



United Nations

FCCC/CP/2015/8



Framework Convention on
Climate Change

Distr.: General
20 November 2015

Original: English

Conference of the Parties

Twenty-first session

Paris, 30 November to 11 December 2015

Item 12(b) of the provisional agenda

Matters relating to finance

Report of the Standing Committee on Finance

Report of the Standing Committee on Finance to the Conference of the Parties*

Summary

This report contains information on the outcomes of the work of the Standing Committee on Finance (SCF), including its meetings, in 2015. The report also contains: a list of the members of the SCF; the summary report on and recommendations of the third forum of the SCF; the agreement by the SCF to dedicate its 2016 forum to financial instruments that address the risks of loss and damage associated with the adverse effects of climate change; the two draft decisions containing draft guidance to the operating entities of the Financial Mechanism of the Convention; the recommendations of the SCF on methodologies for reporting financial information by Parties included in Annex I to the Convention; a draft workplan on measurement, reporting and verification of support; an outline of the 2016 biennial assessment and overview of climate finance flows; recommendations and conclusions relating to the future institutional linkages and relations between the Adaptation Fund and other institutions under the Convention; and the workplan of the SCF for 2016–2017.

* This document was submitted after the due date in order to include the results of the 11th meeting of the Standing Committee on Finance, held from 26 to 28 October 2015.

15-20485(E)



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I. Introduction

A. Mandate

1. The Conference of Parties (COP), by decision 2/CP.17, paragraph 120, decided that the Standing Committee on Finance (SCF) shall report and make recommendations to it, for its consideration at each of its ordinary sessions, on all aspects of the work of the SCF.
2. By decision 5/CP.18, paragraph 3, the COP endorsed the work programme of the SCF for 2013–2015,¹ and, by decision 7/CP.19, paragraph 6, the workplan of the SCF for 2014–2015. An update of the workplan of the SCF for 2016–2017 is contained in annex X.

B. Scope of the note

3. This document contains the outcomes of the work of the SCF in 2015 and its recommendations for consideration at COP 21, as well as reports on the 9th, 10th and 11th meetings of the SCF and its third forum.

C. Recommendations for action by the Conference of the Parties at its twenty-first session

4. The COP may wish to consider the following when deliberating the relevant agenda items:
 - (a) Recommendations of the third SCF forum on enhancing coherence and coordination of forest finance, as contained in annex II, paragraph 54;
 - (b) The draft decision on draft guidance to the Green Climate Fund (GCF) and the draft decision on draft guidance to the Global Environment Facility (GEF), as contained in annexes IV and V, respectively;
 - (c) Recommendations of the SCF on methodologies for reporting financial information by Parties included in Annex I to the Convention (Annex I Parties), as contained in annex VI;
 - (d) Recommendations relating to the future institutional linkages and relations between the Adaptation Fund (AF) and other institutions under the Convention, as contained in annex IX, paragraphs 4 and 5.
5. The COP may wish to take note of the following:
 - (a) The membership of the SCF, as contained in annex I;
 - (b) The summary report on the third SCF forum, as contained in annex II, paragraphs 1–53, and the follow-up activities of the SCF in 2016 referred to in annex II, paragraph 55;
 - (c) The agreement of the SCF to dedicate its 2016 forum to financial instruments that address the risks of loss and damage associated with the adverse effects of climate change, as contained in annex III;

¹ FCCC/CP/2012/4, annex II.

- (d) The workplan on measurement, reporting and verification (MRV) of support beyond the biennial assessment and overview of climate finance flows, as contained in annex VII;
- (e) The outline of the 2016 biennial assessment and overview of climate finance flows, including an indicative timeline, as contained in table 2, in annex VIII;
- (f) The conclusions relating to the institutional linkages and relations between the AF and other institutions under the Convention, as contained in annex IX;
- (g) The updated workplan of the SCF for 2016–2017, as contained in annex X;
- (h) The options that the SCF has identified relating to the frequency of guidance provided to the operating entities of the Financial Mechanism of the Convention (see para. 25 below);
- (i) The necessary additional work involved in analysing past guidance in order to identify core guidance that can serve as a basis for the provision of future guidance by the SCF in 2016.

II. Proceedings of the meetings of the Standing Committee on Finance in 2015

A. Membership

6. Mr. Houssen Alfa Nafo (Mali) and Ms. Outi Honkatukia (Finland) were elected as Co-Chairs of the SCF in 2015. Ms. Kate Downen (United Kingdom of Great Britain and Northern Ireland) replaced Ms. Inka Gnittke (Germany). A list of the members of the SCF as at 30 October 2015 is contained in annex I.

B. Meetings of the Standing Committee on Finance

7. The meetings of the SCF were attended by Party observers and representatives of non-governmental organizations, intergovernmental organizations, think tanks, multilateral development banks and operating entities of the Financial Mechanism of the Convention. The observers actively took part in the deliberations of the SCF.

8. The SCF conducted its meetings through plenary sessions and breakout group discussions. All meetings of the SCF were webcast, and the recordings of the meetings are available on demand.² The representatives of observer organizations were invited to express their views on the various issues under discussion and to engage actively in the deliberations of the breakout groups.

9. The meeting documents are available on the SCF website.³

10. The 9th meeting of the SCF was held in Bonn, Germany, on 10 and 11 March 2015. At that meeting, the SCF requested the secretariat to compile and analyse past guidance prior to the 10th meeting of the SCF as input to the discussions on draft guidance to the operating entities of the Financial Mechanism. The SCF also agreed to:

- (a) Provide inputs to the in-session workshop on long-term finance (LTF) in June 2015;

² Available on the SCF website at <<http://unfccc.int/7703.php>>.

³ <<https://unfccc.int/6881.php>>.

(b) Organize the 2015 SCF forum on 8 and 9 September 2015, in conjunction with the World Forestry Congress of the Food and Agriculture Organization of the United Nations (FAO);

(c) Prioritize the work on MRV of support beyond the biennial assessment and overview of climate finance flows in 2015 on the basis of the mandates contained in decision 11/CP.20 relating to the methodologies for the reporting of financial information by Annex I Parties;

(d) Invite SCF members, observers and thematic bodies under the Convention to make submissions by 8 May 2015 on: (1) possible future relations between the AF and other institutions under the Convention; and (2) possible future institutional linkages between the AF and other institutions under the Convention, taking into account any legal and technical implications identified.

11. The 10th meeting of the SCF was held in Bonn on 12 and 13 June 2015. The following were the key outcomes of the meeting:

(a) Following further elaboration of the objectives of the third SCF forum, the SCF agreed that the focus should be on financing for forests in the context of both mitigation and adaptation. In addition to existing forest finance, the forum should also look into what finance can be catalysed and increased, including through the mobilization of private finance;

(b) The SCF agreed that the co-facilitators, with the support of the secretariat, will continue, intersessionally, to compile and analyse past guidance and postpone work on the identification of core guidance until work on the compilation and analysis of past guidance provided has progressed or been completed. The SCF also agreed to prepare options on the frequency of guidance to be provided to the operating entities of the Financial Mechanism, including the advantages and disadvantages for each option, for consideration at its 11th meeting;

(c) The SCF, taking into account the outcomes of the joint in-session workshop, agreed to develop recommendations on how to improve methodologies for reporting financial information by Annex I Parties, with a view to concluding its work on this matter at its 11th meeting. The SCF also agreed to develop a draft outline and structure to guide the data collection and drafting processes of the 2016 biennial assessment and overview of climate finance flows for agreement at its 11th meeting.

12. The 11th meeting of the SCF was held in Bonn from 26 to 28 October 2015. The SCF agreed on the overall outline of its report to COP 21, including its 2016–2017 workplan. In addition, the SCF considered the following items at this meeting:

(a) Draft summary report on the third SCF forum on enhancing coherence and coordination of forest finance;

(b) Work on the fourth SCF forum and the invitation of the Executive Committee of the Warsaw International Mechanism on Loss and Damage associated with Climate Change Impacts to dedicate the 2016 forum of the SCF to the issue of financial instruments that address the risks of loss and damage associated with the adverse effects of climate change. The overall approach was agreed upon;

(c) Draft guidance to the operating entities of the Financial Mechanism, the compilation and analysis of past guidance provided, and the options for frequency of guidance provided;

(d) Methodologies for the reporting of financial information by developed countries, the workplan on MRV of support beyond the biennial assessment and overview

of climate finance flows, and the outline of the 2016 biennial assessment and overview of climate finance flows;

(e) Institutional linkages and relations between the AF and other institutions under the Convention.

III. Work of the Standing Committee on Finance in 2015

A. The forums of the Standing Committee on Finance and the virtual forum

1. The 2015 forum of the Standing Committee on Finance

13. The COP requested the SCF to consider in its work on coherence and coordination, inter alia, the issue of financing for forests, taking into account different policy approaches, and to focus its soonest possible forum on issues related to finance for forests, including the implementation of the activities referred to in decision 1/CP.16, paragraph 70, inter alia: (1) ways and means to transfer payments for results-based actions, as referred to in decision 1/CP.18, paragraph 29; and (2) the provision of financial resources for alternative approaches. It further requested the SCF to invite experts on the implementation of the activities referred to in decision 1/CP.16, paragraph 70, to the forum.⁴

14. The third SCF forum, entitled “Enhancing coherence and coordination of forest financing”, took place on 8 and 9 September 2015 in Durban, South Africa, and was organized in collaboration with the 14th World Forestry Congress hosted by the South African Government and in partnership with FAO.⁵ Six SCF members and 180 participants representing Parties, forest and financial institutions, the private sector and civil society attended the forum. Over 20 resource persons participated in the forum as facilitators, panellists, discussion leaders and rapporteurs. They included representatives of governments, multilateral and bilateral financial institutions, think tanks, United Nations organizations and the private sector.

15. In preparing for the forum and to inform the work of the SCF on coherence and coordination for forest finance, the SCF reached out to various stakeholders working on forest finance and undertook a number of outreach activities, including the following:

- (a) An outreach event during COP 20 on SCF work on forest finance;
- (b) An open webinar on coherence and coordination for forest finance and the third SCF forum;⁶
- (c) Participation at the joint United Nations Forum on Forests–United Nations Economic and Social Commission for Asia and the Pacific workshop on integrating climate and forest financing in South-Eastern Asia (23–25 March 2015);⁷
- (d) Participation at the eleventh session of the United Nations Forum on Forests;⁸

⁴ Decision 9/CP.19, paragraphs 20 and 21.

⁵ All information on the third forum of the SCF, including the agenda, list of speakers, presentations and list of participants, is available at <http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/9053.php>.

⁶ More information is available at <<http://unfccc.int/8985>>.

⁷ More information is available at <<http://unff-fp.un.org/documents/workshop-documents/southeast-asia/>>.

(e) Participation at the Global Landscapes Forum: the investment case (10 June 2015);⁹

(f) Participation at the second voluntary meeting on the coordination of support for the implementation of activities referred to in decision 1/CP.16, paragraph 70 (8 June 2015);¹⁰

(g) Participation at the innovation and investment forum, organized in conjunction with the 14th World Forestry Congress.¹¹

16. Furthermore, the SCF continued to make use of its virtual forum¹² where information on the meetings of the forum, as well as other relevant information, such as presentations by members during external events and submissions, is available to all interested stakeholders.

