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Matters relating to finance
Matters relating to 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 2018. It also contains the draft guidance to the operating entities of the Financial Mechanism, the summary and recommendations by the SCF of the 2018 Biennial Assessment and Overview of Climate Finance Flows, the summary report on the 2018 SCF Forum, information on the theme of the 2019 SCF Forum, the workplan of the SCF for 2019 and a list of the members of the SCF.

* This document was submitted after the due date in order to include the outcomes of the 19th meeting of the Standing Committee on Finance, held from 29 to 31 October 2018.

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Contents

I. Introduction

A. Mandate

1. The Standing Committee on Finance (SCF) prepares annual reports to the Conference of the Parties (COP) as mandated in decision 2/CP.17, paragraph 120. COP 18 endorsed[1] the work programme of the SCF for 2013–2015,[2] COP 22 endorsed[3] the workplan of the SCF for 2017[4] and COP 23 endorsed[5] the workplan of the SCF for 2018.[6]

B. Scope of the report

2. This document presents the outcomes of the work of the SCF in 2018 and its recommendations for consideration at COP 24, and provides reports on the 17th, 18th and 19th meetings of the SCF and its 2018 Forum.

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

3. The COP may wish to consider the following when deliberating the relevant agenda items:

(a) The recommendations arising from the 2018 Biennial Assessment and Overview of Climate Finance Flows (BA) (see annex II);

(b) The draft guidance to the Green Climate Fund (GCF) and the Global Environment Facility (GEF) (see annexes IV and V).

4. Additionally, the COP may wish to take note of the following:

(a) The membership of the SCF (see annex I);

(b) The report on the 2018 SCF Forum (see annex III);

(c) The theme of the 2019 SCF Forum (see para. 28 below);

(d) The updated workplan of the SCF for 2019 (see annex VI).

II. Proceedings of the meetings of the Standing Committee on Finance in 2018

A. Membership

5. Ms. Bernarditas Muller (Philippines) and Mr. Georg Børsting (Norway) were elected as the Co-Chairs of the SCF for 2018. As Ms. Muller resigned intersessionally, Mr. Zaheer Fakir (South Africa) was elected as a Co-Chair at SCF 18.

6. Regarding changes in membership, Mr. Edmund Mortimer (Australia) replaced Mr. Peter Horne (Australia), Ms. Vicky Noens (Belgium) replaced Mr. Jozef Buys (Belgium), Mr. Ivan Zambrana Flores (Bolivia (Plurinational State of)) replaced Mr. Rafael da Soler (Brazil), Ms. Sonja Djukic (Canada) replaced Mr. Stefan Schwager (Switzerland), Mr. Jonghun Lee (Republic of Korea) replaced Mr. Muhammad Khan (Pakistan), Mr. Fakir

1 Decision 5/CP.18, paragraph 3.
2 Contained in annex II to document FCCC/CP/2012/4.
3 Decision 8/CP.22, paragraph 2.
4 Contained in annex VIII to document FCCC/CP/2016/8.
5 Decision 7/CP.23, paragraph 2.
6 Contained in annex VIII to document FCCC/CP/2017/9.

(South Africa) replaced Mr. Richard Sherman (South Africa) and Mr. Mattias Frumerie (Sweden) replaced Ms. Gemma O'Reilly (Ireland).

7. A list of the members of the SCF as at 15 November 2018 is contained in annex I.

8. On the basis of the agreement made at SCF 17 to have an option for a replacement of a particular SCF member once during one calendar year, a total of six replacement members attended SCF 18 and SCF 19.

B. Meetings

9. The three meetings of the SCF in 2018 were attended by approximately 150 Party observers and representatives of non-governmental organizations, intergovernmental organizations, think tanks, multilateral development banks and operating entities of the Financial Mechanism. The observers actively took part in the deliberations of the SCF. As a pilot initiative, 10 observer constituency focal points participated in a webinar with the SCF Co-Chairs in the lead-up to SCF 19 and subsequently participated virtually at the SCF 19 meeting using an interactive Skype platform.

10. 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 on the SCF web pages.[7] 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.

11. The meeting documents are also available on the SCF web pages. A total of 27 background notes and various technical papers were produced to support the deliberations of the SCF.

12. SCF 17 was held in Bonn, Germany, from 10 to 12 April 2018. At this meeting, the SCF agreed:

(a) To have an option for a replacement of a particular SCF member to attend a meeting of the SCF once during one calendar year;

(b) To address the mandates arising from decision 8/CP.23, paragraphs 6 and 8, both as part of the ongoing activities of the SCF and as part of its deliberations on its 2018 workplan;

(c) To identify actions based on best practices under the Convention to enhance stakeholder engagement, including with a view to strengthening stakeholder participation from developing countries, in response to decision 8/CP.23, paragraph 14;

(d) To identify options for improving the in-session and intersessional working modalities of the SCF with the aim of further enhancing its efficiency and effectiveness, ensuring the inclusiveness and transparency of its proceedings, in response to decision 8/CP.23, paragraph 17;

(e) To continue consideration of the mandates from COP 23 at SCF 18;

(f) To organize a side event during the forty-eighth sessions of the subsidiary bodies that would provide an overview for stakeholders of the progress made by the SCF in the implementation of its workplan, particularly of the 2018 BA, the 2018 SCF Forum and the draft guidance to the operating entities of the Financial Mechanism;

(g) To emphasize the importance of what is new in the 2018 BA and what has evolved since the 2014 and 2016 biennial assessments regarding methodological issues relating to the measurement, reporting and verification (MRV) of climate finance and climate finance flow data, and to consider the emergent trends and implications of climate finance flows in the context of the objective of the Convention and the goal outlined in Article 2, paragraph 1(c), of the Paris Agreement;

[7] http://unfccc.int/6881.php.

(h) That information of an emergent nature, relevant to tracking global progress towards the goal outlined in Article 2, paragraph 1(c), of the Paris Agreement, is becoming available and the preliminary nature of this information in the context of the 2018 BA;

(i) To continue consultations with the Chair of the Subsidiary Body for Scientific and Technological Advice (SBSTA) on ongoing work under agenda item 13 of SBSTA 48 and the Co-Chairs of the Ad Hoc Working Group on the Paris Agreement (APA) on ongoing work under APA agenda item 5 with a view to providing technical input to the ongoing work under those bodies on matters relating to the transparency of support;

(j) To revise the draft concept note, further develop the programme and continue engaging with the Government of the Republic of Korea on organizational arrangements for the 2018 SCF Forum;

(k) To continue with its current approach in preparing draft guidance to the operating entities of the Financial Mechanism and to prepare that draft guidance to the operating entities at SCF 19;

(l) To continue consideration of linkages with the other constituted bodies under the Convention in the context of the 2018 SCF workplan;

(m) To appoint focal points of the SCF to its various thematic areas of work;

(n) To confirm arrangements and venues for SCF 18 and SCF 19 by 14 May 2018, following the confirmation of a possible additional APA session.

13. SCF 18 was held in Bangkok, Thailand, from 10 to 12 September 2018. At this meeting, the SCF agreed:

(a) To elect Mr. Fakir as the Co-Chair from Parties not included in Annex I to the Convention (non-Annex I Parties) for the remainder of 2018;

(b) To have the Co-Chairs send an acknowledgement to Ms. Muller, outgoing Co-Chair from non-Annex I Parties, for her contribution to the SCF;

(c) To adopt the report of the 2018 SCF Forum, including the revised executive summary;

(d) To include sustainable cities as a potential theme of the 2019 SCF Forum, and capacity-building, gender and youth as possible sub-themes or cross-cutting elements;

(e) To issue a call for submissions on the possible theme of the 2019 SCF Forum;

(f) To consider options for the theme and the venue for the 2019 SCF Forum on the basis of the discussions held during SCF 18 and considering the options proposed by the co-facilitators, at SCF 19;

(g) To enhance the web pages of the 2018 BA in order to, inter alia, make the wealth of knowledge gained during the preparation process accessible to a wider audience;

(h) To prepare informational material on how the SCF prepares draft guidance to the operating entities of the Financial Mechanism;

(i) To appoint focal points to take forward possible recommendations and innovative solutions for enhancing stakeholder engagement at SCF meetings and events;

(j) To implement, subject to the availability of financial resources, means for enhancing the virtual participation of stakeholders at SCF meetings;

(k) To compile information on the work of the SCF in each of its thematic areas, as appropriate, with the support of the secretariat, and to circulate the compilation with the aim of providing it as an input, as needed;

(l) To appoint focal points to the thematic areas of financing for forests and adaptation-related matters and revise the membership of working groups for all thematic areas as needed.

14. SCF 19 was held in Bonn from 29 to 31 October 2018. At this meeting, the SCF agreed on:

(a) The summary and recommendations by the SCF of the 2018 BA;

(b) The outreach plan for promoting the key findings of the 2018 BA;[8]

(c) The theme and sub-themes of the 2019 SCF Forum and intersessional work;

(d) The draft guidance to the operating entities of the Financial Mechanism;

(e) The approach to revising and reviewing the SCF report to the COP to reflect the outcomes of SCF 19;

(f) Including an item on the agenda for SCF 20 on stakeholder engagement, including the use of webcasts at SCF meetings;

(g) Accepting the invitation of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts to provide inputs to the technical paper elaborating on the sources of financial support, building on the existing work of the SCF;

(h) The dates for SCF 20 and tentative dates for SCF 21.

III. Work of the Standing Committee on Finance in 2018

A. 2018 Biennial Assessment and Overview of Climate Finance Flows

15. COP 23 noted the outcomes of discussions on the 2018 BA, including the outline of the technical report, summary and recommendations, and the indicative timeline.[9]

16. In accordance with decision 2/CP.17, paragraph 121(f), the SCF initiated work on the 2018 BA. As in the case of the 2014 BA and the 2016 BA, the preparation of the 2018 BA was guided by relevant decisions.[10]

17. The SCF agreed on the general outline of the 2018 BA at SCF 16. Work on the preparation of the 2018 BA was co-facilitated by Ms. Outi Honkatukia and Mr. Seyni Nafo and considered during the three meetings of the SCF in 2018 and the two informal technical meetings organized in conjunction with SCF 17 and SCF 18, as well as intersessionally. The SCF issued a call for evidence[11] to engage data providers, producers and aggregators in the preparation of the biennial assessment and welcomed submissions received.

18. The preparation of the 2018 BA involved data collection and information gathering from various sources and a literature review. The SCF provided guidance on the preparation of the technical report, including the scope of the work and issues that need to be explored, in addition to the thorough review by the SCF of the finalized report. Two webinars were held to exchange views among SCF members on the content of the 2018 BA and the key messages included in the summary and the recommendations of the SCF.

19. At the technical level, the work combined literature review and data collection with virtual and informal technical meetings. External contributors provided inputs to the preparation process of the 2018 BA and included international financial institutions and other organizations that produce and aggregate data on climate finance flows such as (1) multilateral development banks (i.e. African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank and members of the World Bank Group (International Finance Corporation and World Bank)); (2) bilateral development finance institutions and the International Development Finance Club; (3) international organizations (i.e. Organisation for Economic Co-operation and Development, United Nations Development Programme);

8 As contained in annex II to SCF document SCF/2018/19/9, available at https://unfccc.int/process/bodies/constituted-bodies/standing-committee-on-finance-scf.

9 FCCC/CP/2017/9, annex VI, and decision 7/CP.23, paragraph 6.

10 Decisions 1/CP.18, paragraph 71, 5/CP.18, paragraph 11, 3/CP.19, paragraph 11, 6/CP.20, paragraph 11, and 1/CP.21, paragraph 91.

11 Available at https://unfccc.int/topics/climate-finance/resources/biennial-assessment-of-climate-finance.

(4) academic institutions, research institutions and think tanks; (5) private sector financial institutions; and (6) civil society organizations.

20. Continued interaction with the external contributors who provided data and information on climate finance flows, including during the literature review and fact-checking process, was an important part of the work on the 2018 BA.

21. The summary and recommendations by the SCF on the 2018 BA adopted at SCF 19 are contained in annex II.

B. Forums of the Standing Committee on Finance

1. 2018 Forum of the Standing Committee on Finance

22. COP 23 invited the SCF to conclude its deliberations on the topic of its 2018 Forum at the latest at its first meeting in 2018,[12] and welcomed the offer of the Government of the Republic of Korea to host the 2018 SCF Forum.[13]

23. SCF 17 agreed on the theme of the 2018 Forum: "Climate finance architecture: enhancing collaboration, seizing opportunities". It also agreed on the three overall objectives of the Forum:

(a) To identify trends, developments and challenges under the climate finance architecture at the international and national level in order to improve climate finance flows from the international to the national level;

(b) To enhance collaboration between the UNFCCC climate funds[14] and other actors;

(c) To exchange experience and to identify opportunities for further collaboration at the international and national level.

24. The Forum was held on 5 and 6 July 2018 in Songdo, Incheon, Republic of Korea. About 130 participants representing national and subnational governments, civil society organizations, academic institutions, think tanks, multilateral and national banks, and private sector organizations attended the Forum.

25. SCF 18 adopted the report of the 2018 SCF Forum, including the executive summary (contained in annex III).

2. 2019 Forum of the Standing Committee on Finance

26. SCF 18 initiated deliberations, co-facilitated by Mr. Mohamed Nasr and Mr. Pieter Terpstra, on the theme of its 2019 Forum. The SCF agreed to issue a call for inputs on the theme, and requested the co-facilitators to prepare, on the basis of the discussions held during SCF 18, options for the theme for consideration at SCF 19.

27. In response to the call for inputs, the SCF received submissions from five observer organizations.[15]

28. SCF 19 agreed that the theme of the 2019 SCF Forum would be "Climate finance and sustainable cities" and that the sub-themes would be:

(a) Financing the low-emission development of cities;

[12] Decision 7/CP.23, paragraph 9.
[13] Decision 7/CP.23, paragraph 10.
[14] Adaptation Fund, GEF, GCF, Least Developed Countries Fund and Special Climate Change Fund.
[15] Submissions were received from the C40 Cities Climate Leadership Group and the C40 Cities Finance Facility, the European Investment Bank, ICLEI – Local Governments for Sustainability, the Women's Environment and Development Organization, and the youth non-governmental organization constituency. All the submissions are available at https://unfccc.int/process-and-meetings/bodies/constituted-bodies/standing-committee-on-finance-scf/scf-forum/2019-forum-of-the-standing-committee-on-finance.

(b) Financing climate-resilient cities;

(c) Building the capacity of local authorities to finance sustainable cities;

(d) The role of climate finance in facilitating a transition towards inclusive, participatory and gender-responsive and youth-oriented cities.

29. The SCF requested the co-facilitators, with the support of the secretariat:

(a) To initiate organization of the 2019 SCF Forum intersessionally on the basis of the co-facilitators' proposal on the theme arising from SCF 19,[16] including developing the draft programme, inviting resource persons and participants, and making logistical arrangements;

(b) To gather information on potential partner events and inform the SCF of these so that the SCF can agree, intersessionally and preferably before the end of 2018, on an appropriate date and venue for the 2019 Forum.

C. Draft guidance to the operating entities of the Financial Mechanism

30. The SCF is mandated to provide to the COP draft guidance 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 submissions from Parties.[17]

31. Draft guidance was discussed by the SCF at all three of its meetings in 2018, and work thereon was advanced intersessionally by the co-facilitators of the working group on this issue, Ms. Diann Black-Layne, Ms. Djukic and Ms. Noens. Representatives of the operating entities were actively engaged in the discussions during the three meetings of the SCF and provided information upon request.

32. The SCF developed the draft guidance to the GCF and the GEF on the basis of the information contained in the annual reports of the operating entities and the inputs submitted by one Party and members of the SCF, the Adaptation Committee and the Technology Executive Committee. The SCF assessed the information and inputs received against a database of guidance previously provided to the operating entities[18] and a set of criteria determined by the SCF[19] in order to avoid duplication and redundancy in the draft guidance and improve its overall quality. The draft guidance was prepared in the form of two draft decisions, each of which includes an appendix containing further matters that the SCF considered at its 19th meeting but for which a consensus was not reached and therefore were not included in the draft decision. Annex IV contains the draft guidance to the GCF and annex V that to the GEF.

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

33. COP 19 invited the SCF to consider ways to increase its work on the MRV of support beyond the biennial assessment and overview of climate finance flows in accordance with its workplan for 2014–2015 and its mandates.[20] COP 21 requested the SCF, in implementing its workplan on the MRV of support beyond the biennial assessment and overview of climate finance flows,[21] to continue to engage with relevant bodies under the Convention, multilateral and bilateral agencies, and international institutions.[22] Furthermore, COP 21 requested the SCF to take into account the work on the methodologies for the reporting of financial

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16 See https://unfccc.int/sites/default/files/resource/CF%20proposal%202019%20Forum.pdf.

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

18 The database, an Excel spreadsheet, is available at https://unfccc.int/topics/climate-finance/meetings--events/scf-committee-meetings#eq-19.

19 Contained in SCF document SCF/2017/15/11, paragraph 51.

20 Decision 7/CP.19, paragraph 9.

21 FCCC/CP/2015/8, annex VII.

22 Decision 6/CP.21, paragraph 4.

information by Parties included in Annex I to the Convention (Annex I Parties) in the context of its workplan on the MRV of support.[23] In addition, COP 22 requested the SCF, in fulfilling its function on the MRV of support, and in the context of its existing workplan, to cooperate with relevant stakeholders and experts and to consider ongoing work under the Convention and further action envisaged under the Paris Agreement.[24] COP 23 noted the extended two-year workplan on the MRV of support beyond the biennial assessment and requested the SCF to enhance its work on the MRV of support beyond the biennial assessment, acknowledging the progress made by the SCF and noting the need to avoid duplication of ongoing work under the SBSTA and the APA.[25] COP 23 also requested the SCF, in fulfilling its function with regard to the MRV of support, and in the context of its extended workplan, to continue its cooperation with relevant stakeholders and experts.[26]

34. SCF 17 established a working group on the MRV of support beyond the biennial assessment and overview of climate finance flows, to be co-chaired by Mr. Randy Caruso and Mr. Nafo. Furthermore, the SCF agreed that its Co-Chairs, as well as the co-facilitators of the working group, would continue consultations with the Chair of the SBSTA and the Co-Chairs of the APA with a view to providing technical inputs to the ongoing work under these bodies on matters relating to the transparency of support.

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

35. COP 19 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.[27] COP 23 reiterated that the SCF would integrate financing for forest-related considerations into its 2018 workplan, where appropriate, taking into account all relevant decisions on forests.[28] In line with this decision, SCF 18 appointed a focal point on the issue of forest financing, and noted that forest financing is taken into account by the co-facilitators of the other substantive areas of work of the SCF, where appropriate.

