

**Submission by the Standing Committee on Finance in response to the call for submissions  
by the Paris Committee on Capacity-building from  
bodies established under the Convention**

The Standing Committee on Finance (SCF), in response to the call for submissions issued by the Paris Committee on Capacity-building (PCCB), is submitting the below information in line with the topics identified in the call for submissions. The information is based on past and on-going work of the SCF. The SCF would like to express its gratitude to the PCCB for the opportunity to provide this information, and looks forward to continue to closely engage with the PCCB.

**a) Information on capacity-building activities for the implementation of nationally determined contributions in the context of the Paris Agreement**

Work of the Standing Committee on Finance on the Biennial Assessment and Overview of Climate Finance Flows

*Background*

The COP requested the SCF to prepare a biennial assessment and overview of climate finance flows (BA), drawing on the available sources of information, and including information on the geographical and thematic balance of flows<sup>1</sup>.

The following emphasizes the elements from the summary and recommendations by the SCF on the 2016 biennial assessment and overview of climate finance flows (BA)<sup>2</sup>, which could be of interest to the PCCB:

*Important elements for ensuring effectiveness of climate finance:*

- Ownership of climate finance and alignment of this finance with national climate change priorities and emerging policies and strategies;
- Engagement of key stakeholders across government, particularly ministries of finance and planning, and across society, including civil society and the private sector;

*Challenges in accessing climate finance:*

- Low levels of technical capacity to design and develop projects/programmes and to monitor and evaluate progress;
- Difficulties in following the procedures of the funds to access finance;
- Low levels of awareness of the need for action and available sources of funding;

➔ ”Readiness“ as an example of ongoing efforts to facilitate access;

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<sup>1</sup> Decision 2/CP.17 paragraph 121(f).

<sup>2</sup> FCCC/CP/2016/8, annex II.

- ➔ Investment in domestic capacity to structure and attract a range of sources of finance is needed;

In its recommendations to the COP, the SCF inter alia, invited the COP to:

- Consider encouraging developing countries to take advantage of the resources available through the operating entities of the Financial Mechanism to strengthen their institutional capacity to programme their priority climate actions as well as to track and report climate finance;<sup>3</sup>

## Work of the Standing Committee on Finance related to the Financial Mechanism of the Convention

### *Background*

The SCF was established by the COP to assist in exercising functions with respect to the Financial Mechanism in terms of, inter alia, rationalization of the Financial Mechanism, including by providing draft guidance for the operating entities to the COP, with a view to improving the consistency and practicality of such guidance.<sup>4</sup> The SCF annually prepares draft guidance to the operating entities (OEs) (the Global Environment Facility and the Green Climate Fund), based on the annual reports of the OEs and inputs from Parties and the SCF members. Furthermore, the SCF invites the Adaptation Committee (AC) and the Technology Executive Committee (TEC) to provide inputs on the draft guidance<sup>5</sup> – interaction with the AC and the TEC has been useful to generate inputs on adaptation and technology related guidance to the OEs, based on the latest work of the respective constituted bodies. Once the draft guidance is prepared, it is forwarded to the COP for its consideration.<sup>6</sup>

### *(I)NDC related guidance to the operating entities of the Financial Mechanism*

As part of an effort to improve the consistency and practicality of guidance to the OEs, the SCF is currently developing a compilation and analysis (C&A) database that contains all previous guidance provided to the OEs. The aim of the C&A is to identify redundancies, incoherence and consistency of guidance to the operating entities, namely on policies, programme priorities and eligibility criteria.<sup>7</sup>

The C&A can filter guidance to the OEs according to various themes (e.g. adaptation, technology, CB, etc.) and there is a dedicated theme on the (I)NDCs. It is notable that, according to the latest C&A, there are the following pieces of guidance to the OEs on providing support for the preparation and communication of the (I)NDCs, inter alia:

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<sup>3</sup> Decision 8/CP.22, annex, para. 37(e).

<sup>4</sup> Decision 2/CP.17, paragraph 121.

<sup>5</sup> The SCF communicates to the AC and the TEC the terms of reference on how to provide such inputs, which is contained in [SCF/2016/12/8, paragraph 11 \(a–d\)](#).

<sup>6</sup> See FCCC/CP/2016/8, annex V and VI for the draft decision that the SCF forwarded to the COP last year.