2. The 2016 forum of the Standing Committee on Finance

17. The SCF, at its 11th meeting, initiated its preparation for the 2016 forum and considered the invitation of the Executive Committee of the Warsaw International Mechanism, in the context of action area 7 of the workplan of the Executive Committee,¹³ to dedicate the 2016 forum of the SCF to financial instruments that address the risks of loss and damage associated with the adverse effects of climate change. One member of the Executive Committee, Mr. Gottfried von Gemmingen, presented an overview of its workplan, in particular elements of its action area 7.

18. The SCF accepted the invitation of the Executive Committee referred to in paragraph 17 above, established a working group and agreed on a set of activities to be undertaken intersessionally. The outcomes of the SCF discussions on this item are contained in annex III.

B. Coherence and coordination: the issue of financing for forests, taking into account different policy approaches

19. COP 19 requested the SCF to consider in its work on coherence and coordination, inter alia, the issue of financing for forests, as referred to in paragraph 13 above. In response, the SCF in 2015 continued to develop a working paper and invited written feedback from SCF members and observers, including Party observers, international organizations, United Nations agencies and think tanks. The feedback received can be accessed at the information repository of the SCF.¹⁴ As agreed at the 10th meeting of the SCF, the working paper was published as a background document for the third SCF forum. The background document is available on the virtual forum website.¹⁵

⁸ More information is available at <<http://www.un.org/sustainabledevelopment/events/un-forum-on-forests-eleventh-session-unff11/>>.

⁹ More information is available at <<http://www.landscapes.org/london/>>.

¹⁰ More information is available at <<http://redd.unfccc.int/meetings/voluntary-meetings.html>>.

¹¹ More information is available at <<http://www.fao.org/about/meetings/world-forestry-congress/programme/specialevents/investment-forum/en/>> and <<http://unfccc.int/9053>>.

¹² <<http://unfccc.int/SCF/Forum>>.

¹³ FCCC/SB/2014/4, annex II.

¹⁴ <http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/7561.php#CCFF>.

¹⁵ <<http://unfccc.int/9053>>.

20. The SCF, at its 11th meeting, agreed to undertake in 2016 the follow-up activities referred to in annex II, paragraph 55, to improve the coherence and coordination of forest finance.

C. Guidance to the operating entities of the Financial Mechanism of the Convention

21. In accordance with decision 2/CP.17,¹⁶ one of the functions of the SCF is to provide to the COP draft guidance provided to the operating entities of the Financial Mechanism of the Convention, with a view to improving the consistency and practicality of such guidance, taking into account the annual reports of the operating entities as well as relevant submissions from Parties. COP 20 endorsed the recommendations on the provision of guidance to the operating entities provided in paragraph 10 of the report of the SCF to COP 20.¹⁷ Furthermore, the COP requested the SCF to provide advice on the issue of the frequency of guidance provided to the Financial Mechanism and to report back to COP 21 on this issue.¹⁸

22. This matter was discussed by the SCF during its 9th, 10th and 11th meetings, and work on this issue was advanced intersessionally. Representatives of the operating entities were actively engaged in the discussions during the three meetings of the SCF, and provided information upon request.

1. Guidance provided to the operating entities

23. The SCF for the first time provided the COP with draft decisions on guidance to the GEF and the GCF rather than forwarding a compilation of submissions made by SCF members in a tabular format and based on the annual reports of the operating entities and inputs received from the Adaptation Committee (AC) and the Technology Executive Committee (TEC).^{19, 20} At its 11th meeting, the SCF developed two draft decisions based on a compilation of these submissions, as well as inputs received from the working group on the 2015 forum on enhancing coherence and coordination of forest financing during this meeting. The SCF technically refined the compilation of submissions and inputs received where there was agreement to do so; however, the SCF did not negotiate the draft decisions. Additionally, the SCF agreed on the recommendations on this matter to be included in its annual report to the COP.

2. Frequency of guidance to be provided to the operating entities

24. The SCF, at its 10th meeting, requested the co-facilitators of the working group, with the support of the secretariat, to prepare options for consideration at its 11th meeting. At its 11th meeting, the SCF considered the following options identified by the co-facilitators, including the legal and practical implications identified for each of the options:²¹

- (a) Guidance to be provided every year;

¹⁶ Decision 2/CP.17, paragraph 121(c).

¹⁷ FCCC/CP/2014/5.

¹⁸ Decision 6/CP.20, paragraphs 19 and 20.

¹⁹ See SCF document SCF/2015/10/13, section 5. Available at <http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/6881.php>.

²⁰ More information is available at <http://unfccc.int/ttclear/pages/ttclear/templates/render cms_page?TEC_meetings> and <http://unfccc.int/adaptation/groups_committees/adaptation_committee/items/9029.php>.

²¹ Contained in section III of SCF document SCF/2015/11/5.

- (b) Guidance to be provided every two years;
- (c) Guidance to be provided every four years.

25. However, in the light of diverging views expressed by members on the options identified, including with regard to the feasibility of different frequencies for guidance to be provided to the two operating entities in the light of their different stages of operationalization, the SCF did not reach an agreement on any of the options.

26. At its 11th meeting, the SCF agreed, owing to the complexity of the exercise and to time constraints during the meeting, to provide to COP 21 a recommendation indicating that it will undertake further work on this matter in 2016 and bring to the attention of the COP that further consideration of this issue may be necessary in order to conclude it, taking into consideration, inter alia, issues concerning:

- (a) Timing and sequencing, particularly with regard to the reviews of the Financial Mechanism, replenishment cycles and respective evaluations;
- (b) The different stages of operationalization of the operating entities;
- (c) Ways to improve the reports of the operating entities to the COP;
- (d) The possibility of providing guidance to the operating entities on a more strategic level.

3. Compilation and analysis of past guidance to the operating entities

27. The SCF initiated work on the compilation and analysis of past guidance during its 9th meeting and the rest of 2015, in line with the recommendations provided by the SCF to COP 20. It agreed that the compilation and analysis of past guidance, as well as the identification of draft core guidance, would form the basis for consideration of the issues of improving the consistency and practicality of guidance, the complementarity between the operating entities and the funds they administer, and the frequency of guidance provided to the Financial Mechanism. Two documents were prepared by the SCF, one for the GEF and one for the GCF, outlining in each document the following items relating to the past guidance: (1) information provided by the operating entity in one of its reports in response to the guidance provided, if available; (2) information on the suggested status of this respective piece of guidance (i.e. whether or not, inter alia, it had been responded to, and/or could be considered as obsolete, repetitive and/or ongoing); and (3) which category it falls into in terms of policy, programme priority, eligibility criteria or other.²² Additionally, the SCF developed two compendiums, one for the GEF and one for the GCF, containing all guidance provided to the two operating entities.²³ Furthermore, an overview of past guidance provided in terms of thematic distribution was made available to SCF members.²⁴

²² The compilation and analysis of past guidance provided to the GCF at COP 16 to COP 20 is available at <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/compilation_analysis_of_past_guidance_gcf.pdf>, and the compilation and analysis of past guidance provided to the GEF at COP 1 to COP 20 and by the Subsidiary Body for Implementation is available at <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/compilation_analysis_of_past_guidance_gef_combined_0910.pdf>.

²³ Available at <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/compendium_gef.pdf> and <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/compendium_gcf.pdf>.

²⁴ Contained in annex I to SCF document SCF/2015/10/5.

D. Measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows

28. COP 19 requested the SCF to consider ways to increase its work on MRV of support beyond the biennial assessment and overview of climate finance flows in accordance with its workplan for 2014–2015 and its mandates.²⁵ Additionally, COP 20 requested the SCF, in the context of its ongoing work, including the preparation of the biennial assessment and overview of climate finance flows, to further explore how it can enhance its work on the MRV of support.²⁶ COP 20 further requested the SCF to include its recommendations on the methodologies for the reporting of financial information in its annual report to the COP, taking into consideration the outcomes of the joint in-session technical workshop.²⁷

29. The SCF, taking into account, inter alia, the outcomes of the joint in-session workshop held in conjunction with the forty-second sessions of the subsidiary bodies,²⁸ developed a set of near- and longer-term recommendations to improve the methodologies for the reporting of financial information by Annex I Parties as contained in annex VI.

30. In addition to the work undertaken in 2015 as per decision 11/CP.20, the SCF, in accordance with decision 7/CP.19, paragraph 9, and decision 6/CP.20, paragraph 11, agreed to increase work on the MRV of support. In this regard, the SCF undertook technical work in 2015 with a view to identifying gaps and areas for improvement in the current arrangements on MRV of support.²⁹ The SCF further developed a two-year workplan, as contained in annex VII, to enable improved MRV of support under the Convention.

E. The 2016 biennial assessment and overview of climate finance flows

31. In accordance with decision 2/CP.17, paragraph 121(f), the SCF will continue to prepare a biennial assessment and overview of climate finance flows every second year. The preparation of the first biennial assessment and overview of climate finance flows in 2014 was also guided by decisions 1/CP.18, paragraph 71, 5/CP.18, paragraph 11, and 3/CP.19, paragraph 11.

32. The SCF, at its 10th meeting, initiated work for the second biennial assessment and overview of climate finance flows. At the same meeting, the SCF established a working group to be co-facilitated by Mr. Houssen Alfa Nafo and Mr. Roger Dungan. At its 11th meeting, the SCF agreed on the general outline of the second biennial assessment and overview of climate finance flows, as well as on an indicative timeline for completion of work in 2016. The outline and indicative timeline are contained in table 2, in annex VIII.

²⁵ Decision 7/CP.19, paragraph 9.

²⁶ Decision 6/CP.20, paragraph 11.

²⁷ Decision 11/CP.20, paragraph 6.

²⁸ A summary of the joint in-session technical workshop on reporting methodologies for the reporting of financial information by Annex I Parties is available at <https://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/summary_of_the_in-session_workshop_on_reporting_methodologies_final_web.pdf>. The workshop drew on sources of information ranging from the views of Parties and observer organizations on the methodologies for the reporting of financial information (FCCC/SBSTA/2015/MISC.3 and Add.1) to the technical paper prepared by the secretariat (FCCC/TP/2015/2).

²⁹ An overview of current mandates and gaps relating to MRV of support (2010–2015) is available at <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/%28for_website%29_overview_of_current_mandates_and_gaps_.pdf>.

F. Workplan of the Standing Committee on Finance in 2015 and consideration of the long-term climate finance issues³⁰

33. By decision 5/CP.20, the COP decided to continue its deliberations on LTF through, inter alia, annual in-session workshops. Concurrently, the COP invited the thematic bodies under the Convention, in particular the SCF, the AC and the TEC, where appropriate, to consider the LTF issues referred to in decision 3/CP.19, paragraph 12, when implementing their 2015–2016 workplans, as inputs to the annual in-session workshops on LTF.

34. In response to the invitation of the COP,³¹ the SCF prepared a briefing document on the elements of its work that related to LTF, including the 2014 forum on adaptation finance, the 2014 biennial assessment and overview of climate finance flows, and the fifth review of the Financial Mechanism. Co-chair Honkatukia presented the inputs at the in-session workshop on LTF during the forty-second sessions of the subsidiary bodies, on 4 June 2015.³²

35. Furthermore, the SCF agreed to consider LTF issues in the implementation of its 2015 and 2016 workplans. As an example, while developing the outline and scope of the 2016 biennial assessment and overview of climate finance flows, the SCF will consider how to incorporate the LTF issues referred to in decision 3/CP.19, paragraph 12, so that the outcomes of the biennial assessment and overview of climate finance flows serve as useful input to the in-session workshop in 2016.

