based resources for adaptation. Under the PAWP, during COP24, Parties decided to initiate deliberations on setting a new collective quantified goal from a floor of USD 100 billion per year at the third Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA3) in 2020.

The Agreement also provides provisions to promote predictability, accountability and transparency on climate finance. Under *Article 9.5*, developed country Parties are mandated to biennially communicate ex-ante information on the projected levels of public financial resources to be provided to developing countries[14]. While other Parties were encouraged to do on a voluntary basis. The developed country Parties are also mandated to provide ex-post information on financial support for developing country Parties provided and mobilized through public interventions. Such transparent and consistent information are required to be provided biennially and in accordance with the Modalities, Procedures and Guidelines (MPGs) under the transparency framework which is also stipulated on the Agreement under *Article 13*. Subsidiary Body for Scientific and Technological Advice (SBSTA) were therefore tasked to develop modalities for accounting of such ex-post information on financial support.

[13] Environment News Service. 2018. COP24 Approves Paris Agreement Work Program

[14] TWN. 2018. Important Finance Decisions Adopted at Climate Talks

Under the PAWP, developed country Parties were therefore requested to submit the biennial communications, starting in 2020 as per the specified information (further highlighted in the next section). Other Parties providing resources were also encouraged to do so on voluntary basis. It was also decided that the information will be housed at a dedicated online portal to be established.

On the other hand, during the time of adoption of the Agreement, Parties did not decide on whether the AF will be mandated to serve under Paris Agreement. This, as stipulated under *paragraph 59* of the decision to the Paris Agreement, was put on hold waiting for decisions by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) and the CMA. But later on, as Parties finalised the PAWP in COP24, Parties decides that the AF shall serve the Paris Agreement. Also, the CMA is further mandated to provide guidance to the financial mechanism entities outlined above on matters related to policies, programme priorities and eligibility criteria related to the Paris Agreement.

To assess progress on these agreed provisions on climate finance, the global stocktake is mandated to take into account the relevant information provided by developed countries and other Agreement bodies. The global stocktake is stipulated under *Article 14* of the Paris Agreement and tasked to comprehensively and in facilitative manner assess collective progress towards achieving purpose of the Agreement and its long-term goals[15].

[15] UNFCCC. 2015. Decision 1/CP.21, Adoption of the Paris Agreement

Section 2

Major Developments Since Paris Agreement In 2015

Climate finance was and continue to be at the heart of climate change negotiations prior to the adoption of the Paris Agreement and thereafter in the process of coming up with its Work Programme.

This section provides a brief description of the negotiations on climate finance during COP22 in Marrakesh, COP23 in Bonn and the state of play at the end of COP24 in Katowice. It will be guided by matters relating to climate finance which are long-term climate finance, Standing Committee on Finance and review of the financial mechanism; Adaptation Fund; guidance to Green Climate Fund and Global Environment Facility; and ex-ante and ex-post information on climate financial resources.

1. Long-term Climate Finance and Standing Committee on Finance

Long-term climate finance constitutes a number of items which Parties engage on. These include biennial assessments and overviews of climate finance flows prepared by the SCF. Also, this looks at the progress in the efforts of mobilizing the USD 100 billion per year by 2020, its focus and channels; in-session workshops and ministerial dialogues on climate finance.

During the period, Parties welcomed two biennial assessment and overview of climate finance flows reports from the SCF in 2016 and 2018. The two reports highlighted increase in climate finance flows from developed to developing country Parties in year 2013–2014 and 2015–2016. Though there were some concerns on certainty of estimates, especially for private sector. Also, concerns were on adequacy of finance compared to the needs and priorities of developing countries as well as on instruments used.

The 2016 report indicates that 35 percent of finance is spent as grants, 20 percent as concessional loans, 10 percent as non-concessional loans, and other as equity and other instruments. While the 2018 reports indicated that grants was 36 percent, concessional loans was 57 and remaining percentage for other instruments. On the other hand, climate finance flows were identified in 2016 and 2018 reports to be mitigation-centric taking 70 percent and 61 percent respectively; while adaptation taking 25 percent in both 2016 and 2018 reports, and the remaining percent for other cross-cutting initiatives. These formed key issues that Parties negotiated on.

