

Enhanced action on the provision of financial resources and investment

- Common elements are interpreted where Parties have proposed similar ideas. Divergence is interpreted where Parties have explicitly stated their objection, or where there are significant alternatives with opposing ideas.
- The content of the table follows the existing structure of the text. Parties may have other perceptions and the table may not reflect all common elements and divergence issues.
- The text in *italic* format represents repetitions of the common element within the sections of the Finance chapter.

1. Objective, Scope and Guiding Principles (Pages 147-154)

Common elements	Divergence
<p>Overarching principles:</p> <ul style="list-style-type: none"> • Provision of financial resources to further enhance the full, effective and sustained implementation of the UNFCCC and fulfilment of the Bali action plan; • Substantial gap between the financial resources required for enhanced action on adaptation and mitigation in developing countries and the level of financial resources currently available; • Commitments entailed in Article 4 and Article 12.1 of the Convention. 	<ul style="list-style-type: none"> • Alignment of the text with principles and provisions of the Convention; • Commitments of developed country Parties to provide financial resources to meet agreed full incremental cost and agreed full costs; • Action by all Parties to foster investment and financial flows for climate change response.
<p>Principles to guide generation of resources</p> <ul style="list-style-type: none"> • Need to provide scaled-up, new, additional, predictable and sustainable financial resources; • Financing would be derived from multiple sources; • Principle of equity and common but differentiated responsibilities. 	<ul style="list-style-type: none"> • Scale of adaptation financing provided is linked to mitigation commitments and actions by developed country Parties; • Additional to ODA; • Roles of the public and private sectors in generating financial resources to support enhanced action; • Polluter pays and historical responsibility.

Common elements	Divergence
<p>Principles to guide governance of institutional arrangements</p> <ul style="list-style-type: none"> • Full transparency, efficiency, effectiveness, equitable and balanced representation of all parties; • Financial mechanism shall function under the guidance and be accountable to the COP; • Coherence and coordination between financing under the COP and various financial mechanisms and individual funds to reduce fragmentation in the implementation of the Convention and promote access to the variety of available funding. 	<ul style="list-style-type: none"> • Appropriate representation of all Parties; • Financial mechanism, in accordance with Article 11.1 and 11.2 of the Convention, shall function under the authority of the COP; • Coherence and coordination through programme priorities and eligibility criteria decided by the COP; • Governance of financial resources provided through bilateral, regional, and other multilateral channels.
<p>Principles to guide delivery of financial resources, including access and disbursement:</p> <ul style="list-style-type: none"> • Simplified and improved access to financial resources; • Delivery of financial resources to follow a programmatic approach, using a project approach when appropriate; • Country driven; • All developing country Parties are eligible for the funding, with special consideration for the needs of vulnerable countries; • Funds shall be allocated for adaptation, mitigation, technology transfer and capacity-building, in a balanced manner; • Financial resources be provided in from of grants and/or concessional basis. 	<ul style="list-style-type: none"> • Financial resources provided through bilateral, regional, and other multilateral channels or other institutions outside the Convention shall not be regarded as fulfilment of commitments by developed country Parties; • Direct access by recipient countries, provided that the fiduciary standards of the in-country recipient entities are effective; • Criteria to define eligibility and vulnerability; • Financial allocation for enhanced action to be based on decided ratios; • Form of support provided for adaptation and mitigation; • Mutual accountability, consistent with the principles of aid effectiveness as set out in the Paris Declaration on Aid Effectiveness; • Delivery of financial resources shall strive to leverage private sector financing.

2. Generation / Provision of Financial Resources (Pages 154-158)

Common elements	Divergence
<ul style="list-style-type: none"> • <i>Need to provide scaled-up financial resources;</i> • <i>Assessed contribution as a key source of finance;</i> • <i>Right to develop of developing country Parties.</i> 	<ul style="list-style-type: none"> • <i>Options of sources other than assessed contributions;</i> • <i>All countries contribute except LDCs/ Annex I countries contribute;</i> • <i>Burden sharing criteria/requirements;</i> • <i>All Parties report on policies to create enabling environment for mobilization of public and private financial resources.</i>
<ul style="list-style-type: none"> • <i>Resources need to be new, additional, sustained, predictable, adequate and stable.</i> 	<ul style="list-style-type: none"> • <i>Reliability of market based instruments;</i> • <i>Understanding of what constitutes adequate financial resources;</i> • <i>Diversion of ODA.</i>
<ul style="list-style-type: none"> • <i>Financing would be derived from multiple sources.</i> 	<ul style="list-style-type: none"> • <i>Roles of the public and private sectors in generating financial resources to support enhanced action;</i> • <i>Scale of public resource contribution;</i> • <i>Penalties imposed by COP as a sources for resource generation;</i> • <i>The use of: levy on international bunkers, auction of AAUs, debt relief, extension of the levy on flexible mechanism, global tax on fossil fuels emissions, etc.</i>

3. Institutional Arrangements, Including Funds/ Institutional Structure (Pages 158-169)

Common elements	Divergence
<ul style="list-style-type: none"> Financial mechanism shall function under the guidance and be accountable to the COP. 	<ul style="list-style-type: none"> Financial mechanism shall function under the authority of the COP.
<ul style="list-style-type: none"> Full transparency, efficiency, effectiveness, equitable and balanced representation of all Parties. 	
<ul style="list-style-type: none"> Establishing an institutional framework for provision of financial resources. 	<ol style="list-style-type: none"> An Executive Body with the supporting structures to operationalize the financial mechanism under the full authority and guidance of the COP. Resources would be made available through direct access, would have in place prudent fiduciary norms, and be subject to external and internal oversight. Modalities of determining the role of existing funds and entities for the operation of the mechanism shall be developed; Establishment of a Board, comprised of participant countries (contributors and beneficiaries grouped in a balanced and practical way), that will report to the COP; Make effective and efficient the use of existing institutions and periodically assess the fulfillment of key functions. The role of the COP will be to provide advice and strategic guidance.
<p>Key functions of the financial architecture:</p> <ul style="list-style-type: none"> Measurement, reporting and verification of financial resources; Effective use of resources. 	<p>Key function of the financial architecture:</p> <ul style="list-style-type: none"> Executive body for management of the financial mechanism; Approval of guidelines and procedure for use of funds Coordination with existing funds and entities; Certification and registry of financial contributions; Assessment of the needs for financial resources; Measurement reporting and verification for the use of resources.