

## Twelfth meeting of the Standing Committee on Finance Bonn, Germany, 6–7 April 2016

### Background paper on the 2016 forum of the SCF

#### Proposed actions by the Standing Committee on Finance

The Standing Committee on Finance will be invited to:

- a) Consider inputs received on the forum and engage on the draft concept note of the forum, particularly with regard to the objectives and scope of the forum;
- b) Discuss and agree on a venue for the forum, taking into account options identified by the co-facilitators;
- c) Agree on the next steps for the preparations of the forum.

#### I. Background

1. By decision 2/CP.17, paragraph 121 (a), the COP agreed on the functions and activities of the SCF, including inter alia, the organization of a forum for the communication and continued exchange of information among bodies and entities dealing with climate change finance, in order to promote linkages and coherence. In response to this mandate, the SCF has been organizing annual forums of climate finance.<sup>1</sup>
2. At its 11<sup>th</sup> meeting, the SCF decided to dedicate its 2016 forum on “*financial instruments that address the risks of loss and damage associated with the adverse effects of climate change*”, in response to the invitation by the Executive Committee on the Warsaw International Mechanism for loss and damage associated with climate change impacts (Executive Committee), as outlined in Action Area 7 of the workplan of the Executive Committee.
3. The SCF also decided to initiate its work on the forum and appointed two of its members, Mr. Richard Sherman and Mr. Stephan Kellenberger, to facilitate the preparations for the forum. The SCF requested the co-facilitators, with the support of the secretariat, to undertake inter-sessional work on, inter alia:
  - a. A draft concept note for the forum;
  - b. An outreach strategy for the forum, including a mapping of relevant stakeholders/expert institutions;<sup>2</sup>
  - c. A mapping and assessment of possible events and organizations to partner with in the organization of the forum.
4. The SCF agreed to consult with relevant stakeholders, throughout the preparation of the forum, starting at the twenty-first session of the Conference of the Parties in November–December 2015 (COP 21). The co-facilitators undertook such a consultation on Thursday 10 December 2015 in which about 25 stakeholders participated. A summary report on that event was circulated to SCF members in January 2016.
5. In addition to the work during COP 21, one of the co-facilitators participated virtually in the second meeting of the Executive Committee. The co-facilitator shared updates on the work related to the forum and engaged with the Executive Committee on its possible contribution to the work on the SCF forum.

<sup>1</sup> Further information on the past forums of the SCF is available at: <http://unfccc.int/7552.php>.

<sup>2</sup> The elements for the outreach strategy for the forum will be discussed in the overall context of the communication strategy of the SCF.



## II. Actions for consideration by the SCF

6. The SCF will be invited to consider the inputs received in response to its call for inputs on the forum<sup>3</sup> and engage on a draft **concept note** of the forum, as contained in annex I. In particular, the SCF will be invited to:
  - a. Agree on the **objectives, scope, organization and expected outcomes** of the forum;
  - b. Identify possible case-studies / themes to be discussed at the forum as well as possible **resource persons** to be invited to the forum.
7. In considering the above, members of the SCF may wish to consider the table contained in annex II, which summarizes the views expressed with regard to the purpose, scope and possible case studies to be discussed at the forum.
8. The SCF is also invited to discuss and agree on the **forum venue**, taking into account the options identified by the co-facilitators, as contained in annex III. In screening the options, the secretariat and the co-facilitators considered events taking place in 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2016 to allow sufficient time for preparing the forum and identified possible challenges and benefits of each option.
9. The SCF is also invited to exchange views with **observers** attending the meeting. The organizations that responded to the SCF's call for inputs on the forum have been invited to this meeting of the SCF in order to engage with the Committee, as most of them have expressed a strong interest in collaborating with the SCF.

## III. Proposed next steps

10. In order to advance the preparations for the forum, the SCF may wish to agree on the mode of work in the inter-sessional period. In this regard, the SCF may wish to consider establishing a working group on the forum to assist the co-facilitators in the organization of the forum and the preparation of the summary report on the forum, including possible conclusions and recommendations for consideration by the SCF and inclusion in the SCF report to the COP. The working group will report on the progress of work at the next meeting of the SCF, during which the SCF will finalize the arrangements for the forum.

