



**Standing Committee on Finance**

23 March 2018

**Seventeenth meeting of the Standing Committee on Finance  
Bonn, Germany, 10–12 April 2018**

**Background paper on the 2018 forum of the Standing Committee  
on Finance**

*Expected actions by the Standing Committee on Finance*

The Standing Committee on Finance (SCF) will be invited to:

- a) Consider the outcomes of the review of the functions of the SCF relating to the forum;
- b) Conclude its deliberations on the topic for the 2018 SCF forum;
- c) Agree on the draft programme for the 2018 forum;
- d) Identify specific outreach activities, speakers and resource persons, stakeholder engagement strategies, etc.;
- e) Provide further guidance on the intersessional work regarding the organization of the 2018 forum.

**I. Possible actions for consideration by the Standing Committee on Finance**

**A. Consider the outcomes of the review of the functions of the Standing Committee on Finance of relevance to the forum**

1. The Standing Committee on Finance (SCF) may wish to take note of the relevant outcomes of the review of the functions of the SCF and the guidance provided by COP 23 related to the organization of the forum, as outlined in paragraph 10 below.
2. The SCF may also wish to integrate this guidance when organizing the 2018 forum, as outlined below.

**B. Deliberations on the topic for its 2018 forum**

3. The SCF may wish to conclude its deliberations on the topic of the 2018 forum, based on the proposal developed by the co-facilitators of this agenda item in 2017 (see the annex), which contains a more detailed proposal for the two options identified by the SCF in 2017, namely:
  - (a) Topic 1: Financing climate-resilient cities;
  - (b) Topic 2: Climate finance architecture.
4. In deciding on the topic, the SCF may wish to ensure the added value of its forum, including by:
  - (a) Identifying relevant events or processes in 2018 which could benefit from the results of the forum on a specific topic, which may include:
    - (i) The High-level Ministerial Dialogue on climate finance at COP 24;
    - (ii) The Talanoa Dialogue and the related processes in the lead up to and during COP 24;

- (iii) The stocktake on pre-2020 implementation and ambition at COP 24;
  - (b) Other on-going work by the SCF in 2018, such as the preparation of the biennial assessment and overview of climate finance flows (BA);
5. In addition, the SCF may wish to reconfirm the offer made by the Republic of Korea to host the forum in conjunction with the 20<sup>th</sup> meeting of the Board of the Green Climate Fund (GCF) scheduled from 1–4 July 2018.

### **C. Organization of the 2018 forum**

6. Once the SCF agree on the topic and taking into account the limited time available to organize the forum, the SCF may wish:
- (a) To finalize the programme of the forum during the meeting;
  - (b) To identify possible speakers and resource persons;
  - (c) To identify possible participants to be invited, considering the COP 23 request to the SCF to further strengthen its stakeholder engagement;
  - (d) To develop a strategy in information dissemination, including providing inputs to the following events:
    - (i) The High-level Ministerial Dialogue on climate finance;
    - (ii) The Talanoa Dialogue;
    - (iii) The stocktake on pre-2020 implementation and ambition;
  - (e) To support the secretariat in its efforts to raise funds to support the participation of developing country experts and resource persons.
7. The SCF, through its co-facilitators for this agenda item, Mr. Mohamed Nasr and Mr. Pieter Terpstra, may wish to provide further guidance on the intersessional work regarding the organization of the 2018 forum.

## **II. Background**

8. At its 16<sup>th</sup> meeting, the SCF initiated discussions on the topic of the 2018 forum but did not conclude on this matter. COP 23 invited the SCF to conclude its deliberations on the topic of its next forum at the latest at its first meeting in 2018, and welcomed the offer by the Republic of Korea to host the 2018 forum of the SCF.<sup>1</sup>
9. In the context of the review of the functions of the SCF, COP 23 requested the SCF to ensure the value added of its forum when deciding on the topic of each forum, to provide clear recommendations to the COP, as appropriate, regarding follow-up actions on the forum, and to enhance the dissemination, use and ownership of the accumulated knowledge and expertise gathered at the forum.<sup>2</sup> Furthermore, it requested the SCF to further strengthen its stakeholder engagement.<sup>3</sup>
10. The SCF continued its deliberations on the topic of its 2018 forum intersessionally based on the initial deliberations at its 16<sup>th</sup> meeting.
11. The 2018 SCF forum co-facilitators, Mr. Nasr and Mr. Terpstra, presented to the SCF on 24 October 2017, the following possible topics for the 2018 Forum, as contained in the annex to this document:
- (a) Topic 1: Financing climate-resilient cities;
  - (b) Topic 2: Climate finance architecture.