G. Institutional linkages and relations between the Adaptation Fund and other institutions under the Convention

36. COP 21 requested the SCF to consider issues related to possible future institutional linkages and relations between the AF and other institutions under the Convention.³³

37. The SCF agreed to look into this mandate through three main aspects:

(a) Possible future relations between the AF and other institutions under the Convention;

(b) Possible future institutional linkages between the AF and other institutions under the Convention, taking into account any legal and technical implications identified;³⁴

(c) Possible future institutional linkages between the AF and other institutions under the Convention in the broader context of the future financial architecture.

38. The SCF invited its members and observers to submit their views on the aspects mentioned in paragraph 38(a) and (b) above. The SCF requested the secretariat to prepare a working document on future institutional linkages and relations between the AF and other institutions under the Convention taking into account the submissions, the technical paper

³⁰ Decision 3/CP.19, paragraph 12.

³¹ Decision 5/CP.20, paragraph 14.

³² The presentation and the briefing document are available on the LTF website at <http://unfccc.int/cooperation_support/financial_mechanism/long-term_finance/items/8939.php>.

³³ Decision 6/CP.20, paragraph 22.

³⁴ At its 9th meeting, the SCF noted that, from a legal point of view, the AF was established under the Kyoto Protocol, which implies that the establishment of any institutional arrangements between the AF and other institutions under the Convention that have legal implications would require decisions by both the COP and the Conference of the Parties serving as the meeting of Parties to the Kyoto Protocol.

on the second review of the AF and the deliberations of the Adaptation Fund Board on the issue of potential linkages between the AF and the GCF.

39. At its 11th meeting, the SCF considered the working document referred to in paragraph 39 above and the options for recommendations and conclusions. This was supplemented by a briefing note prepared by the legal experts of the secretariat, as per a request by the SCF, on the legal feasibility of the options introduced during the SCF meeting, related to linkages between the AF and the COP on the one hand, and the AF and the SCF on the other.³⁵ The outcomes of the deliberations by the SCF on this mandate are included in annex IX.

H. Linkages with the Subsidiary Body for Implementation and the thematic bodies of the Convention

40. By decision 2/CP.17, the SCF was mandated to maintain linkages with the Subsidiary Body for Implementation (SBI) and the thematic bodies of the Convention.³⁶ At COP 19, Parties called on the SCF to further enhance these linkages with the SBI and the thematic bodies of the Convention.³⁷

41. During 2015, Ms. Diann Black-Layne represented the SCF on the Advisory Board of the Climate Technology Centre and Network. Furthermore, Mr. Kyekyeku Yaw Oppong Boadi continued to represent the SCF in an expert capacity on the task force on national adaptation plans of the AC. Both members participated in the meetings of those bodies. A member of the SCF provided input to the first meeting of the Executive Committee of the Warsaw International Mechanism.

42. It was proposed that information on the respective workplans of the thematic groups should be shared among the bodies to improve collaboration of the SCF with the thematic bodies under the Convention. The secretariat will then assist the committees in identifying areas of possible synergies or overlaps, as well as matters of interest being deliberated by the bodies. The SCF agreed that a case-by-case approach should be taken with the support of the secretariat in, for example, identifying relevant agenda items and preparing presentations for which SCF inputs may be needed when attending meetings and workshops either in person or virtually. Additionally, the in-session workshop on methodologies for reporting financial information by Annex I Parties provided an opportunity for enhanced collaboration with the SBI and the Subsidiary Body for Scientific and Technological Advice in 2015.³⁸

³⁵ The legal note is available at <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/legal_note_on_proposed_recommendations_on_af_linkages.pdf>.

³⁶ Decision 2/CP.17, paragraph 121(b).

³⁷ Decision 7/CP.19, paragraph 10.

³⁸ More information on the in-session workshop is available at <<http://unfccc.int/8892>>.

Annex I

[English only]

List of members of the Standing Committee on Finance as at 30 October 2015

1. Parties included in Annex I to the Convention

Mr. Stefan Agne (European Union)
Mr. Georg Børsting (Norway)
Mr. Jozef Buys (Belgium)
Ms. Sarah Conway (United States of America)
Ms. Kate Downen (United Kingdom of Great Britain and Northern Ireland)
Mr. Roger Dungan (New Zealand)
Ms. Outi Honkatukia (Finland)
Mr. Yorio Ito (Japan)
Mr. Stephan Kellenberger (Switzerland)
Mr. Mark Storey (Sweden)

2. Parties not included in Annex I to the Convention

African States

Mr. Houssen Alfa Nafo (Mali)
Mr. Richard Sherman (South Africa)

Asia-Pacific States

Ms. Rajasree Ray (India)
Mr. Ayman Shasly (Saudi Arabia)

Latin American and Caribbean States

Mr. Paul Herbert Oquist Kelley (Nicaragua)
Mr. Raymond Landveld (Suriname)

Least developed countries

Ms. Edith Kateme-Kasajja (Uganda)

Other non-Annex I Parties

Ms. Suzanty Sitorus (Indonesia)
Mr. Kyekyeku Yaw Oppong Boadi (Ghana)

Small island developing States

Ms. Diann Black-Layne (Antigua and Barbuda)

Annex II

[English only]

Summary report on and recommendations of the third forum of the Standing Committee on Finance

I. Summary report on the third Standing Committee on Finance forum on enhancing coherence and coordination for forest finance

A. Introduction

1. The third forum of the Standing Committee on Finance (SCF) took place on 8 and 9 September 2015 at the International Conference Centre, Durban, South Africa. It was organized in conjunction with the 14th World Forestry Congress in collaboration with the South African Government and the Food and Agriculture Organization of the United Nations (FAO).

2. The focus of the 2015 SCF forum was on issues related to finance for forests, including the implementation of the activities referred to in decision 1/CP.16, paragraph 70 (hereinafter referred to as REDD-plus¹), inter alia: (1) ways and means to transfer payments for results-based actions as referred to in decision 1/CP.18, paragraph 29; and (2) the provision of financial resources for alternative approaches. The main objective of the 2015 SCF forum was enhancing coherence and coordination of forest financing, in the context of actions addressing mitigation and adaptation to climate change. The forum brought together representatives from Parties, forest and financial institutions, the private sector, civil society. They included representatives of governments, multilateral and bilateral financial institutions including operating entities of the Financial Mechanism, think tanks and United Nations organizations.

3. The forum focused on the issue of coherence and coordination from a perspective of financing for forests, taking into account different policy approaches, and considering, inter alia, the importance of forests in the context of sustainable development, the multifunctional and cross-cutting nature of forests, the diversity of actors involved in forest financing within and beyond the Convention and the different circumstances of the developing countries involved.

4. The first day of the forum focused on an overview of the issues related to forest finance, including the landscape of forest finance, and coherence and coordination of the delivery of forest financing, from the perspectives of both public and private sectors. On the second day, the forum focused on sharing case studies and experiences among the participants, on the two mandated topics, namely on: (1) ways and means to transfer payments for results-based actions; and (2) the provision of financial resources for alternative approaches. The second day also included discussions on the incentives required to achieve sustainable investments, which reduce deforestation and forest degradation, promote sustainable management of forests and enhance forest carbon stocks.

¹ In decision 1/CP.16, paragraph 70, the Conference of the Parties encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

5. Following the practice from the 2014 forum of the SCF, the 2015 forum took the modality of both plenary sessions and breakout group discussions, and there was positive feedback from many participants. During the plenary sessions, scene-setting presentations were given by panellists, followed by open discussions among the participants. In order to enable interactive exchange of ideas, breakout group discussions were held on both days. The discussion leaders and rapporteurs reported back to the plenary session at the end of each breakout group discussion, and concluding remarks were provided by co-facilitators.

B. Landscape of forest finance

1. Scale, sources and instruments

6. Information on the scale and sources of existing forest finance was presented by panellists from think tanks and international organizations, including the Climate Policy Initiative (CPI), FAO, the Overseas Development Institute (ODI), the United Nations Forum on Forests (UNFF) and the Global Environment Facility (GEF). According to a recent study by CPI, Climate Focus and the European Forest Institute, annual commitments from international public actors² for land-use mitigation and adaptation in 2012–2013 amounted to USD 5.8 billion, including more than USD 1.2 billion flowing to the forest sector to address climate change. CPI noted that while comprehensive data are lacking on domestic public expenditure and private investments in land-use mitigation and adaptation, climate finance appears to be a very small portion of the broader financial flows to agriculture and forestry in low- and middle-income countries, estimated to be hundreds of billions of USD, dominated by domestic private and domestic public spending. Existing financial instruments that support sustainable land-use include grants, concessional loans, market rate loans, equity, tax incentives, insurance and guarantees. One panellist mentioned that, taking note of the limited public sources of finance, new and innovative financing instruments are needed to meet the investment needs.

7. Some participants were of the view that the needs of developing countries cannot be met with a single type of forest finance, and that private finance will play a key role. Other participants were of the view that, while and even though substantial amounts of finance are already flowing for climate change and forests, relatively small amounts are flowing through the operating entities of the Financial Mechanism and overall flows are low compared with needs. In fact, the representative of UNFF stated that the required funding for sustainable forest management is between USD 70 and USD 160 billion per year globally.

8. According to the FAO representative, in a national context, forest financing encompasses a mixture of different and complementary types of finance, including finance for sustainable land-use and results-based climate finance. Several participants highlighted that finance for REDD-plus activities alone will not be sufficient for the transformational change in the sector, and finance beyond that is needed to achieve the envisioned long-term cumulative emission reductions. It was indicated by several participants that there is a need to mobilize investments in sustainable forestry and sustainable agriculture in order to reduce the pressures on forests. Such private sector investments should support the national plans or strategies that are tailored to country-specific circumstances.

9. Regarding the scale and sources of REDD-plus finance, the representative of FAO quoted a study published by ODI indicating that more than USD 8 billion has been pledged so far for REDD-plus, which mostly comes from public sector sources. However, despite this significant figure, it was pointed out that low and slow disbursement rates can be observed.

² Including bilateral donors, development financial institutions, and domestic and international climate funds.

10. Financial support for the first two phases of REDD-plus is being provided through various funds and programmes, via bilateral and multilateral channels. For example, representatives of the United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD) and the Forest Carbon Partnership Facility shared their experiences in providing REDD-plus support that allows countries to access results-based payments and emphasized the importance of coordination among providers of REDD-plus support. Furthermore, pledges to support are being made but are not yet disbursed. Other sources of funding that countries are experimenting with for REDD-plus activities include domestic budgets, multiple sources pooled into national forest funds, and readiness support including by non-governmental organizations and voluntary markets. It was highlighted that in many cases, the different sources of REDD-plus finance are duplicative and can represent a challenge for a country to coordinate at the national level. Discussions on the role of the Green Climate Fund (GCF) are elaborated in chapter D below.

11. The GEF shared its experience and lessons learned in providing support for sustainable forest management and REDD-plus. The GEF invested more than USD 700 million into sustainable forest management and the REDD-plus incentive mechanism in over 80 countries. These investments have leveraged USD 4.6 billion in co-financing, from a range of other sources. Within its sixth replenishment, the GEF reinforced its strategy for sustainable forest management, aiming to harness multiple benefits from forests and tackling the drivers of deforestation and forest degradation, while supporting the role of forests in national sustainable development plans.

