



Standing Committee on Finance

26 November 2019

**Twenty first meeting of the Standing Committee on Finance
Bonn, Germany, 03–05 October 2019**

**Report of the twenty-first meeting of the Standing Committee on
Finance**

Attendance¹

Ms. Diann Black-Layne
Mr. Randy Caruso
Mr. Kamal Djemouai (replacement for Mr. Mohamed Nasr)
Mr. Sergey Chestnoy
Ms. Delphine Eyraud
Mr. Zaheer Fakir
Mr. Mattias Frumerie
Ms. Fiona Gilbert
Mr. Jonghun Lee
Mr. Zerihun Getu Mekuria
Mr. Hussein Alfa (Seyni) Nafo
Ms. Vicky Noens
Mr. Paul Oquist-Kelley
Mr. Ayman Shasly (Co-Chair)
Mr. Stephan Schwager (replacement for Ms. Gabriele Blatter)
Mr. Toru Sugio
Ms. Eva Schreuder
Mr. Ismo Ulvila (Co-Chair)
Mr. Ivan Zambrana Flores

Absent with apologies

Ms. Gabriele Blatter
Mr. Mohamed Nasr

1. Opening of the meeting

1. The 21st meeting of the Standing Committee on Finance (SCF) was opened at 9 a.m. on 03 October 2019.
2. Mr. Ayman Shasly introduced and welcomed the replacement members for SCF 21.
3. Mr. Shasly announced that to ensure transparency and broad participation, the SCF meeting would be available via Skype broadcast.

2. Organizational matters

(a) Adoption of the agenda

4. The SCF adopted the agenda contained in document SCF/2019/21/2 as proposed.²

(b) Organization of the work of the meeting

¹ 19 of 20 seats of the SCF are currently filled.

² All documents available at: <http://unfccc.int/6881.php>.

Proceedings

5. The SCF took note of the tentative schedule as well as the order of work for the meeting, as outlined in the annex to document SCF/2019/21/2. The SCF also took note of the proposed priority areas of work that were presented to members by the Co-Chairs.

3. Draft guidance to the Operating Entities of the Financial MechanismProceedings

6. The SCF took note of the document SCF/2019/21/3. The agenda item was introduced in the first plenary session and discussed further in the context of three breakout group sessions, facilitated by Ms. Diann Black-Layne and Mr. Toru Sugio. The outcome of the discussions were presented to the SCF for its consideration.

Outcomes

7. The SCF had an extensive discussion on the draft guidance to the operating entities, based on the submissions contained in the background document and the four additional submissions that were received during the meeting³.

8. There were diverging views on the structure of the draft guidance on whether it will be a clean draft guidance text or a draft guidance with an appendix containing submitted text that the SCF could not reach consensus on.

Next steps

9. The SCF agreed to forward to the COP and the CMA a compilation of information from the submissions into a matrix, categorizing the elements of draft guidance submitted by thematic area and annotating the elements with rationale and reference materials as contained in the submissions

10. The SCF also agreed to assess its modalities of work on the draft guidance at its meeting scheduled in 2020.

4. Preparatory work on the 2020 Biennial Assessment and Overview of Climate Finance FlowsProceedings

11. The SCF took note of the document SCF/2019/21/6. The agenda item was introduced in the first plenary session and discussed further in the context of two breakout group sessions, facilitated by Ms. Vicky Noens and Mr. Seyni Nafo. The outcome of the discussions were presented to the SCF for its consideration.

Outcomes

12. During the meeting, the SCF agreed to the general outline of the technical report of the 2020 BA, as contained in annex III. The annex includes information on stakeholder involvement and outreach as well as activities to be conducted in the preparation of the BA and an indicative timeline.

Next steps

13. The SCF agreed to launch a call for evidence in relation to the 2020 BA and to hold two technical meetings, to be organized in conjunction with SCF 22 and 23.

5. Preparatory work on the first report on the determination of the needs of developing countries related to the implementation of the Convention and the Paris AgreementProceedings

14. The SCF took note of document SCF/2019/21/7. This agenda item was introduced in one plenary session and discussed further in the context of three breakout group sessions

³ From Mr. Kamal Djemouai, Mr. Paul Herbert Oquist Kelley, Mr. Ivan Zambrana Flores and the group of Argentina, Brazil and Uruguay.

facilitated by Mr. Zaheer Fakir and Mr. Mattias Frumerie. The outcomes of the discussions were presented to the SCF for its consideration.

Outcomes

15. The SCF agreed on the outline of the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, as well as the workplan, including outreach activities and indicative timeline as contained in annex IV.

