



Standing Committee on Finance

24 October 2018

**Nineteenth meeting of the Standing Committee on Finance
Bonn, Germany, 29–31 October 2018**

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

Expected actions by the Standing Committee on Finance

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

- (a) Agree on the theme for the next forum;
- (b) Identify a partner event that the next forum could be organized in conjunction with;
- (c) Agree on the inter-sessional work relating to the organization of the next forum.

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

1. The SCF may wish to agree on the topic of its next forum, based on:
 - (a) The proposal developed by the co-facilitators to focus the next forum on **Climate Finance and Sustainable Cities**, as contained in annex I;
 - (b) Submissions received from the Parties and admitted observer organizations on the possible theme of the next forum, as contained in the addendum.¹
2. The SCF may wish to consider a potential partner event that the next forum could be held in conjunction with, based on the information contained in annex II.
3. Once the topic is agreed, the SCF may wish to request the co-facilitators to initiate the preparation for the next forum, including by:
 - (a) Preparing a draft programme;
 - (b) Issuing a call for submissions on case studies and relevant reports;
 - (c) Preparing outreach strategies to encourage a broad range of participation;
 - (d) Supporting the secretariat to raise the funds needed to support the participation of developing country experts and resource persons.

II. Background

4. The COP mandated the SCF to organize a forum for the communication and continued exchange of information among bodies and entities dealing with climate finance in order to promote linkages and coherence. Furthermore, the SCF was requested by the COP to ensure the

¹ As at 19 October 2018, the secretariat received five submissions from C40 Cities Climate Leadership Group and the C40 Cities Finance Facility, the European Investment Bank, ICLEI—Local Governments for Sustainability, Women’s Environment & Development Organization and YOUNGO. All submissions are also accessible at the SCF 19 webpage: <<https://unfccc.int/topics/climate-finance/meetings--events/scf-committee-meetings#eq-19>>.

value added of its forum when deciding on the topic of each forum² and to further strengthen its stakeholder engagement.³

5. At its eighteenth meeting, the SCF acknowledged that sustainable cities could be one of the potential themes for its next forum, based on ongoing work on climate finance by relevant stakeholders, including C40 Cities Climate Leadership Group, ICLEI—Local Governments for Sustainability and United Nations Habitat. The Committee also discussed sustainable transport and water infrastructure that may be considered as possible themes or sub-themes. Capacity-building, gender and youth will be considered as cross-cutting sub-themes of the forum.

6. At its eighteenth meeting, the SCF agreed:

(a) To issue a call for submissions on the possible theme of the next forum;

(b) To request the co-facilitators to prepare options for consideration by the SCF at its nineteenth meeting, based on the discussions held during its eighteenth meeting.

7. Following the request by the SCF, the secretariat launched a call for inputs which is available on the dedicated website of the SCF.⁴

² Decision 8/CP.23, paragraph 12.

³ Decision 8/CP.23, paragraph 14.

⁴ Available at:

https://unfccc.int/sites/default/files/resource/Call%20for%20inputs%20on%20the%20SCF%20Forum_0.pdf
>

Annex I

Co-facilitators' proposal on the theme of the next SCF Forum

I. Introduction

1. The co-facilitators propose that the SCF considers **Climate Finance and Sustainable Cities** as the theme of its next forum.
2. Sustainable cities promote low emission and climate-resilient development, while ensuring access to safe and affordable housing, adequate and affordable public transport, green public space and inclusive and participatory urban planning and management including of women, youth and other social groups.⁵ This theme would bring together the elements identified at SCF 18 of sustainable cities, gender and climate finance, youth and capacity building, and address both mitigation and adaptation actions.

II. Rationale

3. **Cities contribute significantly to climate change:** Currently, more than 50 per cent of the world's population live in cities, making cities a central player in addressing climate change. Cities release about 70 per cent of energy-related greenhouse gas emissions, and at the current pace of urbanization, the world's cities will grow by 65 million inhabitants a year between 2010 and 2025, particularly in developing countries⁶.
4. **Cities are extremely vulnerable to climate change:** Due to the concentration of population and buildings, and the interconnectedness of urban infrastructure, cities are extremely vulnerable to climate change. Three-quarters of the world's large cities lie on a coastline, making them especially vulnerable to rising sea levels and extreme weather events, which have impacts on their lives, health and well-being, and economic activities.⁷ Unexpected expenditures from extreme and slow-onset events resulting from climate change can lead to major disruptions in business operations and city budgets.⁸
5. **Cities can play a significant role in achieving the goals of the Paris Agreement:** According to analyses of Nationally Determined Contributions (NDCs) submitted by Parties, 82 per cent of all NDCs include urbanization-related climate activities⁹. For example, taking the buildings sector, 132 NDCs explicitly mention action areas in the building sector in their NDCs¹⁰. If these NDC pledges were achieved, about 60 per cent of building-related CO₂ emissions would be covered.¹¹
6. **Limited availability and accessibility of funds:** Local authorities face an increasing challenge of financing sustainable cities due to constrained municipal budgets. Traditional sources of finance to cities range from national government grants, taxes, and allocations for budget support. However, these tend to be insufficient and do not cover incremental costs of climate change impacts and action. According to estimates, USD 4.1 trillion–USD 4.3 trillion per year will

⁵ <<http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-11-sustainable-cities-and-communities.html>>.