12. Participants noted that the UNFF facilitative process is aiming to assist countries to understand the existing funding sources for forests.

2. Mobilization of scaled-up forest finance

13. With regard to scaling up forest finance, the need for harnessing the existing resources was highlighted. Many noted the importance of leveraging and redirecting the existing capital and investments to contribute to sustainable land-use practices. Some participants also underscored the role of co-financing in further scaling up resources. In addition to these discussions, technical suggestions were made on how to support the mobilization of financial resources for forests, including: provision of enhanced information on the flow of forest finance so as to better inform the decision makers in designing land-use mitigation and adaptation strategies; conduct of financial viability analysis; identification of financial instruments to redirect the existing resources to more sustainable practices; and encouragement of the coordination between public policy and financing instruments.

14. Participants also discussed ways to further scale up private finance for forests and referred to the need to redirect large capitals seeking risk-adjusted returns to sustainable forest projects. In this regard, conditions needed for scaling up private finance were presented, including: management of risk; access to finance; and enabling environments and policy frameworks. One panellist presented the usefulness of strengthening public-private partnerships, to exchange knowledge, enhance public awareness and develop better business models for the private sector. Support from the public sector to enable private sector involvement, such as through provisions of concessional loans and insurances from bilateral and multilateral sources, can encourage more private sector participation in REDD-plus support. Many participants agreed that private sector investments can best contribute to protecting forests if the investment is aligned with government actions for sustainable management of forests.

15. The role of public policies and finance was discussed with regard to how it can contribute to make the private investments sustainable in the long term. Some participants highlighted that governments should play a leading role in implementing the New York Declaration on Forests, which grew out of dialogue among governments, companies and

civil society at the United Nations Secretary-General's Climate Summit 2014 in New York. A number of participants noted the importance of coordination among governments, international organizations and the private sector in advancing the objectives outlined in the Declaration.

16. The role of local domestic private sector actors was emphasized. Some participants said that governments, when designing sustainable forest management policies, need to take into account the fact that private sector actors are motivated by favourable risk-return profiles. Successful case studies were presented in this regard. One example presented highlighted the importance of using public-private partnerships to encourage the local private sector to start investing in sustainable forest management. Another example focused on improving access to credits for smallholders, who are facing poor financial infrastructure and high transaction costs. Providing them with favourable long-term capital, for example, with longer maturity or readjusted repayment schedules to productivity cycles, could encourage them to engage in sustainable forest management, and, where agriculture drives deforestation, in sustainable agriculture.

17. In relation to financial resources for REDD-plus, several participants raised the importance of predictable and adequate international financial support in preparing and implementing their national REDD-plus strategies. Lack of clarity on the amount and duration of forthcoming financing is a challenge. It was also noted that current financial support for REDD-plus is concentrated more on phase one and phase three, and the need for sufficient and balanced financial support for all three phases was emphasized.

3. Information gaps

18. In the discussions related to the estimates of forest finance flows, participants noted that there are gaps in data and information on forest finance flows. Currently, there is no commonly agreed definition of forest finance and what qualifies as forest finance. Information on private finance for forests is largely unavailable due to the difficulty in tracking. Participants mentioned that this poses challenges to governments and investors alike, in acquiring necessary information for designing policies or making investment decisions.

19. Some participants noted that measurement, reporting and verification of support is one of the main functions of the SCF and that there are lessons that could be learned in tracking REDD-plus finance. It was also noted that the Lima Information Hub for REDD-plus could enhance the transparency of results-based actions and of corresponding payments.³

C. Addressing the drivers of deforestation: opportunities and challenges in forest finance

Coherence of policy and financing instruments across sectors

20. Many participants agreed that policies and investments (e.g. in the agriculture sector) should be coherent with policy guidance on sustainable forests and its financing. Agriculture was highlighted as one of the main drivers of deforestation by a number of participants. Some studies have shown that up to 80 per cent of global deforestation occurs as result of agricultural practices. In this regard, increasing the scale of national and international resources for forest finance will do little to stop deforestation, unless the key drivers are addressed.

³ More details on the Lima Information Hub are available at <<http://redd.unfccc.int/>>.

21. In this context, many participants stressed that policy coherence between forestry and sectors that drive deforestation, in particular agriculture, is crucial to achieve reductions of deforestation and forest degradation. Agricultural policies and financing instruments, such as concessional loans, can encourage agricultural production techniques that reduce the pressures on forests. Another example was to reduce the policy incentives for drivers of deforestation, or to add fiscal conditions and requirements for subsidies that drive deforestation. One representative of the United Nations Environment Programme Finance Initiative shared a recent relevant study by the UN-REDD programme titled “Fiscal incentives for agricultural commodity production: options to forge compatibility with REDD+”.⁴

22. During this discussion, some participants suggested that governments should invest in tools to better monitor land-use changes and improve regulatory frameworks. It was also pointed out that, for a transformational consumption pattern of forest products, both supply and demand sides of the drivers of deforestation and degradation should be addressed.

23. Addressing drivers of deforestation requires cross-sectoral cooperation among different institutions, especially between different government ministries. Emphasis was given to the importance of coordinating enabling environments across different sectors to clarify any conflicting regulations, enhancing capacity of relevant institutions, application of common language and generation of comprehensive and accurate data. In this discussion, it was noted that matchmaking is the key to connecting the public and private actors dispersed in regional and sectoral silos. Participants suggested that all countries should be called upon to enhance their enabling environments so as to encourage their domestic private sectors to invest in sustainable forest management.

24. In this context, the importance of scaling up sustainable land-use investments and of redirecting finance towards sustainable land-use practices was highlighted, as these are capable of creating multiple benefits, including for climate change and forestry. Participants noted that there are opportunities to be harnessed in this regard, for example, pools of assets and investors seeking risk diversification, potential in the growth of green bonds and scaling up REDD-plus finance with market commitments. It was also noted that there should be a clear business case for investors. During this discussion, some participants underscored the usefulness of designing risk-mitigating or risk-sharing instruments and making them accessible to institutional investors. Many participants stressed that local smallholders need to be empowered and supported with favourable financial benefits, so that there are strong business cases for them. It was also pointed out by some participants that land-based investments, including for forests and through REDD-plus activities, should be delivered with a full consideration of the social, economic and environmental impacts on the ground and in line with safeguard requirements and national policies. To continue the discussion on this topic, a suggestion was made for the SCF to look into how private finance can be scaled up for forests, based on lessons learned from other sectors.

D. Finance for REDD-plus and alternative approaches: enhancing coherence and coordination

25. Participants exchanged views on how to enhance coherence and coordination of finance for REDD-plus and alternative approaches, considering that the forest financing mix of a country consists of different and complementary types of finance (e.g. finance for sustainable land use and REDD-plus finance).

⁴ Available at <http://www.unredd.net/index.php?view=document&alias=14584-un-redd-policy-brief-qfiscal-incentives-for-agricultural-commodity-production-options-to-forge-compatibility-with-reddq&category_slug=forest-ecosystem-valuation-and-economics&layout=default&option=com_docman&Itemid=134>.

1. Financial support for different phases of REDD-plus

26. Participants acknowledged the existing support for the REDD-plus provided by developed countries but pointed out that an important share of international REDD-plus finance is concentrated in a few countries. In order to address these issues, some participants suggested that coordination between providers of REDD-plus finance would be useful. In addition, participants mentioned that coordination of REDD-plus finance could aim for, *inter alia*, provision of balanced support for all phases of REDD-plus and alignment of different requirements and methodologies required by the providers of finance, especially for phase three.

27. Many participants noted that countries are currently at different phases of REDD-plus and levels of capacity differ among countries. It was mentioned that programme implementation can be costly and time consuming, if capacity is not built properly with readiness support. Significant *ex ante* funding is required to overcome these barriers, including fiduciary capacity.

28. This led to discussions on building the fiduciary capacity of recipient countries and the international support needed. Many participants highlighted that fiduciary requirements for accessing finance could be challenging for some developing countries, and emphasized that building national fiduciary capacity is important to ensure country ownership of REDD-plus finance. Some participants from developing countries noted that they need readiness support to build fiduciary capacity as soon as possible, so that their national institutions can be prepared to be accredited to the GCF. In this context, there was general agreement that international support for phases one and two of the REDD-plus is the key to unlocking the potential for REDD-plus. Other participants suggested that maintaining the linkages between the different phases of the REDD-plus in a country is helpful for attracting financial support from multiple sources.

29. Regarding the role of the GCF, several participants, particularly from developing countries, remarked on the expectation of the GCF to provide funding for the three phases of REDD-plus and in accordance with the Warsaw Framework for REDD-plus. Funding for readiness (phase one) was especially highlighted, and queries were made to the GCF representative about guidelines for consideration of results-based payments under phase three.

30. The timelines for the GCF to develop and put in place its operational guidelines for results-based payments, as well as more concrete guidance on how it will support REDD-plus activities across the three phases, remained unclear. Some participants noted that the SCF may be in a position to recommend guidance to the Conference of the Parties (COP) in this regard.

2. REDD-plus strategies and country ownership

31. When discussing international support for sustainability of REDD-plus, participants noted that it is important for a country to have a REDD-plus strategy to first determine what it wishes to achieve. Participants also noted that countries with a national forest strategy need to take holistic approaches and should take their REDD-plus strategies into consideration, in order to ensure the alignment of different sources of forest finance. It was also mentioned that the REDD-plus strategies and the finance associated with them can be most effective if they are aligned with national development policies and promote engagement of relevant private sector actors. In this context, participants noted the importance of interministerial and sectoral coordination, which requires clear responsibilities and coordination among key actors. It was also mentioned that benefits for each stakeholder have to be communicated in a simple and clear narrative. It was also noted that the design of REDD-plus strategies needs to be tailored and that there is no one size which fits all.

32. Under this discussion, it was pointed out that country ownership is crucial in designing the REDD-plus strategies and the associated financing structures. The financing structures for national REDD-plus strategies need to be designed according to each country's existing financial architecture. Some participants were of the view that this should be considered at an early stage, as retrofitting the institutions and frameworks at a later stage could be challenging. Many agreed that sharing the lessons learned in developing such strategies and financial architectures would be useful. Some participants mentioned that the co-benefits of REDD-plus activities, such as non-carbon benefits, contribute to development and enhance country ownership.

3. National REDD-plus and climate change funds

33. Participants also shared their views and experiences regarding national REDD-plus funds or other national climate change funds. For establishing national REDD-plus funds, some suggested using existing legal frameworks, financial structures, funds and institutions, as this could be less resource intensive than creating the funds from the beginning. Design of REDD-plus funds should take into account the needs of recipient countries and the requirements of contributing countries. Other ideas shared in this discussion include: the need for the national REDD-plus funds to be flexible in choosing the most suitable actors in order to make better use of resources; the definition and selection of the best types of actors to implement the policies and measures; and using the REDD-plus funds as hubs to scale up and coordinate activities at subnational levels.