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<sup>3</sup> On 15 January 2016, the SCF issued a call for inputs on the scope and purpose of the 2016 SCF forum, and on potential institutions/events to partner with in the organization of the forum. A total of 16 inputs were received from SCF member and interested stakeholder organization. The inputs received are available at: <<http://unfccc.int/9410.php>>. One input was for consideration by the SCF only and therefore is not available on the SCF website.

## Annex I

### Draft concept note for the 2016 forum<sup>4</sup>

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Date: tbd

Venue: tbd

Attendance: Up to 200 attendees targeted

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In 2016, the Standing Committee on Finance (SCF) will dedicate its forum to the theme of ***financial instruments that address the risks of loss and damage associated with the adverse effects of climate change***. This is in response to the invitation by the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with climate change impacts (the Executive Committee), as included in the action area 7e) of its initial 2-year workplan.

## I. Objectives

### a. Overall objective

To provide a platform for discussing and sharing information, knowledge and good practices, among expert organizations (both public and private) and UNFCCC stakeholders, on financial instruments and tools that address the risks of loss and damage associated with the adverse effects of climate change.

### b. Specific objectives

1. To understand and take stock of existing financial instruments that address the risks of loss and damage across different levels (e.g. local, national, regional and international levels) and sectors including both the public and private sectors.
2. To discuss how various financial instruments that address the risks of loss and damage are structured and operate across types and aspects of loss and damage (for example in the context of rapid or sudden-onset events, slow-onset events, and economic vs. non-economic losses) and how they can be more effective and be brought to scale.
3. To share and learn from country experiences and case-studies on various financial instruments used to address the risks of loss and damage, looking at the benefits, limits, gaps, good practices and lessons learned from these different financial instruments.
4. To explore potential innovative financial instruments that can be used to address the risks of loss and damage in developing countries, particularly with respect to gaps and limits of existing approaches.
5. To explore the gaps in terms of what types and aspects of loss and damage are not covered by existing financial instruments to address the risks of loss and damage and identify further action and/or research that need to be undertaken in order to ensure that these types and aspects of loss and damage are addressed by financial instruments.
6. To identify challenges and opportunities for scaling up and replicating good practices on financial instruments that address the risks of loss and damage across different areas, regions or contexts.
7. To contribute to developing possible conclusions and/or recommendations on actions and next steps of how financial instruments to address the risks of loss and damage associated with the adverse effects of climate change can be designed and effectively deployed and what steps might be taken to address gaps and limits.

## II. Scope and topics

On the first day:

- The forum could kick off with an opening discussion on the spectrum of financial instruments that address the risks of loss and damage and could examine the different financial instruments and tools that are currently used to address the risks of loss and damage associated with the adverse impacts of climate change.

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<sup>4</sup> The concept note takes into account the inputs received on the scope and the purpose of the forum, in response to a call for input by the SCF. The inputs are available at: <<http://unfccc.int/9410.php>>.

- The forum could then deep-dive into case-studies of specific financial instruments to address the risks of loss and damage across different levels and sectors, so as to prompt discussion on possible lessons learned, good practices, as well as gaps and limitations of those specific financial instruments.
- The first day could close by examining potential innovative financial instruments or tools that could be used to address the risks of loss and damage

On the second day:

- Building on the discussions in the first day, the forum could entertain discussions on the way forward by looking at possible factors that could foster the scaling up and replication of good practices.
- It could also look into the remaining gaps and limitations in terms of financial instruments to address the risks of loss and damage and identify ways to address those gaps and limitations.
- The forum will end with some key take-away messages/summary/conclusions.

### **III. Organization of the forum (to be further elaborated taking into consideration the further development of the programme, etc.)**

- Planned dates and venue: *to be determined by the SCF.*
- The forum will have a two-day format (tbd). It will incorporate plenary sessions, roundtable discussions, and breakout group sessions. Possibilities for virtual participation and webcast.
- Facilitators will be chosen to facilitate different sessions and breakout groups. Practitioners will be invited to exchange experiences and case studies, as both presenters and as participants in the breakout group discussions.
- Session briefs will be drafted for each session, laying out the expectations and the guiding questions.