F. Gender

36. By decision 21/CP.22, the COP requested all constituted bodies under the UNFCCC to include in their regular reports information on progress made towards integrating a gender perspective into their processes according to the entry points identified in a technical paper prepared by the secretariat for consideration at the forty-eighth session of the Subsidiary Body for Implementation (SBI).[29] COP 22 also requested the SBI to develop a gender action plan in order to support the implementation of gender-related decisions and mandates under the UNFCCC process, which may include priority areas, key activities and indicators, timelines for implementation, the responsible and key actors and indicative resource requirements for each activity, and to further elaborate its process of review and monitoring.

37. COP 23 adopted the gender action plan and invited the SCF to host a dialogue in 2019 on the implementation of its commitment to integrate gender considerations into its work, emphasizing the relevance of gender-responsive access to finance in the implementation of climate action.[30] The COP also invited the secretariat to provide capacity-building to chairs and members of the UNFCCC constituted bodies and technical teams of the secretariat on how to integrate gender considerations into their respective areas of work and on meeting the goal of gender balance.[31]

[23] Decision 9/CP.21, paragraph 14.
[24] Decision 8/CP.22, paragraph 5.
[25] Decision 7/CP.23, paragraph 7.
[26] Decision 7/CP.23, paragraph 8.
[27] Decision 7/CP.19, paragraph 11.
[28] Decision 7/CP.23, paragraph 12.
[29] Decision 21/CP.22, paragraphs 13 and 14.
[30] Decision 3/CP.23, annex, table 4, activity D.1.
[31] Decision 3/CP.23, annex, table 4, activity C.2.

38. In response to the mandates outlined in paragraphs 36 and 37 above, the SCF has undertaken the following activities to integrate a gender perspective into its work:

(a) Included information on gender in the context of climate finance tracking and reporting from a range of sources, including national reports submitted under the Convention and other reports and studies, in the 2018 BA;

(b) Incorporated gender responsiveness in one of the sub-themes of the 2019 SCF Forum on climate finance and sustainable cities (see para. 28(d) above);

(c) Established a working group on gender and climate finance;

(d) Initiated discussions on gender-related activities in consideration of the SCF workplan for 2019.

G. Linkages with the Subsidiary Body for Implementation and the constituted bodies under the Convention

39. COP 21 requested the SCF to continue to strengthen its engagement with all relevant stakeholders and bodies under the Convention.[32] COP 23 welcomed the appointment of focal points of the SCF to liaise with the other constituted bodies under the Convention, and requested the SCF to continue to provide information on the appointment in its annual reports to the COP.[33]

40. The SCF continued its overall approach to maintaining linkages with the other constituted bodies, including by:

(a) Sharing its workplan with the other constituted bodies, highlighting specific areas of work of the SCF that could be of particular interest for cooperation between the respective body and the SCF;

(b) Drawing on its existing work and related outputs in providing inputs to the other constituted bodies;

(c) Sending representatives to the meetings of the other constituted bodies (either in person or via virtual means) in their personal expert capacity, who report back to the SCF on the outcomes of their attendance at those meetings.

41. At its 17th meeting, the SCF nominated and reconfirmed existing focal points to represent the SCF with regard to engaging with the thematic areas and other constituted bodies under the Convention. Since the previous SCF report to the COP, focal points undertook the following activities:

(a) Mr. Horne and Mr. Sherman participated in the task forces and working groups of the Adaptation Committee;

(b) Mr. Sherman attended the technical expert workshop on climate adaptation finance held by the GCF in Songdo from 7 to 9 March;

(c) Mr. Ismo Ulvila participated in the 2nd meeting of the Paris Committee on Capacity-building (PCCB) and made an intervention related to capacity-building in the work of the SCF, in particular the biennial assessment and overview of climate finance flows, the SCF Forum and the draft guidance to the operating entities of the Financial Mechanism of the Convention.[34]

(d) Ms. Noens represented the SCF virtually at the 12th meeting of the Advisory Board of the Climate Technology Centre and Network, where she updated the Board on the work of the SCF and highlighted areas of work that are particularly relevant to the work of the Climate Technology Centre and Network.[35]

[32] Decision 6/CP.21, paragraph 2.
[33] Decision 7/CP.23, paragraph 11.
[34] https://unfccc.int/sites/default/files/resource/PCCB2_SCF_Intervention.pdf.
[35] The presentation is available at

(e) Mr. Caruso participated virtually in the 8th meeting of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts, where he gave a presentation[36] to the Executive Committee on the mandate of the SCF and its areas of work that are relevant for the scoping of the technical paper elaborating the sources of financial support, as provided through the Financial Mechanism, for addressing loss and damage as described in relevant decisions, as well as modalities for accessing such support.[37] The Executive Committee invited the SCF to provide inputs to the technical paper, and SCF members agreed to do so at SCF 19.

42. At its 18th meeting, the SCF further nominated focal points to represent the SCF with regard to:

(a) Adaptation-related matters (Mr. Nasr and Mr. Terpstra);

(b) Financing for forests (Mr. Zambrana Flores);

(c) Indigenous peoples (Mr. Zambrana Flores);

(d) Innovative solutions to enhance stakeholder engagement at SCF meetings and events (this work is currently being led by the SCF Co-Chairs, Mr. Fakir and Mr. Børsting).[38]

43. At its 19th meeting, the SCF took note of a webinar on gender and capacity-building for the Chairs and members of the PCCB and other constituted bodies that was organized by the PCCB and the secretariat.

44. During COP 23, the Co-Chairs of the SCF attended the annual meeting between the GCF and the constituted bodies under the Convention.

45. At the first part of the forty-eighth session of the subsidiary bodies, the SCF held a side event to provide an overview of the progress made in the implementation of its workplan for 2018.

46. The SCF provided an input[39] to the expert meeting on assessing, under the SBI, progress made in the process to formulate and implement national adaptation plans, which was organized by the Least Developed Countries Expert Group and the Adaptation Committee and held in Sao Tome, Sao Tome and Principe, from 7 to 9 February 2018.

H. Review of the functions of the Standing Committee on Finance

47. The review of the functions of the SCF was initiated by COP 22.[40] Further to the activities of the review in previous years,[41] in response to the mandates from COP 23,[42] the SCF concluded the following:[43]

1. Mandate 1: Requests the Standing Committee on Finance to continue to provide and enhance the dissemination and utilization of specific and targeted outputs and recommendations in order to effectively advance the work of the Conference of the Parties[44]

48. The SCF concluded that this mandate would be addressed as part of its approach to outreach and communications in 2018 and through ongoing activities related to the 2018 BA,

https://unfccc.int/sites/default/files/resource/181004%20SCF%20to%20CTCN_final.pdf.

[36] https://unfccc.int/sites/default/files/resource/SCF%20PPT%20to%20ExCom%20DRAFT_18%20Sept.pdf.

[37] Decision 4/CP.22, paragraph 2(f–h).

[38] For details on the stakeholder engagement activities being undertaken, refer to the review of the functions of the SCF in chapter III.H below.

[39] https://unfccc.int/sites/default/files/resource/SCF%20input%20NAP%20Expert%20meeting.pdf.

[40] Decision 6/CP.21, paragraph 9.

[41] See also document FCCC/CP/2017/9, paragraphs 53–56.

[42] Decision 8/CP.23.

[43] See paragraphs 48–55 below.

[44] Decision 8/CP.23, paragraph 6.

the 2018 and 2019 SCF Forums and the draft guidance to the operating entities of the Financial Mechanism.[45]

2. Mandate 2: Encourages the Standing Committee on Finance to prioritize specific areas of work in the light of its workload in a given year, and emphasizes the need to continue to enhance all the functions of the Standing Committee on Finance, including to take into consideration its mandate to serve the Paris Agreement in line with decision 1/CP.21, paragraph 63[46]

49. The SCF concluded that this mandate would be addressed as part of its deliberations on its 2018 workplan.[47]

3. Mandate 3: Requests the Standing Committee on Finance to further strengthen its stakeholder engagement[48]

50. At its 18th meeting, the SCF agreed that innovative solutions should be considered and implemented to enhance stakeholder engagement at SCF 19 and future SCF meetings and events. Two initiatives were piloted at SCF 19 following the nomination of focal points from observer constituencies:[49]

(a) **Enhanced intersessional participation through webinars and conference calls.** A webinar was convened before SCF 19 in which the SCF Co-Chairs briefed the nominated focal points from observer constituencies about the work of the SCF and the provisional agenda for SCF 19. The webinar/conference call was followed up by a note from the Co-Chairs to the focal points requesting input on enhancing stakeholder engagement and providing further details on the substantive items to be considered at SCF 19.

(b) **Enhanced participation in SCF meetings and events through a virtual platform.** The nominated focal points from observer constituencies were invited to participate in SCF 19 using a virtual platform where they could engage interactively to ask questions and receive responses at SCF 19. This interactive session was piloted in addition to the standard webcast of SCF meetings.

4. Mandate 4: Requests the Standing Committee on Finance to provide options for the enhancement of the participation of members and to report to the Conference of the Parties at its twenty-fourth session[50]

51. In response to this mandate, the SCF reached the following conclusion at its 17th meeting:

(a) The Chair or Chairs of the relevant Annex I Parties or non-Annex I Parties constituency may send a communication to the secretariat informing that:

(i) An SCF member is unable to attend a meeting of the SCF;

[45] SCF document SCF/2018/17/10, paragraph 10.
[46] Decision 8/CP.23, paragraph 8.
[47] SCF document SCF/2018/17/10, paragraph 11.
[48] Decision 8/CP.23, paragraph 14.
[49] Each observer constituency was requested to nominate two focal points, encouraging balanced representation, in accordance with the conclusions of SBI 48.1 (FCCC/SBI/2018/9, para. 142). As at 15 November 2018, focal points participated at SCF 19 that had been nominated from the following constituencies: business and industry non-governmental organizations, the constituency of farmers, the indigenous people’s organization, local government and municipal authorities, research and independent non-governmental organizations, trade union non-governmental organizations and youth non-governmental organizations. These focal points participated in SCF 19 and will continue to participate in pilot initiatives in 2019. An assessment of the pilot initiatives to enhance stakeholder engagement will be made by the SCF in 2019. A list of all UNFCCC non-governmental organization constituencies is available at https://unfccc.int/process-and-meetings/parties-non-party-stakeholders/non-party-stakeholders/admitted-ngos#constituencies
[50] Decision 8/CP.23, paragraph 16.

(ii) Another representative is nominated by the constituency to attend and participate in the meeting to replace that member;

(iii) At the conclusion of the particular SCF meeting, the SCF member elected by the COP will resume his or her functions on the SCF;

(b) The option for the replacement of a particular SCF member would only be exercised by a constituency once during one calendar year;

(c) The SCF recommended that SCF members who would like to exercise this option should request the Chair or Chairs of their respective constituency to send the communication informing the secretariat of the intended replacement to the secretariat as soon as possible so that the secretariat can make the necessary arrangements to facilitate the participation of the representative at the particular SCF meeting;

(d) The secretariat will immediately inform the Co-Chairs and members of the SCF upon receipt of a communication from the Chair or Chairs of the relevant constituency;

(e) The SCF requested the secretariat to prepare a template on the communication described in paragraph 51(a) above that may be used by the Chair or Chairs of the relevant constituency, and to forward this template to the SCF members and the Chair and Chairs of each constituency.

52. Since the above conclusion was reached at SCF 17, six SCF members in total have exercised the option for replacement at SCF 18 and SCF 19 (see annex I).

5. Mandate 5: Recognizes that there is a need for the Standing Committee on Finance to improve some of its in-session and intersessional working modalities with the aim of further enhancing its efficiency and effectiveness, ensuring the inclusiveness and transparency of its proceedings[51]

53. At its 18th meeting, the SCF agreed that focal points should be appointed to advance possible recommendations and innovative solutions to be further discussed at SCF 19 with the aim of forwarding recommendations to COP 24.

54. As mentioned in paragraph 50 above, the SCF agreed at SCF 18 that innovative solutions should be considered and implemented to enhance stakeholder engagement at SCF 19 and future SCF meetings and events.

55. The discussions at SCF 18 also included consideration of:

(a) Solutions to alleviate the heavy workload of SCF members, including the potential for appointing advisers to support the work of the SCF;

(b) The continued liaison of SCF focal points with other constituted bodies under the Convention and in relation to thematic areas, including on addressing concerns related to the workload of the SCF and its members;

(c) Requesting Co-Chairs to prioritize agenda items when drafting provisional agendas for SCF meetings;

(d) Ways to make efficient use of time between meetings, including time with respect to the work of focal points for the other constituted bodies and thematic areas.

[51] Decision 8/CP.23, paragraph 17.

Annex I

II. Members of the Standing Committee on Finance as at 15 November 2018

[English only]

I. Parties included in Annex I to the Convention

Mr. Georg Børsting (Norway)
Mr. Randy Caruso (United States of America)
Ms. Sonja Djukic (Canada)
Mr. Mattias Frumerie (Sweden)
Ms. Outi Honkatukia (Finland)
Mr. Kazuhiro Iryu (Japan)
Mr. Edmund Mortimer (Australia)
Ms. Vicky Noens (Belgium)
Mr. Pieter Terpstra (Netherlands)
Mr. Ismo Ulvila (European Union)

II. Parties not included in Annex I to the Convention

African States
Mr. Zaheer Fakir (South Africa)
Mr. Mohamed Nasr (Egypt)

Asia-Pacific States
Mr. Jonghun Lee (Republic of Korea)
Mr. Ayman Shasly (Saudi Arabia)

Latin American and Caribbean States
Mr. Paul Herbert Oquist Kelley (Nicaragua)
Mr. Ivan Zambrana Flores (Bolivia (Plurinational State of))

Least developed countries
Ms. Edith Kateme-Kasajja (Uganda)

Other Parties not included in Annex I to the Convention
Mr. Hussein Alfa Nafo (Mali)

Small island developing States
Ms. Diann Black-Layne (Antigua and Barbuda)

III. Previous members in 2018

Mr. Jozef Buys (Belgium)
Mr. Peter Horne (Australia)
Ms. Gemma O'Reilly (Ireland)
Mr. Muhammad Imran Khan (Pakistan)
Ms. Bernarditas Muller (Philippines)

Mr. Richard Sherman (South Africa)

IV. Replacement members in 2018

Ms. Claudia Keller (Germany) for SCF 18
Mr. Omar El-Arini (Egypt) for SCF 19
Ms. Fiona Gilbert (Australia) for SCF 19
Ms. Erin Marchington (Canada) for SCF 19
Ms. Lia Nicholson (Antigua and Barbuda) for SCF 19
Mr. Toru Sugio (Japan) for SCF 19

Annex II

Summary and recommendations by the Standing Committee on Finance on the 2018 Biennial Assessment and Overview of Climate Finance Flows

[English only]

I. Context and mandates

1. The Standing Committee on Finance (SCF) assists the Conference of the Parties (COP) in exercising its functions with respect to the Financial Mechanism of the Convention, inter alia, in terms of measurement, reporting and verification of support provided to developing country Parties, through activities such as the biennial assessment and overview of climate finance flows (BA).[1]

2. Subsequent to the 2014 BA, the COP requested the SCF to consider: the relevant work of other bodies and entities on measurement, reporting and verification of support and the tracking of climate finance;[2] ways of strengthening methodologies for reporting climate finance;[3] and 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.[4] It also requested the Ad Hoc Working Group on the Paris Agreement, when developing the modalities, procedures and guidelines for the transparency framework for action and support, to consider, inter alia, information in the BA and other reports of the SCF and other relevant bodies under the Convention.

3. The COP welcomed the summary and recommendations by the SCF on the 2016 BA, which, inter alia, encourages Parties and relevant international institutions to enhance the availability of information that will be necessary for tracking global progress on the goals outlined in Article 2 of the Paris Agreement. The COP requested the SCF, in preparing future BAs, to assess available information on investment needs and plans related to Parties' nationally determined contributions (NDCs) and national adaptation plans.

4. The 2018 BA provides an updated overview of climate finance flows in 2015 and 2016 from provider to beneficiary countries, available information on domestic climate finance and cooperation among Parties not included in Annex I to the Convention (non-Annex I Parties), and the other climate-related flows that constitute global total climate finance flows. It also includes information on trends since the 2014 BA. The 2018 BA then considers the implications of these flows and assesses their relevance to international efforts to address climate change. It explores the key features of climate finance flows, including composition and purposes. It also explores emerging insights into their effectiveness, finance access, and ownership and alignment of climate finance with beneficiary country needs and priorities related to climate change. It also provides information on recent developments in the measurement, reporting and verification of climate finance flows at the international and domestic level, and insights into impact reporting practices.

5. The 2018 BA includes, for the first time, information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including methods and metrics, and data sets on flows, stocks

[1] Decision 2/CP.17, paragraph 121(f).
[2] Decision 1/CP.18, paragraph 71.
[3] Decision 5/CP.18, paragraph 11.
[4] Decision 3/CP.19, paragraph 11.

and considerations for integration. It also discusses climate finance flows in the broader context.

6. The 2018 BA comprises this summary and recommendations, and a technical report. The summary and recommendations was prepared by the SCF. The technical report was prepared by experts under the guidance of the SCF and draws on information and data from a range of sources. It was subject to extensive stakeholder input and expert review, but remains a product of the external experts.

II. Challenges and limitations

7. The 2018 BA provides an updated overview of current climate finance flows over the years 2015 and 2016, along with data on trends from 2011 to 2014 collated in previous BA reports. Due diligence has been undertaken to utilize the best information available from the most credible sources. In compiling estimates, efforts have been made to avoid double counting through a focus on primary finance, which is finance for a new physical item or activity. Challenges were nevertheless encountered in collecting, aggregating and analysing information from diverse sources. The lack of clarity with regard to the use of different definitions of climate finance limits the comparability of data.

8. **Data uncertainty.** There are uncertainties associated with each source of data which have different underlying causes. Uncertainties are related to the data on domestic public investments, resulting from the lack of geographic coverage, differences in the way methods are applied, significant changes in the methods for estimating energy efficiency over the years, and the lack of available data on sustainable transport and other key sectors. Uncertainties also arise from the lack of procedures and data to determine private climate finance; methods for estimating adaptation finance; differences in the assumptions of underlying formulas to attribute finance from multilateral development banks (MDBs) to members of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), minus the Republic of Korea; the classification of data as 'green finance'; and incomplete data on non-concessional flows.

9. **Data gaps.** Gaps in the coverage of sectors and sources of climate finance remain significant, particularly with regard to private investment. Although estimates of incremental investments in energy efficiency have improved, there is still an inadequate understanding of the public and private sources of finance and the financial instruments behind those investments. For sustainable transport, efforts have been made to improve public and private investment in electric vehicles. However, information on sources and instruments for finance in public mass transit remains unreported in many countries. High-quality data on private investments in mitigation and finance in sectors such as agriculture, forests, water and waste management are particularly lacking. In particular, adaptation finance estimates are difficult to compare with mitigation finance estimates due to the former being context-specific and incremental, and more work is needed on estimating climate-resilient investments.