⁶ <https://www.nature.com/articles/s41558-018-0101-5.epdf?shared_access_token=zKkv6EHBg5iVJ7DiaXyjAdRgN0jAjWel9jnR3ZoTv0NX80NXOa77tudlwS4otGOGBJoGx79lbX0ItZ-pU0fCjXAT-9AM_zlmd_594fD6QNFUxmtKsO-8DzsK5O5jB6W2xWlqVPKT9cGRYAyzwuUNIKZuv4-Fp1dN5oWnW0D9H6g%3D>.

⁷ Ibid.

⁸ ICLEI (2018): Resilient cities 2018. Available at <https://resilientcities2018.iclei.org/wp-content/uploads/RC2018_Report.pdf>.

⁹ Available at: <<https://klimalog.die-gdi.de/ndc-sdg/sdg/11>>.

¹⁰ UNFCCC (2017): UN Climate Press Release / 11 Nov, 2017. Available at: <<https://unfccc.int/news/humans-settlements-cities-and-communities-speed-coordinated-climate-action>>.

¹¹ ICLEI (2018): Resilient cities 2018. Available at <https://resilientcities2018.iclei.org/wp-content/uploads/RC2018_Report.pdf>.

need to be spent on urban infrastructure to keep up with urban growth in a business-as-usual climate scenario. An incremental 9 to 27 per cent (USD 0.4 trillion to USD 1.1 trillion) more capital investment will be necessary to make urban infrastructure low emission and climate-resilient.¹² While international climate funds are available, urban areas seem to have restricted access to these funds, including due to limited capacities and access requirements. Furthermore, national ministries or specialized entities seem to have been the main gateways for channelling climate finance of international funds, rather than cities¹³.

7. Several sectors related to cities and megacities, such as waste management, sustainable transport and energy efficiency in buildings are yet to benefit from climate finance. While local and national governments are already investing resources into these sectors, within limited flows of finance, many of these sectors are not yet on the agenda of climate finance providers. This is a missed opportunity to achieve climate targets and targets of other UN agendas such as the Sustainable Development Goals (SDGs), the New Urban Agenda and the Sendai Framework for Disaster Risk Reduction (DRR).

8. Desk research on financing climate-resilient and low emission cities show that there tends to be a disconnect between the stakeholders dealing with sustainable cities and climate finance. This disconnect becomes visible in the following:

(a) Lack of information on investment and implementation needs of cities, e.g. limited support opportunities for project preparation phases¹⁴;

(b) Lack of awareness among local authorities of climate finance available for the various phases of urban action, ranging from planning, project preparation and prioritization and implementation and difficulties in understanding the complexity of the climate finance architecture;

(c) Capacity constraints of local authorities to access climate finance for sustainable cities and the capacity-building opportunities available;

(d) Limited engagement with various stakeholders including the private sector, including due to limited fiscal capacities (e.g. pre- and co-financing, creditworthiness and investment risks).

III. Proposed objectives of the forum

9. The forum could discuss opportunities to finance urban climate-resilient and low emission cities by tapping into a wide range of international, domestic and local sources. Such opportunities could include deploying new models of urban climate finance investments based on partnerships with various stakeholders, particularly micro-, small- and medium enterprises (MSMEs), commercial banks, district-level taxes, insurance and re-insurance schemes, and catastrophe bonds and social impact bonds to accelerate investments into high-impact climate action.¹⁵ In addition, the forum could discuss approaches to facilitate access of local authorities to international climate funds such as the Green Climate Fund, the Global Environment Facility or the Adaptation Fund, e.g. through direct access modalities.¹⁶

10. Taking into account the function of the SCF to assist the COP in improving coherence and coordination in the delivery of climate change financing, including through the organization of a

¹² CCFLA, Cities Climate Finance Leadership Alliance (2015): State of City Climate Finance 2015. New York. Available at: <<https://sustainabledevelopment.un.org/content/documents/2201CCFLA-State-of-City-Climate-Finance-2015.pdf>>.

¹³ ICLEI, 2011, Financing the Resilient City: A demand driven approach to development, disaster risk reduction, and climate adaptation – An ICLEI White Paper, ICLEI Global Report.

¹⁴ CCFLA (2017): Localizing climate finance, mapping gaps and opportunities, designing solutions. Available at: <<http://cccoalition.org/en/file/4103/download?token=jep1h3i>>.