Next steps

16. The SCF will include the outline in its annual report to COP 25 for the COP's consideration.

17. The co-facilitators, with the support of the secretariat, will conduct the activities contained in the workplan.

6. Forum of the Standing Committee on Finance

(a) Report of the 2019 Standing Committee on Finance Forum

Proceedings

18. The SCF took note of document SCF/2019/21/4. The agenda sub-item was introduced in the plenary and discussed further in the context of two breakout group sessions co-facilitated by Mr. Kamal Djemouai (acting in the absence of Mr. Mohamed Nasr) and Ms. Fiona Gilbert. The outcomes of the discussions were presented by co-facilitators and agreed at the closing plenary session.

Outcomes

19. The SCF revised and adopted the report of the 2019 SCF Forum, including the revised executive summary as contained in annex V.

Next steps

20. The SCF will include the report of the 2019 SCF Forum as an annex to the annual report of the SCF to COP 25 and will recommend to the COP to take note of the report.

(a) Theme for the next Forum of the Standing Committee on Finance

Proceedings

23. The SCF took note of document SCF/2019/21/5. The agenda sub-item was introduced in the plenary by the co-facilitators, Mr. Kamal Djemouai (acting in the absence of Mr. Mohamed Nasr) and Ms. Fiona Gilbert, discussed amongst members in two breakout group sessions, and agreed at the closing plenary session.

Outcomes

24. The SCF agreed that the theme of the 2020 SCF Forum will be "Finance for nature-based solutions", and that its sub-themes may include:

(a) Creating enabling environments to facilitate access to climate finance for nature-based solutions on adaptation and mitigation;

(b) Harnessing local community and indigenous knowledge, gender responsive policies, climate resilience and adaptation, technology and capacity-building;

(c) Applying nature-based solutions as a means of de-risking and scaling up climate investments throughout multi-level governance;

(d) The role of climate finance for ecosystems capturing carbon, swamp plants, biodiversity protection, fire management (e.g. fire management projects, including Savanna, forest and preventing forest fires), restoring land, addressing deforestation and afforestation, sustainable forests and preventing desertification;

(e) The nature-based solutions as a driver of the NDCs and NAPs;

- (f) Various types of finance for nature-based solutions.

Next steps

25. Co-facilitators, with the support of the secretariat, will:

- (a) Initiate organization of the next SCF Forum intersessionally on the basis of the agreed theme and discussions at the SCF 21;
- (b) Continue deliberations on the sub-themes, based on the discussions at the SCF 21, taking into consideration potential partner events, possible dates and venues;
- (c) 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 2019, on an appropriate date and venue for the next Forum.

7. Report of the Standing Committee on Finance to the Conference of the Parties

Next step

26. The SCF agreed to consider and adopt its report to the Conference of the Parties intersessionally.

27. The report will contain the outcomes of the discussions held at the twenty-first meeting. The proposed work plan of the SCF for 2020, contained in annex VIII, will be adjusted to accommodate any new mandates provided by the Conference of the Parties.

8. Enhancing stakeholder engagement

Proceedings

28. The SCF took note of document SCF/2019/21/10. This agenda item was introduced and discussed in one plenary session facilitated by the Co-Chairs.

Outcomes

29. The SCF considered the strategic outreach plan and provided initial views thereon (see annex VI). The SCF expressed support for the implementation of the strategic outreach plan and agreed to update it in the future, as necessary.

Next steps

30. The secretariat, under the guidance of the Co-Chairs, will implement the activities contained in the strategic outreach plan.

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

Proceedings

31. The Co-Chairs introduced this agenda item in the plenary session and members reached an agreement on this item. The Co-Chairs invited the focal points for the constituted bodies under the Convention to report back to the SCF on the meetings that they have attended and any other intersessional work.

Outcomes

32. The SCF focal points reported on several events in which they participated during the 50th session of the subsidiary bodies in Bonn, Germany. These include, among others:

- (a) Mr. Ivan Zambrana Flores provided brief report on the first meeting of the Facilitative Working Group of the Local Communities and Indigenous Peoples Platform and Koronivia workshops on agricultural matters;

(b) Mr. Mattias Frumerie provided brief report on the third meeting of the Paris Committee on Capacity-building as well as Technical Expert meeting on adaptation – adaptation finance;

34. In relation to gender, Mr. Fumiere also reported on capacity-building webinar for integrating gender considerations, which took place on 3 September 2019. The main outcome of the webinar included the identification of possible entry points in SCF work where the integration of gender considerations could be strengthened, such as: 2020 BA, NDR and guidelines for the GEF and the GCF.

35. On linkages with technology development and transfer, Ms. Noens provided a brief update on her engagement with the Climate Technology Centre and Network (CTCN).

36. On matters related to loss and damage, Mr. Caruso requested that the SCF input (see annex VII) made towards the technical paper of the secretariat on, elaboration of the sources of and modalities for accessing financial support for addressing loss and damage, be added as an annex to the technical paper, or as appropriate, be made more accessible.