---

<sup>1</sup> Decision 7/CP.23, paragraphs 9 and 10.

<sup>2</sup> Decision 8/CP.23, paragraph 12.

<sup>3</sup> Decision 8/CP.23, paragraph 14.

12. While the majority of members indicated their preference for the topic of climate finance architecture, a consensus was not reached on this topic.
13. Most members also indicated their preference to organize the forum in conjunction with the 20<sup>th</sup> meeting of the GCF Board to be held from 1–4 July 2018 in Songdo, Republic of Korea.

## Annex

### Potential topics for the 2018 SCF Forum

*Co-facilitators' Proposal*

#### I. Background

1. At its sixteenth meeting, the Standing Committee on Finance (SCF) initiated deliberations on the theme for its 2018 forum, co-facilitated by Mr. Mohamed Nasr and Mr. Pieter Terpstra. The SCF was not able to agree on a topic then, and decided to mandate the co-facilitators to prepare a clearly structured proposal on the topic of the forum within one month after the conclusion of the SCF meeting. The co-facilitators were asked to build on the two theme clusters that were outlined in the co-facilitators' reflections note from the SCF16 in developing a proposal. The SCF further agreed to welcome and accept the offer made by the Republic of Korea to host the next forum of the SCF, pending the adoption of the topic by the SCF.

2. The SCF member proposed the following topics and sub-topics to be considered at the 2018 Forum:

##### **Topic one: Financing climate-resilient cities**

- Financing for reconstruction and adaptation in catastrophic situations;
- Financing climate resilient cities, how to build back after climate related disasters;
- How to build resilience of the private sector;
- Catalysing investments/Financing for the implementation of NDCs;
- Aligning domestic policies, governance, enabling environments with nationally determined strategies;
- Leveraging investments in lower emission energy security.

##### **Topic two: Climate finance architecture**

- Achievements so far and future direction of climate funds, including the operating entities of the Financial Mechanism, national climate funds, etc.;
- Rationalization/streamlining of public climate finance architecture;
- Financing/Leveraging climate action to promote sustainable economic growth and development.

3. This proposal provides one suggested topic for and encompassing selected elements of Topic one and another for Topic two. The SCF may wish to choose one of the topics proposed here for its next forum.

4. The forum participants may include government officials, local and municipal authorities, practitioners, representatives of the private sector, multilateral development banks, climate funds and the operating entities of the Financial Mechanism as well as representatives of the UNFCCC NGO constituencies.

#### A. Suggested sub-topics for topic one

5. Overarching topic: "Financing climate-resilient cities", sub-topics:
- (a) Building and rebuilding climate-resilient cities before and after catastrophic events;
  - (b) Financing for city-level resilience and adaptation in the context of NAPs and NDCs and other relevant plans or strategies;
  - (c) Catalysing investments for cities' lower emission development and energy security.

6. The impacts of climate change are already being felt in cities. Moreover, cities are becoming increasingly vulnerable to climate-related disasters and extreme weather events, which could result in a cascading failure of infrastructure systems such as water and energy supply, drainage, transport and telecommunication and of services. If taking this suggested topic and its sub-topics, the next SCF forum could focus on how to build climate-resilient cities and prepare before the onset of climate-related catastrophic disasters and how to rebuild the cities after they were hit by such disasters. One of the lessons learned from the 2017 SCF Forum on “Mobilizing finance for climate-resilient infrastructure” was to integrate the interconnectedness of infrastructures in the planning and design processes for climate-resilient infrastructure.<sup>1</sup> The same accounts for cities, smart resilience by design leads to better preparedness and strengthened urban resilience.