4. Engagement of the private sector in REDD-plus activities

34. Participants discussed the opportunities for and challenges in engaging the private sector in REDD-plus activities. The role of the private sector was underscored more for phase two of the REDD-plus activities,⁵ because of the larger scale of potential resources that can be unlocked. However, the relatively smaller amounts of international support provided for phase two, more through bilateral channels than multilateral ones, are posing some challenges to countries when implementing their REDD-plus programmes. Some solutions were suggested to scale up private investments in REDD-plus activities, such as public-private partnerships and co-financing schemes, which could also create better coordination among the public and private sectors and enhanced information sharing. In this context, it was also mentioned that, currently, private sector actors are not well informed about REDD-plus or about sustainable investment in forestry and agriculture, and participants agreed that governments need to engage more with the private sector, in their efforts to coordinate different stakeholders.

5. Enhancing coherence and coordination for results-based payments

35. Participants discussed the opportunities and challenges regarding results-based payments. Many agreed that results-based payments backed by international financial support can be an effective means to finance innovative measures, which could not have been financed otherwise domestically. Successful cases could inform domestic policies and be replicated through local actors. In this discussion, the importance of scaled-up financial support for phase three and harmonization among the providers of results-based payments was highlighted.

36. With regard to the potential role of the SCF in work on coherence and coordination, there was a suggestion that the SCF could facilitate the sharing of country experiences on accessing the results-based payments with financing entities, including the GCF.

⁵ Phase two of REDD-plus includes the implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities (decision 1/CP.16, paragraph 73).

37. A number of participants acknowledged that the Warsaw Framework for REDD-plus provides the guidelines for the delivery of results-based payments and that this should be considered as the basis for results-based payment mechanisms. They emphasized that financing entities, including the GCF, should apply the guidance as per decision 9/CP.19, and results-based payment mechanisms that have been set up before the adoption of the Warsaw Framework for REDD-plus should revisit their methodological framework in order to ensure coherence with other institutions. Some participants indicated that there are areas where guidelines for results-based payments do not exist (e.g. ensuring coherence between private proposals and national REDD-plus strategies within the Private Sector Facility of the GCF), and these guidelines have to be discussed, ensuring country ownership and involvement of national stakeholders. Some suggested that the SCF could play a facilitating role in ensuring communication and linkages between the providers of results-based payments for harmonization of guidelines and methodologies.

6. Financial resources for alternative approaches

38. Discussions were also held on the provision of financial resources for alternative approaches. There were different views on how alternative approaches could be defined. Participants generally agreed that alternative approaches could be considered as holistic approaches that build on synergies and complementarities of benefits created by forests including for mitigation and adaptation, which take into account the multifunctional aspect of forests. In comparison with the REDD-plus programme, which is more focused on the aspect of mitigating carbon emissions, taking into account non-carbon benefits, some participants considered alternative approaches as achieving both mitigation and adaptation goals with ex ante financial support, which is conducive to achieving the objectives of the Convention. There was recognition of joint mitigation and adaptation approaches for the integral and sustainable management of forests, which are referred to in numerous COP decisions adopted since 2010.

39. With regard to financial resources for alternative approaches, participants recognized that a number of COP decisions encourage provision of financial resources for different policy approaches, allowing countries to harness multiple benefits of forests according to their national circumstances (e.g. mitigation, adaptation and non-carbon benefits). They also recognized that financing for alternative approaches can come from public and private sources. Some participants were of the view that innovative financing mechanisms, such as green bonds, could be one way to scale up business investments in forest projects. It was mentioned that synergetic financial solutions could scale up the support for alternative approaches and that there are lessons to be learned from other policy approaches, such as payments for ecosystem approaches. In addition to this, the importance of setting up conducive enabling environments for private investments was emphasized.

E. Conclusions

40. The third forum of the SCF generated new insights into the issue of forest finance and brought together a number of important stakeholders. Options to enhance coherence and coordination, from both contributor and recipient perspectives, were discussed.

41. The forum focused on the issue of coherence and coordination from the perspective of financing for forests, taking into account different policy approaches.

42. Currently, forest finance is flowing from and through both public and private sources and channels, for various policy approaches encompassing a mixture of different and complementary types of finance. This includes sustainable land-use finance and results-based climate finance. However, financing flows for REDD-plus require further clarity, particularly for disbursement.

43. There are gaps in data and information on forest finance flows and there is not a commonly agreed definition of forest finance and what qualifies as forest finance. Information on private finance for forests is scarce and difficult to track.
44. Opportunities for scaling up the mobilization of forest finance can be harnessed by utilizing existing financial instruments and investing in enabling policy frameworks.
45. The GEF has invested more than USD 700 million into sustainable forest management and the REDD-plus incentive mechanism in over 80 countries, leveraging USD 4.6 billion in co-financing from a range of sources. The GEF aims at harnessing multiple benefits from forests and tackling the drivers of deforestation and forest degradation, while supporting the role of forests in national sustainable development plans.
46. Existing public and private resources should be redirected to sustainable land-use practices and forest management. There is a need to create enabling environments that will promote sustainable investments by domestic and international private and public sectors to support the efforts to achieve sustainable land-use practices to mitigate and adapt to climate change effects, including sustainable forest management.
47. Policy coherence and coordination among forestry and activities that drive deforestation and forest degradation is a key issue. Policies and fiscal instruments in agriculture, for example, should incentivize sustainable agricultural production techniques with low/no negative impacts on forests. Enhanced cross-sectoral coordination in governments and between stakeholders is essential to improve policy coherence and effectively address the drivers of deforestation and forest degradation.
48. REDD-plus finance can be most impactful if it can be aligned with national development policies and priorities, supported by cross-sectoral coordination, involving relevant stakeholders, such as local communities, indigenous peoples and private sector actors.
49. International support is a crucial enabler for preparation and implementation of REDD-plus activities by developing countries. REDD-plus support should be adequate and balanced across the implementation of the three phases of REDD-plus activities, in particular for phase two. Countries have different capacities and are at different phases of REDD-plus. REDD-plus support should encourage broad participation of all stakeholders and be accessible to recipient countries with a balanced distribution.
50. Coherence and coordination should be enhanced among the entities providing finance for REDD-plus activities, including requirements for accessing results-based finance. In this context, the Warsaw Framework for REDD-plus should guide funding schemes for REDD-plus results-based payments.
51. With regard to the GCF, developing countries are looking forward to receiving more information on the procedure and timeline for consideration of funding proposals for REDD-plus activities by the GCF, including the results-based payments (phase three).
52. Coherence needs to be ensured between private proposals and national REDD-plus strategies.
53. There were different views on how alternative approaches could be defined. Among them, one example could be a holistic approach that builds on synergies and complementarities of benefits created by forests, including for mitigation, adaptation and sustainable development, which takes into account the multifunctional aspect of forests. Financing for alternative approaches can come from public and private sources.

II. Recommendations of the Standing Committee on Finance

54. Based on the conclusions of the third SCF forum, the SCF highlights the following for consideration by the COP:

(a) Invite Parties to ensure policy coherence, coherence of financing instruments and financial incentives and multisectoral coordination to address the drivers of deforestation and forest degradation, and promote sustainable management of forests;

(b) Welcome the investments by the GEF in sustainable forest management and REDD-plus, harnessing multiple benefits from forests and tackling the drivers of deforestation and forest degradation;

(c) Encourage entities financing REDD-plus activities, including the GCF, to enhance coordination and exchange of information on the provision of support, including results-based payments guided by the Warsaw Framework for REDD-plus;

(d) Encourage the GCF to expedite work on results-based finance in 2016, applying the methodological guidance consistent with the Warsaw Framework for REDD-plus, in order to improve the effectiveness and coordination of results-based finance, as referred to in decision 9/CP.19, paragraph 7, and to report its progress to COP 22;

(e) Welcome the GCF provisions to provide forest finance in the context of ecosystems-based adaptation;

(f) Request the GCF to consider, in its work under the Private Sector Facility, the mobilization of finance for sustainable land-use practices and sustainable management of forests.

III. Follow-up activities of the Standing Committee on Finance in 2016

55. To build upon the rich discussions that took place at the 2015 SCF forum and the momentum generated, the SCF decided to undertake the following activities to improve coherence and coordination of forest finance:

(a) An overview of forest finance flows in the 2016 biennial assessment and overview of climate finance flows;

(b) Consideration of reaching out to entities financing the activities referred to in decision 1/CP.16, paragraph 70, and other relevant stakeholders working on forest finance to strengthen the coherence and coordination between the forestry sector and sectors that drive deforestation and forest degradation, and in the access to and delivery of support;

(c) Organization of an SCF side event in conjunction with a UNFCCC conference session in 2016, to facilitate the interactions among the financing entities providing forest finance;

(d) Consideration of the outcomes of the above-mentioned activities at SCF meetings, with a view to preparing SCF recommendations for COP 22 on, inter alia, draft guidance to the operating entities of the Financial Mechanism.

Annex III

[English only]

The 2016 forum of the Standing Committee on Finance

1. The Standing Committee on Finance (SCF) accepted the invitation of the Executive Committee on the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts, in the context of action area 7 of the workplan of the Executive Committee,¹ to dedicate its 2016 forum to financial instruments that address the risks of loss and damage associated with the adverse effects of climate change, recognizing that further work needs to be undertaken in terms of the forum's scope and purpose and emphasizing the relevance of the forum to the 2016 biennial assessment and overview of climate finance flows.
2. The SCF decided to establish a working group for the 2016 forum, to be co-facilitated by Mr. Richard Sherman and Mr. Stephan Kellenberger.
3. The SCF decided to launch the work for the preparations of the 2016 forum and requested the co-facilitators, with the support of the secretariat, to undertake intersessional work on, inter alia:
 - (a) A draft concept note for the forum;
 - (b) An outreach strategy for the forum, including mapping of the relevant stakeholders;
 - (c) A screening 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 and December 2015.

¹ FCCC/SB/2014/4, annex II.

Annex IV

[English only]

Draft decision on the draft guidance to the Green Climate Fund

[The Conference of the Parties,

Recalling decision 7/CP.20,

Noting the recommendations of the Standing Committee on Finance contained in its report to the Conference of the Parties with regard to the provision of draft guidance to the Green Climate Fund,¹

1. *Welcomes* the report of the Green Climate Fund to the Conference of the Parties² and the information contained therein on the progress made by the Green Climate Fund towards its full operationalization;
2. *Notes with appreciation* that the Green Climate Fund has become effective;
3. *Welcomes* the fact that the Green Climate Fund has become fully operational by achieving the threshold of 50 per cent of the contributions pledged,³ required for allocating its resources for projects and programmes;
4. *Also welcomes* the allocation of up to USD 900 million, to be provided following requests for proposals, for pilot programmes in enhanced direct access, engaging micro-, small- and medium-size enterprises, and mobilizing resources at scale;
5. *Urges* the Green Climate Fund Board to ensure maximum transparency and fairness, while ensuring a country-driven approach, in the selection of pilot programmes and operational entities, underscoring the complementarity between the pilots and other proposals supported by the fund, and requests the board to report on the implementation and status of the pilot programmes to the Conference of the Parties at its twenty-second session (November 2016);
6. *Also urges* Parties that made pledges under the Initial Resource Mobilization process of the Green Climate Fund but have not yet confirmed them to the Green Climate Fund through contribution arrangements or agreements to do so as a matter of high priority;
7. *Reiterates* the invitation for financial inputs from a variety of sources, public and private, including alternative sources, throughout the initial resource mobilization process, and encourages the Green Climate Fund to complete early in 2016 the development of policies and procedures for accepting financial inputs from non-public and alternative sources;
8. *Urges* the Green Climate Fund Board to develop a clear pathway to ensure the achievement of the goal of triggering the first formal replenishment process no later than in June 2017, in line with the ongoing process to convert pledges into fully executed contribution agreements as soon as possible;
9. *Also urges* the Green Climate Fund Board to complete the process to appoint the permanent Trustee no later than in early 2017 while noting that the appointment of the Interim Trustee has been extended until April 2018;

¹ FCCC/CP/2015/8, annex IV.

