Developing countries disappointed over LDC fund

Poznan, 3 Dec (Juan Hoffmaister and Chee Yoke Ling) -- In Tuesday’s discussion of the Subsidiary Body on Implementation on the Least Developed Countries Fund and the review of the Convention’s financial mechanism, the Group of G77 and China stressed that developed countries continue to fail to fulfill their financial commitments. The role of the Global Environmental Facility (GEF) was also a matter of concern for developing countries.

The Philippines, speaking for the G77/China said that the Least Developed Countries Fund (LCDF) could be called the “Least Developed Fund” as it is “completely underfunded”. It said the pledged amount of US$172 million is “a measly sum” and not even half of the Christmas bonus of the CEO of a bank that was recently bailed out in the United States.

Difficulties in accessing the fund were raised by numerous countries including by the Maldives (on behalf of the LDC Group), Solomon Islands, Mali, Malawi, Gambia, Tanzania and Kiribati. Many delegates voiced their frustration that seven years after the establishment of the LCDF in 2001 in the Marrakech COP much of the US$172 million remained pledges and only one project had been approved.

The Maldives, on behalf of the LDC Group, said that the approval process is complicated and slow. This contradicts the principle of the fund to support the implementation of “urgent and immediate” activities identified in the national adaptation programmes of action (NAPA).

Mali stressed that the process for receiving funding needs to be reviewed, as manifested through the challenges they have experienced. Mali also stated that the funds would not be sufficient, as US$3 million, for example, is not enough for adaptation programmes, even for a small country.

Kiribati noted that of the US$6 million request to the GEF, only US$3.5 million were received, and the country had to look for funding elsewhere.

Tanzania stated that it is a shame that the international community has failed to support LDCs, and there is need to rethink how to allow LDCs to access funds in a way that meets immediate and urgent needs.

Nigeria recalled that when the LDCF was launched there was fanfare and hope, but the commitment of funding has not being followed. It noted that the issue of funding is at the core of the commitments, and that if developed countries consider climate change to be equally serious as the financial crisis, they should respond accordingly.

Malawi, noted that they started the process of developing their priorities on adaptation in 1996, but the implementation has not started for lack of funds, stressing that in the meanwhile, people are suffering from the adverse impacts of climate change.

Bhutan, the country with the only approved LCDF project said that only 3 of the 9 priority areas identified as urgent and immediate in their NAPA is funded. Implementation started a few months ago but the funding is not enough for the country’s needs.

It was striking that no developed countries spoke during the LDCF discussion. The Chair
requested delegates from Zimbabwe and Canada to conduct informal consultations to prepare a draft decision on the LDCF.

Financial Mechanism Review

The review of the Convention’s financial mechanism and the report of the GEF to the COP were also discussed by the SBI.

Developing countries stressed the inadequacy of the current mechanism to attend to the needs of developing countries, and reminded developed countries of unfulfilled commitments.

Philippines, speaking on behalf of G77/China stressed the importance of the review of the financial mechanism in light of appropriate actions to be taken in accordance to decisions to be taken at COP15 in 2009, and requested that the GEF annual reports be made available as early possible so that they can be given proper attention prior to meetings.

Algeria, on behalf of the Africa Group, emphasised the need to improve predictability of funds, noting that the assessment of funds needed should be completed well in advance, to be taken into account in the replenishment of the Resource Allocation Framework (RAF).

Japan recognized the gap between demand and supply of financial resources for adaptation and mitigation, and welcomed the establishment of the Climate Investment Funds (CIF) under the World Bank with over US$6 billion pledged. It noted that public finance alone is not going to fill the needs on adaptation and mitigation, and stated that the financial mechanism should catalyze resources and the importance of promoting private investment to build favourable conditions in developing countries.

The United States stated that COP decisions should not influence the replenishment of the RAF.

China reminded developed nations of commitments under Article 4.3 of the Convention on finance, and noted that private funds should not be used to evade responsibilities, through mechanisms outside of the Convention.

The GEF presented their annual report highlighting how they are assisting LDCS, SIDS and other developing countries. They stated that US$ 50 million have been allocated for strategic programmes to scale up transfer of environmentally sound technologies. After the GEF presented their annual report stating that “the GEF staff is here ready for bilateral discussions with countries,” developing countries delegates stressed that the GEF is only the operating entity of the financial mechanism.

Philippines on behalf of G77/China said that “COP after COP meeting we have made the point that the GEF is not the financial mechanism of the Convention – it is only the operating entity”.

Malaysia also stressed this point and said that so “so far GEF is trying to decide priorities for us and it is not the COP that is deciding”.

(Article 11.1 provides that the financial mechanism shall function under the guidance of and be accountable to the COP, and its operation shall be entrusted to one or more existing international entities.)

A contact group on the financial mechanism was established, chaired by Australia and India