Common messages came from all decisions in COP22, COP23 and COP24 whereby developed country Parties were urged to meet their obligation of mobilising USD 100 billion per year by 2020; channel a substantial share of public climate funds to adaptation activities and to strive to achieve a greater balance between finance for mitigation and for adaptation; and enhancing enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance.

During COP24, Parties decided to initiate deliberations on setting a new collective quantified goal from a floor of USD 100 billion per year at CMA3 in 2020. The goal is required to take into account the needs and priorities of developing countries.

2. Adaptation Fund

The decision adopted during COP21 in Paris only recognized that the AF may serve the Paris Agreement, with key words being ‘may serve’. A year later, a step towards the good direction was made during COP22 in Marrakech whereby Parties decided that the AF should serve the Paris Agreement. The decision in COP22 was also pending on further decisions to be taken in the third part of the first session of the CMA (CMA1-3) and CMP13 that will address the governance and institutional arrangements, and safeguards and operating modalities of the AF[16]. The task to address arrangement and modalities for the Fund was assigned to the APA. Parties were also invited to submit their views on the matters by 31st March 2017.

A final step was made in COP24 whereby Parties decides that the AF shall serve the Paris Agreement. It will therefore serve under the guidance and be accountable to the CMA with respect to all matters relating to the Paris Agreement effectively on 1st January 2019. The decision was well received by developing countries especially the most vulnerable as the Fund has pioneered in funding concrete adaptation projects for more than 10 years.

Also, other decisions were made on sources of finance, institutional arrangements and rules of procedures. Parties decided that the AF will continue to be financed by a share of proceeds from Clean Development Mechanism (CDM) projects of the Kyoto Protocol and from a variety of voluntary public and private sources. Since the carbon market dropped in 2011–2012, voluntary contributors to the AF will continue to play a prominent role. Moreover, both the CMA and CMP decided to ensure that developing and developed country Parties to the Paris Agreement are eligible for membership on the Adaptation Fund Board (AFB). CMP further requested that the SBI consider the matter and provide a recommendation in November 2019 during COP25[17].

3. Guidance to Green Climate Fund

During the period, Parties welcomed GCF's reports, actions and progress on approval of projects and programmes, accreditation of entities, implementation of readiness and preparatory support programmes, operationalization of project preparation facility, expansion of its portfolio, increase of its staff, approval of operational policies, initial strategic plan and work plan (2018).

Key issues of discussion remains on urging Parties who made pledges in initial resource mobilization to fully contribute in a matter of high priority; addressing challenges and difficulties in accessing financial resources; delays in funds disbursement; facilitating increase in the amount of direct access proposals; and also importantly agreeing on arrangements and initiating first formal replenishment process of the GCF.

After requesting and encouraging the GCF Board to launch its first formal replenishment process, the process was initiated and welcomed by Parties during COP24 in Katowice. Parties stressed the urgency to reach the pledges for the first formal replenishment process which it targeted to conclude in October 2019. Parties also reaffirmed the importance of accelerating disbursement of funds to already approved projects to speed up implementation.

4. Guidance to Global Environment Facility

In COP22, COP23 and COP24, Parties welcomed GEF reports and its response to the COP's guidance. Key issues of negotiations during the period were GEF seventh replenishment, access to financial resources and by all eligible developing countries, and decrease of allocation to climate change focal area.

During COP22, Parties emphasized GEF to take into account the entry into force of the Paris Agreement in its deliberations on the strategy for the seventh replenishment in order to continue to increase the effectiveness of its operations.

During COP24, Parties welcomed the seventh replenishment of the GEF (July 2018 to June 2022) and urged all Parties that have not made pledges to do so. Developing and least developed country Parties also stressed the concern on decrease of allocation to climate change focal area.

