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ASIAN PEOPLES' MOVEMENT ON DEBT AND DEVELOPMENT

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Submission on the Climate Finance Work Programme

The Climate Finance Work Programme (CFWP) was established in the context of a proposal from developing countries to discuss the implementation of Article 9.1 of the Paris Agreement as an agenda item under the CMA. This proposal highlighted that while developed countries have largely relied on Article 9.3 (focused on the mobilization of climate finance) for their climate finance commitments, Article 9.1 (focused on the provision of climate finance) has yet to be operationalized through dedicated implementation arrangements. Developed countries did not agree to a CMA agenda item specific to Article 9.1, but did agree to discuss Article 9.1 in the context of Article 9 as a whole, as part of a work programme on climate finance. This negotiating history and context must be recognized, and the resulting agreement honored, in deliberating the vision, modalities, and elements of the CFWP.

Vision of the CFWP

We envision the CFWP to establish building blocks and durable processes for the realization of Article 9.1, aimed at facilitating the rapid and significant scaling up of public, grants-based, and non-debt-creating climate finance, as part of developed countries' payment of their massive climate debt.

This means concretely operationalizing the implementation of developed countries' legal obligation to provide financial resources to developing countries for climate action. In particular, as Article 9.1 states that this legal obligation runs in continuation to other existing obligations under the Convention, the CFWP must operationalize Article 9.1 in relation to these existing obligations, including the following:

- Article 4.3 of the Convention qualifies that the provision of financial resources from developed countries to developing countries must be **new, additional, adequate, predictable, and guided by appropriate burden-sharing** among developed countries.

- Article 11.1 of the Convention states that the **Financial Mechanism of the Convention**, through its operating entities, shall serve as the mechanism for the provision of grants-based and non-debt-creating financial resources, including for the transfer of technology.

- Article 12.3 of the Convention stipulates that developed countries shall **report to the Conference of the Parties** the measures it has taken to implement Article 4.3.

Additionally, taking Article 9.1 "in the context of Article 9 as a whole" should in no way be interpreted to mean that the public finance to be provided by developed countries is mainly meant to be used for catalyzing private finance under Article 9.3. Neither does it mean that developing countries, who are only encouraged to voluntarily provide such support under

Article 9.2, should scale up public finance provision. Instead, taking Article 9.1 "in the context of Article 9 as a whole" should leverage linkages with other obligations also stipulated across Article 9. These include:

- Article 9.4 of the Paris Agreement highlights the need for a balance between adaptation and mitigation, and the unique need for **public and grant-based resources for adaptation.**

- Article 9.5 of the Paris Agreement states that developed countries are bound to biennial quantitative and qualitative reporting of **available and projected public financial resources** to be provided to developing countries.

- Article 9.6 of the Paris Agreement stipulates that reporting on climate finance provision by developed countries shall **feed into the Global Stocktake (GST).**

Putting together these relevant linkages with the Convention and the Paris Agreement, the CFWP must:

- **Produce a common definition of climate finance,** as well as clearly define what is meant by "new and additional," "adequate," "predictable," and "appropriate burden-sharing" in climate finance provision. For us, climate finance must be defined as public, grants-based, and non-debt creating instruments directly channeled to the operating entities of the UNFCCC Financial Mechanism. Concurrently, the CFWP must also produce an exclusion list to delineate what *does not* count as climate finance. Climate finance must be differentiated from Official Development Assistance, public or private climate investments, loan-based instruments that exacerbate debt burdens in developing countries, carbon credits used to offset emissions, or other financing unaccountable to, or beyond the scope of, the UNFCCC.

- **Mandate regular and standardized reporting** by developed country Parties on the implementation of their obligation to provide climate finance to developing countries. Reporting must cover only new and additional climate finance to address double counting; specify developed countries' targets and timelines for climate finance provision to enhance predictability; and disaggregate contributions according to theme (mitigation, adaptation, just transition, and loss and damage) and channel (Green Climate Fund, Global Environment Facility, Adaptation Fund, or Fund for Responding to Loss and Damage) to ensure balanced and adequate resourcing, and to enable independent verification. Finally, this reporting must not only take stock of existing support, but configure concrete plans for the *scaling up* of climate finance targets and actual delivery, taking into account the increasing scale of need in developing countries.

- **Identify sources of public finance** that developed country Parties can draw from to provide climate finance, and urge developed country Parties to scale up the provision of grants-based and non-debt-creating climate finance from these sources. These sources include the repurposing of fossil fuel subsidies, redirection of military expenditure, and imposition of wealth and windfall taxes.