10. The limitations outlined in paragraphs 8 and 9 above need to be taken into consideration when deriving conclusions and policy implications from the 2018 BA. The SCF will contribute, through its activities, to the progressive improvement of the measurement, reporting and verification of climate finance information in future BAs to help address these challenges.

III. Key findings

A. Methodological issues relating to measurement, reporting and verification of public and private climate finance

1. Developments in the period 2015–2016

11. Following the recommendations made by the SCF in the 2016 BA, the 2018 BA identifies the improvements listed in paragraphs 12–16 below in the tracking and reporting of information on climate finance.

(a) Annex II Parties

12. Revision of the biennial report (BR) common tabular format (CTF) tables 7, 7(a) and 7(b) has facilitated the provision of more qualitative information on the definitions and underlying methodologies used by Parties included in Annex II to the Convention (Annex II Parties) in the documentation boxes in the BR3 CTF tables. The BR3 CTF tables submitted as at October 2018 suggest some increase in the provision of quantitative information, including information on public financial support in CTF table 7(b) and climate-related private finance in the BRs.

(b) International organizations

13. Making data available on private shares of climate co-finance associated with MDB finance and reporting on amounts mobilized through public interventions deployed by other development finance institutions (DFIs) included in the regular OECD-DAC data collection process.

14. Facilitating the increased transparency of information through biennial surveys to collect information from OECD-DAC members on the measurement basis for reporting (i.e. committed, disbursed or "other"), and on the shares of the activity reported as mitigation, adaptation or cross-cutting to the UNFCCC.

15. Institutionalizing the mitigation and adaptation finance tracking and reporting, and ongoing efforts aimed at better tracking and reporting on projects that have mitigation and adaptation co-benefits (i.e. cross-cutting) among MDBs.

16. Measuring and reporting on impact is now common practice among multilateral climate funds, and there is now growing interest in this field by MDBs and the International Development Finance Club (IDFC), which are also undertaking work on methodologies for impact measuring in the light of the Paris Agreement. The ongoing efforts of MDBs to develop additional metrics that demonstrate how MDB financing supports climate-resilient development pathways are an important step in this direction.

(c) Insights into reporting by Annex II Parties and non-Annex I Parties

17. Notwithstanding the improvements in methodologies for reporting climate finance via the BR3 CTF tables 7, 7(a) and 7(b), some reporting issues persist that complicate the aggregation, comparison and analysis of the data. The current "UNFCCC biennial reporting guidelines for developed country Parties"[5] were designed to accommodate reporting on a wide range of climate finance instruments and activities. This required a reporting architecture that was flexible enough to accommodate a diversity of reporting approaches. In

[5] Decision 2/CP.17, annex I.

some cases, limited clarity with regard to the diversity of reporting approaches limits comparability in climate finance reporting.

18. The current "UNFCCC biennial update reporting guidelines for Parties not included in Annex I to the Convention"[6] for reporting by non-Annex I Parties on financial, technical and capacity-building needs and support received do not require information on underlying assumptions, definitions and methodologies used in generating the information. Nevertheless, the provision of such information is useful.

(d) Insights into broader reporting aspects

19. Notwithstanding ongoing efforts to make information on domestic climate-related finance available through biennial update reports (BURs), published climate public expenditure and institutional reviews, and other tools, collecting and reporting domestic climate-related finance is often not undertaken systematically, thereby limiting the availability of information.

20. There are significant data gaps on climate finance flows in the context of cooperation among non-Annex I Parties.

2. Information relevant to Article 2, paragraph 1(c), of the Paris Agreement: methods and metrics

21. Ongoing voluntary efforts to develop approaches for tracking and reporting on consistency of public and private sector finance with the Paris Agreement are important for enhancing the collective understanding of the consistency of the broader finance and investment flows with Article 2, paragraph 1(c), of the Paris Agreement.

22. Some financial actors, such as MDBs and bilateral DFIs, have started to develop approaches for tracking the integration of climate change considerations into their operations. However, there was no publicly available information on the progress made on this matter at the time of preparation of the 2018 BA. Ongoing work for developing climate-resilience metrics is important for enhancing understanding of the consistency of multilateral and bilateral development finance with the Paris Agreement.

B. Overview of current climate finance flows in the period 2015–2016

1. Global finance flows

23. On a comparable basis, climate finance flows increased by 17 per cent in the period 2015–2016 compared with the period 2013–2014. High-bound climate finance estimates increased from USD 584 billion in 2014 to USD 680 billion in 2015 and to USD 681 billion in 2016 (see figure 1). The growth seen in 2015 was largely driven by high levels of new private investment in renewable energy, which is the largest segment of the global total. Despite decreasing technology costs (particularly in solar photovoltaic and wind power generation), which means that every dollar invested finances more renewable energy than it previously did, a significant number of new projects were financed in 2015. In 2016, a decrease in renewable energy investment occurred, which was driven by both the continued decline in renewable technology costs and the lower generation capacity of new projects financed.[7] However, the decrease in renewable energy investment in 2016 was offset by an

[6] Decision 2/CP.17, annex III.

[7] Approximately 52 per cent of the decrease in 2016 was due to reduced technology costs in solar photovoltaic and wind energy.

8 per cent increase in investment in energy efficiency technologies across the building, industry and transport sectors.

24. The quality and completeness of data on climate finance has improved since the 2016 BA. Methodological improvements in estimating finance flows have changed the comparative basis against previous estimates. In particular, 2014 estimates for energy efficiency have been revised downward owing to a more accurate bottom-up assessment model being employed by the International Energy Agency. This has resulted in a revised estimate of USD 584 billion from USD 741 billion for total global climate finance in 2014. In addition, data coverage in sustainable transport has improved, with estimates for public and private investment in electric vehicle sales in 2015 and 2016.

(a) Flows from Annex II Parties to non-Annex I Parties as reported in biennial reports

25. Climate-specific finance reported in BRs submitted by Annex II Parties has increased in terms of both volume and rate of growth since the previous BA. Whereas the total finance reported increased by just 5 per cent from 2013 to 2014, it increased by 24 per cent from 2014 to 2015 (to USD 33 billion), and subsequently by 14 per cent from 2015 to 2016 (to USD 38 billion). Out of these total amounts, USD 30 billion in 2015 and USD 34 billion in 2016 were reported as climate-specific finance channelled through bilateral, regional and other channels; the remainder flowed through multilateral channels. From 2014 to 2016, both mitigation and adaptation finance grew in more or less equal proportions, namely by 41 and 45 per cent, respectively.

(b) Multilateral climate funds

26. Total amounts channelled through UNFCCC funds and multilateral climate funds in 2015 and 2016 were USD 1.4 billion and USD 2.4 billion, respectively. The significant increase from 2015 to 2016 was a result of the Green Climate Fund (GCF) ramping up operations. On the whole, this represents a decrease of approximately 13 per cent compared with the 2013–2014 biennium and can be accounted for by a reduction in the commitments made by the Climate Investment Funds, in line with changes in the climate finance landscape as the GCF only started to scale up operations in 2016.

(c) Climate finance from multilateral development banks

27. MDBs provided USD 23.4 billion and USD 25.5 billion in climate finance from their own resources to eligible recipient countries in 2015 and 2016, respectively. On average, this represents a 3.4 per cent increase from the 2013–2014 period.

28. The attribution of MDB finance flows to members of OECD-DAC, minus the Republic of Korea, is calculated at up to USD 17.4 billion in 2015 and USD 19.7 billion in 2016 to recipients eligible for OECD-DAC official development assistance.

(d) Private climate finance

29. The most significant source of uncertainty relates to the geographic attribution of private finance data. Although efforts have been made by MDBs and OECD since the 2016 BA to estimate private climate finance mobilized through multilateral and bilateral institutions, data on private finance sources and destinations remain lacking.

30. MDBs reported private finance mobilization in 2015 was USD 10.9 billion and increased by 43 per cent the following year to USD 15.7 billion. OECD estimated USD 21.7 billion in climate-related private finance mobilized during the period 2012–2015 by bilateral and multilateral institutions, which included USD 14 billion from multilateral providers and USD 7.7 billion from bilateral finance institutions. It is estimated that, in 2015, USD 2.3 billion was mobilized through bilateral institutions. The Climate Policy Initiative estimated

renewable energy flows for new projects ranged from USD 2.4 billion in 2015 to USD 1.5 billion in 2016; this was, however, a significant underestimation given the underlying reporting approaches.

(e) Recipients

31. A total of 34 Parties included in Annex I to the Convention provided information on recipients in the BR3s, while 16 out of 40 BURs submitted as first or second BURs as at October 2018 include, to varying degrees, quantitative information on climate finance received in the 2015–2016 period. Therefore, at the time of the preparation of the 2018 BA, it is not possible to present a clear picture of climate finance received on the basis of the information included in national reports submitted to the secretariat.

32. Other sources of information provide insights on recipients. For example, of the bilateral finance reported to OECD-DAC, national and local governments received 51 and 61 per cent of bilateral climate-related assistance in 2015 and 2016, up from 43 and 42 per cent in 2013 and 2014, respectively. The remainder was received by international organizations, non-governmental organizations and public and private sector organizations from the support-providing countries. No information is available on the channels of delivery for 91–97 per cent of the other official flows of a non-concessional nature in the period 2015–2016. Of the total climate finance committed by MDBs from their own resources, 72 per cent was channelled to public sector recipients in 2015, and 74 per cent in 2016. Adaptation finance, in particular, went predominantly to public sector institutions: 90 per cent in 2015 and 97 per cent in 2016.

2. Domestic climate finance

33. Domestic climate expenditures by national and subnational governments are a potentially growing source of global climate finance, particularly as, in some cases, NDC submissions are translated into specific investment plans and domestic efforts to monitor and track the domestic climate expenditures are stepped up. However, comprehensive data on domestic climate expenditure are not readily available, as these data are not collected regularly or with a consistent methodology over time within or across countries. Of the 30 countries that reported data on climate expenditures included in the 2016 BA, 19 countries provided such data in 2015 or 2016, with the 2015 data for 5 countries being included in the 2016 BA. Four countries reported expenditure of USD 0.335 billion in their BURs, while seven countries published climate public expenditure and institutional reviews amounting to USD 16.5 billion.[8] In two other countries, updated data are available amounting to USD 49 billion. In total, this brings domestic public climate finance estimates for the period 2015–2016 to USD 67 billion.

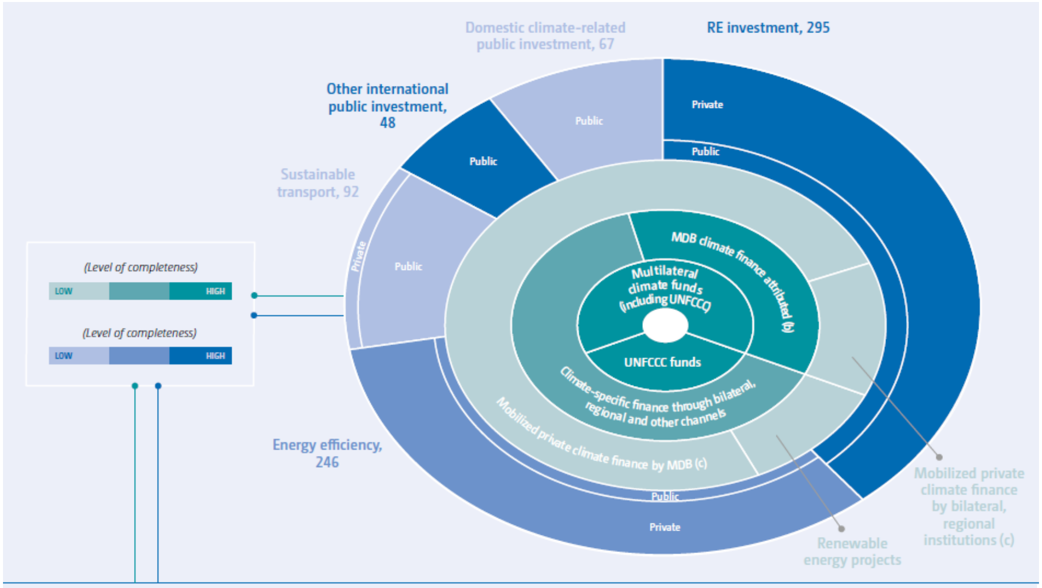
3. Flows among countries that are not members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, recipients eligible for official development assistance and Parties not included in Annex I

34. Information on climate finance flows among non-Annex I Parties is not systematically tracked, relying on voluntary reporting by countries through the OECD-DAC Creditor Reporting System and DFIs through IDFC that are based in countries that are not members of the Organisation for Economic Co-operation and Development (non-OECD). Total estimates of such flows amounted to USD 12.2–13.9 billion in 2015 and USD 11.3–13.7 billion in 2016. This represents an increase of approximately 33 per cent on average from the 2013–2014 period, driven primarily by non-OECD member institutions of IDFC increasing

8 This includes Hebei Province in China, reporting an expenditure of USD 6.1 billion in 2015.

finance significantly to other non-OECD members. New multilateral institutions include the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank. Together, they provided USD 911 million to renewable energy projects in 2016. The AIIB portion of this amount included outflows that may be attributable to OECD-DAC members that are shareholders in AIIB.

Figure 1
Climate finance flows in the period 2015–2016
(Billions of United States dollars, annualized)



		2015 (USD billion face value)	2016 (USD billion face value)	Sources of data and relevant chapter
Global total flows	Renewable energy investments	320.9	269.5	Chapter 2.2.1
	Public investment	61.7	52.3	CPI based on multiple sources
	Private investment	259.2	217.1	
	Energy efficiency investments	233.9	257.8	Chapter 2.2.2
	Public investment	25.7	32.9	IEA Energy Efficiency Market Reports/CPI
	Private investment (a)	208.2	224.9	
	Sustainable transport	78.0	105.8	Chapter 2.2.3
	Public investment	69.7	92.5	IEA World Energy Investment Report/CPI
	Private investment	8.3	13.3	
	Other sectors public investment	47.3	47.5	Chapter 2.2.2 – 2.2.5 CPI based on multiple sources
	Domestic climate-related public investment	67.0	67.0	Chapter 2.3 BURs, CPEIRs (UNDP), I4CE
Flows to non-Annex I Parties	UNFCCC funds	0.6	1.6	Chapter 2.5.2 Fund financial reports, CFU
	Multilateral climate funds (including UNFCCC)	1.4	2.4	Chapter 2.5.2 Fund financial reports, CFU
	Climate-specific finance through bilateral, regional and other channels	29.9	33.6	Chapter 2.5.1 Annex II Party Biennial Reports
	MDB climate finance attributed (b)	17.4	19.7	Chapter 2.5.2
	Renewable energy projects	2.4	1.5	Chapter 2.5.4 CPI based on multiple sources
	Mobilized private climate finance by MDB (c)	10.9	15.7	Chapter 2.5.4 MDB Joint Reports
	Mobilized private climate finance by bilateral, regional institutions (c)	2.3		Chapter 2.5.4 OECD

Abbreviations: BEV = battery electric vehicle, BUR = biennial update report, CPEIR = climate public expenditure and institutional reviews, CPI = Climate Policy Initiative, IEA = International Energy Agency, I4CE = Institute for Climate Economics, MDB = multilateral development bank, OECD = Organisation for Economic Co-operation and Development, UNDP = United Nations Development Programme.

[a] Value discounts transport energy efficiency estimates by 8.5 per cent to account for overlap with electric vehicle estimates.

[b] From members of the OECD Development Assistance Committee (DAC), minus the Republic of Korea, to OECD-DAC recipients eligible for official development assistance. Refer to chapter 2.5.2 of the 2018 Biennial Assessment and Overview of Climate Finance Flows technical report for further explanation.

[c] Estimates include private co-financing with MDB finance.

4. Information relevant to Article 2, paragraph 1(c), of the Paris Agreement: data sets on flows, stocks and integration

35. The 2018 BA includes information on available data sets that integrate climate change considerations into insurance, lending and investment decision-making processes and that include information that may be relevant to tracking consistency with Article 2, paragraph 1(c), of the Paris Agreement.

36. Across the financial sector, both the reporting of data on financial flows and stocks consistent with low greenhouse gas (GHG) emissions and climate-resilient pathways, and the integration of climate considerations into decision-making are at a nascent stage. The data sets available on bond markets are the most advanced, with regular and reliable data published based on green bond labelling and analysis of bonds that may be aligned with climate themes. Less information is available on bonds that may be inconsistent with low GHG emissions and climate-resilient pathways. Other market segments lack completeness of coverage and reporting quality across peer institutions. With regard to integrating climate change considerations into investment decision-making, some market segments such as listed corporations and institutional investors are participating in emerging reporting initiatives, including through target-setting processes, that will likely improve the availability of data over time. Other market segments such as insurance companies participate in comprehensive and regular survey reporting on climate integration into governance and risk-management processes. Other market segments, particularly in banking, insurance and financial services, lack breadth of coverage in reporting or are at an early stage of considering how to report data.

C. Assessment of climate finance flows

37. An assessment of the data underlying the overview of climate finance flows presented offers insights into crucial questions of interest in the context of the objective of the Convention and the goals outlined in the Paris Agreement. Development banks, DFIs and multilateral climate funds play a vital role in helping countries to deliver on their NDCs. The key features of a subset of these different channels of public climate finance for beneficiary countries are summarized in the figure below, including the areas of support (adaptation, mitigation or cross-cutting) and the instruments used to deliver climate finance.

Figure 2
Characteristics of international public climate finance flows in the period 2015–2016

	Annual average USD billion	Area of support				Financial instrument		
		Adaptation	Mitigation	REDD-plus[a]	Cross-cutting	Grants	Concessional loans	Other
Multilateral climate funds[b]	1.9	25%	53%	5%	17%	51%	44%	5%
Bilateral climate finance[c]	31.7	29%	50%	–	21%	47%	52%	<1%
MDB climate finance[d]	24.4	21%	79%	–	–	9%	74%	17%

Note: All values are based on approvals and commitments.
Abbreviations: MDB = multilateral development bank.

[a] 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.

[b] Including Adaptation for Smallholder Agriculture Programme, Adaptation Fund, Bio Carbon Fund, Clean Technology Fund, Forest Carbon Partnership Facility, Forest Investment Program, Global Climate Change Alliance, Global Environment Facility Trust Fund, Green Climate Fund, Least Developed Countries Fund, Partnership for Market Readiness, Pilot Programme for Climate Resilience, Scaling Up Renewable Energy Program, Special Climate Change Fund and United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries.