37. The SCF agreed to appoint members intersessionally who will represent the SCF in the TEP-A and the NAP Taskforce, and other adaptation as well as gender related events.

Next steps

38. The SCF input to the technical paper referred to in paragraph 36 above will be made visible on the SCF main page.⁴

39. The SCF will continue consideration of the linkages with the constituted bodies at SCF 22.

10. Dates and venues of future meetings

40. The SCF agreed to have three meetings in 2020 with the following date and venue for its next meeting:

(a) SCF 22: 18 to 20 March 2020, Bonn, Germany;

41. The SCF also agreed to confirm the dates and venues of the remaining meetings in 2020 intersessionally.

11. Report of the twenty-first meeting of the Standing Committee on Finance

42. The SCF agreed to consider and adopt the report of the twenty-first meeting of the SCF intersessionally on a no-objection basis.

12. Other matters

43. No other matters were discussed by the SCF at this meeting.

13. Closure of the meeting

44. The 21st meeting of the SCF closed at 2:00 p.m. on Saturday, 05 October 2019.

⁴ <<https://unfccc.int/SCF#eq-7>>.

Annex I Compilation of information from submissions on the draft guidance to the Green Climate Fund

| <i>No.</i> | <i>Subject</i> | <i>Proposed draft guidance^a</i> | <i>Rationale and source^a</i> | <i>To be considered by</i> | <i>Proposed by</i> |
|------------|-------------------------------------|---|---|----------------------------|----------------------------|
| 1 | Welcoming – progress | <p>The African Group of Negotiators welcomes the following progress, based on the provisions of the Governing Instrument and prior COP guidance:</p> <p>1. GCF operations have continued at a steady place during the reporting period. The Board has approved USD 5.2 billion to support the implementation of 111 climate change adaptation and mitigation projects and programmes in 99 developing countries;</p> <p>2. A total of 88 entities are Board-approved for accreditation, subject to completing legal arrangements with GCF by signing and making effective their accreditation master agreement. To date, 47 entities have completed this process and have been able to fully operationalize their engagement with GCF. Of these 88 entities, 57 per cent are direct access entities and 43 per cent are international access entities. Among the above 88 entities, 16 are private sector entities, including both direct access entities and international access entities; and</p> <p>3. At B.22, the Board adopted the revised strategy for the Readiness and Preparatory Support Programme.</p> | | | African Group ^b |
| 2 | Welcoming – decision-making process | <p>The EU welcomes the adoption of a mechanism of “decision making in the event that all efforts at reaching consensus have been exhausted” at the 23rd meeting of the Board, as mandated by the Governing Instrument.</p> | | | EU ^c |

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| 3 | Welcoming – capacity-building and readiness | The EU stresses the importance of building capacities in countries and promoting long-term sustainability of interventions beyond project lifetimes and thereby emphasizes the need to enhance direct access and strengthen country ownership. The EU welcomes the initiatives taken by the GCF to enhance support for capacity-building, including through the revised strategy for the readiness program agreed at B.22 and the project preparation facility. | | | EU ^c |
| 4 | Welcoming – integrity policies | Welcomes further development of integrity policies, notably the policy on prohibited practices, and the policy on the protection from sexual exploitation, sexual abuse, and sexual harassment. | Source: GCF Governing Instrument paragraphs 60, 68, 69 | | Australia |
| 5 | Policy gaps | Urges the Board to address remaining policy gaps, inter alia, matters related to incremental and full cost calculation methodology and policies on co-financing and concessionality, policy guidelines on the programmatic approach, mapping of elements related to project or programme eligibility and selection criteria, and matter related to GCF support to adaptation. | This is required to deliver much-needed enhancements to the proposal approval process and investment framework. Source: Decision 5/CP.24, paragraph 3 | | Australia |
| 6 | Policy gaps | The EU strongly emphasizes the importance of addressing the GCFs remaining policy gaps, as specified in the Fund’s Governing Instrument and its Rules of Procedure, in particular a gender responsive approach as well as policies related to the approval of funding proposals, including project and programme eligibility and selection criteria, incremental costs, co-financing, concessionality and programmatic approach. | | | EU ^c |

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| | | This also refers to further work necessary for improving its effectiveness and operational performance as highlighted in the forward-looking performance review in order to fulfil the Fund's mandate of promoting the necessary paradigm shift towards low-emission and climate-resilient development pathways. | | | |
| 7 | 2020–2023 strategic plan | The EU request[s] an effective inclusion of people and communities impacted by GCF activities, in particular with regards to environmental and social safeguards, including promotion of gender equality and the rights of indigenous people as well as civil society organizations' and private sector organizations' participation, and request concrete action points on these matters to be considered in the 2020–2023 Strategic Plan. | | | EU ^c |
| 8 | Full and agreed incremental cost | Confirms that in accordance with the Governing Instrument, the Fund will “finance agreed full and agreed incremental costs for activities to enable and support enhanced action on adaptation, mitigation (including REDD-plus), technology development and transfer (including carbon capture and storage), capacity-building and the preparation of national reports by developing countries”. | | | African Group ^b |
| 9 | Performance review of the GCF | The EU requests the findings of the Fund's Performance Review to be properly considered when addressing remaining policy gaps and improving the Fund's operations in the future. | The EU also underlines the importance of developing measurable goals for the first replenishment of the GCF, a robust results management framework and of developing the necessary tools for tracking the actual | | EU ^c |