5. Ex-ante and Ex-Post Information on Climate Financial Resources

After being mandated under *Article 9.5* of the Paris Agreement, the process was initiated in COP22 to

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[16] UNFCCC. 2017. Report of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on the first part of its first session

[17] Adaptation Fund. 2018. Adaptation Fund Shall Serve the Paris Agreement Staring 1st January 2019

identify information to be communicated by developed country Parties on projected levels of public financial resources to be provided. This though did not lead to much more progress than some suggestions. The secretariat was requested to organise and prepare a summary report of a round-table discussion on the matter for consideration and provide recommendation of such information during COP23.

After some intense negotiations between Parties during COP23 and its preceded intersessions, Parties managed to agree on the matter in COP24 as part of the Paris Agreement Work Programme. Developed country Parties were requested to submit the biennial communications starting in 2020 as per the specified information. Other Parties providing resources were also encouraged to do so on voluntary basis.

The agreed specified information to be provided include: projected levels of public financial resources to be provided to developing countries as available; indicative quantitative and qualitative information on programmes, including projected levels, channels and instruments as available; policies and priorities, including regions and geography, recipient countries, beneficiaries, targeted groups, sectors and gender responsiveness; purposes and types of support (mitigation, adaptation, cross-cutting activities, technology transfer and capacity building); factors that providers of climate finance look for in evaluating proposals, in order to help to inform developing countries; an indication of new and additional resources to be provided, and how Parties determine such resources as new and additional; relevant methodologies and assumptions; as well as challenges and barriers[18].

Also, other information are on how Parties are aiming to ensure a balance between adaptation and mitigation, taking into account the country-driven strategies and the needs and priorities of developing country Parties; how financial support effectively addresses the needs and priorities of developing country Parties and supports country-driven strategies; efforts to integrate climate change considerations, including resilience, into their development support; and how support to be provided to developing country Parties enhances their capacities[19].

Parties therefore decided where such information will be housed and requested the secretariat to establish a dedicated online portal. The secretariat were also requested to prepare a compilation and synthesis of the communicated information starting in 2021 in order to inform the global stocktake which will start on 2023.

The outcome of *Article 9.7*, modalities for the accounting of financial resources provided and mobilized through public interventions, is incorporated into the MPGs adopted under the transparency framework. Therefore, developed country Parties are obliged to provide such information in accordance with the identified MPGs. The MPGs comprise of information on national circumstances and institutional arrangements relevant to reporting on the provision and mobilization of support; underlying assumptions, definitions and methodologies; and financial support provided and mobilized (bilaterals, regional and other channels; multilateral channels; and public interventions)[20].

During the 50th session of the UNFCCC Subsidiary Bodies (SB50), there was general agreement to build on existing Common Tabular Formats (CTFs) for biennial reports. On support provided, multiple developing country groups called for “no backsliding” by developed countries on the level of detail provided. Developing countries suggested ways to disaggregate the data provided, including for details on: bilateral, regional, and multilateral finance reported; information on support for adaptation and mitigation; sector-specific codes for reporting; information on grant equivalency and face value; and specific methodologies for accounting for finance provided and used. On support needed and received, several developing countries relayed difficulties using existing tables. Some identified information that is difficult to report, such as the expected timeframe and expected instruments. Many noted the need to cross-reference or somehow indicate when there is a link between finance provided and received, and technology development and transfer or capacity building provided and received, to ensure there is no double counting[21].

[18] TWN. 2018. Katowice News Update, Important finance decisions adopted at climate talks

[19] TWN. 2018. Katowice News Update, Important finance decisions adopted at climate talks

[20] ibid.

[21] IISD. 2019. Earth Negotiating Bulletin, Summary of the Bonn Climate Change Conference

Section 3

Interests of African Developing and Least Developed Countries

Negotiations under UNFCCC, as in other United Nations (UN) Systems, are done through individual country Party or in groups. The UNFCCC also establishes a number of groups on the basis of regional areas, political and/or annexes (Annex I, Annex II and Non-Annex I Parties). African Group and Least Developed Countries are among such groups. The former is the only regional group working as active negotiating group and the latter also constitute other members which are non-African countries.