Target audience

- The forum will ensure participation by relevant experts and institutions including, inter alia, representatives from risk pooling facilities and initiatives, donor agencies, bilateral and multilateral development banks, private sector entities, relevant constituted bodies under the UNFCCC, United Nations organizations, climate service providers, academia and the civil society.
- The SCF will strive to ensure balanced participation in the forum from both developed and developing countries experts.

### **IV. Outcome and reporting**

- A summary report of the forum will be produced shortly after the forum, for consideration by the SCF at its subsequent meeting, with a view to identifying possible conclusions/recommendations to the COP, as appropriate. The SCF will communicate these through the annual report of the SCF to the COP.

### **V. Programme (to be developed by the SCF)**

## Annex II

## Summary table of views expressed in the inputs on the forum

Purpose of the forum	Scope of the forum	Case studies and initiatives highlighted	Institutions for partnership
<p><b>Possible purposes of the forum:</b></p> <p>To Promote better understanding and sharing of information on financial instruments and possible innovative solutions for addressing the risks of loss and damage, and comprehensive risk management strategies;</p> <p>To provide inputs on how to analyse and structure risks associated with climate change along a risk continuum;</p> <p>To understand risks identification, analysis and modelling techniques and how these can be applied in loss and damage scenarios in order to improve physical risk management and financial risk management;</p> <p>To provide inputs on how to design appropriate financing approaches to reduce, avert and address risks associated with climate change, including approaches on insurance and other risk financing instruments;</p> <p>To understand and take stock of types of relevant financial instruments across local, national and international levels; micro, meso and macro levels; countries and regions; and the public and private sectors.</p> <p>To understand the benefits and limits of financial instruments, including insurance solutions, across types and aspects of loss</p>	<p><b>Overall framing of the forum:</b></p> <ul style="list-style-type: none"> <li>• Forum to be framed by decisions 3/CP.18 (in particular paragraphs 6 and 7) and 2/CP.19, as well as Article 8 of the Paris Agreement’.</li> <li>• Forum to be framed within the context of the overall objective of action area 7 of the 2015–2016 workplan of the Executive Committee of the Warsaw International Mechanism for Loss and Damage</li> </ul> <p><b>Specific issues to be discussed:</b></p> <ul style="list-style-type: none"> <li>• Categories of actions for addressing risks of loss and damage , including risk avoidance, risk reduction, risk internalization and risk transfer and the role of different financial instruments and tools in advancing each of these components of risks</li> <li>• Existing financial instruments and possible innovative solutions to address the risks of loss and damage</li> <li>• Gaps, including knowledge gaps, and lessons learned in the types of financial instruments used to address the risks of loss and damage;</li> <li>• Role of, and lessons learned from, insurance and existing risk transfer and risk pooling mechanisms as part of a comprehensive risk management strategy</li> <li>• Role of micro-insurance in integrated risk management framework;</li> <li>• Role of forecast-based risk transfer financial mechanisms</li> <li>• The use of financial instruments to address non-economic losses</li> <li>• Means to address loss and damage that may not be addressed by existing financial instruments, such as</li> </ul>	<ul style="list-style-type: none"> <li>• R4 Rural Resilience Initiative or Horn of Africa Risk Transfer for Adaptation Initiative (HARITA)</li> <li>• FoodSECuRE</li> <li>• Experiences of national and regional sovereign risk transfer facilities: <ul style="list-style-type: none"> <li>○ African Risk Capacity;</li> <li>○ Caribbean and Central American Catastrophe Risk Insurance Facility;</li> <li>○ Pacific Catastrophe Risk Assessment and Financing Initiative;</li> <li>○ FONDEN</li> </ul> </li> <li>• G7 InsuResilience Initiative</li> <li>• UN Secretary General’s Initiative A2R (Anticipate, Absorb, Reshape)</li> <li>• Solidarity Funds : International Fund for Compensation for Oil Pollution Damage;</li> <li>• Sahel Initiative Sahel Adaptive Social Protection Trust Fund</li> <li>• Bangladesh Climate Change Resilience Fund</li> <li>• Global Facility for Disaster Reduction and Recovery</li> <li>• Use of technical assistance, development policy loans to facilitate policy or regulatory reform (e.g. land-use policies, enabling environments, integration of climate risk into development)</li> <li>• Bonds to finance resilience measures such as: Catastrophe bonds, resilience bonds, infrastructure bonds;</li> <li>• Derivative markets for transferring risks (e.g. commodity futures exchanges)</li> <li>• Relevant reports to inform discussions on the scale of finance needed for loss and damage, taking</li> </ul>	<ul style="list-style-type: none"> <li>• International financial institutions (e.g., Multilateral Development Banks, Development Finance Institutions)</li> <li>• Investment and private banks</li> <li>• Insurance companies: <ul style="list-style-type: none"> <li>○ Munich Re and Munich Re Foundation,</li> <li>○ Swiss Re</li> <li>○ Etc.</li> </ul> </li> <li>• Risk pooling facilities <ul style="list-style-type: none"> <li>○ African Risk Capacity (ARC)</li> <li>○ Caribbean Catastrophe Risk Insurance Facility (CCRIF)</li> <li>○ Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI)</li> </ul> </li> <li>• Multilateral funds and initiatives <ul style="list-style-type: none"> <li>○ Green Climate Fund (GCF)</li> <li>○ Pilot Program for Climate Resilience (PPCR)</li> <li>○ Least Developed Countries Fund (LDCF)</li> <li>○ Special Climate Change Fund (SCCF)</li> <li>○ G7 InsuResilience initiative</li> </ul> </li> </ul>