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| | | impact of the Fund’s activities, especially in terms of mitigation and adaptation. | | | |
| 10 | Performance review of the GCF | Welcomes the performance review of the GCF from the independent evaluation unit; Requests the Board to adopt, action and report on a comprehensive management response to the findings of the independent evaluation unit. | Source: Report of the GCF to COP 25 (Section 11.6, paragraphs 178 and 199) | | Australia |
| 11 | Performance review of the GCF | Welcomes with appreciation the Forward-looking Performance Review (FPR) of the GCF by the Independent Evaluation Unit (IEU) and encourages the GCF to take necessary actions based on its findings. Encourages the GCF to adopt the Evaluation Policy as soon as possible and consider the adequate way of cooperation and relations between the Secretariat and the IEU in order to implement the Policy. | The IEU plays a crucial role in the improvement of the GCF activities and the FPR is worthwhile mentioning as a direction the GCF is going to pursue in the next replenishment period. The Evaluation Policy needs to be adopted as soon as possible and the adequate burden sharing between the Secretariat and the IEU should be considered for the effective and efficient implementation of the Policy. Source: Report of the GCF to COP 25, pages 34–36 | COP/CMA | Japan |
| 12 | Performance review of the GCF | Welcomes the “Forward-Looking Performance Review of the GCF” and encourages the Board to consider the findings and recommendations as well as the management response as it provides continued direction to the Fund. | Developed countries need a forward-looking review of the initial resource mobilization to inform any replenishment pledges and decision-making. | | United States |
| 13 | Pipeline management | Welcomes the GCF’s rapid scaling up of funding proposal approvals and encourages the GCF to develop a structure for prioritization of proposals and for ensuring effective and efficient use of funds. | | | United States |
| 14 | Accreditation and project approval | Notes that there is a significant gap between accreditation and subsequently approval of project for that accredited entity and recommends that the GCF Board considers the combining project approval and accreditation for projects that are similar in | | | SCF member |

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| | | the criteria of the SAP (i.e. risk category B and C and less than 10M). | | | |
| 15 | Access and disbursement | Reaffirms the necessity to focus on implantation and to speed up disbursement of funds to already approved projects as a key element of the GCF's operations in line with agreed disbursement schedules. | This is of critical concern to LDCs and Small Island Developing States, including in the Pacific region. Source: Decision 5/CP.24, paragraph 8 | | Australia |
| 16 | Access | Notes with concern despite decision 10/CP.22 and subsequent Board decisions to increase the number of direct access entity proposals in the pipeline, that funding proposals for 2019 indicated a total of 19 of which only 3 were from direct access entities, and only 1 was for a national direct access entity. | | | African Group ^b |
| 17 | Access | Recognizing the capacity and data limitations of LDCs and SIDS, the COP requests the GCF Board, in evaluation of the climate rationale in project proposals, to consider both the 'traditional knowledge, knowledge of indigenous peoples and local knowledge systems' of SIDS and LDCs, as well as relevant information from IPCC reports. | SIDS are concerned about the detailed need for 'science' in GCF funding proposals. Small islands do not have the architecture and resources required to collect the data required as support for project proposals. In many instances, local and indigenous knowledge are the sole source of information. Source: Statements from developing country Member States at the GCF Global Programming Conference 2019; Article 7(5) of the Paris Agreement | COP/CMA | AOSIS |
| 18 | Access | The COP urges the GCF Board to ensure that Direct Access Accredited Entities from SIDS and their respective funding proposals are able to utilize the simplified and improved access to funding. | The recent evaluation of the GCF has indicated that this is not being operationalized. There is active preferential treatment to larger international entities. Source: <ul style="list-style-type: none"> • Forward-Looking Performance Review of the Green Climate Fund, Final Report 2019 • Paragraph 31 of the GCF Governing Instrument | COP/CMA | AOSIS |
| 19 | Access | AOSIS requests the GCF to follow up on the recommendations of its Performance Review in order to ensure that GCF procedures are reflective of the urgency of the climate crisis | Recommendations of the Forward-Looking Performance Review of the Green Climate Fund. Source: Forward-Looking Performance Review of the Green Climate Fund (FPR), Final Report 2019 | COP/CMA | AOSIS |