7. Further, the next SCF forum could examine concrete financing channels and strategies for urban resilience and adaptation that is urgently needed, which could be aligned with the Parties’ commitments outlined in the National Adaptation Plans (NAPs) and the Nationally Determined Contributions (NDCs). Cities need funding and expertise to tackle climate change, but a dearth of financing channels and projects for especially urban resilience has been noted in various studies and research findings. For instance, multilateral climate funds have not been a major source of financing for city-level resilience. Since 2010, only five projects appear to have been approved by dedicated climate funds that clearly target urban resilience, for a total amount of USD 77 million.<sup>2</sup> This is less than five per cent of the USD 1.83 billion approved for adaptation projects by climate funds during the same period (Climate Funds Update 2015).<sup>3</sup> Furthermore, very few urban projects were submitted to the UNFCCC under Least Developed Country (LDC) National Adaptation Plans of Action (NAPAs).<sup>4</sup> It is also more challenging to identify opportunities for transformative impacts from urban adaptation interventions than in the case of mitigation projects, where the opportunities for private sector involvement and market creation are much more obvious.<sup>5</sup>

8. Against this backdrop, the next SCF forum can be dedicated to exploring practical and concrete ways to finance urban resilience, which could include the following:<sup>6</sup>

- (a) Improve and increase frameworks for cities to price climate externalities at different scales (building, district, city, region);
- (b) Enhance cost-benefit analysis and support for urban project preparation;
- (c) Stream more finance through local institutions (e.g., developing more local financial intermediaries to stream finance for city-level climate action);
- (d) Identify and pilot new funding models for urban resilience.

9. Additionally, innovative financial instruments and products that can be used to mobilize finance for urban resilience could be explored such as district-level taxes, insurance and re-insurance schemes, and catastrophe bonds and social impact bonds.<sup>7</sup>

10. The next SCF forum could also examine how to catalyse investments for cities’ lower emission development and energy security, similar to the special segment on financing for low carbon and climate-resilient (LCR) infrastructure at the 2017 SCF Forum while the primary focus of the forum was on infrastructure resilience and adaptation. If the sub-topic (c) is accepted along with the other two sub-topics, the proposal of improving and increasing frameworks for cities to price climate externalities such as carbon emissions could be explored in depth. For instance,

<sup>1</sup> All presentations and relevant materials are available at <<http://unfccc.int/10368.php>>.

<sup>2</sup> Sam Barnard, *Climate Finance for Cities: How can international climate funds best support low-carbon and climate resilient urban development?* ODI Working Paper 419, June 2015.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid. See submitted NAPA projects by sector at <[http://unfccc.int/adaptation/workstreams/national\\_adaptation\\_programmes\\_of\\_action/items/4583.php](http://unfccc.int/adaptation/workstreams/national_adaptation_programmes_of_action/items/4583.php)>

<sup>5</sup> Ibid.

<sup>6</sup> Feargus O’Sullivan, 5 Ways We Can Pay for Urban Resilience. Next City, December 4, 2015. <<https://nextcity.org/daily/entry/paying-for-urban-resilience-projects-world-bank-financing>>.

<sup>7</sup> ICLEI, 2011, *Financing the Resilient City: A demand driven approach to development, disaster risk reduction, and climate adaptation – An ICLEI White Paper, ICLEI Global Report.*

externality pricing at the city level can be supported through allocating resources for developing mandates, mechanisms and trading systems with the support of the national government.<sup>8</sup>

## B. Suggested sub-topics for Cluster two

11. Overarching topic: “The climate finance architecture”, subtopics:

(a) Achievements so far and future direction of climate funds, including the operating entities of the Financial Mechanism, national climate funds, etc.;

(b) Rationalization/streamlining of public climate finance architecture;

(c) Financing/Leveraging climate action to promote sustainable economic growth and development.

12. To achieve the twin goals of the Paris Agreement to limit global average temperature increase to well below 2 °C above pre-industrial levels and to enhance countries’ ability to adapt to the negative impacts of climate change, finance flows need to be made consistent with a pathway towards low-carbon and climate-resilient development (Article 2.1 of the Paris Agreement). It will be necessary to strengthen public climate finance architecture to meet this objective.

13. The SCF forum could examine the achievements of the public climate finance architecture to date, as well as explore the shortcomings of the current system, for example with regards to its ability to address the needs and priorities of developing countries, reach the most vulnerable regions and communities, and catalyse public finance to leverage private finance at scale.