² FCCC/CP/2015/3.

³ See document FCCC/CP/2014/7.

10. *Welcomes* the decision of the Green Climate Fund Board to develop a strategic plan for the Board, and urges the Board to adopt this plan as soon as possible and report on its implementation to the twenty-second session of the Conference of the Parties;
11. [Placeholder on the outcomes of the 11th meeting of the Green Climate Fund Board, particularly with regard to the approval of first funding decisions, the initial monitoring and accountability framework, work plan 2016 and the first biennial report on privileges and immunities];
12. *Requests* the Green Climate Fund to review its initial proposal approval process and take steps to improve its functionality for all stakeholders on the basis on its initial experiences;
13. *Urges* the Green Climate Fund Board to identify and complete the essential components to support the programming of the resources of the Green Climate Fund in line with Board decisions, including a timetable for their implementation;
14. *Requests* the Green Climate Fund to take concrete steps to better facilitate accreditation of private sector entities;
15. *Takes note* of the progress made in accrediting entities to the Green Climate Fund;
16. *Urges* the Green Climate Fund Board to prioritize the accreditation of public and local private sector entities, and maintain a fair and equal balance among public, private and international accredited entities;
17. *Welcomes* the Green Climate Fund Board's decision on country ownership;
18. *Urges* the Green Climate Fund Board to expedite support for developing countries in accordance with the governing instrument of the Green Climate Fund;⁴
19. *Requests* the Green Climate Fund to consider how to support developing countries in formulating policies, strategies, programmes and projects so that they may implement their respective intended nationally determined contribution starting in 2016;
20. *Urges* the Green Climate Fund Board to ensure that sufficient resources are provided for readiness and preparatory support in the context of its initial parameters and guidelines for the allocation of resources;
21. *Requests* the Green Climate Fund to prioritize the development of its initial risk management framework in its efforts to further refine its institutional policies in 2016;
22. *Takes note* of the initiation of the process to appoint the heads of the Independent Evaluation Unit, Independent Redress Mechanism and Independent Integrity Unit and urges the Green Climate Fund Board to ensure adequate developing country representation in the appointment of their heads, and to operationalize the units no later than at its 3rd meeting in 2016;
23. *Urges* the Green Climate Fund Board to make public the procedures Parties and affected individuals should follow when seeking redress until the Independent Redress Mechanism is operationalized;
24. *Invites* the Green Climate Fund to consider supporting the advancement of the implementation of national adaptation programmes of action, and to clearly communicate in its annual report to the Conference of the Parties how it will do so;
25. *Also invites* the Green Climate Fund to:

⁴ As contained in the annex to decision 3/CP.17.

- (a) Consider how it can support the development of adaptation proposals drawing on lessons learned from the “Project Preparation Grant” approach of the Global Environment Facility;
- (b) Take into account in its programmatic priorities the Cancun Adaptation Framework, in particular the principles referred to in paragraph 12 and the activities referred to in paragraph 14 of decision 1/CP.16;
26. *Requests* the Green Climate Fund Board, recalling decision 1/CP.18, paragraph 62, to report to the Conference of the Parties on the linkages between the Fund and the Technology Executive Committee;
27. *Encourages* the Green Climate Fund to enhance its coordination and exchange of information on the provision of support, including results-based payments guided by the Warsaw Framework for activities referred to in decision 1/CP.16, paragraph 70, with other entities financing activities referred to in decision 1/CP.16, paragraph 70;
28. *Encourages* the Green Climate Fund to expedite work on results-based finance in 2016, applying the methodological guidance consistent with the Warsaw Framework for activities referred to in decision 1/CP.16, paragraph 70, in order to improve the effectiveness and coordination of results-based finance, as requested to in 9/CP.19, paragraph 7, and to report on its progress to the Conference of the Parties at its twenty-second session;
29. *Welcomes* Green Climate Fund provisions to provide forest finance in the context of ecosystem-based adaptation;
30. *Requests* the Green Climate Fund to consider, in its work on the Private Sector Facility, the mobilization of finance for sustainable land-use practices and sustainable management of forests;
31. [Placeholder on possible guidance from the SBI agenda item 10(b) Poznan strategic programme on technology transfer];
32. [Placeholder for requests emanating from ADP discussions, including on finance, technology development and transfer, capacity-building and transparency];
33. *Welcomes* the efforts to date of the Green Climate Fund to engage with the Global Environment Facility;
34. *Encourages* the Green Climate fund and the Global Environment Facility to further articulate and build on the complementarity of their respective policies and programmes under the Financial Mechanism of the Convention;
35. *Urges* the Green Climate Fund Board to ensure it moves swiftly to implement the provisions of the Green Climate Fund governing instrument, in particular paragraphs 33 and 34, and to interact with the technical and expert bodies under the Convention, the national designated authorities and focal points in its consideration of options for the development of mechanisms to promote coherence in programming at the national level, in accordance with paragraph 34 of the governing instrument;
36. *Also urges* the Green Climate Fund Board, via its Co-Chairs or representatives designated by the Board, to work with the Standing Committee on Finance on coordinating the implementation of elements of paragraph 34 of the Green Climate Fund governing instrument, in accordance with their respective mandates;
37. *Further urges* the Green Climate Fund Board to consider options for appropriate arrangements between the fund and other financing entities, with a focus on the Adaptation Fund;

38. *Urges* the Green Climate Fund Board, in collaboration with the Standing Committee on Finance, to develop appropriate mechanisms to support the fund through appropriate expert and technical advice, including from thematic bodies;
39. *Requests* the Green Climate Fund Board, recalling decision 7/CP.20, paragraph 15, when reviewing its policies and programme priorities to make use of the information and lessons learned through engagement with other relevant bodies under the Convention and other relevant international institutions;
40. *Invites* Parties to submit to the secretariat in writing annually, no later than 10 weeks prior to each session of the Conference of the Parties, their views and recommendations on the elements to be taken into account in developing guidance to the operating entities of the Financial Mechanism of the Convention.]

Annex to the draft decision on the draft guidance to the Green Climate Fund⁵

1. [*Expresses* concern regarding the implementation of the no-objection procedure, including matters related to transparency and the public disclosure of the no-objection letters;
2. *Encourages* Parties in a position to do so and invites relevant organizations to enhance support for capacity-building and for national champions in each stage of the technology project cycle for effective climate technology financing and technology transfer; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*
3. *Underlines* the need for financial resources for the implementation of technology needs assessment results; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*
4. *Notes* the need, given the different criteria and evaluations of international climate finance and technology support, to enhance coherence between international institutions in order to reduce the complexity of processes developing country Parties follow to request financing. *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*

⁵ The annex to this draft decision contains further inputs received from members of the Standing Committee on Finance and from the Technology Executive Committee, which Parties may wish to also take into consideration in their deliberations.

Annex V

[English only]

Draft decision on the draft guidance to the Global Environment Facility

[The Conference of the Parties,

Recalling decisions 12/CP.2, 3/CP.16, 5/CP.16, 7/CP.16, 11/CP.17, 9/CP.18, 6/CP.19 and 8/CP.20,

Noting with appreciation the annual report of the Global Environment Facility to the Conference of the Parties,¹

Also noting the recommendations of the Standing Committee on Finance contained in its report to the Conference of the Parties with regard to the provision of draft guidance to the Global Environment Facility,²

Welcoming the pledges and contributions made to the Least Developed Countries Fund and the Special Climate Change Fund,

1. *Notes* that the Global Environment Facility has supported implementation of the remaining elements of the least developed countries work programme, including the update and implementation of national adaptation programmes of action, by providing funding to projects aimed at building capacity for least developed countries to participate effectively in climate change processes, promoting public awareness on climate change issues, promoting the transfer of adaptation technology, and strengthening meteorological and hydrological services;
2. *Welcomes* the investments by the Global Environment Facility in sustainable forest management and activities referred to in decision 1/CP.16, paragraph 70, harnessing multiple benefits from forests and tackling the drivers of deforestation and forest degradation;
3. *Encourages* developed country Parties and other Parties in a position to do so to mobilize financial support for the national adaptation plan process through contributions to the Least Developed Countries Fund and the Special Climate Change Fund in addition to bilateral, multilateral and other support;
4. *Urges* the Global Environment Facility to continue to explore additional sources of contributions for the Least Developed Countries Fund and the Special Climate Change Fund;
5. *Requests* the Global Environment Facility to carry out a technical review of the programme priorities of the Least Developed Countries Fund with a view to identifying possible alternative roles for the fund in the evolving climate finance architecture, in consultation with relevant stakeholders, particularly the Least Developed Countries Expert Group, and focusing on:
 - (a) Undertaking pilot concrete climate change activities that are particularly relevant for the least developed countries;

¹ FCCC/CP/2015/4.

² FCCC/CP/2015/8, annex V.

- (b) Enhancing longer-term institutional capacity to design and execute such activities;
6. *Encourages* the Global Environment Facility to continue its efforts to simplify access to the Least Developed Countries Fund and the Special Climate Change Fund;
 7. *Notes* the finalization of the pilot accreditation of Global Environment Facility project agencies;
 8. *Welcomes* the addition of eight project agencies to the network of the Global Environment Facility;
 9. *Urges* the Global Environment Facility to work with all its agencies and recipient countries to ensure countries can take full advantage of the expanded network of agencies;
 10. *Welcomes* the efforts of the Global Environment Facility to promote synergies among its focal areas, including through its integrated approach pilot projects;
 11. *Also welcomes* the exploration of innovative non-grant instruments by the Global Environment Facility and encourages the Global Environment Facility to work with recipient countries, the private sector and its agencies to submit proposals that aim to catalyse large-scale changes;
 12. *Further welcomes* the approval of projects by the Global Environment Facility to support 46 developing country Parties in preparing their intended nationally determined contributions;³ and
 13. *Requests* the Global Environment Facility to continue to provide support to Parties that may need such support;
 14. *Also requests* the Global Environment Facility to consider how to support developing countries in formulating policies, strategies, programmes and projects to implement their intended nationally determined contribution starting in 2016;
 15. *Notes* the actions of the Global Environment Facility to establish a more coherent, system-based approach for managing and sharing information and knowledge gained from projects and programmes of the Global Environment Facility in order to improve the effectiveness of the Global Environment Facility and its agencies and enhance the capacity of recipient countries;
 16. [Placeholder for requests emanating from ADP discussions, including on finance, technology development and transfer, and transparency];
 17. [Placeholder on possible guidance from the SBI agenda item 10(a) Joint annual report of the Technology Executive Committee and the Climate Technology Centre and Network];
 18. [Placeholder on possible guidance from the SBI agenda item 10(b) Poznan strategic programme on technology transfer];
 19. [Placeholder on possible guidance from the SBI agenda item 4(c) Provision of financial and technical support to reporting requirements for non-Annex I Parties, in accordance with article 12 of the Convention];
 20. [Placeholder on possible guidance from the outcomes of the discussion by the Standing Committee on Finance on the issue of frequency of guidance to the operating entities];

³ As at 16 September 2015.