[c] Bilateral climate finance data are sourced from biennial reports from Parties included in Annex II to the Convention (that further include regional and other channels) for the annual average. Information related to the United States of America is drawn from preliminary data provided by the United States. The thematic split and the financial instrument data are taken from data from the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), referring only to concessional flows of climate-related development assistance reported by OECD-DAC members. Section C of the summary and recommendations and chapter III of the technical report uses ‘bilateral finance’ to refer only to concessional flows of climate-related development assistance reported by OECD-DAC members.

[d] The annual average and thematic split of MDBs includes their own resources only, while the financial instrument data include data from MDBs and from external resources, due to the lack of data disaggregation.

38. Overall, trends in climate finance point to increasing flows towards beneficiary countries. Bilateral climate finance flows, and those channelled through MDBs, have increased since the 2016 BA, whereas flows from the multilateral climate funds have fluctuated, having decreased in 2015 before rebounding in 2016, although the average remains lower than in the 2013–2014 period, which reflects changes in the climate finance landscape.

39. When considering these flows in aggregate, support for mitigation remains greater than support for adaptation across all sources (noting, however, measurement differences). Bilateral finance flows from OECD-DAC providers had the greatest proportion intended for adaptation (29 per cent) in the period 2015–2016, followed by multilateral climate funds (25 per cent) and MDBs (21 per cent). However, the 2018 BA finds an increase in public climate finance flows that contributes towards both adaptation and mitigation from both bilateral contributors and multilateral climate funds. This makes it more difficult to track the progress made in ramping up adaptation finance. When, however, considering flows based on other groupings, there are variations in the composition of the types of support.

40. Grants continue to be a key instrument for the provision of adaptation finance. In the period 2015–2016 grants accounted for 62 and 94 per cent of the face value of bilateral adaptation finance reported to OECD and of adaptation finance from the multilateral climate funds, respectively. During the same period, 9 per cent of adaptation finance flowing through MDBs was grant-based. Mitigation finance remains less concessional in nature, with 25 per cent of bilateral flows, 31 per cent of multilateral climate fund approvals and 4 per cent of MDB investments taking the form of grants. These figures, however, may not fully capture the added value brought by combining different types of financial instruments, or technical assistance with capital flows, which can often lead to greater innovation or more sustainable implementation.

41. With regard to geographic distribution, Asia remains the principal recipient region of public climate finance flows. In the period 2015–2016, the region received 31 per cent of funding from multilateral climate funds, 42 per cent of bilateral finance reported to OECD and 41 per cent of MDB flows (including to the Pacific region). The Latin America and Caribbean region and sub-Saharan Africa each secured 22 per cent of approvals from the multilateral climate funds in the same period. Latin America and the Caribbean received 17

per cent of MDB financing and 10 per cent of bilateral finance reported to OECD, whereas sub-Saharan Africa received just 9 per cent of MDB financing but 30 per cent of bilateral finance reported to OECD.

42. With regard to flows to the least developed countries (LDCs) and small island developing States (SIDS) in the period 2015–2016, funding directed at the LDCs represented 24 per cent of bilateral flows, whereas that directed at SIDS accounted for 2 per cent of such flows. Of the bilateral finance provided to the LDCs and SIDS, around half was earmarked for adaptation. Similarly, 21 per cent of finance approved by multilateral climate funds went to the LDCs and 13 per cent to SIDS, and more than half of this finance was focused on adaptation. MDBs channelled 15 per cent of their climate finance to the LDCs and SIDS. The percentage of adaptation spending to these countries (41 per cent) is twice their climate finance spending overall.

43. The management of climate finance, as well as the development and implementation of the projects that it supports, necessarily entails costs. The degree of such costs, which are often recovered through mechanisms such as administrative budgets and implementing agency fees, varies across institutions. Among the major multilateral climate change funds, fees account for between 1 and 9 per cent of total fund value, ranging from USD 65,000 to USD 1.2 million per project. Although these costs tend to decrease over time as management and disbursement mechanisms become more streamlined, there is evidence to suggest that the alignment of administrative functions between funds (e.g. the Global Environment Facility administration of the Least Developed Countries Fund and Special Climate Change Fund) offers the best opportunity to keep administrative costs down. This is essential in order to retain the trust that providers and recipients place in the funds.

44. The push to diversify modalities of access to climate finance continues. Institutions in beneficiary countries are increasingly able to meet fiduciary and environmental and social safeguard requirements for accessing funds. There has been a notable increase in the number of regional and national implementing entities to the multilateral climate funds, despite large amounts remaining programmed through multilateral entities.

45. Ownership remains a critical factor in the delivery of effective climate finance. A broad concept of ownership encompasses the consistency of climate finance with national priorities, the degree to which national systems are used for both spending and tracking, and the engagement of a wide range of stakeholders. There have been a number of efforts to build capacity to access and make strategic choices about how to use finance and oversee implementation. With regard to the role of governments, while there has been greater commitment by ministries of finance and planning to integrate climate finance into national budgetary planning, this is often not done fully. National-level institutions in beneficiary countries are playing a greater role in managing climate finance, particularly through domestic tracking systems. NDCs for which further financial resources need to be found are emerging as a platform that governments can use to stimulate engagement and strengthen national ownership of climate finance.

46. Mechanisms for monitoring the impact of climate finance have improved, albeit not uniformly. Thus, although the reporting of results (in terms of outputs) has increased, it is difficult to assess properly the quality of the impacts achieved (i.e. outcomes). These impacts are, moreover, presented in a multitude of formats. The reduction of GHG emissions remains the primary impact metric for climate change mitigation. Core mitigation-related multilateral funds are expected to reduce GHG emissions by over 11 billion tonne of carbon dioxide equivalent (t CO_2 eq), with reported reductions already approaching 37 million t CO_2 eq. GHG reduction results are complemented by other quantitative data, such as the number of beneficiaries and the renewable energy capacity installed. The metrics, benchmarks and frameworks for monitoring the impact of mitigation projects continue to evolve, thereby helping to inform investment decisions.

47. Discussion on impact measurement of adaptation projects continues to be focused on the number and type of people that benefit from them, although the nature and extent of their beneficial effects are still difficult to quantify, both directly and indirectly. Adaptation finance channelled through core multilateral climate funds has so far reached over 20 million direct beneficiaries. The target for the combined number of direct and indirect beneficiaries is 290 million. Further work is necessary to develop adaptation and resilience metrics that can capture the whole spectrum of sectors receiving support and the many different approaches used, while allowing for aggregation of data and comparability between projects and funds.

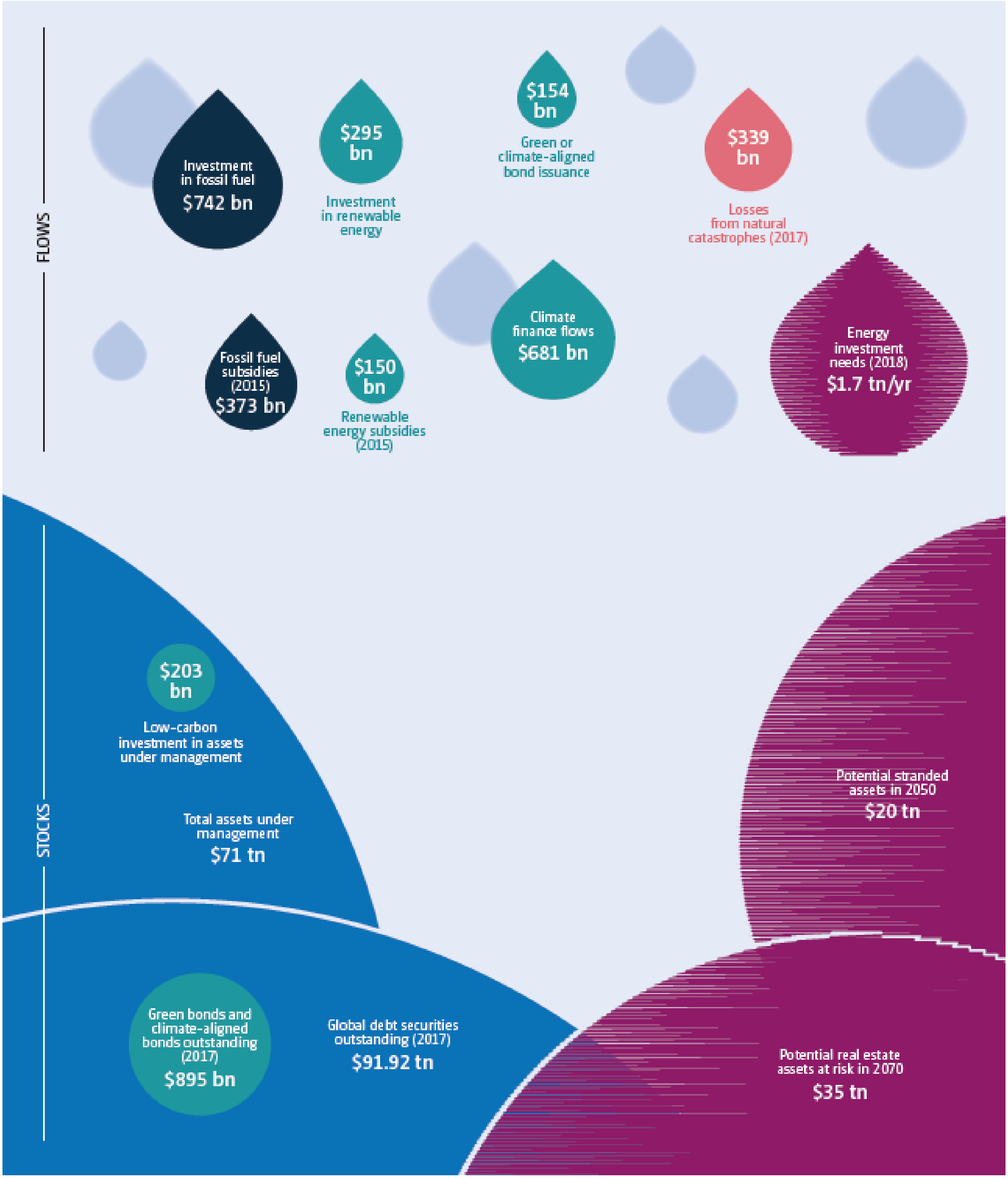
48. The extent of co-financing remains important for the mobilization of private finance, but is challenged in terms of the availability of data, definitions and methods. Research suggests that multilateral climate funds can perform on a par with DFIs with regard to private co-financing ratios. The degree to which such finance can be mobilized, however, is often heavily influenced by the investment conditions in a country, which are in turn created by the policy and regulatory frameworks in place.

Information relevant to Article 2, paragraph 1(c), of the Paris Agreement: climate finance in context

49. Climate finance continues to account for just a small proportion of overall finance flows (see figure 3); the level of climate finance is considerably below what one would expect given the investment opportunities and needs that have been identified. However, although climate finance flows must obviously be scaled up, it is also important to ensure the consistency of finance flows as a whole (and of capital stock) pursuant to Article 2, paragraph 1(c), of the Paris Agreement. This does not mean that all finance flows have to achieve explicitly beneficial climate outcomes, but that they must reduce the likelihood of negative climate outcomes. Although commitments are being made to ensure that finance flows from DFIs are climate consistent, more can be done to understand public finance flows and ensure that they are all are consistent with countries’ climate change and sustainable development objectives.

50. Awareness of climate risk in the financial sector has increased over the past few years. Positive developments are being seen in the sector, particularly with regard to the investment and lending policies of both public and private sector actors, and with regard to regulatory and fiscal policies and the information resources that guide decision-making.

Figure 3
Climate finance in context



Note: All flows are global and annual for 2016 unless stated otherwise. Energy investment needs are modelled under a 2 °C scenario. The representation of stocks that overlap is not necessarily reflective of real-world overlaps. The flows represented are not representative of all flows contributing to the stocks presented. Data points are provided to place climate finance in context and do not represent an aggregate or systematic view. Climate finance flows are those represented in section B of the Summary and Recommendations and as reported in chapter 2 of the 2018 Biennial Assessment and Overview of Climate Finance Flows technical report. Investment in renewable energy overlaps with this estimate of climate finance flows.

Source: See figure 3.9 in the 2018 Biennial Assessment and Overview of Climate Finance Flows technical report.

IV. Recommendations

51. The SCF invites the COP to consider the following recommendations:

Chapter I (methodologies)

(a) *Request* developed country Parties and *encourage* developing country Parties, building on progress made so far and ongoing work, to continue enhancing the transparency, consistency and comparability of data on climate finance provided and mobilized through public interventions, and taking into consideration developments in relevant organizations and institutions;

(b) *Encourage* Parties providing climate finance to enhance their reporting of climate finance provided to developing country Parties;

(c) *Invite* Parties, through their board memberships in international financial institutions, to encourage continued efforts in the harmonization of methodologies for tracking and reporting climate finance among international organizations;

(d) *Encourage* developing country Parties, building on progress made so far and ongoing work, to consider, as appropriate, enhancing their reporting on the underlying assumptions, definitions and methodologies used in generating information on financial, technical and capacity-building needs and support received;

Chapter II (overview)

(e) *Encourage* Parties, building on progress made so far, to enhance their tracking and reporting on climate finance flows from all sources;

(f) *Encourage* developing country Parties that provide support to report information on climate finance provided to other developing country Parties;

(g) *Encourage* developed countries and climate finance providers, as well as multilateral and financial institutions, private finance data providers and other relevant institutions, to enhance the availability of granular, country-level data on mitigation and adaptation finance, inter alia, transport, agriculture, forests, water and waste;

(h) *Invite* private sector associations and financial institutions to build on the progress made on ways to improve data on climate finance and to engage with the SCF, including through their participation in the forums of the SCF with a view to enhancing the quality of the BA;

(i) *Request* the SCF to continue its work in the mapping of available data sets that integrate climate change considerations into insurance, lending and investment decision-making processes, and to include information relevant to Article 2, paragraph 1(c), of the Paris Agreement in future BAs;

Chapter III (assessment)

(j) *Invite* Parties to strive for complementarity between climate finance and sustainable development by, inter alia, aligning climate finance with national climate change frameworks and priorities, as well as broader economic development policies and national budgetary planning;

(k) *Encourage* developing countries to take advantage of available resources through the operating entities of the Financial Mechanism to strengthen institutional capacity for programming their priority climate action, as well as tracking climate finance, effectiveness and impacts;

(l) *Encourage* developed countries and climate finance providers to continue to enhance country ownership and consider policies to balance funding for adaptation and mitigation, taking into account beneficiary country strategies, and, in line with the mandates, building on experiences, policies and practices of the operating entities of the Financial Mechanism, particularly the GCF;

(m) *Encourage* climate finance providers to improve tracking and reporting on gender-related aspects of climate finance, impact measuring and mainstreaming;

(n) *Invite*, as in the 2016 BA, multilateral climate funds, MDBs, other financial institutions and relevant international organizations to continue to advance work on tracking and reporting on impacts of mitigation and adaptation finance;

(o) *Encourage* all relevant United Nations agencies and international, regional and national financial institutions to provide information to Parties through the secretariat on how their development assistance and climate finance programmes incorporate climate-proofing and climate-resilience measures, in line with new available scientific information;

(p) *Request* the SCF, in preparing future BAs, to continue assessing available information on the alignment of climate finance with investment needs and plans related to Parties' NDCs and national adaptation plans;

(q) *Request* the SCF, in preparing the 2020 BA, to take into consideration available information relevant to Article 2 of the Paris Agreement.

Annex III

Report on the 2018 Forum of the Standing Committee on Finance: "Climate finance architecture: enhancing collaboration, seizing opportunities"

[English only]

Executive summary

I. Introduction

1. At its 17th meeting, the Standing Committee on Finance (SCF) agreed on the theme of the 2018 SCF Forum: "Climate finance architecture: enhancing collaboration, seizing opportunities". The SCF also agreed on the three overall objectives of the Forum:

(a) To identify trends, developments and challenges under the climate finance architecture at the international and national level in order to improve climate finance flows from the international to the national level;

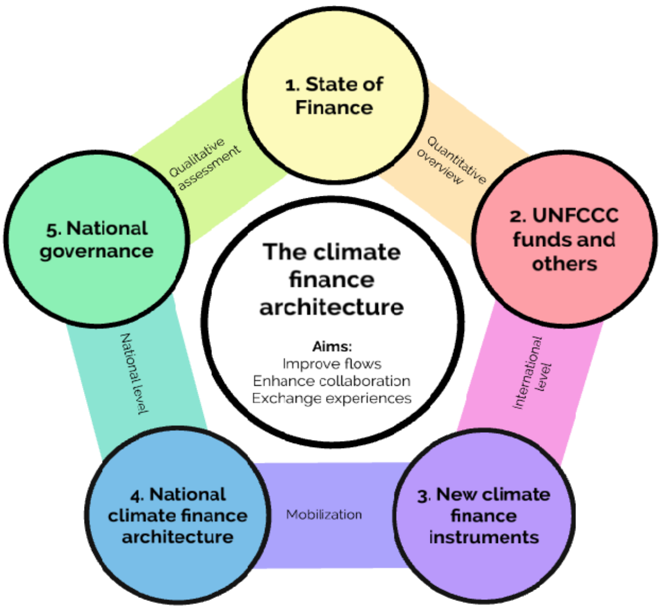
(b) To enhance collaboration between the UNFCCC climate funds[1] and other actors;

(c) To exchange experience and to identify opportunities for further collaboration at the international and national level.

2. About 130 participants representing national and subnational governments, civil society, academia, think tanks, multilateral and national banks and the private sector attended the Forum.

3. The Forum was structured around five thematic clusters in order to analyse the international and national climate finance architecture from various perspectives (see figure 1).

Figure 1
The five thematic clusters of the 2018 Forum of the Standing Committee on Finance



[1] Adaptation Fund, Global Environment Facility, Green Climate Fund, Least Developed Countries Fund and Special Climate Change Fund.

4. Day 1 of the Forum focused on the **international climate finance architecture**. Commencing with the state of climate finance, an overview was provided, under **cluster 1**, the trends in the climate finance architecture and the scale of finance flows from the international to the national level, including a qualitative assessment of that scale. Under **cluster 2**, participants discussed the role of the UNFCCC climate funds, multilateral and bilateral institutions and other actors in channelling international climate finance and in enhancing both mitigation and adaptation actions to tackle climate change. The different strategies and operations of the various actors involved in the international climate finance architecture were discussed with a view to identifying opportunities for complementary efforts to meet the objectives of the Paris Agreement. Finally, in relation to scaling up climate finance, new climate finance instruments, including green bonds, and options for how developing countries can be supported in harnessing the full potential of such instruments were identified under **cluster 3**.

5. Day 2 of the Forum focused on the **national climate finance architecture**. Under **cluster 4,** participants addressed the state of the national climate finance architecture and the interplay between national and international finance. They discussed how domestic climate finance is generated, including through the establishment of national climate funds. The focus of **cluster 5** was on the governance of climate finance, and participants discussed ways to enhance stakeholder engagement, for example by introducing conducive policies and coordination structures to facilitate interaction between the relevant stakeholders so as to generate and facilitate access to climate finance.