(a) The global public climate finance architecture is characterized by enhanced flows and a growing complexity. Multilateral climate finance is channelled through various multilateral funds, including the UNFCCC funds and the Climate Investment Funds and the amount of funds disbursed through different channels have increased. At the same time, an increasing number of developing countries have set up national climate change funds to mobilize domestic and international climate finance.<sup>9</sup> However, climate finance does not only flow from north to south. In 2013, more than 11 per cent of total global (public and private) climate finance flows represent south-south flows which involve providers such as the Islamic Development Bank, the New Development Bank BRICS or the Asian Infrastructure Development Bank.<sup>10</sup>

(b) Overall, public climate finance has increased in recent years. The 2016 Biennial Assessment and Overview of Climate Finance Flows (BA) of the SCF found that finance channelled through bilateral, regional or other channels as reported in biennial reports has increased by 50 per cent in 2013-2014 compared to 2011–2012. Finance channelled through UNFCCC funds and other multilateral funds was estimated at USD 1.9 billion in 2013 and USD 2.5 billion in 2014. Total public finance and mobilized private finance were estimated at USD 41 billion and USD 14,8 billion on average in 2013–2014, respectively.<sup>11</sup>

(c) While public climate finance is increasing, there is still a significant gap between finance provided and mobilized on one hand and the climate finance needs of developing countries on the other hand. In addition, the 2016 BA notes that 70 per cent of public climate finance (80 per cent of MDB investments) to developing countries represents mitigation-focused finance.<sup>12</sup> Furthermore, the coordination of and access to finance have become increasingly challenging due to the proliferation of different climate finance mechanisms. While climate finance providers find it

<sup>8</sup> Feargus O’Sullivan, 5 Ways We Can Pay for Urban Resilience. Next City, December 4, 2015 <<https://nextcity.org/daily/entry/paying-for-urban-resilience-projects-world-bank-financing>>.

<sup>9</sup> Climate Funds Update, Global climate finance architecture, <<http://www.climatefundsupdate.org/about-climate-fund/global-finance-architecture>>.

<sup>10</sup> Buchner et al (2014), Global Landscape of Climate Finance 2014. Climate Policy Initiative, <<http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>>.

<sup>11</sup> UNFCCC Standing Committee on Finance (2016), 2016 Biennial Assessment and Overview of Climate Finance Flows, <[http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/2016\\_ba\\_technical\\_report.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2016_ba_technical_report.pdf)>.

<sup>12</sup> UNFCCC Standing Committee on Finance (2016), 2016 Biennial Assessment and Overview of Climate Finance Flows, <[http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/2016\\_ba\\_technical\\_report.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2016_ba_technical_report.pdf)>.

increasingly difficult to decide where to put their money to achieve the highest impact, given that the roles of some funds are overlapping, recipient countries struggle to understand and comply with various access requirements and modalities of the different funds.<sup>13</sup>

14. The SCF forum could also discuss opportunities to rationalize or streamline the climate finance architecture to overcome existing challenges.

(a) Discussions on this topic at the SCF forum could build on the on-going work by the dedicated climate Funds such as the GCF, GEF and AF to improve coherence and coordination in project policies, harmonized requirements and common processes and project co-financing.

(b) Based on a discussion and examination of opportunities for rationalizing and streamlining the public climate finance architecture at the 2018 SCF Forum, the SCF could adopt recommendations for consideration by the Conference of the Parties (COP) at its twenty-fourth session.

15. Another important aspect the SCF forum could look at is the ability of the current climate finance architecture to deliver on core issues of sustainable development, including poverty alleviation, food security, gender equality and human rights:

(a) With the adoption of the Paris Agreement and the 2030 Agenda for Sustainable Development in 2015, there is a need to foster synergies and finance actions that deliver on both agendas. While the implementation of the Paris Agreement and the Agenda 2030 is governed by different UN bodies, there is need for coherent implementation of both agendas;

(b) The deliberations on this topic at the SCF forum could build on work conducted by other actors, such as the NDC Partnership, a coalition of countries and institutions working together to mobilize support and achieve ambitious climate goals while enhancing sustainable development. The Partnership aims to align existing global and in-country initiatives focused on supporting national climate action as well as more inclusive and sustainable development, and to enhance the understanding of available resources that can support these actions;<sup>14</sup>

(c) The SCF could also engage countries that pursued projects and programmes that have achieved dual objectives of climate and development. A case study presentation on the challenges encountered and opportunities for synergies and greater impact particularly at the community level may be highlighted;

(d) Based on the deliberations at the SCF forum on how to finance and leverage climate action to promote sustainable economic growth and development, the SCF could adopt recommendations for consideration by the COP at its twenty-fourth session.

---

<sup>13</sup> World Resources Institute, The Climate Finance Architecture the World Needs, 2017  
<<http://www.wri.org/blog/2017/03/climate-finance-architecture-world-needs>>.

<sup>14</sup> <<http://www.ndcpartnership.org/>>.