21. *Welcomes* the efforts to date of the Global Environment Facility to engage with the Green Climate Fund, and encourages both entities to further articulate and build on the complementarity of their policies and programmes within the Financial Mechanism of the Convention;
22. *Invites* Parties to submit to the secretariat annually, in writing and no later than 10 weeks prior to each session of the Conference of the Parties, their views and recommendations on the elements to be taken into account in developing guidance to the Global Environment Facility;
23. *Requests* the Standing Committee on Finance to take into consideration the submissions referred to in paragraph 20 above when providing draft guidance to the Global Environment Facility for consideration by the Conference of the Parties;
24. *Also requests* the Global Environment Facility to include, in its annual report to the Conference of the Parties, information on the steps it has taken to implement the guidance provided in this decision.

Annex to the draft decision on the draft guidance to the Global Environment Facility⁴

1. [*Notes* the need, given the different criteria and evaluations of international climate finance and technology support, to enhance coherence between international institutions in order to reduce the complexity of processes developing country Parties follow to request financing; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*]
2. *Invites* the Global Environment Facility to continue to provide financial support to developing country Parties to conduct or update their technology needs assessments; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*
3. *Underlines* the need for financial resources for the implementation of actions in technology needs assessments; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*
4. *Encourages* Parties in a position to do so to support, and invites relevant organizations to enhance support for, capacity-building and national champions in each stage of the technology project cycle for effective climate technology financing and technology transfer. *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*

⁴ The annex to this draft decision contains further inputs received from the Technology Executive Committee, which Parties may wish to also take into consideration in their deliberations.

Annex VI

[English only]

Recommendations on methodologies for reporting financial information by Parties included in Annex I to the Convention

1. The Conference of the Parties (COP), by decision 11/CP.20, paragraph 6, requested the Standing Committee on Finance (SCF) to include its recommendations on the methodologies for the reporting of financial information in its annual report to COP 21. The SCF agreed on its recommendations, taking into consideration the outcomes of the joint in-session technical workshop held in conjunction with the forty-second session of the subsidiary bodies,¹ drawing from a range of sources of information, including, inter alia, the views of Parties and observers on the methodologies for the reporting of financial information referred to in decision 2/CP.17, paragraph 19, and a technical paper² prepared by the secretariat, summarizing the existing international methodologies for the reporting of financial information.

2. The SCF highlighted the following near-term actions for consideration by the COP to improve the methodologies for reporting financial information by Parties included in Annex I to the Convention (Annex I Parties). The SCF recommends, in particular, improvements to the biennial reporting common tabular format (BR CTF) tables. The COP may also wish to request the Subsidiary Body for Implementation to take into account, in the revision of the “Guidelines for the preparation of national communications by Parties included in Annex I to the Convention, Part II: UNFCCC reporting guidelines on national communications”, the following changes in the BR CTF tables:

(a) Enhance the consistency and transparency through adjustments in the reporting parameters in the CTF tables. The COP may wish to specifically request the Subsidiary Body for Scientific and Technological Advice (SBSTA) to consider the following in the revision of the BR CTF tables:

(i) Create reporting fields for the provision of information on definitions or methodologies used for reporting information in the following reporting parameters: “climate-specific” or “core/general”, “status”, “funding source”, “financial instrument”, “type of support” and “sector”;

(ii) Improve the software of the CTF tables by extending the number of input rows in the Excel file, and create links to other reporting software and platforms to facilitate importation and exportation of activity-level data;

(b) The COP may further wish to request the SBSTA to:

(i) Invite Annex I Parties to inform the UNFCCC national focal points of climate finance directed to recipient countries as reported to the Convention;

(ii) Improve the software of the CTF tables to allow for search functions on the UNFCCC website to collect information per key category in CTF tables 7, 7(a) and 7(b) (i.e. category “recipient country/region”).

3. The COP may also wish to consider the following longer-term recommendations, in the context of ongoing work by the SCF on measurement, reporting and verification of support, to further strengthen the reporting under the Convention by taking specific actions

¹ A summary of the workshop is available at <<http://unfccc.int/8892.php>>.

² FCCC/TP/2015/2.

to enhance consistency, comparability and transparency of financial information reported under the Convention:

(a) Request the SBSTA, taking into consideration the work of the SCF, to align the categorization in the reporting parameter “status” of support (i.e. “pledged”, “committed” and “provided”) in the CTF tables with the categorization used in other existing international methodologies (i.e. “committed” and “disbursed” used by the Development Assistance Committee of the Organisation for Economic Co-operation and Development);

(b) Create a separate reporting field in the CTF tables for the provision of project/programme-level information in addition to country/region-level information in reporting contributions through bilateral, regional and other channels;

(c) Taking note of the different reporting approaches used by data producers and aggregators,³ including the work undertaken by the SCF in the context of the biennial assessment and overview of climate finance flows, request the SBSTA to modify the BR CTF tables to provide additional reporting fields for the provision of information on methodologies used by the Parties in collecting financial information for quantitative reporting under the Convention, with a view to enhancing transparency and facilitating harmonization of methodologies over time;

(d) Invite Annex I Parties, in collaboration with relevant data producers and aggregators, to develop common guidelines for the provision of information on methodologies used by the Parties in collecting financial information for quantitative reporting under the Convention, with a view to improving the comparability of financial information reported under the Convention;

(e) Request the SCF, in collaboration with the SBSTA and Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention, to develop options for common reporting methods for needs and climate finance received in time for the next cycle of biennial update reports, with consideration of developing country experiences.⁴

³ See document FCCC/TP/2015/2, annex, for a preliminary comparison of the reporting approaches used by different organizations (updated in May 2015).

⁴ This option is also part of the recommendation by the SCF on the 2014 biennial assessment and overview of climate finance flows. See document FCCC/CP/2014/5, annex II, paragraph 18(b).

Annex VII

[English only]

Workplan on measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows

The Standing Committee on Finance (SCF) identified a number of gaps and areas for improvement in the current arrangements for measurement, reporting and verification (MRV) of support. The document identifying these gaps and areas for improvement is available on the SCF website.¹ The SCF will implement the activities presented in the table 1 during the period 2016–2017 to address the identified gaps and enable improved MRV of support under the Convention.

Table 1
Activities and expected outcomes relating to measurement, reporting and verification of support (2016–2017)

	<i>Activities</i>	<i>Expected outcomes</i>
Measurement	Continue technical work to enhance the transparency and comparability and develop a better understanding of operational definitions of climate finance in collaboration with relevant international financial institutions and organizations	Options provided to the COP, as appropriate
	Encourage transparency and comparability of developing country reporting	Options provided to the COP on methodologies for reporting financial information for developing countries
Reporting	Provide expert input to harmonize reporting guidelines of national communications with BR CTF tables	Options provided to the COP to request the SBI to take action in the revision of the “Guidelines for the preparation of national communications by Parties included in Annex I to the Convention, Part II: UNFCCC reporting guidelines on national communications”, as appropriate
	Devise practical options for reporting mobilized climate-related private finance in cooperation with relevant institutions and experts, including from the private sector	Options provided to the COP to request the SBSTA to take action at the next revision of BR CTF tables, as appropriate
	Consider common reporting methods for needs and climate finance received, with consideration of developing country capacities and experiences, as well as needs for	Options provided to the COP to invite the SBSTA to develop a common reporting format

¹ <[http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/\(for_website\)_overview_of_current_mandates_and_gaps_.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/(for_website)_overview_of_current_mandates_and_gaps_.pdf)>.

	<i>Activities</i>	<i>Expected outcomes</i>
	support on MRV	
	Consider general principles (i.e. transparency, comparability, efficiency, completeness and accuracy) that should guide the work on further efforts to improve methodologies for reporting financial information	Options provided to the COP, as appropriate
	Enhance engagement of relevant data producers, collectors and aggregators, with a view to facilitating the development of common methodologies for collection of financial information	Options provided to the COP, as appropriate
Verification	Consider options to strengthen verification	Options provided to the COP to invite relevant bodies to take action, as appropriate
	Consider options for cross-checking financial information reported under the Convention on support provided and received, where possible, with a view to, inter alia, developing a better understanding of the progress made towards the goal of jointly mobilizing USD 100 billion a year by 2020	Options provided to the COP, as appropriate

Abbreviations: BR CTF = biennial reporting common tabular format, COP = Conference of the Parties, MRV = measurement, reporting and verification, SBI = Subsidiary Body for Implementation, SBSTA = Subsidiary Body for Scientific and Technological Advice.

Annex VIII

[English only]

Outline of the 2016 biennial assessment and overview of climate finance flows

Executive summary

- The mandate;
- Challenges and limitations;
- Key findings;
- Conclusions and recommendations.

Introduction

- Objectives: set the scene – context of the Conference of the Parties decisions;
- Scope: explicit explanation of what the second biennial assessment and overview of climate finance flows will do (i.e. it is a “meta analysis” and overview/summary of existing publically available information, rather than a presentation of new data);
- The biennial assessment and overview of climate finance flows should also provide a guide on how readers should use and interpret the values in its recommendations.

Approach used in preparing the second biennial assessment and overview of climate finance flows

- Clearly outline what the biennial assessment and overview of climate finance flows is: describe where the data have been sourced from, the time period, the data coverage (i.e. what data are included/excluded) and how the data were aggregated (e.g. how the different types of subflows are categorized in the onion diagram, how “pledged” versus “committed” versus “disbursed” are treated);
- Clearly describe where the data on “geographical” and “thematic balance” come from and how they are aggregated and categorized;
- Clearly outline the challenges and limitations (e.g. practical difficulties in estimating domestic flows and other unreported flows with any certainty).

Methodological issues related to measurement, reporting and verification, including recent developments

- Describe how other data aggregators have treated their values (e.g. briefly describe their definitions and how they compare with those in the first biennial assessment and overview of climate finance flows);
- Describe how the differences among definitions and reporting methods have been addressed (e.g. how “pledged” versus “committed” versus “disbursed” are treated);
- Compare the strengths and weaknesses of the methodologies for reporting public and private climate finance flows (i.e. how the development of new methodologies and harmonization of existing methodologies of data aggregators represent improvements compared to methodologies described in the first biennial assessment and overview of climate finance flows to feed into recommendations);
- Review recommendations from the first biennial assessment and overview of climate finance flows, including those from the report on the technical review of the first biennial report, with a view to examining the extent to which the recommendations have been considered in the second biennial report.

Overview of flows

- A succinct section, mainly presenting numbers (e.g. public, private, domestic flows, South–South, North–South, climate relevant flows including flows from the Financial Mechanism of the Convention, and investment in and support for fossil fuels), but also reflecting the perspectives of recipient countries;
- The onion diagram, showing estimates of climate finance flows for the period 2013–2014, with sufficient tabular data to make it clear what are included and how;
- Presentation of estimates of geographical and thematic balances of flows;
- Reflection on issues discussed at the 2015 and 2016 SCF forums.

Assessment of flows

- Provide a succinct description of the limitations of the overview section and description or explanation of the results, with identification of gaps, as needed;
- Identify criteria – if any – for the “assessment” of climate finance flows;
- Describe how the quality of measurement and reporting is assessed (e.g. clearly outline the sources of data uncertainty, clearly describe the assessment of the quality of data as “relatively certain”, “medium certain” or “relatively uncertain”);
- Consider how the second biennial assessment and overview of climate finance flows can be used to assess the most effective methodologies to meet adaptation and mitigation needs with climate finance, and consider ownership, impact and effectiveness, more generally building on the first biennial assessment and overview of climate finance flows;
- Explain how information in the second biennial assessment and overview of climate finance flows can be used in the context of mobilization of climate finance resources.