The negotiating groups share various common concerns and interests. For African Group and LDCs, these include lack of resources, vulnerability and adaptation to climate change. The groups often make common statements on such issues of concern and interest as part of their negotiations position.

This section focuses more on that and highlight main concerns and interests of Africa developing and least developed countries, including the East Africa Community (EAC) countries, on climate finance negotiations.

1. Access to Climate Financial Resources

In each of the climate change negotiations prior to and under UNFCCC, Kyoto Protocol and Paris Agreement; accessing climate finance to fulfil mandates of Africa countries has been a top priority. But there are number of concerns that African developing and least developed countries are facing. These have therefore been main issues of interest and negotiations since then.

African countries urge for new and additional, adequate, predictable and sustainable climate financing. The 'Copenhagen' climate finance goal of USD 100 billion per year by 2020 has not been fulfilled and there are still challenges in predictability of current committed and future climate finance pledges.

Also, another concern is on difficulties in accessing climate finance especially from multilateral funding bodies. Very strict and prolonged procedures from such institutions have delayed entities from Africa to get accredited and accessing the funds. A notable institution that have been frequently mentioned is the GCF. On the other hand, the GEF's decrease on allocation for climate change focal area and slow progress in its seventh replenishment added to such concerns.

Therefore, African countries' current interest is to address those concerns while also working on the initiated process of setting a new collective quantified goal from a floor of USD 100 billion per year at CMA3 in 2020. As stipulated on the Paris Agreement, African countries demand such goal to take into account the needs and priorities of developing countries and should be scientifically based.

2. Balance between Adaptation and Mitigation

African countries' priority has been clearly on adaptation while also contributing to global mitigation efforts. Therefore climate financing for African developing and least developed countries targets adaptation rather than mitigation. Unfortunately, the climate finance flows has been mitigation-centric. The previous two SCF reports on climate finance flows, in 2016 and 2018, indicate that adaptation takes only a quarter of the global climate finance from developed to developing countries while mitigation taking over 60 percent.

African developing and least developed countries' interest here is on achieving balance between adaptation and mitigation in provision of climate finance. Also, African countries call for public resources and grant-based funds to support adaptation initiatives rather than loans. The two previous SCF reports, 2016 and 2018, indicate that there has been a slight increase on grant financing for adaptation. During the period 2013–2014, grants represented 88 percent and 56 percent of approved climate fund and bilateral finance[22] respectively; while in 2015–2016, it increased to 94 percent and 62 percent [23] respectively.

3. Sources of Finance and Governance of the Adaptation Fund

AF has been a very important source of finance for concrete adaptation projects of African countries including support of small projects in an innovative direct access modality. It was established under Kyoto Protocol and therefore after adoption of the Paris Agreement African countries interest was for it to serve both the Protocol and Agreement. Initially, as highlighted in the previous sections, Parties did not agree for the Fund to serve the agreement until COP24 in Katowice were the decision was adopted for it to serve the Paris Agreement.

As part of such decision, new areas of concern aroused for African developing and least developed countries. These are sources of finance for the Fund and composition of its Board.

In Katowice during COP24, Parties decided that the Fund will continue to be financed by share of proceeds from CDM and voluntary contributions. But Africa's main concern on this is significant drop in the carbon market and therefore this will not be a reliable source of finance for the Fund. Also, voluntary contributions, which have been vital source for the Fund in recent years, is not that reliable because developed country Parties are not obliged to do so unless there is a continuous political will. Any change in political and/or administration circumstances in a contributing country may affect such voluntary contributions. This is already evident with a number of projects under the established Fund pipeline waiting for disbursement of financial resources. Therefore, Africa's interest is on having reliable source of finance which will provide decent financial resources and be sustainable.

On the other hand, the decision in COP24 tasked SBI to consider the membership of the Fund Board which will comprise of members from developed and developing countries who are Party to the Paris Agreement. Africa developing and least developed countries' interest is to maintain the current number of and composition of the Fund Board. In 2007 during CMP3, it was decided that the AF Board shall have 16 members taking into account fair and balanced representation among identified groups[24]. The concern is that developed country Parties counterparts want changes in number and composition of the Fund Board. Negotiations are still on-going on this which are expected to be concluded during COP25.