<sup>7</sup> The evolution of this exercise is elaborated in detail in the previous SCF background documents and the C&A is also available on the SCF webpage: <[www.unfccc.int/6881](http://www.unfccc.int/6881)>.

- Decides, in the context of its determination to adopt a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties at its twenty-first session (December 2015) and for it to come into effect and be implemented from 2020: (d) To urge and request developed country Parties, the operating entities of the financial mechanism and any other organizations in a position to do so to provide support for the related activities referred to in **paragraphs 2(b) and 2(c) above** {refers to the *INDCs*} as early as possible in 2014 (decision 1/CP.19, paragraph 2(d));
- Reiterates its call to developed country Parties, the operating entities of the Financial Mechanism and any other organizations in a position to do so to provide support for the **preparation and communication of the intended nationally determined contributions** of Parties that may need such support (decision 1/CP.20, paragraph 15);
- Requests the Global Environment Facility to consider how to support developing country Parties in formulating policies, strategies, programmes and projects to implement activities that advance priorities identified in their respective **intended nationally determined contributions** in a manner consistent with the operational policies and guidelines of the Global Environment Facility, starting in 2016 (decision 8/CP.21, paragraph 12);
- Urges and requests the Global Environment Facility to make arrangements to support the establishment and operation of the **Capacity-building Initiative for Transparency** as a priority reporting-related need, including through voluntary contributions to support developing country Parties in the sixth replenishment of the Global Environment Facility and future replenishment cycles, to complement existing support under the Global Environment Facility (decision 1/CP.21, paragraph 86);
- Requests that the Global Environment Facility, as an operating entity of the Financial Mechanism, include in its annual report to the Conference of the Parties the progress of work in the design, development and implementation of the Capacity-building Initiative for Transparency starting in 2016 (decision 1/CP.21, paragraph 88).

*The periodic review of the Financial Mechanism and the Capacity-building Initiative for Transparency*

The COP decided to review the Financial Mechanism of the Convention every four years in accordance with Article 11.4 of the Convention<sup>8</sup> and the COP requested the SCF to provide expert input into the preparation and conduct of the period review of the Financial Mechanism.<sup>9</sup> The SCF provided its expert input to the fifth review of the Financial Mechanism, together with conclusions and recommendations, which were welcomed by the COP with appreciation.<sup>10</sup> In 2017, the SCF is preparing its expert inputs into the sixth review, to be concluded by COP 23.<sup>11</sup>

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<sup>8</sup> Decision 3/CP.4.

<sup>9</sup> Decision 2/CP.17, paragraph 121(e).

<sup>10</sup> Decision 1/CP.20, paragraph 1.

<sup>11</sup> Decision 12/CP.22, paragraph 2.

It is notable that:

- The SCF's expert input into the sixth review will:
  - Assess the capacity-building activities that the OEs are currently undertaking,<sup>12</sup> and
  - Be informed by the list of sources and information generated from 2014 to 2017, in addition to the sources outlined by the COP;<sup>13</sup>
- The COP decided to assess the implementation of the Capacity-building Initiative for Transparency (CBIT) in the context of the seventh review of the Financial Mechanism.<sup>14</sup>

*Further areas of potential interest to the PCCB related to the operating entities of the Financial Mechanism*

In addition to the relevant pieces of guidance to the operating entities directly related to NDCs as identified above, the following information may also be of interest to the PCCB:

#### Gender equality

The COP requested the Financial Mechanism and its operating entities to include in their respective annual reports to the COP information on the integration of gender considerations in all aspects of their work.<sup>15</sup> Responding to the request, the operating entities included in their annual reports to COP 23 on how they are mainstreaming gender in their work. For instance, the GEF has a policy on gender mainstreaming, a gender equality action plan and a partnership on gender that provides an ongoing platform for consultation and space to exchange information and lessons learnt.<sup>16</sup> Similarly, the GCF also has a gender policy and action plan that seeks to enhance a gender-sensitive approach in the processes and operations of the GCF.<sup>17</sup>

The COP regularly assesses the extent to which the Financial Mechanism is contributing to gender-sensitive approaches, by periodically conducting review of the Financial Mechanism.<sup>18</sup> The updated guideline for the sixth review of the Financial Mechanism contains a criterion on the gender-sensitive approaches of the Financial Mechanism,<sup>19</sup> and the SCF, in preparing its expert input into the sixth review of the Financial Mechanism, agreed to technically assess the gender

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<sup>12</sup> The outline of the SCF's expert input into the sixth review of the Financial Mechanism contains capacity-building related elements, as contained in the concept note that the SCF agreed at its 15<sup>th</sup> meeting: [http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/scf\\_15th\\_meeting\\_report\\_final.pdf#page=17](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/scf_15th_meeting_report_final.pdf#page=17).