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| | | and to remove bureaucratic barriers for access to GCF resources. | | | |
| 20 | Access | AOSIS requests the GCF Board to build in flexibilities into the proposal approval process to take into account changes to national circumstances that may occur during the approval process that impact initial project design and implementation. | The timeline for the proposal approval process is lengthy resulting in changes to national circumstances which may impact project design and implementation. There is no provision to take into consideration these changes and to allow for updating of project proposals. This is important to ensure that projects when approved are still practical and applicable. | COP/CMA | AOSIS |
| 21 | Programmatic approach | Requests the GCF, as an operating entity of the Financial Mechanism, to promote the use of programmatic approaches, including national, regional, global, and cross-sectoral programs and to develop a programmatic approach modality to enable program development. | Greater use of programmes is needed to allow GCF to reach the scale of operations it needs to tackle the climate challenge, yet policy and institutional barriers still exist. The most critical to address is development of a programmatic approach modality. Source: <ul style="list-style-type: none"> • GCF Governing Instrument paragraph 36 • GCF Board decision B.07/03, paragraph (e) | | United States |
| 22 | Adaptation | The lack of progress in clarifying GCF support to adaptation despite a clear Board mandate and a COP decision regarding the need to achieve a balance between adaptation and mitigation support and in the context of Article 7.1 of the Paris Agreement in which Parties established a global goal on adaptation for enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. | | | African Group ^b |
| 23 | Support for adaptation activities | Urges the GCF to conclude its work as per the Board Decision B.17/10 that called for guidance on the approach and scope for providing support to adaptation activities. | The absence of this guidance is creating uncertainties in the process of accessing support for the elaboration and implementation of adaptation actions. Source: <ul style="list-style-type: none"> • Board decision B.17/10 • GCF document GCF/B.17/21, page 11, paragraph 31(c)ii | | AC |

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| 24 | Support for adaptation activities | Urges the GCF to finalize guidance on the approach and scope for providing support for adaptation activities, taking into account best practices at other multilateral funds and other approaches. | B.17/10 requested guidance for consideration at B.19. This should be finalized during 2020. Source: GCF Board decision B.17/10, paragraph (c)(ii) | | United States |
| 25 | Slow NAP approval | Concern regarding the slow pace of national adaptation plans (NAPs) approval noting that while 30 NAP proposals have been approved more than 48 remain in the pipeline waiting approval. | | | African Group ^b |
| 26 | NAPs and adaptation communications | A call for the GCF to address this issue in 2020, in a way that ensures continuous support for developing countries to implement their NAPs and their adaptation communications, now that they are developing them with the support provided to this end via the readiness programme. | Implementation of nationally determined contributions (NDCs) and NAPs. | COP/CMA | LMDCs |
| 27 | Private sector | Welcomes with appreciation the first funding proposal under the Private Sector RFP-MRS was adopted at the B.23 and encourages the GCF to formulate more private sector funding proposals to achieve a paradigm shift towards low-emission and climate-resilient development. Welcomes the development of the initial draft of the Private Sector Strategy and encourages the Board to finalize and adopt it in 2020. | It is crucial to mobilize the private finance to achieve the goals in both mitigation and adaptation and the GCF should play more proactive role to promote private finance mobilization in the developing countries. Source: Report of the GCF to COP 25 (pages 25–27) | COP/CMA | Japan |
| 28 | Private sector strategy | The EU welcomes the efforts made to engage the private sector in GCF activities and acknowledges results achieved so far. The EU encourages the secretariat to further strengthen the engagement with the private sector through different instruments such as innovative financing instruments, innovative cooperation options and streamlining the | | | EU ^c |

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| | | accreditation process including through developing an accreditation strategy. | | | |
| 29 | Private sector strategy | Requests the GCF to finalize its Private Sector Facility Strategy to serve as a strategic road map of the Secretariat for leveraging, mobilizing, and engaging domestic and international private sector actors. | The Board requested the Private Sector Facility Strategy at B.19 and it is key to ensuring the private sector facility continues to serve private sector needs effectively. | | United States |
| 30 | Private sector strategy – adaptation | Encourages the GCF to increase the awareness among the private sector in developing countries of support available for private investment in adaptation through concessional financial instruments that de-risk investments and grants for technical assistance, and to invite Parties to assist in awareness raising. | Source: GCF Board Decision B.19/17 | | AC |
| 31 | MSMEs and adaptation | Encourages the GCF to strive for an increase in proposals for adaptation projects under the pilot programme to support micro, small, and medium-sized enterprises (MSMEs) of developing countries. | The workshop titled: Fostering engagement of the agri-food sector in resilience to climate organized jointly by the International Trade Centre and the AC reinforced the findings of the preparatory work undertaken in advance of the workshop. It underscored the importance of engaging the private sector in adaptation efforts, and the disproportionate vulnerability of certain private sector actors—in particular small-, medium-sized enterprises—to the impacts of climate change. ^d | | AC |
| 32 | Readiness Programme | Encourages the GCF to continue to strive for proposals that include stakeholder engagement of poor and vulnerable communities including women, youth, indigenous peoples in the Readiness Programme for NAPs. | The Readiness Programme and other windows, such as the Simplified Approval Process (SAP), can support the development of stakeholder engagement processes in relation to country priorities. | | AC |
| 33 | Gender | Urges the Board to adopt an updated gender policy and action plan in order to align with the UNFCCC gender action plan and increase gender-responsiveness of climate financing. | The GCF Secretariat, following the adoption of the Gender Policy in 2015 and per the decision of the Board at B.12/16 has engaged in the updating of the Gender Policy and Action Plan to strengthen the integration of gender mainstreaming. The Board has requested the Secretariat to build on the progress made in the consultations on the draft document so far, to | COP/CMA | Canada |