6. The Forum consisted of the following three types of session, which were arranged around the five thematic clusters:

(a) Plenary sessions, including scene-setting presentations and panel discussions aimed at stimulating further discussion among participants;

(b) Breakout group sessions, consisting of case study presentations for initiating in-depth, facilitated group discussions on challenges encountered and opportunities to overcome them;

(c) Feedback plenary sessions, for summing up the breakout group discussions and identifying opportunities for collaboration and enhanced action, with the overall aim of identifying possible recommendations for the Conference of the Parties on each cluster.

7. Various innovative arrangements were used to trigger interactive and dynamic discussions at the Forum, including video openings to introduce the discussion objectives and the resource persons, and the real-time polling of participants for the generation of ‘word clouds’ (see figures 2 and 6)[2] to collect key takeaway messages on their perspectives of the international and national climate finance architecture.[3]

8. At the request of the co-facilitators of the Forum, the secretariat circulated a survey to the participants in order to evaluate the organization of the Forum from both the substantive and the logistical perspective. The outcomes of the survey are available online.[4]

9. The following chapter summarizes the discussions under the five thematic clusters of the Forum and does not represent agreed views of the SCF.

[2] A word cloud provides a visual representation of how frequently words are used by participants – the more a word is used, the bigger it appears in the cloud.

[3] All presentations, outcomes of breakout group discussions and the video recordings are available at https://unfccc.int/topics/climate-finance/events-meetings/scf-forum/2018-forum-of-the-standing-committee-on-finance. The scene-setting presentation of session 1, is available at https://prezi.com/view/tOX0HoLpePd0R2WuSCun/.

[4] Available at https://unfccc.int/topics/climate-finance/events-meetings/scf-forum/2018-forum-of-the-standing-committee-on-finance.

II. Summary of discussions under the thematic clusters

A. State of climate finance

10. Planning and implementing ambitious climate action to meet the goals of the Paris Agreement requires mobilizing finance from all sources, taking into consideration the need for predictability and sustainability in the provision of resources from all sources.

11. Challenging aspects of mobilizing and delivering climate finance from public sources include:

(a) Matchmaking actors at the international and national level to design and implement climate projects;

(b) Identifying interventions that meet country needs that are aligned with nationally determined policies and plans, and designing interventions to address them;

(c) Demonstrating the benefits of climate actions for convincing one's own government.

12. A persistent challenge is the lack of clarity in the definition of climate finance, including in relation to the financial instruments used.

13. Developing countries are already engaged in developing a range of sectoral, subnational and national plans and programmes in order to identify their needs and priorities in taking climate action. However, the plans and programmes are often fragmented because of the lack of mapping of existing policies and plans.

14. In decision-making and reporting, there are often challenges relating to distinguishing between adaptation and development and to the lack of commonly agreed criteria and definitions.

B. Role of UNFCCC funds and multilateral and bilateral institutions in delivering climate finance

15. Several multilateral and bilateral institutions are aligning their strategies with the Paris Agreement and mainstreaming climate change in their operations and internal reporting.

16. Multilateral and bilateral institutions have difficulty identifying fundable projects, while developing countries encounter challenges in designing quality projects and programmes – this creates a discrepancy between supply and demand in climate finance, particularly for adaptation. The discrepancy can be alleviated by:

(a) Setting ambitious strategies and actions, in terms of both supporting institutions (supply) and countries (demand), through clear policies and targets;

(b) Setting aspirational targets in relation to adaptation finance;

(c) Further mainstreaming climate change in the agendas of public institutions and the private sector entities in developing countries to reflect commitment for action;

(d) Enhancing the support provided to developing countries for designing and implementing quality projects and programmes, including through project preparation facilities and the facilitation of mutual cooperation and collective learning.

17. Multilateral climate funds consider the need to enhance the coherence of policies related to accessing funds, which would include standardizing requirements.

C. New climate finance instruments

18. Although insurance is a risk-mitigating instrument, developing countries, and particularly the most vulnerable communities, often face internal as well as external barriers

in accessing insurance and harnessing its potential, including high upfront costs, lack of the data required to assess risk levels, and general lack of access to the insurance market.

19. Enhanced financial support and technical assistance, including from domestic, bilateral and multilateral institutions, could help developing countries to enhance their access to green financial markets over time and scale up the mobilization of financial resources through new climate instruments.

D. National climate finance architecture

20. National climate funds contribute to building national capacity for the development and implementation of climate projects, and can benefit from sustainable, predictable and accessible financial and technical support. Challenges remain in meeting the criteria and requirements of resource providers in mobilizing financial resources to replenish national climate funds.

21. Budgetary planning and devising climate investment plans facilitate the process of determining the expenditure required for climate projects, and identifying and attracting additional resources to cover any financing and investment gap. However, challenges remain in:

(a) Mainstreaming adaptation and resilience considerations in sustainable development;

(b) Identifying economic and social co-benefits of climate actions;

(c) Engaging with national stakeholders on fully integrating their needs into budgetary planning and climate investment plans;

(d) Gaining the necessary buy-in across ministries and relevant stakeholders.

22. Efficient access to the readiness support programmes of the multilateral climate funds and international support providers is a key factor in successful country planning but currently access can be time-consuming and complex. Better coordination among the support providers and a tailored approach to providing the services may help improve access. Moreover, many government authorities find it difficult to navigate the capacity-building and readiness support programme and to select the ones suitable for their capacity-building needs. This problem may be addressed through better matchmaking of the readiness support providers and national focal points.

E. National governance

23. A number of countries have governance structures in place that suit their country circumstances and ensure national and subnational coordination on climate change. However, additional opportunities remain for countries to continue to enhance and align domestic policy environments with their nationally determined plans and strategies. Strong political will and the articulation of climate change in national agendas could help to overcome barriers between ministries and enhance communication with subnational actors. Good practices and lessons learned in relation to overcoming national coordination challenges can be shared among countries, while acknowledging the specific national circumstances of each country.

24. Engaging a wide range of stakeholders is crucial for assessing the needs and priorities of subnational and local actors, as well as for preparing and implementing inclusive and well-informed climate change projects, taking into consideration the different governance structures and stakeholder engagement policies and regulations within countries. Stakeholder engagement may be enhanced by, inter alia:

(a) Financial resources and dedicated budget lines for continuous engagement with relevant stakeholders;

(b) A greater awareness of climate change and opportunities that can be harnessed through climate finance;

(c) Long-term perspectives on engagement among the stakeholders involved;

(d) Guidelines and toolkits on good practices for stakeholder engagement;

(e) Joint indicators for demonstrating stakeholder engagement in the planning and implementing phases of programmes and projects.

25. Micro-, small and medium-sized enterprises (MSMEs) are important actors in the national climate finance architecture because they form the backbone of developing countries' economies. Support, including from domestic, multilateral and bilateral institutions, can help enable MSMEs access climate finance. Several tasks remain in scaling up MSME engagement in climate action and making international climate finance more accessible to them, including providing favourable national enabling environments that will help lower their risk profiles and de-risk investment in them.

26. Country ownership is key to ensuring that developing countries take the lead in developing and implementing climate projects to address their needs and priorities. Ensuring country ownership requires a deep understanding of developing countries' needs and priorities on the part of multilateral climate funds and the relevant developing country authorities. In this context, multilateral climate funds and developing country authorities need to communicate closely with each other, including on strategies and approaches for achieving transformative change through country programming and on the latest policies and decisions of the funds.

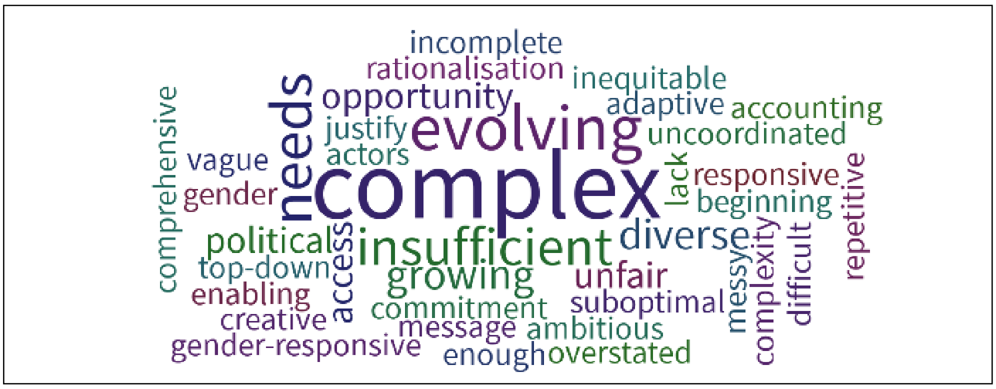
III. Report of the 2018 Forum of the Standing Committee on Finance

A. State of climate finance

27. The climate finance architecture can be characterized as complex and evolving, among other characteristics (see figure 2). The complexity, which can be attributed to the diverse actors involved and the dynamics among them, the specific roles and needs of stakeholders; the various standards and requirements related to accessing climate finance, and the loose boundaries between climate and development interventions, makes it difficult both to develop an agreed definition of what constitutes climate finance and also to access such finance.

28. However, programmes and initiatives exist that help countries to navigate the levels of complexity, including the NDC Partnership and the readiness support programmes of the various climate funds and international support providers. In addition, countries themselves are implementing initiatives to address complexities, including through South–South cooperation.

Figure 2
Word cloud describing Forum participants' views of the climate finance architecture at the international level



29. Mobilizing public and private finance and delivering financial resources to meet the needs and priorities of developing countries requires keeping in mind the complex and evolving nature of the climate finance architecture and country-specific circumstances. Discussions under this cluster therefore focused on:

(a) Mobilizing and delivering international public finance;

(b) Unlocking private finance;

(c) Determining country needs and priorities.

1. Mobilizing and delivering international public finance

30. One complexity of international public finance centres on the predictability and sustainability of the mobilization of public climate finance, which is necessary to encourage ambitious and long-term climate action. Public climate finance is mobilized through financial pledges and contributions and some of the UNFCCC funds are mobilized through voluntary contributions. As climate planning is a long-term endeavour, developing countries find it challenging to take long-term climate action if the availability of financial resources is not predictable and if the pledges and contributions are affected by changes in global politics and economics. Therefore, there is a need for more assurance in the provision of climate finance. Various ideas were discussed, including those related to enhancing the transparency and clarity of individual contributions of developed countries within the global goal for finance.

31. The following challenging aspects of mobilizing and delivering international public climate finance were also identified:

(d) Matchmaking actors at the international and national level to design and implement climate projects;

(e) Honing international support and interventions to meet the needs of developing countries and to align such support with the Paris Agreement;

(f) Demonstrating the benefits of climate actions for convincing one’s own government. It can be challenging to demonstrate the co-benefits of climate action and the linkages between climate interventions and development, in particular the United Nations Sustainable Development Goals.

2. Unlocking private finance

32. Another complexity of climate finance relates to unlocking private finance. It has been recognized that climate change cannot be addressed using public financial resources alone. A significant amount of international climate finance needs to be mobilized through private sources to complement the scaling up of international public climate finance. Private investments are an addition to, not a substitution for, international public finance.

33. As the case study from Uruguay presented at the Forum demonstrated, unlocking private investments can be achieved with the following factors in place:

(a) A robust project structure that can lower the cost and investment risk;

(b) Strong government support, including a conducive and enabling environment and policy frameworks for climate-friendly private investments;

(c) Implementing entities with strong track records;

(d) A stable economy and sound foreign exchange rate to help investors hedge investment risks.

34. Recognizing the importance of the private sector in mobilizing climate finance, the special circumstances of the least developed countries (LDCs) and small island developing States (SIDS) were discussed, including how they can also harness the potential of private finance. The LDCs and SIDS face challenges in entering private–public partnerships and attracting private investments. Major private investors tend not to favour investing in or partnering with such countries owing to the perceived country risks, especially in the case of private investment in adaptation projects as adaptation interventions are not considered to generate revenue.

35. Recognizing the challenges that many developing countries, particularly the LDCs and SIDS, face in attracting private investments, particularly for adaptation projects, it was noted that the private sector is willing to invest in viable projects, regardless of whether they are mitigation or adaptation projects, provided the structure and fundamentals are right. Initiatives like the Blended Finance for Climate Program of the Government of Finland and the International Finance Corporation have been developed to encourage private investments in high-risk countries, including the LDCs, and high-risk sectors relating to adaptation (see figure 3).

Figure 3
Blended Finance for Climate Programme of Finland and the International Finance Corporation

Source: Available at https://unfccc.int/sites/default/files/resource/Session%202_BOG%201_Satu%20Santala.pdf.

36. The Green Climate Fund (GCF) could play a critical role in de-risking private investments, particularly in developing countries, and supporting MSMEs in developing countries by reducing the risk of investing in them, building their capacity and supporting their access to international markets. In fact, the GCF Private Sector Facility is currently identifying opportunities to engage the private sector, including local actors, in adaptation action at the national, regional and international levels, and in developing modalities to support activities that enable private sector involvement in action in the LDCs and SIDS.

3. Determining country needs and priorities

37. In determining their needs and priorities, countries face various challenges and different levels of complexity, from the development of sectoral, subnational and national plans to the actual implementation of projects and programmes.

38. Developing countries are engaged in developing a range of plans and programmes, such as the national adaptation programmes of action, national adaptation plans, nationally appropriate mitigation actions and nationally determined contributions (NDCs). However, the plans and programmes tend to be fragmented because countries fail to map existing strategies and relevant policies so as to ensure coherence and avoid overlaps and gaps. Moreover, in some cases the plans and programmes are driven by international consultants, who are not familiar with the local context or with the previous planning efforts undertaken. The importance of country coordination, as well as of engaging multiple national stakeholders, including local governments, thus following both a bottom-up and a top-down approach, was highlighted in the discussions. This dual approach not only ensures that the plans, projects and strategies address country needs and priorities, but also contributes to strengthening country ownership in the implementation of projects and programmes.

39. To address the gaps identified, participants recommended establishing national coordination mechanisms to link national, subnational and sectoral plans, and identifying and addressing policy gaps in a participatory manner, including through involving various stakeholders, particularly women and indigenous communities. The mechanisms would also be used to identify available resources to implement projects and programmes and to mobilize the additional finance, including from climate funds, required to cover any deficits.

Further discussions on national coordination mechanisms were held under cluster 5 (see chapter J.1 below).

40. Formulating adaptation projects and programmes and distinguishing them from ordinary development projects is also challenging for developing countries. While some have made progress in developing metrics and indicators to strengthen the climate rationale of adaptation projects and distinguish them from development projects, further work and support are needed. This is considered to be a difficult endeavour as, according to the Paris Agreement, adaptation needs should be addressed in the context of sustainable development. Furthermore, while it might be possible to distinguish between adaptation and development in theory, in practice climate-induced disasters can have negative impacts on development-related sectors such as health, infrastructure and education. Therefore, adaptation projects that aim to make communities resilient to disasters such as floods need to be designed in a more holistic manner by addressing the various impacts of climate change on a country's vulnerable sectors.

B. Role of UNFCCC funds and multilateral and bilateral institutions in delivering climate finance

41. Between 2015 and 2016 an average of USD 410 billion in climate finance was channelled globally, most of which was spent where the financial resources originated from, which indicates strong policies and regulatory frameworks that are aligned with climate change. Multilateral financing was in the order of USD 11 billion, of which USD 3.2 billion was spent on adaptation finance compared with USD 8.7 billion on mitigation finance.

42. The Multilateral Fund for the Implementation of the Montreal Protocol was cited as a successful model of multilateral cooperation from which lessons can be learned for the climate finance architecture under the Convention. Fair and equitable governance, a strong compliance regime, clear targets and expected results of its funding, and assessed financial contributions are the key factors that contributed to the success of the Montreal Protocol Fund, which in turn contributed to reducing ozone-depleting substances from the atmosphere. It was noted that developing countries were given a grace period for implementing the Montreal Protocol, and that the assessed contributions enhanced the predictability of the grant-based financial support available to cover the incremental costs of abating ozone-depleting substances. However, some questioned whether this model could apply to the UNFCCC context as this was a specific case.

43. Further discussions under this cluster centred around the complementarity of climate funds and the role of multilateral and bilateral institutions in delivering climate finance to developing countries to meet the Paris Agreement goals.

1. Complementarity of climate funds

44. Enhancing complementarity among climate funds can be considered: using a bottom-up approach, from the country perspective, or a top-down approach, from the fund perspective. In the bottom-up approach, countries play an active role in identifying how the various multilateral climate funds, used in a complementary manner considering the comparative advantages of each fund, can support their country programming and climate change investment plans. In this context, NDCs can be used as an entry point for ensuring the complementarity of climate funds at the country level. In the top-down approach, Parties consider how the strategies and operations of the UNFCCC funds should be guided in order to enhance the complementarity of the funds, taking into account each fund's comparative advantage in relation to, inter alia, scale of resources, scope and priorities, governance, financial instruments and historical relevance. Participants focused their discussions largely on the top-down approach, in particular on the approaches and activities undertaken by the GCF to enhance complementarity with other funds.

45. The GCF is in the early stages of enhancing complementarity with other funds and is exploring ways to simplify the process of accessing climate finance, including by scaling up pilot activities undertaken initially by other funds and integrating lessons learned from other funds' programmes and activities. The GCF is implementing activities to enhance

complementarity in the context of its operational framework on complementarity and coherence, through which it has identified several options for complementary action (see the table below).

Green Climate Fund activities to enhance complementarity with other climate funds

Fund	*Green Climate Fund efforts for complementarity*
Global Environment Facility	Collaboration on co-financing, once the Green Climate Fund has a policy on co-financing in place
	Provision of support for mobilizing stakeholder engagement
	Continued reduction of accreditation requirements under the fast-track accreditation modality for entities accredited under the Global Environment Facility
Adaptation Fund	Continued reduction of accreditation requirements under the fast-track accreditation modality for entities accredited under the Adaptation Fund
	Provision of support for direct access entities that are accredited to both funds
Least Developed Countries Fund	Provision of adaptation planning support, whereby the Least Developed Countries Fund channels pilot ideas and early implementation of national adaptation programme of action and national adaptation plan activities, and the Green Climate Fund supports the scaling up of adaptation action
Nationally appropriate mitigation action (NAMA) Facility	Provision of support for unfunded project proposals from the NAMA Facility
Climate Investment Funds	Learning lessons from the programmatic approaches of the Funds
	Supporting unfunded investment plans submitted to the Funds

46. The comparative advantages of the climate funds were discussed. The Least Developed Countries Fund occupies the niche of providing capacity-building and dedicated support to the LDCs for their adaptation planning and implementation processes.