4. Financing of Actions to Address Loss and Damage

For African developing and least developed countries, loss and damage represents an outstanding economic and political challenge and a great concern that has been prioritized by the meeting of the Committee of African Heads of State and Government on Climate Change (CAHOSCC) and seriously considered by the African Ministerial Conference on the Environment (AMCEN). Current and projected costs to address loss and damage are enormous[25] and this is one of the main concerns.

[22] SCF. 2016. Summary and recommendations by the Standing Committee on Finance on the 2016 biennial assessment and overview of climate finance flows

[23] SCF. 2018. Summary and recommendations by the Standing Committee on Finance on the 2018 biennial assessment and overview of climate finance flows

[24] two representatives from each of the five UN regional groups; one representative of the SIDS; one representative of the LDCs; two other representatives UNFCCC Annex I Parties; two other representatives from the UNFCCC non-Annex I Parties.

[25] Submission by the Arab Republic of Egypt on behalf of the African Group of Negotiators on matters related to the financing of actions to address loss and damage

During COP21 in Paris, African countries well received the decision to have a specific article on loss and damage under the Paris Agreement (*Article 8*). Though there were concerns resulted from *paragraph 51* of the decision part of the Agreement which stipulates that loss and damage does not involve or provide a basis for any liability or compensation.

The current main interest for African countries is on stressing the urgency of financing loss and damage not side-lining it from negotiations under UNFCCC, and specifically on operationalization of the Paris Agreement. This include financing for incurred loss and damage and adequate financing to implement the work plan of the Warsaw International Mechanism for loss and damage (WIM) Executive Committee (ExCom).

5. Framework to Communicate Information on Climate Finance Support

As highlighted in the previous sections, developed countries are obliged to communicate information on indicative, provided and mobilized climate finance under the Paris Agreement. The process was agreed to start in 2020 and the information to be housed on dedicated online portal to be established.

African developing and least developed countries' main interest is to therefore have a robust transparency framework that will monitor, verify and review the information to be communicated. This will help in a number of ways including avoiding double counting; tracking progress towards identified goal; identify balance between adaptation and mitigation; and instruments and channels used.

Section 4

Way Forward

The Paris Agreement remains to be a landmark climate deal despite the existing challenges. In order to achieve the set objectives and goals of the Agreement, climate finance is vital in supporting climate resilience and also investment in low GHGs emission development. With a year to go to reach 2020, a breakthrough was made in Katowice during COP24 whereby Parties agrees on the PAWP which include matters related to climate finance.

This section briefly provides recommendations as a way forward to ensure implementation of the Paris Agreement mandate on climate finance while taking into account the interests of Africa developing and least developed countries. These include:

Ensure Multi-stakeholders' Approach

Governments alone cannot ensure implementation of the Paris Agreement. This calls for a multi-stakeholders' approach to innovatively mobilise and provide climate finance. Businesses, financial institutions, cities and other non-state actors should be encouraged to provide support to climate change initiatives especially on adaptation which is a priority to African developing and least developed countries. This can be done by setting supportive environment and policies for investment. Also, financial entities, research and innovation institutions should be engaged to support creating and/or strengthening reporting and transparency frameworks.

Innovative mobilization of domestic resources to complement the international climate funding

The Paris Agreement oblige developed country Parties to provide financial resources and mobilise climate finance from variety of sources, instruments and channels. This though does not limit African countries to mobilise resources from their own domestic sources to support climate initiatives. Therefore, African countries should innovatively mobilize resources to complement the international climate funding. They should package their NDCs as investment portfolio to attract private sector financing. Also, African countries can increase their domestic resources through tax revenue management, plugging illicit financial outflows, reduce the cost of remittances and developing capital markets to attract foreign direct investment[26].