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| 34 | Gender, indigenous peoples and vulnerable people impacted by GCF activities | <p>Recognizing the needs for mainstreaming policies related to the protection and inclusion of vulnerable peoples against climate change,^e requests the Board to:</p> <p>(a) Update the gender policy and action plan in order to align with the UNFCCC gender action plan and increase gender-responsiveness of climate financing;^f</p> <p>(b) To recognize and operationalize indigenous peoples' equitable access to the benefits of GCF-funded activities, prioritizing adaptation projects that include specific and direct involvement of indigenous peoples;^g</p> <p>(c) Include the vulnerable people impacted by the GCF activities, in particular with regard to environmental and social safeguards, and as well as in the 2020-23 Strategic Plan.^h</p> | <p>assess implementation considerations and submit an Updated Gender Policy and Action Plan for approval by its Board.</p> <p>Source:</p> <ul style="list-style-type: none"> • Report of the GCF to COP 25, section 10 • GCF Board decisions B.09/11 and B.12/16 | | SCF member |
| 35 | Enhanced support for Central Asia and Eastern Europe | <p>To increase support to the Central Asia and Eastern Europe regions for the development of national institutions (national designated authority (NDA), direct access entities) to ensure access to the Fund, as well as for the preparation of specific projects.</p> <p>Concrete measures may include regional and country training, translation of documentation, organization of a hotline for non-represented countries and so on.</p> | | | SCF member |

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| 36 | Regional approach and communication with countries | <p>Encourages the Board to enhance the regional approach, defining, at national level, plans or actions regarding different aspects such as: finance, institutional arrangement, multi-stakeholder engagement.</p> <p>Recommends the opening of regional offices of the GCF, including with technical native speaking staff to address countries' needs, facilitate and expedite information and procedures (legal, administrative or technical nature) to access funding and start the implementation of projects.</p> <p>Encourages the Board to enhance and update the process to develop country programmes, identifying the gaps and improving the communication between the GCF and NDA, considering the different national circumstances.</p> | The communication process between national governments and the GCF is difficult. In particular, there is a lack of coordination and support between the GCF and Chile. Chile still has a lack of guidelines and personalized advice from the GCF considering our own reality. | COP/CMA | AILAC |
| 37 | Communication with countries | A call for the GCF Board to strengthen and develop policies to liaise with NDAs so that they can address their questions and requests for information in a more immediate way. | Requests for information to the GCF currently take weeks to receive and answer, and the support that regional advisors provide is limited and usually requires consultations with headquarters, slowing communication instead of helping it. | COP/CMA | LMDCs |
| 38 | Sectoral guidance | Requests the GCF, as an operating entity of the Financial Mechanism, to work with technical experts to finalize sectoral guidelines for GCF investments with the objective of establishing common understanding and expectations for GCF-funded activities. | | | United States |
| 39 | Privileges and immunities | Recommends to the UN General Assembly that the Assembly consider providing an institutional linkage between the UN and the GCF that is consistent with the status of the Fund and the powers vested in the Board and a Secretariat that is fully independent and accountable to the Board, as stated in the | See page 2 of the submission from the African Group: https://unfccc.int/sites/default/files/resource/AGN.pdf . | | African Group ^b |