47. The comparative advantage of the Adaptation Fund lies in its focus on concrete adaptation projects and its grant-based nature. Owning to its long-term experience of and focus on smaller adaptation projects, the procedures related to accessing finance from the Adaptation Fund are perceived to be less complex than those of other funds. Another comparative advantage of the Adaptation Fund is its direct access modality, which has enabled several developing countries to implement projects through national or regional entities. Furthermore, the Adaptation Fund has strength in facilitating accreditation processes, gained from helping numerous countries with accreditation and having established fast-track accreditation arrangements with the GCF.

48. In terms of identifying areas for complementary action among the UNFCCC funds, noting the comparative advantages of the Global Environment Facility and the Adaptation Fund in relation to enabling activities, capacity-building and smaller-scale projects, it was suggested that the GCF should focus on delivering projects and programmes at scale; for instance, by scaling up projects and pilots that have been successfully implemented under the Global Environment Facility and the Adaptation Fund, or funding higher-risk projects. Furthermore, the GCF has the potential to promote broader private sector engagement by building the capacity of and reducing market barriers to MSMEs in developing countries through its Private Sector Facility and the specialized financial instruments available to it.

49. Various options emerged for ways to make policy coherent in order to simplify the process of accessing climate finance. The different funding requirements set by multilateral climate funds result in high transaction costs for developing countries and also for the implementing entities. Setting common standards for countries to access climate finance resources from the various climate funds was suggested as a solution. Some examples were shared in this regard, including the initiative of the Food and Agriculture Organization of the United Nations and the International Tropical Timber Organization to create common questionnaires to assess countries' needs and priorities relating to forest and agriculture, thereby enhancing coherence and reducing duplication, as well as the attempts of the GCF to establish simplified approval processes and fast-tracked accreditation modalities.

50. The following were highlighted as ways to further enhance the complementarity and coherence of multilateral climate funds:

(a) Providing clear guidance to the operating entities of the Financial Mechanism and other UNFCCC funds on their strategic objectives and priorities;

(b) Using the periodic review of the Financial Mechanism as an opportunity to comprehensively evaluate it and its operating entities;

(c) Continued interaction among the multilateral funds, with the operating entities having a key role, to identify ways to improve complementarity and coherence given each fund's comparative advantages and expertise.

2. Role of UNFCCC funds and multilateral and bilateral institutions in delivering climate finance to developing countries to align with the Paris Agreement

51. Multilateral development banks (MDBs) and bilateral institutions have played a major role in scaling up climate finance through the concrete commitments that they have made to support the implementation of climate-related projects (see figure 4). MDBs are applying climate risk screening to their project portfolios, aligning reporting standards and adopting common accounting methodologies for climate finance, in which they have been joined by the member institutions of the International Development of Finance Club. As recently announced at the 2017 One Planet Summit, MDBs and members of the International Development of Finance Club have pledged to align their strategies with the Paris Agreement through the mainstreaming of climate change in their investment portfolios and operations (see figure 5).

52. Even though the commitments of MDBs and bilateral institutions have been increasing, developing countries face challenges in designing quality projects and programmes, while MDBs and bilateral institutions have difficulty in identifying fundable projects – this creates a discrepancy between the supply of and demand for climate finance. Furthermore, most MDBs take sectoral approaches to providing funding for projects, and while some sectors (e.g. water, agriculture) are open to adaptation, for others (e.g. infrastructure, transport) more effort is required to mainstream adaptation and scale up the adaptation portfolio. However, as reported by MDBs, they are getting better in programming their adaptation finance, as commitments for adaptation increased from USD 5 billion in 2015 to USD 6.2 billion in 2016.

53. In this context, the following options for minimizing the discrepancy between supply and demand in climate finance were mentioned:

(a) NDCs should be used as the entry point for fostering country-driven demand for climate finance, particularly for adaptation, based on national priorities and needs;

(b) Climate change should be further mainstreamed by governments and multilateral and bilateral institutions by aligning their strategies and operations with the Paris Agreement, reforming policies to move away from fossil fuel subsidies and refraining from supporting carbon-intensive activities;

(c) MDBs and bilateral institutions should be encouraged to set ambitious adaptation targets in their strategies;

(d) The support provided to developing countries for designing and implementing quality projects and programmes should be enhanced through project preparation facilities, in-country dialogues, long-term trajectories, conducive and enabling environments, and ramping up the capacities of local private sectors;

(e) Multilateral and bilateral institutions should pursue complementary action to streamline requirements for accessing financial resources and to support countries in mainstreaming climate change through country-driven programming.

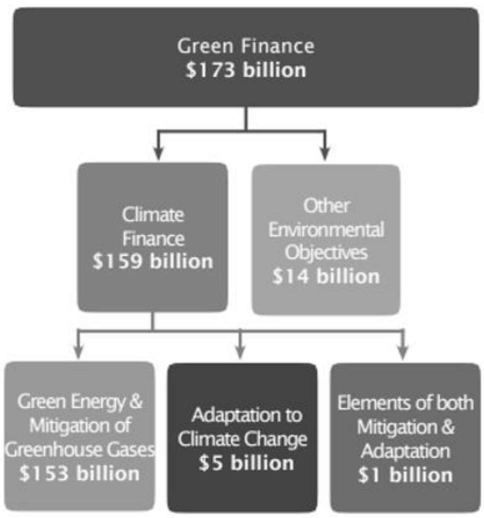
Figure 4
Contributions of multilateral development banks to scaling up climate finance

MDB	Targets Announced
ADB	Doubling climate finance to USD 6 billion annually by 2020 (own resources only), of which USD 4 billion is for mitigation and USD 2 billion is for adaptation
AfDB	Triple climate financing to reach 40 percent of investments by 2020
EBRD	40 percent of EBRD annual business investment by 2020 in green finance[a]
EIB	Global target of greater than 25 percent of all lending. Increased target of 35 percent of lending in developing countries by 2020
IDBG	Goal to double climate finance to 30 percent of operational approvals by 2020 to an average USD 4 billion per annum, and to improve evaluation of climate risks and identify opportunities for resilience and adaptation measures
WBG	A one-third increase in climate financing, from 21 percent to 28 percent of annual commitments by 2020. If current financing levels are maintained, this would mean an increase to USD 16 billion in 2020. The WBG intends to continue current levels of leveraging co-financing for climate-related projects, that could mean up to an another USD 13 billion a year in 2020. The direct financing and leveraged co-financing together represent potentially an estimated USD 29 billion in 2020.

Source: Presentation at the 2018 Standing Committee on Finance Forum entitled "Moving towards a 20° world: the role of climate funds" by a representative of the Asian Development Bank. Available at https://unfccc.int/sites/default/files/resource/Session%203_Preety%20Bhandari.pdf.

Abbreviations: ADB = Asian Development Bank, AfDB = African Development Bank, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, IDBG = Inter-American Development Bank Group, WBG = World Bank Group.

Figure 5
Contribution of International Development Finance Club members to scaling up climate finance
(United States dollars)



C. New climate finance instruments

54. Under this cluster, participants looked at the opportunities and challenges in the use of new climate finance instruments to scale up the level of climate finance, with discussions centring around the following topics:

(a) Green bonds;

(b) New climate finance instruments for addressing adaptation and loss and damage;

(c) Technical support available to countries.

1. Green bonds

55. Considering the trillions of dollars of investment needed to establish a low-carbon and climate-resilient pathway, new climate finance instruments have the potential to help countries to overcome market, financial and regulatory constraints and unlock the mobilization of financial resources at scale for both mitigation and adaptation. Green bonds are one climate finance instrument that both public and private institutions can utilize to scale up the mobilization of climate finance by attracting investments at scale, including from large investment banks, institutional investors and pension funds. Green bonds may not be new and innovative in themselves but using the share of proceeds from them for mitigation and adaptation actions can be considered new and innovative. According to a representative of the Climate Investment Funds, the green bonds market has grown to USD 250 billion in 2018, far exceeding the record USD 155 billion of green bonds issued in 2017, a significant share of which is expected to cover climate projects.

56. Some of the main challenges and limitations associated with green bonds are the lack of common standards and criteria to determine whether or not a bond is green and the lack of a common monitoring and verification system to ensure the environmental and social standards of the underlying assets. Recognizing these limitations, MDBs, following joint common principles for tracking climate finance, have started to report what they deem to be green with a view to establishing common criteria for green projects and bonds. Another challenge is that developing countries have difficulty in meeting the credit standards required to access the green bonds market. Participants debated whether green bonds contribute to mobilizing new and additional climate finance and whether the proceeds generated by green bonds will address adaptation and mitigation projects equally. Adaptation is a priority area for many developing countries, particularly for local communities.

57. Increasing the issuance of green bonds would require:

(a) Mainstreaming climate considerations in the investment plans of public institutions and private businesses so as to encourage climate investments;

(b) Adopting consistent standards and criteria for issuing green bonds as well as developing a common monitoring and verification system to ensure the environmental and social integrity of projects;

(c) Scaling up the technical and financial support provided for building the capacity of developing countries. Climate-friendly national policies and enabling environments, such as a common taxonomy for sustainable finance and/or regulations on transparent financial disclosures by corporations, would also help developing countries to harness the full potential of green bonds.

2. New climate finance instruments for addressing adaptation and loss and damage

58. Participants recognized that there are limited instruments available to developing countries for addressing adaptation and loss and damage. Climate risk insurance schemes, ranging from parametric risk insurance products to indemnity insurance, are commonly used to address adaptation and loss and damage. While different insurance products are being

developed and made available to developing countries,[5] there are some questions on whether insurance can contribute to mobilizing new and additional climate finance, by, for example, leveraging financial resources from the insurance industry, or whether insurance is a risk-mitigating financial instrument with existing financial resources.

59. Furthermore, insurance products often do not benefit poor countries and communities because of:

(a) The high upfront costs, including for developing suitable insurance products;

(b) The data required over a long-time frame to determine the different levels of risk;

(c) The barriers preventing developing countries from engaging in the insurance market include lack of capacity and unfavourable market conditions. While parametric instrument products targeting local communities, such as weather index insurance, are available in some countries, many developing countries and communities cannot afford the high premiums. In this context, new climate finance instruments should be developed on the basis of country needs and priorities so as to ensure the applicability of the instruments to different national contexts. The financial resources generated from the instruments must reach the most vulnerable communities and actors at the local level.

60. A representative of the African Development Bank reported at the Forum on its engagement and partnership with the African Risk Capacity agency and insurance companies on developing innovative climate insurance products targeting local beneficiaries.

3. Technical support

61. Developing countries often require technical assistance and support to fully harness the potential of new climate finance instruments. In particular, countries require assistance in identifying suitable and applicable instruments to finance mitigation and adaptation projects and programmes, which sometimes takes the form of a technical facility as part of a project or programme.

62. The Development Bank of Southern Africa has established a project preparation facility that is financed through an annual allocation of its funds and blended with other project preparation funds, for example, readiness support from the GCF. The latter has the advantage of preparing their counterparts for project implementation, including financial support from the GCF or other investors and funds. Other institutions, such as the African Development Bank and the Global Innovation Lab for Climate Finance of the Climate Policy Institute, have also established technical assistance facilities to provide countries with technical support for utilizing the climate finance instruments they offer.

63. In terms of enhanced action and collaboration, the GCF could play a critical role in helping countries and local institutions to access the green financial market over time. Awareness needs to be raised by financial institutions and international support providers of innovative financial instruments and the support that they can offer governments and the private sector. One practical way of enhancing such awareness is to track and monitor climate finance flows mobilized by new climate finance instruments in order to create a common understanding on new climate finance instruments among the relevant key stakeholders and inform their decision-making.

D. National climate finance architecture

64. Participants expressed the view that the climate finance architecture at the national level is often perceived as complex, disjointed and uncoordinated, both within the national level and with the international level (see figure 6). Such architecture requires a deep understanding of the diverse contexts of the national institutions utilizing climate finance, the

[5] More information on financial instruments to address the risks of loss and damage under the UNFCCC are available at https://unfccc.int/event/2016-forum-standing-committee-finance and https://unfccc.int/topics/resilience/resources/financial-instruments.

financial and governance systems in place and the dynamics around the various actors at the national level and their interactions with actors at the international level.

65. Countries are engaged in generating domestic climate finance, including by establishing national climate funds; putting in place policies to encourage private investments; integrating climate change into national and subnational plans and budgets; and leveraging international climate finance. As such, discussions under this cluster centred around challenges and lessons learned in relation to:

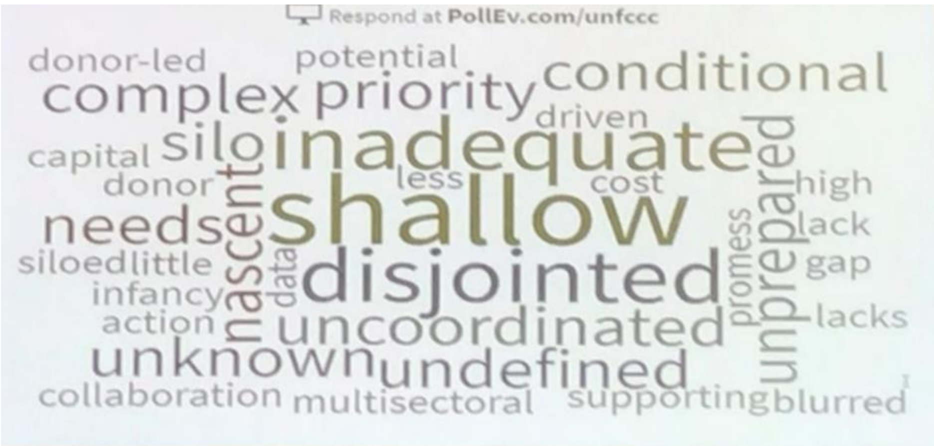
(a) Establishing and utilizing national climate funds;

(b) Budgetary planning and devising climate investment plans;

(c) Creating policy incentives and regulatory frameworks to engage a range of stakeholders;

(d) Building the capacity of national and subnational actors to mobilize and deliver climate finance.

Figure 6
Word cloud describing Forum participants' views of the climate finance architecture at the national level



1. Establishing national climate funds

66. National climate funds can be capitalized through national and international climate finance to provide resources for domestic climate action. As Cambodia's experience demonstrates, setting up a national climate fund can contribute to building national capacity for developing and implementing climate projects (see box 1).

Box 1
Cambodia's experience in setting up a national climate fund

The Government of Cambodia set up the Cambodia Climate Change Alliance (CCCA) Trust Fund in response to the lack of a mechanism that would channel financial resources to domestic actors implementing climate action. Before the establishment of the CCCA Trust Fund, climate finance resources provided to Cambodia were typically channelled by international bilateral partnerships through a project-based approach. When establishing the CCCA Trust Fund, government officials were concerned that establishing a dedicated climate fund might hinder national efforts to mainstream the sustainable development agenda in national development planning. However, the Government recognized that a national climate fund would attract climate finance and the technical support needed to develop and implement projects for attaining sustainable development and tackling climate change that would not attract funding otherwise. National entities gained experience in the development and implementation of climate projects by utilizing the CCCA Trust Fund, which also contributed to building their track records and capacity.

67. Participants shared challenges faced by countries in setting up and utilizing national climate funds, including a general lack of capacity in national fund secretariats to manage project cycles, and the need for well-honed criteria for selecting quality project proposals. In relation to developing selection criteria, South–South cooperation and peer-to-peer learning emerged as good practices. For example, Malawi benefited from Rwanda’s experience in setting up its national climate fund and in developing selection criteria, which contributed to building the capacity of the stakeholders involved, including government officials.

68. Other challenges relate to the capitalization of national funds, depending on the sources. Capitalizing funds from government budgets might involve challenges such as competing with other sectors for limited domestic public finance, or the difficulty of gaining buy-in from other ministries.

69. Regarding capitalizing funds from international sources, the principle of country ownership can be jeopardized if replenishment of the funds is contingent upon the expectations of climate finance providers on the quality of the project pipeline of the national funds. Furthermore, the finance providers might set environmental and social safeguards and gender policies to be applied in the proposed activities, which some developing countries may not easily conform to because of a lack of data and/or capacity. The discussions at the Forum covered whether such requirements and criteria should be reduced or standardized, or whether technical support provided to countries should be enhanced to assist them in meeting the requirements.

2. Budgetary planning and devising climate investment plans

70. Budgetary planning and devising climate investment plans can be helpful for governments to gain clarity on needs for and gaps in national climate finance and to inform their decisions on how to address those gaps. Budgets and climate investment plans also provide clarity on how much countries are spending on climate action and how to accurately cost activities in order to determine and identify any additional resources required.

71. One of the main challenges in budgetary planning relates to the difficulty of classifying projects under adaptation, mitigation or development. Distinguishing between adaptation and development projects has proven to be particularly challenging because of debates on the root cause of climate change, often owing to a lack of data and scientific evidence. Direct causality may be too high a standard, especially for projects in developing countries, as projects are undertaken in the broader context of sustainable development, of which climate change is only one element. Furthermore, data collection on climate finance and expenditure remains a challenge, especially for the LDCs and at the local level. Another challenge relates to engaging national stakeholders in integrating their needs and inputs into budgetary planning and setting up a project pipeline that is agreeable to all stakeholders. Further discussion on ways to improve stakeholder engagement was facilitated under cluster 5 (see chapter J.2 below).

72. With respect to national climate investment plans, some countries have shown political will and established institutional processes to formulate them. However, knowledge-sharing among government authorities is necessary to foster a better understanding of the purpose and implications of climate investment plans. Highlighting the potential for utilizing international resources to realize the climate investment plan could help to allay the fears of policy-makers regarding the implications for the national budget and to gain the necessary buy-in.

3. Policy incentives and regulatory frameworks

73. Establishing well-honed and targeted policy incentives and regulatory frameworks, supported by strong political will, is crucial to attracting the climate finance required to implement climate plans and actions.

74. Egypt’s efforts in developing and revising its 2030 Sustainable Development Strategy, including setting specific goals to be achieved by 2030, provide an example of setting policy incentives to align climate plans and policies, and mainstreaming climate change in the broader national planning. The Government of Egypt is bringing together various stakeholders, including line ministries, civil society and the private sector, on this strategy.

To ensure buy-in and applicability and to encourage private sector engagement, the Government has identified clear roles and responsibilities for the various actors and has demonstrated the benefits for each actor in shifting to a sustainable development pathway, such as health improvements, job creation, and creating new investment and market opportunities for private businesses.

75. Another example is the Republic of Korea's efforts to unlock private sector engagement in climate action. The private sectors of many developing countries are not incentivized to invest in climate change projects for three reasons. First, climate projects are relatively small compared with alternative investment. Hence, they often result in high transaction costs for private entities and are therefore not viable investments. Second, many private sector companies prefer investing in developed countries with which they are more familiar and which offer stable economic conditions and less perceived risk. Finally, private firms need to capitalize their investment in a relatively short period of time, which is often not viable in the case of developing countries, climate funds or MDBs. The Government of the Republic of Korea, in order to address these challenges, created policy incentives through greenhouse gas reduction targets and carbon pricing schemes, in which the private sector must participate, to reduce national greenhouse gas emissions by 20 per cent by 2030.