<sup>13</sup> See paragraph 5, appendix I to annex I to SCF/2017/15/11.

<sup>14</sup> Decision 1/CP.21, paragraph 87.

<sup>15</sup> Decision 21/CP.22, paragraph 40.

<sup>16</sup> FCCC/CP/2017/7, page 24.

<sup>17</sup> FCCC/CP/2017/5, paragraph 149.

<sup>18</sup> For more information on the periodic review of the Financial Mechanism, refer to: <[www.unfccc.int/3658](http://www.unfccc.int/3658)>.

<sup>19</sup> Decision 12/CP.22, annex, paragraph 3(c).

aspect of the Financial Mechanism.<sup>20</sup> Based on the assessment, the SCF is expected to consider the findings and prepare any conclusions and recommendations to the COP at its sixteenth meeting (18 to 21 September 2017).

### Capacity gaps

Discussions relating to capacity gaps in the context of the Financial Mechanism relate mainly to, among others, developing countries' lack of capacity to access climate finance or formulate bankable climate change projects. To bridge this gap, the operating entities of the Financial Mechanism are undertaking readiness supports that aim to bolster the capacity of developing countries to help them access the resources and formulate projects.

Similarly with the aforementioned gender issue, by the means of periodic reviews of the Financial Mechanism, the COP regularly assesses accessibility of funds for activities in developing country Parties, as well as the amount of resources, results and impacts achieved by the resources provided for technical assistance and investment projects.<sup>21</sup> The SCF, in preparing its expert input into the sixth review, agreed to assess the results and impacts achieved on capacity-building by the Financial Mechanism.<sup>22</sup> Based on the assessment, the SCF is expected to consider the findings and prepare any conclusions and recommendations to the COP at its sixteenth meeting.

#### **b) Information or suggestions of relevance to PCCB mandates related to the capacity-building work of bodies established under the Convention**

The below outlines an overview of various areas of work of the SCF of relevance to capacity-building, which may be of interest to some of the mandates of the PCCB.

#### *Draft guidance to the operating entities of the Financial Mechanism and improving the consistency and practicality of such guidance*

The SCF, as mandated by the COP,<sup>23</sup> annually provides to the COP draft guidance to the OEs, with a view to improving the consistency and practicality of such guidance, as part of its mandate to assist the COP in exercising its functions with respect to the Financial Mechanism. In preparing draft guidance to the OEs, the SCF takes into account submissions from Parties and the annual reports of the OEs. Furthermore, the SCF invites the AC and the TEC to provide inputs to the draft guidance to the OEs, focusing on their respective thematic areas of adaptation and technology. Based on the inputs received, the SCF prepares draft guidance and forwards it to the COP, so that the draft guidance may serve as a useful starting-point for negotiation for the guidance to the OEs.

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<sup>20</sup> Concept note on the preparation of SCF's expert input to the sixth review of the Financial Mechanism is available at: <[http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/scf\\_15th\\_meeting\\_report\\_final.pdf#page=10](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/scf_15th_meeting_report_final.pdf#page=10)>.

<sup>21</sup> See decision 12/CP.22, annex, paragraph 3(d) and (f).

<sup>22</sup> Concept note on the preparation of SCF's expert input to the sixth review of the Financial Mechanism is available at: <[http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/scf\\_15th\\_meeting\\_report\\_final.pdf#page=10](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/scf_15th_meeting_report_final.pdf#page=10)>.

<sup>23</sup> Decision 2/CP.17, paragraph 121(c).

The GCF and the GEF secretariats regularly attend meetings of and actively engage with the SCF, as well as the meetings of the TEC and the AC, when draft guidance to the operating entities is discussed by the respective bodies. Their presence has facilitated, inter alia, the obtaining of factual clarifications and information on the ongoing activities of the OEs. In general, the OE secretariats regularly interact with the SCF and provide inputs and information as relevant to the SCF's work on the Financial Mechanism such as the preparation of expert inputs to the review of the Financial Mechanism.