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| | | Fund's Governing Instrument, as approved by the COP in decision 3/CP.17. | | | |
| 40 | Decision-making process | Requests the GCF Board to prioritize development of procedures for approving decisions between meetings that ensure such decisions are consistent with the guiding principles of transparency and accountability. | This policy is critical to allow the Board to take time-sensitive decisions between meetings in a consistent manner. Source: <ul style="list-style-type: none"> GCF Rules of Procedure paragraph 41 GCF Governing Instrument paragraph 3 | | United States |
| 41 | Eligibility | Recalling that all developing country Parties to the Convention are eligible to receive resources from the Fund. | Source: GCF Government Instrument, paragraph 35 | COP/CMA | G77 and China |
| 42 | Eligibility | The lack of progress on agreeing eligibility criteria for the Fund, including elements of full and incremental costs. | | | African Group ^b |
| 43 | Eligibility and financial instrument | A call for the GCF to ensure that the financial instrument required is analyzed on the basis of each project and on the needs of each country, regardless of which developing country is behind the project. | Governing instrument, eligibility criteria. | COP/CMA | LMDCs |
| 44 | Financial instrument | Stresses the importance of grant-based resources for African countries and other developing countries, particularly for adaptation, and further stressing that climate action should not lead to increase in debt for African countries and other developing countries. | | | African Group ^b |
| 45 | Policies on financial terms and conditions | Urges the GCF to finalize policies on the review of the financial terms and conditions of GCF instruments and concessionality, incremental costs, and co-financing. | These policies have been discussed for several Board meetings and should be finalized during 2020. Source: GCF Board decision B.19/06, paragraph (d) | | United States |
| 46 | Financial resources | It is critical to maintain adequacy and sustainability of the fund. | | COP/CMA | G77 and China |
| 47 | Replenishment | Welcomes with appreciation the launch of the process of the first formal replenishment | Source: Report of the GCF to COP 25, paragraph 7 | | G77 and China |

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| | | of GCF, while urging developed countries to increase their pledges dramatically to the GCF-1 replenishmentso as to ensure the sustainability of the Fund. | | | |
| 48 | Replenishment | [The EU] remain[s] committed to work towards a timely, well-managed and successful replenishment process and its outcome for the GCF, noting that contributions from other potential contributors outside the EU are essential to ensure an ambitious collective replenishment. | | | EU ^c |
| 49 | Replenishment | Welcomes the process of the first official replenishment of the GCF (GCF-1) and (endorses its outcomes endorsed by the B.24) and encourages other potential contributors, Parties, sub-national actors, private sectors, to join the GCF-1. | It is necessary to ensure some reference as the COP to the first official replenishment of the GCF. Source: Report of the GCF to COP 25, pages 25–27 | COP/CMA | Japan |
| 50 | Replenishment | The first replenishment process reflects the level of ambition envisaged by the Parties to the Convention and Paris Agreement, reflecting “new, additional, adequate and predictable financial resources to developing countries and will catalyze climate finance, both public and private, and at the international and national levels”. | | | African Group ^b |
| 51 | Allocation of financial resources | A call for the GCF to allocate an appropriate level of resources from the replenishment process to the readiness programme, to the results-based payments programme and to a window to generate NDC implementation plans. | | COP/CMA | LMDCs |
| 52 | Initial resource mobilization | Concerns that despite pledges made during the Initial Resource Mobilization period, a number of pledges remain (a) unfulfilled and (b) no commitment agreements have been signed for the outstanding pledged amount. | | | African Group ^b |

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| 53 | Scientific data for project preparation | A request for the GCF to ensure that sufficient additional resources are provided for countries that request it in order to generate scientific information related to possible projects or programmes. | This is related to the continuous request of the GCF to provide more scientific information regarding funding proposals. Where this information is not available, developing countries should be provided resources to generate it or should be able to use IPCC level information, given that the fact they need resources to generate extensive information for project to address their need for resources makes no sense. | COP/CMA | LMDCs |
| 54 | Scientific data for adaptation strategies | Invites the GCF and GEF within their existing modalities to enhance the provision of support for developing countries to produce more accurate and reliable information and data on adaptation. | Work conducted by the AC in the last years revealed that one challenge to the design of appropriate adaptation strategies is the availability and accessibility of climate-related data and information. In some cases, it is not only a problem of accessing the information, but also of adequately informing communities on the climate change risks and impacts in a clear and comprehensive way. | | AC |
| 55 | Technology | Welcomes with appreciation efforts by the GCF to support climate technology, including by developing an approach to support incubators and accelerators and conducting activities to strengthen the linkages with the Technology Mechanism and invites the GCF to consider how to continue this programmatic focus in the first replenishment period of the GCF. | Source: <ul style="list-style-type: none"> Report of the GCF to COP 25 (Section 10.3, paragraph 151) Decision 5/CP.24, paragraph 3(e): COP 24 urged the Board to address policy gaps, including on the request for proposals to support climate technology incubators and accelerators, in accordance with GCF Board decision B.18/03 | | TEC |
| 56 | Technology | Welcomes the continued collaboration between GCF and Climate Technology Centre and Network (CTCN) and notes the potential for strengthened collaboration to address high priority needs to support transformational change shared across numerous countries. Requests that the Board to consider addressing these needs through support for large multi-country projects sponsored by the CTCN through its country-driven approach. | The GCF and CTCN were created simultaneously in 2010 and designed to work together. Closer cooperation between GCF and CTCN has been mandated by the COP, and increased GCF funding of technical assistance, in line with both GCF priorities and country requests to the CTCN, would be the best embodiment of that cooperation. CTCN and GCF collaboration has been increasing, such as through a number of readiness projects approved to date. The GCF has reported very positive experiences with the CTCN as a service delivery partner, due in part to the CTC's large Network as well as its experience and expertise in navigating the project | COP/CMA | Canada |