While the work programme is not limited to Article 9.1, the operationalization and implementation of Article 9.1 must first be addressed and resolved before other climate finance issues are discussed, to ensure that the raison d'etre of the work programme is met.

Modalities of the CFWP

The CFWP should hold **two technical dialogues and a high-level ministerial round table** per year. Further, the CFWP must establish a **standing agenda item under the CMA** on Article 9.1. This would ensure consistent monitoring, enhance transparency on public climate finance flows, enable CFWP inputs to feed into the upcoming GST 2, and facilitate accountability and course correction for gaps, delays, and failures/arrears in the delivery of public climate finance.

The CFWP **cannot be organized according to engagement workshops only.** Engagement workshops are mainly used for information sharing rather than the decision-making required to achieve the above concrete outcomes. Engagement workshops could be useful for sharing technical knowledge on the background, importance, or application of Article 9.1, as a *complement* to the high-level sessions mentioned above, and *not* as a standalone or substitute modality. However, given the resource constraints faced by many developing country and civil society constituencies in sending delegations to UNFCCC negotiations, high-level sessions should be prioritized over engagement workshops.

Observers must be able to meaningfully engage in the CFWP. This includes the right to speak/intervene in the CFWP sessions, have access to documents at the same time as Parties, be invited to pre-session consultations and calls for submission of inputs, and have the option of participating virtually. All sessions must be recorded and promptly posted for public viewing on the UNFCCC website, along with a summary of each session.

Further, the Standing Committee on Finance must produce a **yearly standalone report on Article 9.1,** or a dedicated chapter on Article 9.1 in its Biennial Assessment and Overview of Climate Finance Flows, to assess the scale of provision of public, grants-based, and non-debt-creating climate finance, taking into account additionality, adequacy, and predictability.

Elements of the CFWP

We also submit the following elements and views as our inputs to the actual content of the CFWP deliberations, with the view of helping build consensus towards the perspectives of peoples and communities in developing countries.

- **Role of public finance.** As earlier mentioned, the provision of public finance by developed countries as part of their legal obligations must not be used mainly to mobilize private finance. Rather, public finance is vital in ensuring a rapid, just, equitable, and system-wide transition out of fossil fuels. Public finance is even more crucial in advancing adaptation, resilience-building, and loss and damage, where the private sector is not only uninclined to invest given lower profit margins, but is also not the appropriate actor given the necessary primacy of public interest and rights-based considerations in these areas. Private investments, which are driven by profit-making and the vagaries of markets, cannot be relied on to deliver public interests, in climate action or otherwise.

- **Sources of public finance.** With political will, developed countries can unlock trillions in public finance to deliver on their climate finance obligations. Specifically, estimates show that:
    - Raising taxes on billionaires and multimillionaires in developed countries can unlock $3.5 trillion;
    - Implementing polluters-pay measures (e.g. termination of fossil fuel subsidies, introduction of a climate damages tax, and imposition of frequent flyer levies or levies on international maritime shipping) in developed countries can unlock $1.09 trillion;
    - Raising taxes on corporations and cracking down on tax evasion in developed countries can unlock $1.07 trillion; and
    - Redistributing just 20% of public military spending in developed countries can unlock $280 billion.

  In addition to fulfilling their climate finance obligations, developed countries must cancel unsustainable and illegitimate debts in developing countries to free up fiscal space for climate action. This forms part of developed countries' responsibility under the Paris Agreement in the context of supporting sustainable development and poverty eradication in developing countries. G77 countries are presently paying over $8 trillion in debt servicing, with debt servicing by SIDS and LDCs (at $59 billion) amounting to over double their climate finance inflows (at $28 billion). Even modest debt restructuring measures for low-income developing countries can raise a staggering $917 billion.

- **Burden-sharing among developed countries.** The withdrawal of the United States from the Convention presents a pressing need to operationalize equitable burden-sharing arrangements among developed countries. This can be done through the setting of country-level and collective delivery targets according to historical responsibility and respective capability. Rather than follow in the US' footsteps, other developed countries should significantly ramp up their climate finance delivery not only to ensure the undisrupted flow of climate finance at previous levels, but also to meet the rapidly ballooning scale of need in developing countries.

- **Barriers to climate finance provision.** The CFWP should provide the space for developed countries to openly explain the barriers hindering the fulfillment and scaling up of climate finance commitments. It should also enable Parties to collectively arrive at concrete steps to address these barriers. For example, trends of climate denialism in developed countries, limited awareness among policymakers on developed countries' climate finance obligations, climate-blind national budgeting or decision-making processes, and political tensions between developed and developing countries that are blocking or delaying climate finance delivery should be discussed and addressed.