4. Building the capacity of national and subnational actors

76. Capacity-building, particularly long-term institutional capacity-building, was identified as a crucial element for effectively mobilizing and delivering national climate finance.

77. An underlying challenge for some countries, particularly francophone countries, is the language barrier, as application forms and guidelines for accessing funding are frequently provided only in English. A type of language barrier is also experienced in relation to unfamiliarity with the financial and climate-related terms that are required to be used to develop strong proposals, particularly in articulating the climate components of adaptation and mitigation projects. To address this challenge, the Government of the United Kingdom of Great Britain and Northern Ireland is implementing a Climate Finance Accelerator project, which aims to support developing countries in overcoming language barriers by:

(a) Providing translations of documents relating to access;

(b) Supporting countries in developing investment plans based on their NDCs and in developing project pipelines;

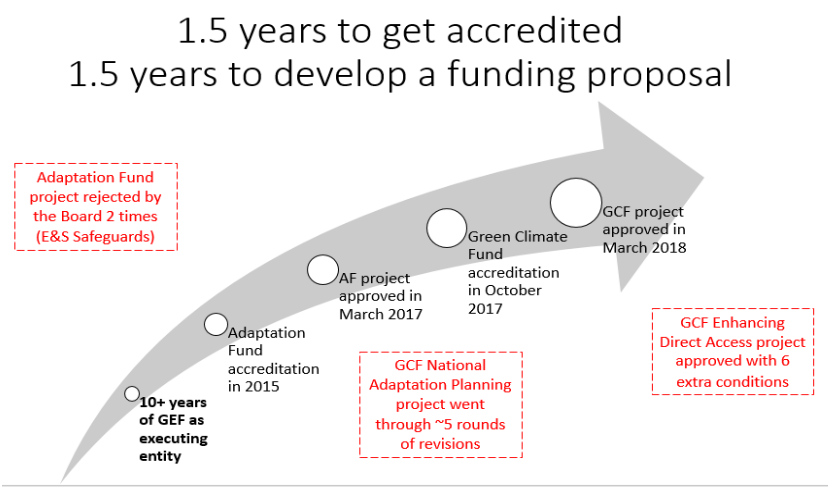
(c) Providing technical support for articulating mitigation and adaptation projects.

78. There are several good practices that can help to build the long-term capacity of countries and institutions for utilizing climate finance. In lieu of relying on international consultants, national and local experts can be engaged in the development and implementation of climate projects and programmes by systematically involving them in climate activities and taking advantage of their knowledge and expertise of the national and local context. The Global Green Growth Institute, through its 'training of trainers' approach, is building the long-term capacity of different levels of government, research institutions, universities and youth groups. Long-term capacity-building also entails awareness-raising activities, including at universities, to nurture a young generation that will lead climate change projects in the future.

79. Other approaches to building long-term capacity are through learning-by-doing and peer-to-peer learning. A learning-by-doing approach can be time-consuming but successful practices show that first-hand experience in accessing climate finance can harness the growth of institutional capacity and knowledge. For example, direct access entities in Antigua and Barbuda, Ethiopia and Rwanda went through the lengthy accreditation processes of the Adaptation Fund and/or the GCF and their experience shows that their in-house capacity has improved over time as a result (see figure 7 for Antigua and Barbuda's experience). The direct access entities have not only gained the capacity to meet the numerous standards and criteria of the funds, but are also now capable of sharing lessons learned with other developing countries in similar circumstances. Antigua and Barbuda and Rwanda have started providing peer-to-peer learning to other developing countries seeking accreditation

under the direct access modality of the Adaptation Fund through its South–South cooperation grants, including through preparing and submitting relevant documents required for accreditation.

Figure 7
Antigua and Barbuda's learning-by-doing experience



80. Capacity can also be built through regional cooperation, as demonstrated by the Union for the Mediterranean, a regional institution that is enhancing cooperation between its developed and developing country member States. The Union is facilitating capacity-building among its member States for preparing national and subnational climate finance strategies through the provision of not only financial resources but also technical support via its climate finance centres.

81. Participants discussed opportunities for obtaining capacity-building support, such as through the readiness support programmes offered by multilateral climate funds and other international support providers, and the NDC Partnership. Some participants noted that obtaining readiness support can be complicated and time-consuming, which further prolongs and complicates capacity-building and project preparation and implementation. Furthermore, capacity-building provided by multilateral climate funds and other international support providers is sometimes uncoordinated, resulting in the duplication of support areas, and sometimes too generic. Against this background, participants highlighted the need to accelerate the provision of readiness programmes and to coordinate the activities of the support providers.

82. Many government authorities have difficulty in navigating the available support programmes that can meet their needs, and determining how to access them. This could be addressed through enhanced communication between the readiness support providers and national focal points, who can seek ways to better match the available support with country demand.

E. National governance

83. A sound national governance structure is needed to access and utilize international climate finance to generate domestic climate finance. The discussions under this cluster focused on:

(a) National coordination mechanisms and structures;

(d) Stakeholder engagement at the national and subnational levels;

(e) Engagement of MSMEs;

(f) Country ownership and country-driven strategies.

1. National coordination mechanisms and structures

84. Each country has its own distinctive governance structure that ensures coordination. Structures range from formal institutions, such as climate ministries and high-level interministerial committees, to informal or ad hoc arrangements, such as interdepartmental task forces. The examples shared during the Forum showed that both types of structure can be effective for conjoining efforts among stakeholders, but strong political will and national coordination and consultation on climate action are prerequisites for success in both cases (see box 2).

Box 2
Country-specific examples in setting up national coordination mechanisms

In Colombia, the Government, in response to a presidential decree, has formulated a national vision on climate change that will incorporate climate change considerations into all aspects of national planning, including the implementation and assessment of policies and projects, by 2030. To achieve this vision, the Government has established a national coordination committee on climate finance, which acts as an advisory body that facilitates the coordination of public and private actors to mobilize financial resources for climate action.

Chile has enhanced its national coordination mechanism through the establishment of a committee composed of 10 ministries that are responsible for sustainable development. The committee is chaired by representatives of the Ministry of the Environment and aims to maintain coherence and consistency in the development of Chile's national climate finance strategy.

In Burkina Faso, the President has dedicated a national day to consultations with various national stakeholders, including farmers and the private sector. The President is also bringing together the national focal points for the Green Climate Fund, the Global Environment Facility and the UNFCCC to develop and implement a climate finance strategy.

85. Challenges related to establishing and maintaining national coordination mechanisms include the difficulty ministries of environment, which are often the focal point for climate change, have convening other ministries, as they are sometimes considered to be less influential than ministries such as the ministry of finance; the frequent turnover of staff, including as a result of political change, resulting in loss of institutional memory and capacity; and absence of accountability, as different government units do not have to report to each other. Participants shared lessons learned and good practices in relation to addressing or avoiding some of those challenges (see box 3).

Box 3
Good practices relating to national coordination mechanisms

The Philippines has established a national coordination mechanism comprising a council on sustainable development. The council has an inter-agency coordination structure and covers climate change, biodiversity and other topics related to sustainable development. The council has political and technical members, the former often changing every four years owing to changes in government. The technical members are more likely to remain on the council for longer, thereby contributing to its stability and to the maintenance of institutional knowledge.

Through the national adaptation programme of action and the national adaptation plan processes, the Sudan has developed a national coordination and consultation mechanism for climate change by establishing focal points and task forces in all 16 states of the country. This has resulted in enhanced horizontal coordination between the ministries and also vertical coordination between the governments at the state and national level. The mechanism has also contributed to building state-level capacity, through training the focal points and task forces and engaging them in the development of projects and in mainstreaming climate considerations in their subnational sectoral plans.

The Government of the United Kingdom of Great Britain and Northern Ireland has enacted a climate change proposal that includes the establishment of an independent national climate change coordination mechanism. The independence of this mechanism is a key factor in coordinating the relevant ministries in an effective manner and overcoming any interministerial politics and issues arising from governance structure.

2. Stakeholder engagement at the national and subnational level

86. National and subnational stakeholders play a critical role in mobilizing climate finance and need to be closely engaged in the planning and implementation of climate projects. In this respect, stakeholder engagement should be seen not as one-off consultations but as a continuous interaction to assess and reflect the needs of local communities. The engagement should be based on an assessment of the needs and priorities of local communities and the diverse subgroups within them, and of the actions needed to mitigate and adapt to climate change.

87. Some of the challenges highlighted around stakeholder engagement include:

(a) Insufficient financial resources and lack of dedicated budget lines for engaging with stakeholders across countries;

(b) Frequent changes in government staff and their counterparts, making it difficult to build long-term partnerships;

(c) A general lack of awareness among stakeholders about climate finance and opportunities for financial support, including through the GCF;

(d) Difficulties around communication involving different languages and local dialects.

88. To address some of the challenges identified, participants suggested requesting the UNFCCC funds to develop and implement joint indicators that project and programme proponents can use to demonstrate stakeholder engagement in the planning and implementation phases. Further suggestions include utilizing a toolkit for countries on good practices and lessons learned in relation to engaging with a wide range of stakeholders. Enhanced provision of financial resources and tailored technical support were also suggested by the participants as ways to enhance stakeholder engagement.

3. Engagement of micro-, small and medium-sized enterprises

89. MSMEs form the backbone of developing countries' economies; therefore, it is important to engage them in the national climate finance architecture to scale up climate action. Participants discussed challenges that MSMEs face in accessing climate finance, at both the national and international level, and ways to overcome them.

90. MSMEs often cannot access loans from commercial banks owning to the perceived risk associated with them, and the different banking regulations across developing countries. Some loans from multilateral institutions are provided in United States dollars rather than in local currency, which adds currency risk and creates difficulties for MSMEs in using and repaying the principal. Moreover, there tends to be a lack of awareness among MSMEs about support available from international climate finance providers. While the GCF request for proposals is a positive attempt to strengthen the engagement of MSMEs and harness their potential, the application process for funding is considered lengthy, resulting in MSMEs seeking alternative opportunities to access climate funds. Furthermore, different ways of categorizing MSMEs among countries and multilateral and bilateral institutions can make it difficult to develop eligibility criteria (from the recipient country perspective) and difficult to design suitable support programmes (from the support provider perspective).

91. There is an increasing amount of initiatives and support aimed at MSMEs, provided by multilateral and bilateral institutions and national governments. The African Development Bank, for example, provides guarantees in local currency to mitigate the risks of lending, and

the Government of Canada has developed a support programme for MSMEs in developing countries through the International Finance Corporation. Participants suggested that support providers should build and expand on these efforts to provide support to MSMEs for climate projects and programmes.

4. Country ownership and country-driven strategies

92. While country ownership and country-driven strategies are not defined, they were highlighted by participants as important elements for ensuring that developing countries are taking the lead in developing and implementing funding proposals.

93. There are ongoing efforts by climate finance actors to ensure country ownership and country-driven strategies at both the international and national level. Multilateral climate funds and accredited entities must receive explicit government endorsement (e.g. in the form of a non-objection letter stating that it is in support of the request). Countries are undertaking a wide range of stakeholder consultations and are aligning proposed interventions with national plans and policies.

94. The direct access modalities of the Adaptation Fund and the GCF contribute to maintaining country ownership and country-driven strategies by enabling national and regional entities to implement projects themselves rather than through an international entity. This contributes to building long-term institutional capacity and ensures that projects can be implemented in a manner that meets country needs and priorities.

95. Relying on international consultants was considered to hinder the building and maintaining of institutional knowledge and capacity, which should be done engaging national experts and pooling their expertise.

96. While some institutions such as the GCF have a non-objection procedure in place, ensuring country ownership requires a deeper understanding of developing countries’ needs and priorities – beyond non-objection letters – on the part of the institutions and developing country authorities. In this regard, multilateral climate funds, accredited entities and national focal points have a responsibility to implement the existing country ownership guidelines and procedures. In turn, this requires enhanced communication of the relevant policies and access requirements of the funds so that the national institutions involved can stay updated and respond as needed.

Annex IV

Draft guidance to the Green Climate Fund

[English only]

The Standing Committee on Finance (SCF), at its 19th meeting, strived to prepare draft guidance to the operating entities of the Financial Mechanism considering inputs from Parties, SCF members and observers attending the meeting, the Adaptation Committee and the Technology Executive Committee. This annex contains the agreed draft guidance to the Green Climate Fund and the appendix contains inputs on which the SCF did not conclude its discussions.

The Conference of the Parties,

Noting the draft guidance to the Green Climate Fund prepared by the Standing Committee on Finance,

1. *Welcomes* the report of the Green Climate Fund to the Conference of the Parties at its twenty-fourth session and its addendum,[1] including the list of actions taken by the Board of the Green Climate Fund (hereinafter referred to as the Board) in response to guidance received from the Conference of the Parties;

2. *Welcomes* the progress of the Green Climate Fund in 2018, including:

(a) The decision of the Board[2] to launch the process for the Green Climate Fund's first formal replenishment, the success of which is important not only for the Green Climate Fund but also for the Parties to the United Nations Framework Convention on Climate Change;

(b) The rapid scaling up of funding proposal approvals;

(c) The work to strengthen the Green Climate Fund's institutional capacity, standards and safeguards, transparency, inclusiveness, pipeline and role within the climate finance landscape;

(d) The decision of the Board[3] to initiate a review of the performance of the Green Climate Fund to assess the progress of the Fund in delivering on its mandate as set out in its Governing Instrument;

(e) The decision of the Board[4] concerning the selection process for the appointment of the Executive Director of the Green Climate Fund secretariat;

(f) The decision of the Board to select and appoint the International Bank for Reconstruction and Development as the trustee of the Green Climate Fund;

(g) Efforts made to improve access to the Green Climate Fund through the structured dialogues and the Readiness and Preparatory Support Programme, through which the Green Climate Fund builds national capacity and supports national readiness delivery partners in developing readiness proposals, including for adaptation planning and technology;

(h) The increase in the number of entities accredited by the Board, including direct access entities;

(i) The collaboration in 2018 between the Green Climate Fund and the Technology Executive Committee and the Climate Technology Centre and Network;

(j) The implementation of the Request for Proposals for Mobilizing Funds at Scale and the publication of 30 concept notes, as well as the mobilization of private sector financing by approved Green Climate Fund projects;

[1] FCCC/CP/2018/5 and Add.1.
[2] Green Climate Fund Board decision B.21/XX.
[3] Green Climate Fund Board decision B.21/XX.
[4] Green Climate Fund Board decision B.21/XX.

3. *Notes*:

(a) That funding approved by the Board has reached USD 5.5 billion, including USD 4.6 billion in loans, grants, equities and guarantees in the past three years for the implementation of 93 funding proposals for adaptation and mitigation in developing countries;

(b) That the Green Climate Fund will reach the end of its initial resource mobilization period with approximately USD 1.7 billion of remaining commitment authority carried over into 2019 and the Board decision on the financial planning;

4. *Requests* the Board to ensure the full implementation of 2018 and 2019 workplans to address remaining policy gaps by allocating sufficient time, including:

(a) An update of the Green Climate Fund gender action plan;

(b) Risk-management framework: a compliance risk policy;

(c) Accreditation framework review;

(d) A baseline on the overall portfolio of accredited entities;

(e) A whistle-blower and witness protection policy;

(f) Policy matters related to the approval of funding proposals:

i. An integrated approach to addressing policy gaps:

a. An incremental and full-cost calculation methodology;

b. Options for further guidance on concessionality;

ii. Revision of the structure and operations of the independent Technical Advisory Panel;

iii. A two-stage proposal approval process;

iv. Investment criteria indicators;

v. Review of the financial terms and conditions of the Green Climate Fund financial instruments;

vi. Results management framework: recommendations of the Independent Evaluation Unit to improve the Results Management Framework;

vii. Mapping of elements related to project or programme eligibility and selection criteria;

(g) Policy matters for information:

i. Steps to enhance the climate rationale of activities supported by the Green Climate Fund;

ii. Approach and scope for providing support to adaptation activities;

iii. Identification of results areas where targeted Green Climate Fund investment would have most impact;

(h) A policy on prohibited practices, including implementing standards on addressing anti-money laundering and countering the financing of terrorism;

(i) A comprehensive policy on co-financing and concessionality for projects and programmes funded by the Green Climate Fund and a policy early in 2019 to provide clarity of expectations to all Green Climate Fund stakeholders;

(j) A comprehensive restructuring and cancellation policy as a matter of high priority to provide clarity to accredited entities and other stakeholders on how proposals may be restructured at different stages of the project cycle and to avoid unnecessary delays in proposal implementation;

(k) A programmatic policy approach, including for national, regional, global, and cross-sectoral programmes and for development of a modality to enable programme development;

(l) The review and, if necessary, update or adoption of policies for the prevention of sexual harassment and abuse of authority;

(m) A policy on ethics and conflict of interest for active observers of the Green Climate Fund;

(n) An update of its disclosure policy to ensure that subprojects of programmes are treated consistently with other activities to enable the Board to fulfil its fiduciary responsibilities and potentially affected stakeholders to advocate for their interests;

(o) Procedures for adopting decisions in the event that all efforts to reach consensus have been exhausted, as specified in the Governing Instrument for the Green Climate Fund;

5. *Stresses* the urgency to reach pledges for the first formal replenishment, aiming to conclude the process in October 2019, recognizing that further pledges may be received during the replenishment period;

6. *Encourages* the Board to continue its efforts to improve access to the Green Climate Fund through the Readiness and Preparatory Support Programme and structured dialogues;

7. *Also encourages* developing country Parties to consider utilizing national delivery partners to access Green Climate Fund readiness support;

8. *Reaffirms* the necessity to focus on implementation and to speed up disbursement of funds to already approved projects as a key element of the Green Climate Fund's operations in line with agreed disbursement schedules;

9. *Requests* the Board to continue to consider options for minimizing the effects of currency fluctuations on the commitment authority of the Green Climate Fund;

10. *Encourages* the Board to proceed with the selection process for the Executive Director of the Green Climate Fund secretariat in accordance with the relevant Board decision;

11. *Also encourages* continued collaboration between national designated authorities for the Green Climate Fund and national designated entities for technology development and transfer;

12. *Invites* Parties to submit to the secretariat in writing, no later than 10 weeks prior to the twenty-fifth session of the Conference of the Parties (November 2019), their views and recommendations on elements to be taken into account in developing guidance for the Board;

13. *Requests* the Standing Committee on Finance to take into consideration the submissions referred to in paragraph 12 above when preparing its draft guidance for the Board for consideration by the Conference of the Parties;

14. *Also requests* the Board to include in its annual report to the Conference of the Parties information on the steps that it has taken to implement the guidance provided in this decision.

