

## Working document

### [Section F - Finance]

Version of 02 September 2015 at 23:50

#### *Main observations:*

- Parties continued to engage in in-depth and fruitful discussions, particularly during three informal meetings of the facilitated group on the following issues: the notion of scale, scaling up and commitments/obligations/actions. During these discussions, Parties further clarified some of the concepts that, from their perspective, need to be addressed in the draft Agreement and/or draft Decision, including specific proposals for the placement of text, building on existing language already contained in the Co-Chairs' Tool. In addition, Parties engaged in conceptual discussions on various issues in an attempt to reach further clarity and a better understanding on some of the proposals that have been put forward.
- The Co-Facilitators reported back to Parties on the response of the Co-Chairs regarding where to discuss issues related to transparency/MRV of support, adaptation finance and thematic funding. It was announced that a session on adaptation and finance would be organized on Thursday, 3 September 2015.
- A submission was received from a group of Parties on the issue of institutional arrangements on finance in the core agreement.<sup>1</sup>

#### Work on the notion of scale, scaling up

- Parties engaged in discussions on the notion of scale, scaling up during two informal meetings of the facilitated group on finance. A brief oral report was provided by a representative of a Party designated by the Co-Facilitators during a meeting of the facilitated group in between the two informal meetings.
- A full report will be provided to the facilitated group on Thursday, 3 September 2015, the content of which will be reproduced in the working document of that day.

#### Work on commitments/obligations/action

- The informal meeting of the facilitated group on finance in the afternoon of Wednesday, 2 September 2015, covered the issue of commitments/obligations/actions as agreed in the facilitated group on finance.
- With regard to commitments and obligations, Parties referred to the existing commitments and responsibilities under the Convention. Some Parties pointed out the link between the commitment to provide financial resources and the enhanced implementation of the Convention, other Parties indicated that this would also require effort and action by all in order to mobilize the financial resources required to this end, while fully acknowledging the commitments of developed country Parties as defined by the Convention. Specific concepts that were mentioned included: the scaling up of support, the enhancement of existing commitments, the need for periodicity and review of commitments, the need for increasing ambition over time, and the need for predictability and adequacy.
- Concerning the notion of actions, various concepts were identified by a few Parties, including: cooperation to promote the mobilization of climate finance from a variety of sources; prioritization of the poorest and most vulnerable countries in the provision of grant-based assistance; mainstreaming climate change in development processes; improving of enabling environments; scaling down support to high-carbon investments; making voluntary contributions in the form of actions taken by developing countries without support, for example, in the context of South–South cooperation; and increasing transparency on support.

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<sup>1</sup> Available at: <<http://unfccc.int/bodies/awg/items/9158.php>>.

- In particular, the concept of enabling environments was discussed at a more in-depth level since various Parties had pointed out that more conceptual clarity is needed on this issue. There were divergent views on the need to capture the concept of enabling environments in the draft Agreement. Some Parties emphasized the need to capture a collective effort by all Parties to enhance enabling environments in the draft Agreement as they perceive this more in terms of an enabler contributing to, for example, overcoming existing barriers in order to access financial resources, rather than as conditionality for support. Other Parties expressed concerns regarding a perceived conditional aspect intrinsically linked to the concept of enabling environments, as well as regarding a lack of clarity on this concept. Another notion raised by a few Parties in the context of enabling environments was the need for enabling environments not only at the domestic level, but also at the multilateral level, for example, through commitments on financial resources and the provision of adequate and predictable resources.
- The concept of investments was also briefly discussed, with some Parties seeing the enhancement of low carbon investment and the transformational shift related to that end as an important concept to be captured in the draft Agreement, while others were of the view that this concept may transgress the scope of climate finance discussions, and that more clarity on the implementation of anchoring this concept in the draft Agreement may be needed.
- Some Parties indicated that they will provide textual proposals on the issue of commitments/obligations/actions, others indicated specific textual elements contained in the Co-Chairs' Tool on the basis of which the current text contained in the draft Agreement and the draft Decision could be enhanced and/or added to. Various Parties indicated that they will continue to engage also on a bilateral basis on some of the concepts identified.

#### Work on institutional arrangements – Financial Mechanism

- Parties initiated informal deliberations with discussions focusing on the issue of institutional arrangements (Financial Mechanism), as agreed on in the facilitated group. Two Party representatives were invited by the Co-Facilitators to report back on the outcome of the informal meetings, which was shared with the facilitated group on finance in the evening session, with the following issues having been identified:
  - The Financial Mechanism as described in Article 11 of the Convention is to serve as the Financial Mechanism of the new Agreement, as Parties saw no need for the creation of a new Financial Mechanism;
  - The existing funds will remain in place, but there is no convergence on whether and how such funds should be reflected in the draft Agreement/Decision, so more discussions on this issue may be necessary;
  - There is a need to continue to provide guidance to the operating entities of the Financial Mechanism, but the question of the channel for such guidance remains (e.g. Agreement, Decision or regular COP agenda item);
  - There was an agreement that the Standing Committee on Finance will continue to assist Parties with regard to the Financial Mechanism, including with regard to increasing the coherence and coordination of the Financial Mechanism;
  - An opportunity to create new institutional arrangements may be needed, should Parties see the need for this;
  - Issues such as importance of predictability and accessibility were also raised.
- More detailed notes on the discussions will be provided to the Co-Facilitators by the designated delegates.

#### Next steps

- An informal meeting of the facilitated group on finance will take place on Thursday, 3 September 2015 on the issue of sources.