¹⁵ ICLEI, 2011, Financing the Resilient City: A demand driven approach to development, disaster risk reduction, and climate adaptation – An ICLEI White Paper, ICLEI Global Report.

¹⁶ Junghans et al. (2016): Going to town: How the Green Climate Fund can support a paradigm shift in cities. Available at: <http://resilient-cities.iclei.org/fileadmin/sites/resilient-cities/files/Resilient_Cities_2016/Documents/RC16_Background_Paper_LisaJunghans.pdf>.

forum, the **overall objective** of the next SCF Forum could be to bridge the gaps between the various stakeholders dealing with sustainable cities and climate finance by bringing them together and share information on support opportunities available and the needs of local authorities to finance sustainable cities.

11. The **specific objectives** of the next SCF forum could include:

(a) To map the relevant actors involved in financing sustainable cities, ranging from developing plans and strategies, to early-phase project preparation and implementation;

(b) To assess current trends of climate finance flows in climate-resilient and low emission cities, and discuss new models of urban climate finance investments and alternative approaches to access and deliver climate finance;

(c) To facilitate clearer understanding of the potentials of cities in achieving the objectives of the UNFCCC and its Paris Agreement;

(d) To enhance the understanding of the interlinkages between the climate change targets and other targets under the SDGs, DRR and the New Urban agenda;

(e) Enhance the understanding of the complementarity of climate finance and national budgets, and creating an enabling environment in light of existing successes;

(f) To facilitate in-depth dialogue between the stakeholders dealing with sustainable cities and climate finance to raise awareness on support available and support needs to finance sustainable cities and how to access it;

(g) To provide policy inputs and recommendations to UNFCCC stakeholders, national and subnational government representatives, climate finance institutions, public and private sector entities, academia and research institutions, and the wider audience on financing sustainable cities.

IV. Sub-themes

12. The next forum could have the following sub-themes:

(a) **Sub-topic 1: Financing cities' low emission development {mitigation}**: The forum could examine ways to mobilize public and private climate finance for cities' low emission development. It could also examine ways to establish or enhance frameworks for cities to mitigate climate change by allocating resources for developing mechanisms and trading systems with the support of national governments.¹⁷ Sectoral issues, such as transportation, waste management and buildings could be part of the discussion as these sectors have high greenhouse gas emissions saving potential. Action in those areas could result in greenhouse gas savings of 3.7 gigatonnes of CO₂ equivalent annually in 2030 additional to current national reduction plans¹⁸.

(b) **Sub-topic 2: Financing climate-resilient cities {adaptation}**: The forum could also examine concrete ways to finance urban resilience and adaptation, while aligning with Parties' commitments outlined in their National Adaptation Plans (NAPs) and the NDCs. It could also look at financing preparedness for the onset of climate-related disasters. Cities need funding and expertise to tackle climate change, but a dearth of financing channels and projects for especially urban resilience has been noted in various studies and research findings. It is also more challenging to identify opportunities for transformative impacts from urban adaptation interventions than in the case of mitigation projects, where the opportunities for private sector involvement and market creation tend to be more obvious.¹⁹

(c) **Sub-topic 3: Capacity-building of local authorities to finance sustainable cities {capacity-building}**: Some of the challenges that local authorities face include limited technical and institutional capacity to turn project ideas into sound project concepts, and creating an enabling

¹⁷ Feargus O'Sullivan, 5 Ways We Can Pay for Urban Resilience. Next City, December 4, 2015 <<https://nextcity.org/daily/entry/paying-for-urban-resilience-projects-world-bank-financing>>.

¹⁸ Climate-KIC (2016): Gap analysis report. Closing the gap between finance and urban action. Available at: <http://e-lib.iclei.org/wp-content/uploads/2016/03/Gap-analysis-report_final_20160307-final2.pdf>.

¹⁹ Feargus O'Sullivan, 5 Ways We Can Pay for Urban Resilience. Next City, December 4, 2015 <<https://nextcity.org/daily/entry/paying-for-urban-resilience-projects-world-bank-financing>>.

environment for attracting finance opportunities. Therefore, the next forum could discuss opportunities to facilitate capacity-building activities of local authorities, including by identifying existing frameworks and tools to:

- (i) Integrate climate considerations into national and subnational urban planning, including NDCs, NAPs and other plans and policies;
- (ii) Access climate finance and prepare attractive projects to investors, including by building viable project designs and solid financial structures;
- (iii) Gather information through models and scenarios at the relevant spatial and temporal scales to facilitate understanding how cities impact, and are impacted by climate change.

13. Given the mandate of the Paris Committee on Capacity-Building (PCCB) to deal with cross-cutting issues, including capacity-building for cities, the PCCB, through its working group on cities, could assist the SCF in the organization of the forum.