Strengthening the Compliance Mechanism and Transparency Framework

For implementation of the Paris Agreement mandate on climate finance, Parties needs to strengthen the compliance mechanism and transparency framework. This should be done in a way that get the right balance whereby it build trust among Parties, avoid punitive actions while also oblige Parties to meet their climate finance obligations and implement the Paris Agreement. Parties shall adhere to the agreed obligations under the frameworks including submitting their Biennial Transparency Report (BTR), national inventory report and information on climate finance support provided to developing countries including on what is new and additional and how to determined that and progression from previous levels. Also, the mechanism and framework should make the best use of the periodic global stocktake starting in 2023.

[26] ECOSOC. 2019. Summary and Key Messages of the Fifth Session of the Africa Regional Forum on Sustainable Development

Creating new and strengthening existing Partnership between Africa Countries

Apart from partnership with civil societies and private sector; African governments should create new and/or strengthen existing partnership among countries to facilitate implementation of the Paris Agreement. This can be done by creating new bilaterals among themselves and through existing Regional Economic Communities (RECs) such as EAC, Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), Economic Community of West African States (ECOWAS), Community of Sahel-Saharan States (CEN SAD), Economic Community of Central African States (ECCAS) and Intergovernmental Authority on Development (IGAD).

The partnerships will help in both mobilization and efficient use of climate funds for national and/or regional climate change initiatives. Accessing climate finance directly, that will support implementation of the Paris Agreement, is a complex process with very tight requirements and has some cap limitation. Through partnerships of two or more countries, individual countries increase chances of meeting such requirements (by complementing capacities) and also overcome individual country caps for accessing multilateral climate funds. Partnerships can also help countries to leverage on experience and expertise that will bring in effective and efficient climate resilience interventions as well as avoiding duplications. Moreover, partnership among countries within a region can also help in mobilizing domestic funds for regional climate change interventions which could have been difficult for one country to address. For example, around Lake Victoria in East Africa; Kenya, Tanzania and Uganda can work together on a joint regional program which they can also jointly mobilize funds at multilateral sources.

Make best-use of Technological Advancement

To complement on the limited climate finance resources, Parties should leverage on technology advancement to support climate change mitigation and adaptation initiatives. This can be done through removing or reducing costs of technology transfer to developing countries, including from Africa, on climate-related initiatives. Observatory and resources mapping technologies can be transferred to African developing and least developed countries through digital tools rather than building and sending satellites to the space which is way expensive. Also, this can be done through creating centres for sharing climate information whereby countries with sophisticated technologies, such as for climate forecast, can share such information for others who do not.

To facilitate this reduction or removal of costs for technology development and transfer, African developing and least developed countries also need the right set of specific local conditions to be in place to attract innovators and investors. This set include legal, organisational, fiscal, informational, political, cultural as well as skilled workforce[27].

On the other hand, as costs for climate change mitigation are driven down by technological advancements and alternative energy systems start to support development; priority should be shifted to investment on adaptation initiatives which are of equal importance and also a priority for African developing and least developed countries.

Avoiding Final-minute Breakdown

The Paris Agreement was built around collaborative, compromise and bottom-up approach which won its international acceptance. This provides basis for long-term cooperation in addressing climate change through investment on climate resilience and low-GHGs development initiatives. Therefore, Parties should avoid final-minute breakdown due to changes in political will, growing mistrust and denial of scientific facts. Parties should continue with the spirit that made it possible for the Paris Agreement to be adopted in the first place during COP21 in Paris. Pulling-out of the Agreement and/or not fulfilling financial pledges and commitments should not be supported.

Parties should continue to keep momentum and send positive signal, on climate finance support and emission reduction, even if some countries show intent of not fulfilling their obligations. Also, cities, Local

[27] European Commission. 2014. Climate Technology Transfer

Government Authorities (LGAs), private sector, civil society and citizens groups should continue to contribute to the implementation of the Paris Agreement while also advocating for Parties to meet their obligations.

Moreover, Parties should avoid bringing political tensions among countries into climate change proceedings under UNFCCC, and specifically for Paris Agreement. This can limit some developing and least developed countries to access climate finance which they are mandated to receive. Also, it can limit the mitigation efforts due to concerns in losing ground on industrial comparative advantages and global power dynamics.

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