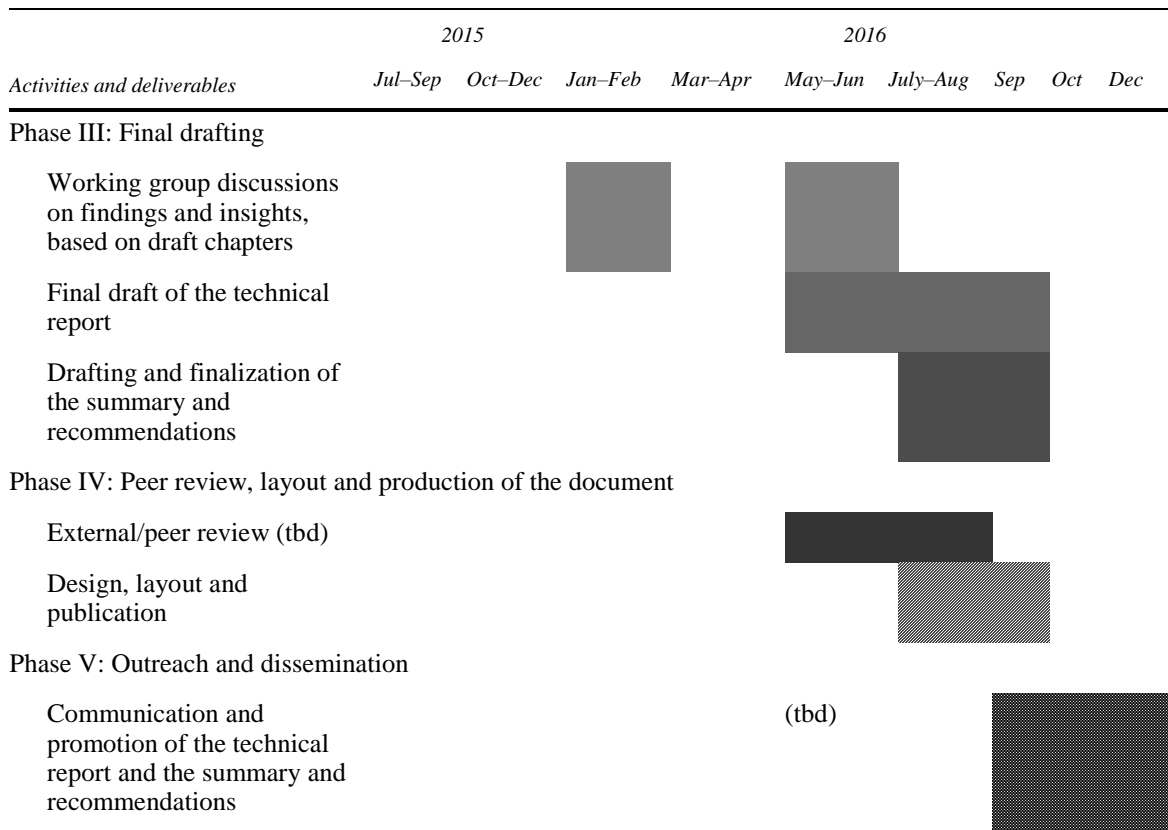
Conclusions and recommendations

- A short section focusing on recommendations for further improvements for the third biennial assessment and overview of climate finance flows. It could describe some of the political challenges inherent in an assessment of this kind, but should be neutral in what recommendations are made as a result.

Table 2

Indicative timeline

Activities and deliverables	2015			2016					
	Jul–Sep	Oct–Dec	Jan–Feb	Mar–Apr	May–Jun	July–Aug	Sep	Oct	Dec
Phase I: Finalizing the scope and structure									
Scope, structure and outline of the technical report	█								
Phase II: Research and drafting									
Literature review and data collection	█								
Drafting of individual chapters of the technical report			█						
Technical workshops					29–31 Mar (tbd)		(tbd)		



Annex IX

[English only]

Future institutional linkages and relations between the Adaptation Fund and other institutions under the Convention

I. Conclusions of the Standing Committee on Finance

1. The Standing Committee on Finance (SCF) noted the working paper on institutional linkages and relations between the Adaptation Fund (AF) and other institutions under the Convention prepared by the secretariat.¹

2. The SCF identified a number of ongoing processes that may have implications on future linkages between the AF and other institutions under the Convention, such as the following:

(a) The ongoing negotiations under the Ad Hoc Working Group on the Durban Platform for Enhanced Action;

(b) The ongoing discussions within the Adaptation Fund Board (AFB) with regard to potential linkages between the AF and the Green Climate Fund (GCF);

(c) The request by the AFB to the Conference of the Parties serving as the meeting of Parties to the Kyoto Protocol at its eleventh session to provide guidance on the mandate of the AFB to take decision on linkages between the AF and the GCF;²

(d) A number of key policies that are still under development by the GCF Board, which could have implications on the nature of the possible linkages between the AF and the GCF;

(e) The fact that the GCF Board has yet to consider the issue of the appropriate arrangements between the GCF and the other existing funds under the Convention, in line with paragraphs 33 and 34 of its Governing Instrument.

3. As a result, the SCF believes that it should further examine the issue of future linkages and relations between the AF and other institutions under the Convention, in particular with the GCF, based on the evolution of the processes identified above. In addition, the SCF discussed the following options,³ but did not reach a consensus on them:

(a) The Conference of the Parties (COP) requesting the SCF to provide input to the guidance to the AFB;

(b) The COP considering the designation of the AF as an operating entity of the **Financial Mechanism**.

¹ See the annex to SCF background document SCF/2015/11/8.

² AFB decision B.26/38. Available at <https://www.adaptation-fund.org/wp-content/uploads/2015/10/Decisions_AFB26_Board_Meeting_final1.pdf>.

³ The SCF discussions were informed by a briefing note on the legal feasibility of the options discussed, available at <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/legal_note_on_proposed_recommendations_on_af_linkages.pdf>.

II. Recommendations of the Standing Committee on Finance

4. The SCF recommends that the COP encourage the thematic bodies and expert groups under the Convention to continue and strengthen their collaboration with the AF with the view to promoting a comprehensive approach to support adaptation action at the level of the Convention.

5. The SCF recommends that the COP request the SCF to continue its work on considering issues related to possible future institutional linkages and relations between the AF and other institutions under the Convention.

Workplan of the Standing Committee on Finance for 2016–2017

<i>Activities</i>	<i>Outcome/results</i>	<i>Time frame</i>
1. Mandated activities of the Standing Committee on Finance (SCF) as per decision 2/CP.17, paragraph 121		
(a) Organize 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	2016 SCF forum	Mid-2016
	2017 SCF forum	Mid-2017
		Ongoing: activities of the virtual forum
	Continuous updating and implementation of the SCF communication strategy	Ongoing
	Established linkages and continued exchange with bodies and entities dealing with climate finance, internal and external to the Convention	2016 SCF forum Ongoing outreach activities of the virtual forum
(b) Maintain linkages with the Subsidiary Body for Implementation (SBI) and the thematic bodies of the Convention	Co-chairs of the SCF to inform presiding officers of the thematic bodies of the Convention about the activities of the SCF and establish working relationships	2016/2017
	Continuous updating and implementation of the SCF communication strategy	Ongoing
	Enhance linkages with the SBI and the thematic bodies of the Convention	Ongoing
(c) Provide to the Conference of the Parties (COP) draft guidance to the operating entities of the Financial Mechanism of the Convention, with a view to improving	Draft guidance provided to the COP	COP 22/COP 23

<i>Activities</i>	<i>Outcome/results</i>	<i>Time frame</i>
the consistency and practicality of such guidance, taking into account the annual reports of the operating entities and relevant submissions from Parties		
(d) Make recommendations on how to improve the coherence, effectiveness and efficiency of the operating entities of the Financial Mechanism	Recommendations provided to the COP, as appropriate	Sessions of the COP appropriate
(e) Provide expert input, including through independent reviews and assessments, to the preparation and conduct of the periodic reviews of the Financial Mechanism by the COP	Work on expert inputs to the sixth review of the Financial Mechanism (COP 23)	2017
(f) Prepare a biennial assessment and overview of climate finance flows, to include information on the geographical and thematic balances of such flows	Work for the second biennial assessment and overview of climate finance flows	2016 Outcome at COP 22
2. Further mandates of the SCF as per various decisions adopted at COP 18		
<i>Decision 1/CP.18, paragraph 70:</i> Implement the work programme of the SCF, including the creation of a climate finance forum that will enable all Parties and stakeholders to, inter alia, exchange ideas on scaling up climate finance	See 1(a) above	
<i>Decision 5/CP.18, paragraph 4:</i> Facilitate the participation of the private sector, financial institutions and academia in the forum	See 1(a) above	
3. Further mandates of the SCF as per various decisions adopted at COP 19		
<i>Decision 3/CP.19, paragraph 11:</i> In the context of the preparation of its biennial assessment and overview of climate finance flows, consider 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, and to include the results in its annual report to the COP	See 1(f) above	
<i>Decision 7/CP.19, paragraph 9:</i> Consider ways to increase its work on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Recommendations provided to the COP, as appropriate	COP 22
<i>Decision 7/CP.19, paragraph 11:</i> Consider, in its work on coherence and coordination, inter alia, the issue of financing for forests, taking into account different policy approaches	Recommendations provided to the COP, as appropriate	COP 22

Activities	Outcome/results	Time frame
4. Further mandates of the SCF as per various decisions adopted at COP 20		
<i>Decision 5/CP.20, paragraph 14:</i> Invites the thematic bodies under the Convention, in particular the SCF, the Adaptation Committee and the Technology Executive Committee, where appropriate, to consider the long-term finance issues referred to in decision 3/CP.19, paragraph 12, when implementing their 2015–2016 workplans, as an input to the in-session workshops referred to in decision 5/CP.20, paragraph 12	Input to an in-session workshop on long-term finance	2016
<i>Decision 6/CP.20, paragraph 11:</i> In the context of its ongoing work, including the preparation of the biennial assessment and overview of climate finance flows, further explore how it can enhance its work on the measurement, reporting and verification of support, based on the best available information on the mobilization of various resources, through public interventions	Recommendations provided to the COP, as appropriate	2016
5. Functions of the SCF as per decision 1/CP.16, paragraph 112		
Improve coherence and coordination in the delivery of climate change financing, including the undertaking of analyses and information exchanges	Recommendations provided to the COP, as appropriate Exchanges through the forum, as appropriate	Sessions of the COP, ongoing
Rationalize the Financial Mechanism, including the undertaking of analyses and information exchanges	Recommendations provided to the COP, as appropriate Exchanges through the forum, as appropriate	Sessions of the COP, ongoing
Mobilize financial resources, including the undertaking of analyses and information exchanges	Recommendations provided to the COP, as appropriate Exchanges through the forum, as appropriate	Sessions of the COP, ongoing
Measurement, reporting and verification of the support provided to developing country Parties, including the undertaking of analyses and information exchanges	Recommendations provided to the COP, as appropriate Exchanges through the forum, as appropriate	Sessions of the COP, ongoing
Any other functions that may be assigned to the SCF by the COP		