(a) **Sub-topic 4: The role of climate finance in facilitating a transition towards inclusive, participatory and gender-responsive cities {gender/youth}**: Highlighting sustainable cities provides the space for social considerations to facilitate transitions to climate-resilient and low emission cities in the context of addressing poverty, equity and well-being. Against this backdrop, the forum can showcase good practices of financing inclusive, equitable and participatory cities, by highlighting the role of women, youth and socially excluded groups at in the planning and decision-making at the subnational and local levels or in the use of various financial instruments. At the municipal level, the forum could consider women's roles in collaborating between cities and public and private investors to accelerate and scale up investments in sustainable urban solutions. At the local level, it could showcase good practices of participatory approaches, such as including urban residents in fiscal and financial decision-making on how a percentage of the municipal budget gets spent through participatory budgeting.²⁰ Furthermore, by promoting business opportunities for MSMEs, national and subnational governments indirectly empower women that often head these enterprises, and by promoting the development of micro-insurance schemes, cities support the inclusion of women, youth and other social groups. In considering linkages with other targets, the forum could also look at achieving SDG targets including those related to gender, through a gender-sensitive approach.

4. As part of its outreach activities, and in response to the COP mandate to host a dialogue in 2019 on the implementation of its commitment to integrate gender considerations into its work²¹, the outcomes of the dialogue could inform this sub-topic.

V. Target audience

5. To bridge the disconnect between city practitioners and the climate finance stakeholders, the target audience could be practitioners from the member cities of the coalitions of cities, including ICLEI, C40 and R20 and climate finance stakeholders including financial institutions such as the operating entities of the Financial Mechanism, multilateral development banks, private sector entities and relevant international support providers. Constituted bodies under the UNFCCC, non-governmental organizations and research institutions will also be invited to strengthen the linkages. Furthermore, entities within and outside of the United Nations, including representatives of the United Nations Economic Commission for Europe and the United Nations Conference on Trade and Development (particularly the public-private partnership unit) will be invited as they provide advice on investment frameworks and agreements. The forum will ensure a balanced participation of experts from both developed and developing countries and promote gender parity.

²⁰ Abers, R., I. Brandão, R. King, and D. Votto (2018): Porto Alegre: Participatory Budgeting and the Challenge of Sustaining Transformative Change. World Resources Report Case Study. Washington, DC: World Resources Institute. <<https://www.wri.org/blog/2018/06/what-if-citizens-set-city-budgets-experiment-captivated-world-participatory-budgeting>>.

²¹ Decision 3/CP.23, annex, table 4 D.1.

Annex II

Potential partner events

<i>Title of the event</i>	<i>Organizer</i>	<i>Dates</i>	<i>Focus of the event</i>	<i>Pros & Cons</i>
Women4Climate	C40 Cities	20 February 2019 in Paris, France		<p>Pro: Focuses on women and gender; high-level event</p> <p>Con: Timeframe to organize the forum might be too short; some members preferred an event in the global south</p>
Resilient cities	ICLEI	26–28 June 2019, Bonn, Germany	<ul style="list-style-type: none"> - Paving the way for resilient: research, cooperation, planning, finance and implementation - Advancing resilience, especially on efficient resource management, natural and cultural heritage protection and food systems - Innovation for resilience: digitalization, nature-based solutions, adaptive infrastructure, tinkering and blockchain - Building resilient societies, focusing on forced migration, resettlement, inclusion, social cohesion and citizen's voluntary emergency response 	<p>Pro: Attracts technical experts on cities</p> <p>Con: Adaptation-focused; some members preferred an event in the global south</p>
2019 C40 Mayors Summit	C40 Cities	Autumn, Copenhagen, Denmark	Ways for cities to reach the goals of the Paris Agreement and limit CO2 emissions through green transition and climate adaptation	<p>Pro: Focuses on adaptation and mitigation; clear link with the Paris Agreement, high-level event</p> <p>Contra: Some members preferred an event in the</p>

<i>Title of the event</i>	<i>Organizer</i>	<i>Dates</i>	<i>Focus of the event</i>	<i>Pros & Cons</i>
Local climate solutions for Africa	ICLEI Africa	Late 2019	Finance	global south
2019 World Congress of United Cities and Local Governments	United Cities and Local Governments (UCLG)			
Tailored capacity-building or expert meetings by the UNFCCC on gender and climate finance	UNFCCC	March/April 2019 in Bonn, Germany		Pro: Focus on gender, climate finance and capacity-building Contra: The timeframe may be too short; it might be difficult to attract the participation of city-level practitioners; some members preferred an event in the global south
Adaptation Expo	UNFCCC	08 April 2019, in Songdo, Republic of South Korea		Pro: Could be held in conjunction with SCF 20 Contra: The timeframe may be too short; adaptation-focused
Regional NDC dialogues	NDC Partnership			