Appendix

Further matters considered by the Standing Committee on Finance

1. *Notes*:

(a) That the funding proposals in the pipeline, as at 31 August 2018, contained requests for USD 6.3 billion for 103 funding proposals, in addition to the 192 concept notes requesting funding of approximately USD 10 billion;

(b) *With concern* the shortfall in Green Climate Fund pledged resources and paid contributions amounting to USD 3 billion, including USD 2 billion in unfulfilled pledges and USD 1 billion due to foreign exchange impacts, which negatively affects the potential of the Green Climate Fund to fulfil the expectations of Parties in relation to achieving substantial transformation as per its Governing Instrument;

(c) The scaling up of proposals in the current Green Climate Fund pipeline of projects and programmes, and the Green Climate Fund secretariat’s annual programming capability to manage funding proposals worth at least USD 3.5–5 billion;

2. *Requests* the Board, in accordance with decision 5/CP.19, annex, paragraph 17, to ensure that the replenishment process is all-inclusive and based on the needs of developing countries for them to deliver ambitious and scaled-up adaptation and mitigation proposals, and on the increased capacity of the Green Climate Fund to handle USD 3.5–5 billion in annual funding proposals;

3. *Requests* the Board, in accordance with decision 5/CP.19, annex, paragraph 17, to provide information on resource mobilization and available financial resources, including any replenishment processes, in the annual reports of the Green Climate Fund to the Conference of the Parties;

4. *Urges* Parties that have pledged contributions to the Green Climate Fund to pay such contributions in order to cover the shortage in resources in 2019;

5. *Urges* Parties that have made pledges under the initial resource mobilization process but have not yet confirmed them through fully executed contribution arrangements or agreements to do so as a matter of high priority and to make payments of outstanding amounts;

6. *Requests* the Standing Committee on Finance, in line with decision 5/CP.19, annex, paragraph 17, to assess the amount of funds necessary to assist developing countries in implementing the Convention and the Paris Agreement in order to inform the first replenishment process;

7. *Notes* the crucial importance of the Readiness and Preparatory Support Programme as confirmed by the results of the two evaluations conducted in 2018;

8. *Requests* the Board to conduct further work to improve and evaluate the Green Climate Fund’s impact, effectiveness and operational performance in order to fulfil its mandate of promoting the necessary paradigm shift towards low-emission and climate-resilient development pathways;

9. *Urges* the Board to prioritize small projects of under USD 10 million and to address the imbalance in the fact that such projects account for only 3 per cent of approved funding, with a view to benefiting people whose livelihoods are closely related to nature and are hence very vulnerable to the adverse impacts of climate change;

10. *Requests* the Board to consider contracting the Adaptation Fund to accelerate the accreditation of national direct access entities and the formulation and consideration of microprojects of under USD 10 million, especially high-impact projects that benefit highly vulnerable, rural populations, including indigenous and Afrodescendent communities;

11. *Encourages* the Board to develop a structure for prioritizing funding proposals and ensuring effective and efficient use of funds;

12. *Stresses* the importance of a robust, high-quality, ambitious and outcome-driven pipeline of funding proposals in line with the Governing Instrument of the Green Climate Fund;

13. *Encourages* the Board, with the secretariat of the Green Climate Fund, to expedite the formulation and approval process of funding proposals under the Request for Proposals for Mobilizing Funds at Scale;

14. *Encourages* the Board to continue to consider private sector funding proposals;

15. *Notes with concern* the lack of progress of the Green Climate Fund in supporting alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests as mandated in decisions 16/CP.21, paragraph 6, and 7/CP.21, paragraph 25, and *requests* the Board to complete the necessary arrangements to establish a pilot programme for such approaches in accordance with Article 5, paragraph 2, of the Paris Agreement in early 2019;

16. *Encourages* the Board, in the light of the urgency of bringing new technologies to market, to finalize as soon as possible the terms of reference for a request for proposals to support climate technology incubators and accelerators, in accordance with Board decision B.18/03, and to report on progress to the Conference of the Parties at its twenty-fifth session;

17. *Notes* the lack of progression in pursuing privileges and immunities for the Green Climate Fund, and in further exploring a relevant linkage between the United Nations and the Green Climate Fund secretariat;

18. *Requests* the secretariat to coordinate with the Green Climate Fund secretariat to prepare options for the Green Climate Fund to enjoy United Nations privileges and immunities.

Annex V

Draft guidance to the Global Environment Facility

[English only]

The Standing Committee on Finance (SCF), at its 19th meeting, strived to prepare draft guidance to the operating entities of the Financial Mechanism considering inputs from Parties, SCF members and observers attending the meeting, the Adaptation Committee and the Technology Executive Committee. This annex contains the agreed draft guidance to the Global Environment Facility and the appendix contains inputs on which the SCF did not conclude its discussions.

The Conference of the Parties,

Noting the draft guidance to the Global Environment Facility prepared by the Standing Committee on Finance,

1. *Welcomes* the report of the Global Environment Facility to the Conference of the Parties and its addendum,[1] including the responses of the Global Environment Facility to guidance from the Conference of the Parties;

2. *Highlights* the importance of enhancing country ownership in the impact programmes of the seventh replenishment of the Global Environment Facility;

3. *Urges* all Parties that have not made pledges for the seventh replenishment of the Global Environment Facility to do so as soon as possible;

4. *Invites* the Global Environment Facility to enhance the information in its reports to the Conference of the Parties on the outcomes of the collaboration between the Poznan strategic programme on technology transfer’s climate technology and finance centres and the Climate Technology Centre and Network;

5. *Welcomes* the inclusion of support for the Capacity-building Initiative for Transparency in the seventh replenishment of the Global Environment Facility, which enhances predictability of funding for the Initiative;

6. *Also welcomes* the establishment of the private sector advisory group;

7. *Encourages* a balanced composition of the private sector advisory group in terms of gender and geographical coverage;

8. *Welcomes* the Global Environment Facility Council’s decision[2] to begin the process of developing improved fiduciary standards, including anti-money-laundering and counter-terrorism finance policy;

9. *Requests* the Global Environment Facility to include information in its report to the Conference of the Parties at its twenty-fifth session (November 2019) updates on the process referred to in paragraph 8 above;

10. *Also requests* the Global Environment Facility to review and, if necessary, update, or adopt policies for the prevention of sexual harassment and abuse of authority with the aim of protecting the staff of the Global Environment Facility secretariat as well as its partner organizations against unwanted sexual advances, preventing inappropriate behaviour and abuse of power and providing guidelines for reporting incidents;

11. *Invites* Parties to submit to the secretariat in writing, no later than 10 weeks prior to the twenty-fifth session of the Conference of the Parties, their views and recommendations on elements to be taken into account in developing guidance for the Global Environment Facility;

[1] FCCC/CP/2018/6 and Add.1.
[2] Global Environment Facility Council decision GEF/C.54/09/Rev.01.

12. *Requests* the Standing Committee on Finance to take into consideration the submissions referred to in paragraph 11 above when preparing its draft guidance for the Global Environment Facility for consideration by the Conference of the Parties;

13. *Also requests* the Global Environment Facility to include in its annual report to the Conference of the Parties information on the steps that it has taken to implement the guidance provided in this decision.

Appendix

Further matters considered by the Standing Committee on Finance

1. *Welcomes with appreciation* the seventh replenishment of the Global Environment Facility (July 2018 to June 2022), resulting in an overall financial package of USD 4.1 billion and a strong set of policy recommendations;

2. *Also welcomes with appreciation* the increased integration of climate into other focal areas and the impact programmes in the seventh replenishment of the Global Environment Facility, as well as the increased focus on innovation and better use of synergies, with the expectation of delivering 1.5 billion tonnes of carbon dioxide equivalent in greenhouse gas emission reductions in the seventh replenishment period, which is double what was planned for the sixth replenishment;

3. *Expresses concerns* that there has been no increase compared with the sixth replenishment in the amount replenished in the seventh replenishment of the Global Environment Facility, when climate and environment impacts and consequences are becoming more challenging, as reflected in different reports, including the Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5 °C,[3] and when countries have been asked and are supposed to increase their ambition and efforts;

4. *Expresses concerns* about the potential impacts of the decrease in allocation to the climate focal area by 36 per cent compared with the sixth replenishment, which led to a 46 per cent decrease in the System for Transparent Allocation of Resources;

5. *Requests* the Global Environment Facility to ensure balanced regional distribution of resources and support under the Capacity-building Initiative for Transparency and not to apply a first come, first served approach;

6. *Requests* the Global Environment Facility to leverage funding for the private sector from the private sector and not to use the country allocations or even the set-aside resources;

7. *Welcomes* the updated policy on co-financing[4] of the Global Environment Facility, which establishes a greater level of ambition for the overall portfolio of the Global Environment Facility;

8. *Expresses concerns* about the policy recommendations on co-financing arising from the seventh replenishment of the Global Environment Facility, which may constitute additional barriers for developing countries to access funding, in particular the obligation, in order to access resources from the Global Environment Facility, to provide a 7:1 ratio of co-financing for the least developed countries and small island developing States and an additional 5:1 co-financing in the form of mobilized investments for the other developing countries, which will amount to a 12:1 ratio of needed co-financing;

9. *Requests* the secretariat of the Global Environment Facility to ensure that the System for Transparent Allocation of Resources be used to implement climate action through projects and not used, for example, for set-aside activities.

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[3] Intergovernmental Panel on Climate Change. 2018. *Global Warming of 1.5 °C: An IPCC Special Report on the Impacts of Global Warming of 1.5 °C above Pre-industrial Levels and Related Global Greenhouse Gas Emission Pathways in the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty.* Geneva: Intergovernmental Panel on Climate Change. Available at http://ipcc.ch/report/sr15/.

[4] Global Environment Facility Council decision GEF/C.54/10/Rev.01.

Annex VI

Workplan of the Standing Committee on Finance for 2019

[English only]

Activities	*Outcomes/results*	*Time frame*
1. Mandated activities of the 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	2019 SCF Forum on climate finance and sustainable cities	Mid-2019, pending the adoption of the date and venue by the SCF 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, under and outside the Convention	2019 SCF Forum Ongoing outreach activities of the virtual forum
Decision 1/CP.18, paragraph 70: 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	
Decision 5/CP.18, paragraph 4: Facilitate the participation of the private sector, financial institutions and academia in the forum	See 1(a) above	
Decision 8/CP.23, paragraph 12: Ensure the value added of its forum when deciding on the topic of each forum; provide clear recommendations to the COP, as appropriate, regarding follow-up actions on the forum, and enhance the dissemination, use and ownership of the accumulated knowledge and expertise gathered at the forum	Continuous updating and implementation of the SCF communication strategy Established linkages and continued exchange with bodies and entities dealing with climate finance, under and outside the Convention	Ongoing
(b) Maintain linkages with the SBI and the constituted bodies under the Convention	Co-Chairs of the SCF inform presiding officers of the constituted bodies under the	2019

Activities	*Outcomes/results*	*Time frame*
	Convention about the activities of the SCF and establish working relationships	
	Continuous updating and implementation of the SCF communication strategy	Ongoing
	Enhanced linkages with the SBI and the constituted bodies under the Convention	Ongoing
Decision 8/CP.23, paragraph 11: Further refine its approach to maintaining linkages with the subsidiary and constituted bodies according to resources available and in the context of its existing working modalities	Enhanced linkages with the SBI and the constituted bodies under the Convention Continuous updating and implementation of the SCF communication strategy	Ongoing
(c) Provide to the COP draft guidance 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 and relevant submissions from Parties	Draft guidance provided to the COP	COP 25 (November 2019)
(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
Functions of the SCF as per decision 1/CP.16, paragraph 112: 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
(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 input to the seventh review of the Financial Mechanism (COP 27 (November 2021))	2021
(f) Prepare a biennial assessment and overview of climate finance flows, to include information on the geographical and thematic balances of such flows	Initiate technical work for the fourth biennial assessment and overview of climate finance flows, including development of a general outline, data collection and engagement with climate finance data producers and aggregators	2019 Outcome at COP 25
Decision 3/CP.19, paragraph 11: 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	See 1(f) above	

Activities	*Outcomes/results*	*Time frame*
effectively be met by climate finance, and include the results in its annual report to the COP		
Decision 9/CP.21, paragraph 13: Take into account the enhanced information provided by Parties included in Annex II to the Convention referred to in paragraph 6 of decision 9/CP.21 in its biennial assessment and overview of climate finance flows	See 1(f) above	2019 COP 25
2. Additional SCF mandates: general		
Decision 1/CP.21, paragraph 63: Serve the Paris Agreement in line with its functions and responsibilities established under the COP		Ongoing
Decision 6/CP.21, paragraph 2: Continue to strengthen its engagement with all relevant stakeholders and bodies under the Convention	Continuous updating and implementation of the SCF communication strategy	Ongoing
	Enhanced linkages with the SBI and the constituted bodies under the Convention	Ongoing
Decision 7/CP.19, paragraph 9: Consider ways to increase its work on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Implementation of the extended workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Ongoing
	Recommendations provided to the COP, as appropriate	COP 25
Decision 8/CP.23, paragraph 6: Continue to provide and enhance the dissemination and utilization of specific and targeted outputs and recommendations in order to effectively advance the work of the COP	Continuous updating and implementation of the SCF communication strategy	Ongoing
Decision 8/CP.23, paragraph 14: Further strengthen its stakeholder engagement	Enhanced stakeholder engagement	Ongoing
Functions of the SCF as per decision 1/CP.16, paragraph 112: Any other functions that may be assigned to the SCF by the COP		
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	Sessions of the COP
	Exchanges through the Forum, as appropriate	Ongoing
Functions of the SCF as per decision 1/CP.16, paragraph 112: Mobilize financial resources, including the undertaking of analyses and information exchanges	Recommendations provided to the COP, as appropriate	Sessions of the COP

Activities	*Outcomes/results*	*Time frame*
	Exchanges through the Forum, as appropriate	Ongoing
[Any mandates from COP 24, including possible mandates arising from the Paris Agreement Work Programme]		
3. Additional mandates: measurement, reporting and verification		
As per decision 6/CP.20, paragraph 11: 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	Implementation of the extended workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Ongoing
Decision 6/CP.21, paragraph 4: In implementing its workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows, continue to engage with relevant bodies under the Convention, multilateral and bilateral agencies, and international institutions	Implementation of the extended workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Ongoing
Decision 9/CP.21, paragraph 14: Take into account the work on the methodologies for the reporting of financial information by Parties included in Annex I to the Convention in the context of its workplan on the measurement, reporting and verification of support	Implementation of the extended workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Ongoing
Decision 8/CP.22, paragraph 5: In fulfilling its function on the measurement, reporting and verification of support, and in the context of its existing workplan, cooperate with relevant stakeholders and experts and consider ongoing work under the Convention and further action envisaged under the Paris Agreement	Implementation of the extended workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Ongoing
Decision 7/CP.23, paragraph 7: Enhance work on the measurement, reporting and verification of support beyond the biennial assessment, acknowledging the progress made by the SCF and noting the need to avoid duplication of ongoing work under the SBSTA and the APA	Implementation of the extended workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Ongoing
Decision 7/CP.23, paragraph 8: Continue cooperation with relevant stakeholders and experts in fulfilling its function with regard to the measurement, reporting and verification of support, and in the context of the extended workplan	Implementation of the extended workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows	Ongoing

Activities	*Outcomes/results*	*Time frame*
Functions of the SCF as per decision 1/CP.16, paragraph 112: 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	Sessions of the COP
	Exchanges through the Forum, as appropriate	Ongoing
4. Additional mandates: financing for forests		
Decision 7/CP.19, paragraph 11: Consider, in its work on coherence and coordination, inter alia, the issue of financing for forests, taking into account different policy approaches	Financing for forest-related considerations integrated into existing workplan, where appropriate, and work on this matter continued in the context of the overall issue of improving coherence and coordination in the delivery of climate change financing	Ongoing
Decision 8/CP.22, paragraph 10: Integrate financing for forest-related considerations into its 2017 workplan, where appropriate, and continue work on this matter in the context of the overall issue of improving coherence and coordination in the delivery of climate change financing, taking into account all relevant decisions on forests	Financing for forest-related considerations integrated into existing workplan, where appropriate, and work on this matter continued in the context of the overall issue of improving coherence and coordination in the delivery of climate change financing	Ongoing
5. Additional mandates: adaptation		
Decision 1/CP.21, paragraph 45: The AC and the LEG, in collaboration with the SCF and other relevant institutions, to develop methodologies and make recommendations for consideration and adoption by the COP serving as the meeting of the Parties to the Paris Agreement at its first session on: (a) Taking the necessary steps to facilitate the mobilization of support for adaptation in developing countries in the context of the limit to global average temperature increase referred to in Article 2 of the Paris Agreement (b) Reviewing the adequacy and effectiveness of adaptation and support referred to in Article 7, paragraph 14(c), of the Paris Agreement	Input provided to the AC and the LEG, as appropriate	2019
6. Additional SCF mandates: gender		
Decision 21/CP.22, paragraph 14: All constituted bodies under the UNFCCC process to include in their regular reports information on progress made towards integrating a gender perspective into their processes according to the entry points identified in the technical paper referred to in paragraph 13 of decision 21/CP.22	Integration of a gender perspective into its processes according to the entry points identified in the technical paper	Ongoing
Decision 3/CP.23, annex, table 3, activity C.2: The secretariat to provide capacity-building to chairs and members of the UNFCCC constituted bodies and technical	Organization of a session by the secretariat (e.g. in a format such as a technical	Ongoing

Activities	Outcomes/results	Time frame
teams of the secretariat on how to integrate gender considerations into their respective areas of work and on meeting the goal of gender balance	segment, possible strategy meeting or webinar)	
Decision 3/CP.23, annex, table 4, activity D.1: Host a dialogue on the implementation of its commitment to integrate gender considerations into its work, emphasizing the relevance of gender-responsive access to finance in the implementation of climate action	Integration of gender as a cross-cutting sub-theme in the 2019 SCF Forum as well as the further discussions related to the integration of gender considerations into the work of the SCF, emphasizing the relevance of gender-responsive access to finance	Ongoing
Any other functions that may be assigned to the SCF by the COP		

Notes: Workplan listed by core mandates followed by mandates according to key areas of work. All activities of the SCF as outlined in this table are subject to the availability of financial resources; when providing additional mandated activities to the SCF, the COP may wish to take this into consideration, as well as the need for further streamlining and rationalization of the work to be conducted by the SCF in the light of capacity constraints induced by the large array of mandates provided to the SCF.

Abbreviations: AC = Adaptation Committee, APA = Ad Hoc Working Group on the Paris Agreement, COP = Conference of the Parties, LEG = Least Developed Countries Expert Group, SBI = Subsidiary Body for Implementation, SBSTA = Subsidiary Body for Scientific and Technological Advice, SCF = Standing Committee on Finance.