Purpose of the forum	Scope of the forum	Case studies and initiatives highlighted	Institutions for partnership
<p>and damage, and across levels, geographies and sectors;</p> <p>To discuss how proven financial instruments for loss and damage are structured and operate, how they can be more effective and be brought to scale, their limits and challenges, knowledge gaps, good practices, and lessons learned;</p> <p>To explore potential financial instruments and innovations needed to more fully and more effectively address loss and damage;</p> <p>To contribute to develop recommendations for actions and next steps of how approaches to address loss and damage associated with the adverse effects of climate change can be designed and implemented.</p> <p>To build/enhance networks and partnerships for further outreach and dissemination of information relating to financial instruments and tools, including for the development of financial instruments for vulnerable developing countries.</p>	<p>losses due to slow-onset events, and financial instruments that might be useful for addressing losses and damages from slow-onset events;</p> <ul style="list-style-type: none"> <li>• Social protection programs and other instruments that can address loss and damage experienced by the poorest and the most vulnerable populations;</li> <li>• Enabling environments for effectively using financial instruments and tools to address the risks of loss and damage, incentivize comprehensive risk management and drive action to promote climate resilience and sustainable development;</li> <li>• Scale of finance needed for loss and damage, taking into account levels of warming;</li> <li>• Instruments that can address the range of needs identified in decision 3/CP.18, paragraph 6 and decision 2/CP.19 and the elements included in Article 8 of the Paris Agreement</li> <li>• The interaction between finance for loss and damage, finance for adaptation, and humanitarian finance</li> <li>• Role of the Financial Mechanism of the UNFCCC in financing for loss and damage</li> <li>• Sources of finance and financial instruments from other fields that may contain elements that could be usefully applied to loss and damage and the co-benefits from those instruments.</li> </ul>	<p>into account levels of warming</p> <ul style="list-style-type: none"> <li>• Harnessing the full potential of the insurance industry in disaster risk management: An insurance industry commitment in support of the process to develop the Post 2015 Framework for Disaster Risk Reduction (UNEP FI-PSI, 2014)</li> <li>• Insuring climate resilience: How insurers are responding to climate change, and how they can be part of an effective government response. Insights from a UNEP FI global survey of the insurance industry (UNEP FI, 2013)</li> </ul>	<ul style="list-style-type: none"> <li>○ Global Facility for Disaster Reduction and Recovery (GFDRR)</li> <li>• United Nations specialized organizations and initiatives <ul style="list-style-type: none"> <li>○ World Food Program</li> <li>○ Food and Agriculture Organization</li> <li>○ UNEP Finance Initiative</li> <li>○ UNEP FI – Principles for Sustainable Insurance Initiative (PSI)</li> <li>○ UN Secretary General’s global resilience initiative</li> </ul> </li> <li>• Institutions with expertise on migration and displacement (e.g., IOM, UNHCR, the Nansen Initiative, other members of the Advisory Group on Human Mobility)</li> <li>• National or sub-national government agencies</li> <li>• Research and Academia</li> <li>• Civil Society</li> </ul>