The SCF endeavors to improve the consistency and practicality of guidance provided to the OEs by developing a Compilation and Analysis (C&A) of previous guidance. It is an Excel database of all previous guidance provided to the OEs that aims to enable its user to filter the guidance in different themes, such as capacity-building. The C&A also aims to identify any redundancies, incoherence or inconsistency in the guidance. Work is ongoing by the SCF to refine further the C&A. The most current version of C&A is available on the SCF webpage,<sup>24</sup> along with previous background documents that outline the evolution of this tool. Based on this tool, the SCF is currently considering ways to identify a draft set of core guidance to serve as basis for the provision of future guidance in order to reduce redundancies, incoherence and inconsistencies within the guidance provided to the operating entities.<sup>25</sup>

#### *Complementarity and coherence*

In the context of the sixth review of the FM, the SCF assesses the issue of complementarity and coherence between the OEs and also with other sources of climate finance.<sup>26</sup> While not prejudging the outcomes of the SCF's expert input into the sixth review, it is notable that the SCF will technically review the capacity-building related elements of the OEs, as agreed in its outline for the expert input<sup>27</sup> and the review will cover capacity-building-related policies and programmes of the OEs.

Furthermore, in the context of the operational framework for complementarity and coherence between the GCF and other institutions, including the SCF, the SCF confirmed its interest to engage with the GCF Board.<sup>28</sup> Moreover, at COP 22, the SCF participated in the first annual meeting between the GCF Board and the constituted bodies under the Convention<sup>29</sup> in order to enhance cooperation and coherence of engagement. During the meeting, the SCF outlined areas of continued and enhanced collaboration with the GCF Board.<sup>30</sup>

#### *Measurement, reporting and verification of support*

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<sup>24</sup> <[www.unfccc.int/6881](http://www.unfccc.int/6881)>.

<sup>25</sup> For more information, see FCCC/CP/2015/8, paragraph 27 and FCCC/CP/2016/8, paragraph 39.

<sup>26</sup> Paragraph 1(b), Annex to decision 12/CP.22.

<sup>27</sup> Appendix III to annex I to SCF/2017/15/11.

<sup>28</sup> The GCF Board decided to prepare an operational framework on complementarity and coherence as a basis for the cooperation of the Board with the SCF<sup>28</sup> and the SCF confirmed its interest to engage with the GCF Board. See FCCC/CP/2016/8, paragraph 34.

<sup>29</sup> GCF Board decision B.13/11, paragraph (a):

[http://www.greenclimate.fund/documents/20182/226888/GCF\\_B.13\\_32\\_Rev.01\\_-\\_Decisions\\_of\\_the\\_Board\\_\\_thirteenth\\_meeting\\_of\\_the\\_Board\\_\\_28-30\\_June\\_2016.pdf/c93a0291-28c1-4bfc-bc22-cf4c590c3c83](http://www.greenclimate.fund/documents/20182/226888/GCF_B.13_32_Rev.01_-_Decisions_of_the_Board__thirteenth_meeting_of_the_Board__28-30_June_2016.pdf/c93a0291-28c1-4bfc-bc22-cf4c590c3c83)

<sup>30</sup> More information will be available in the GCF report to COP 23.

One of the functions of the SCF involves assisting the COP in exercising its functions in relation to measurement, reporting and verification (MRV) of support provided to developing countries. COP 19 requested the SCF to consider ways to increase its work on the MRV of support beyond the biennial assessment and overview of climate finance flows (BA).<sup>31</sup>

In 2015, the SCF, in accordance with decision 11/CP.20, developed a set of recommendations, which were welcomed by the SBSTA, to improve the methodologies for the reporting of financial information by Annex I Parties. The recommendations are contained in annex VI of the report of the SCF to COP 21.<sup>32</sup>

To enable improved MRV of support under the Convention, the SCF developed a two-year workplan (2016-2017) on the MRV of support beyond the BA.<sup>33</sup>

### *Biennial Assessment and Overview of Climate Finance Flows*

The COP requested the SCF to prepare a biennial assessment and overview of climate finance flows (BA), drawing on the available sources of information, and including information on the geographical and thematic balance of flows<sup>34</sup>. Subsequently, the COP requested the Standing Committee on Finance to consider:

- Relevant work by other bodies and entities on the MRV of support and the tracking of climate finance;<sup>35</sup>
- Ways of strengthening methodologies for reporting climate finance;<sup>36</sup>
- Ongoing technical work on operational definitions of climate finance, including private finance mobilized by public interventions, to assess how adaptation and mitigation needs can most effectively be met by climate finance.<sup>37</sup>

The COP also requested the Ad Hoc Working Group on the Paris Agreement, when developing the modalities, procedures and guidelines for the transparency framework for action and support, to consider, inter alia, information in the biennial assessment and overview of climate finance flows and other reports of the SCF and other relevant bodies under the Convention.<sup>38</sup>

The SCF is currently preparing its third BA, to be finalized in 2018. All information on the first and the second BA is available on the SCF website: <http://unfccc.int/8034.php>.

### *Forum of the Standing Committee on Finance*

The SCF is mandated to organize a Forum for the communication and continued exchange of information among bodies and entities dealing with climate change finance in order to promote

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<sup>31</sup> Decision 7/CP.19.

<sup>32</sup> <http://unfccc.int/resource/docs/2015/cop21/eng/08.pdf>.

<sup>33</sup> Contained in annex VII of the report of the SCF to COP 21. <http://unfccc.int/resource/docs/2015/cop21/eng/08.pdf>.

<sup>34</sup> Decision 2/CP.17 paragraph 121(f).

<sup>35</sup> Decision 1/CP.18 paragraph 71.

<sup>36</sup> Decision 5/CP.18 paragraph 11.

<sup>37</sup> Decision 3/CP.19, paragraph 11.

<sup>38</sup> Decision 1/CP.21, para 94(e).

linkages and coherence.<sup>39</sup> The SCF reports on the Forum in its annual reports to the COP. The following are the topics the SCF has addressed in the context of its forum so far:

- 2013: "Mobilizing Finance & Investment for Climate Action Now";
- 2014 "Mobilizing Adaptation Finance";
- 2015 "Enhancing Coherence & Coordination of Forest Financing";
- 2016 "Financial instruments that address the risks of Loss and Damage";

This year's forum will focus on the issue of "Mobilizing Finance for Climate-Resilient Infrastructure", the SCF will report on the outcomes of this forum, including possibly conclusions and recommendations, in its report to COP 23. All information on the SCF Fora is available on the virtual SCF Forum website: <http://unfccc.int/7552.php>.

### **c) Information and suggestions regarding the web-based capacity-building portal**

Various of the products of the SCF may contain information which could be incorporated into or linked to from the capacity-building portal.

Particularly the overview and assessment of climate finance flows contained in the second BA prepared by the SCF may contain information and data which could be linked to or incorporated into the capacity-building portal.<sup>40</sup> The BA website also contains an interactive tool highlighting the climate finance flows in 2013-2014, which the capacity-building portal could link to: <http://unfccc.int/8034.php>.

The SCF is planning to launch a dedicated webpage on draft guidance to the OEs that will demonstrate the progress made by the SCF in enhancing the consistency and practicality of guidance. One of the features of the webpage will be the aforementioned C&A database of previous guidance provided to the OEs, which can provide an overview of capacity-building related guidance provided previously to the OEs. The webpage is envisaged to be launched in September 2017.

The reports of the SCF Forum may also contain information which could be included in the capacity-building portal, including, for example, experiences and lessons learned in the respective focus areas of the Forum. All reports of the Forum are accessible via <http://unfccc.int/7552.php>.

Further of interest in terms of providing links from the capacity-building portal to other portals and platforms containing climate finance related information may be the UNFCCC climate finance data portal (available at <http://unfccc.int/climatefinance?home>), which is a gateway to information on activities funded in developing countries to implement the UNFCCC, and the UNFCCC Biennial Reports Data Interface (BR-DI) application (available at <http://www4.unfccc.int/sites/br-di/Pages/Home.aspx>), which contains the information submitted by developed country Parties

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<sup>39</sup> Decision 2/CP.17, paragraph 121(a).

<sup>40</sup> Available at: [http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/2016\\_ba\\_summary\\_and\\_recommendations.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2016_ba_summary_and_recommendations.pdf).

making use of the biennial report common tabular format (BR CTF) in line with the “UNFCCC biennial reporting guidelines for developed country Parties”.