## Annex III

Table of options for possible events to host the 2016 SCF forum

Potential partner organizations/events under consideration by the SCF for its 2016 forum								
	Relevant event	Date	Location	Background and scope	Expected number of participants and target group	Geographical focus	Benefits	Challenges
Option 1: Partnering the SCF forum with a related event	6th International Disaster and Risk Conference (IDRC) organised by the Global Risk Forum (GRF)  Link: <a href="http://idrc.info/">http://idrc.info/</a>	28 Aug.-01. Sept.	Davos, Switzerland	* One of the world's leading conferences on integrative risk management * This year's topic " <i>Integrative Risk and Disaster Management - Towards Resilient Cities</i> " * Cross-cutting issues include e.g. vulnerability and resilience, harmonisation of disaster risk reduction and climate change adaptation * It will also integrate approaches based on the outcome of COP21	* With over 1000 participants the IDRC has a strong convening power * Bringing together practitioners, UN-, IO- and NGO-agents, scientists and the private sector	<i>Global</i>	* The subject, the timing as well as the target audience and the convening power of the IDRC seem to match well with the goals of the SCF forum. * GRF has expressed its strong interest in hosting the forum and would be able to provide logistical support (e.g. meeting space, technical equipment, etc.).	
	Climate week at the UN headquarters in New York  Link: <a href="http://www.climateweeknyc.org/">http://www.climateweeknyc.org/</a>	19.-25. Sept.	New York, US	* Brings together influential global figures from the worlds of business, government and society who are leading the low carbon transition * It hosts events, activities and high-profile meetings across NYC	* Over 500 events hosted by governments, organizations, companies and universities in formats such as conferences, lectures, high-profile debates, community projects, closed door meetings	<i>Global</i>	* Well spaced between the May interessional and the Marrakesh COP, it would provide a good opportunity to engage with a wide range of stakeholders inside and outside the Convention, and provide a positive platform to gain attention.	* In the past visa restrictions and the lack of granting the usual immunities and privileges to participants of the SCF forum have been practical barriers of holding the SCF forum at the UN headquarters in New York.
	Asia-Pacific Climate Change Adaptation Forum organised by the Asia-Pacific Adaptation Network (APAN) and other partners	17-19 Oct.	Colombo, Sri Lanka	* Being among the biggest climate adaptation events in the region  Further information to be gathered on the programme, to be double-checked with ADB. Some of the priority areas: national planning, financing adaptation, climate proofing, resilient infrastructure, adaptation in the context of the SDGs (tbc)	* Brings together around 500 participants including adaptation practitioners as well as public and private officials	<i>Regional</i>	* In terms of target audience, thematic focus and convening power, the Asia-Pacific Climate Change Adaptation Forum is considered a promising option for partnering with the SCF forum. * Hosting the SCF forum in an Asian country in 2016 would also address aspect of regional balance and would generally suit the topic of this year's forum very well.	* Being mindful of the fact that COP22 will already take place 7-18 November, the timing of the event may represent a challenge leaving very little time for drafting a report and/or conclusions for adoption by SCF members and further circulation to COP22. Postponing the substantive deliberations on the outcome of the 2016 forum to the first meeting of the SCF in 2017 and limiting the report on the SCF forum on procedural aspects may be one solution to overcome the time constraint. This, however, may also imply the risk of losing momentum and having a break of around 6 months between the 2016 forum and the follow-up deliberations at the first meeting of the SCF in 2017
Option 2: Stand-alone event	SCF forum in collaboration with the Asian Development Bank (ADB)	tbd, Aug.-Sept.	Manila, Philippines	tbd	tbd	<i>Global</i>	* The SCF forum would profit from the high technical expertise and the existing networks of the ADB in the region. * The ADB expressed its support to gladly host the event in its headquarters and to provide the conference support, as appropriate	* A relevant event with which to partner with would still need to be identified. * Without a partnering event, logistical costs for organising a venue and the costs to fly in experts from different regions may become very high.
	SCF forum back to back with UNFCCC events such as the meetings of the Executive Committee	September	Bonn, Germany	tbd	tbd	<i>Global</i>	* Financing and loss and damage experts available	* In comparison to the other options presented in this table, the convening power may be weaker and the financial/logistical costs of flying in experts, etc. may become very high.