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| | | Notes the benefit of CTCN engagement in readiness proposals in helping build the GCF project pipeline, and encourages greater engagement by the GCF of technology focal points in project decision-making. | <p>development process. As such, collaboration with CTCN has also resulted in reduced transaction costs for the GCF.</p> <p>Both the GCF and the CTCN are placing increased priority on regional projects to enable greater impact and efficiency. The CTCN has the partnerships and processes in place to deliver help identify and deliver on multi-country projects addressing high priority needs on a regional level.</p> <p>The regional approach of the CTCN is already leading to multi-country thematically focused approach for GCF readiness proposals at a sub-regional level and has the potential of regional harmonisation and market aggregation which would lead to greater private sector interest. This also ensures economies of scale for GCF along with adhering to the country-driven approach.</p> | | |
| 57 | Technology | Welcomes the GCF's efforts to enhance the reporting of technology-related activities in funding proposals and encourages the GCF to continue to facilitate tracking of technology investments and its reporting. | <p>The GCF Governing Instrument mandates (paragraphs 35 and 38) that GCF will finance agreed full and agreed incremental costs for activities to enable and support enhanced technology development and transfer, including innovative approaches.</p> <p>Source: Report of the GCF to COP 25, paragraph 100</p> | COP/CMA | TEC |
| 58 | Technology | Invites the GCF to enhance the information in its reports to the COP on how the GCF has collaborated with the CTCN and the TEC in enhancing support for technology development and transfer in accordance with the Technology Framework adopted by decision 15/CMA.1. | <p>The technology framework under the Paris Agreement provides overarching guidance to the work of the Technology Mechanism in the thematic areas of innovation, implementation, enabling environment and capacity-building, collaboration and stakeholder engagement and support. Actions and activities highlighted under its thematic area of support highlight the importance of enhancing collaboration of the Technology Mechanism with the Financial Mechanism for enhanced support for technology development and transfer.</p> <p>Source: Report of the GCF to COP 25, section 5.4</p> | COP/CMA | TEC |
| 59 | Technology | Concerns that COP decision 7/CP.21 remains un-implemented, despite a clear mandate in | | | African Group ^b |

| No. | Subject | Proposed draft guidance ^a | Rationale and source ^a | To be considered by | Proposed by |
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| 60 | Technology for agriculture | paragraph 38 of the Governing Instrument to “to consider ways to provide support, pursuant to the modalities of the GCF, for facilitating access to environmentally sound technologies in developing country Parties, and for undertaking collaborative research and development for enabling developing country Parties to enhance their mitigation and adaptation action”. | | | African Group ^b |
| 61 | Indigenous peoples | Invites the GCF to prioritize funding for projects for adaptation actions that include specific and direct access for indigenous peoples. | <p>Source:</p> <ul style="list-style-type: none"> • Report on the joint meeting on available tools for the use of indigenous and traditional knowledge and practices for adaptation, needs of local and indigenous communities and the application of gender-sensitive approaches and tools for adaptation, organized by the AC and the NWP, which was held in Bonn, Germany, from 1 to 4 April 2014ⁱ • Decision 1/CP.16 • Paris Agreement • Decision 1/CP.21 • GCF Board decision B.15/01 | | AC |

| No. | Subject | Proposed draft guidance ^a | Rationale and source ^a | To be considered by | Proposed by |
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| 62 | Independent accountability mechanisms | Welcomes the establishment of a robust independent accountability mechanism and requests the GCF to ensure the smooth functioning of the independent units including through prompt approvals of their budgets and work plans. | Source: Report of the GCF to COP 25, section 10.3, paragraph 151 | | United States |
| 63 | Cooperation with other institutions | Encourages the Fund to expand and promote the cooperation with other operating entities of the Financial Mechanism on climate change as well as other multilateral and bilateral organizations, which is conducive to play its role and spread the influence of combating the climate change. | Source: GCF Government Instrument, paragraphs 33 and 34 | COP/CMA | G77 and China |

^a Reproduced as contained in the respective submissions. The acronyms in this column are not defined in the acronyms and abbreviations list at the end of the document.

^b Submission by the Arab Republic of Egypt on behalf of the African Group of Negotiators.

^c Submission by Finland and the European Commission on behalf of the European Union and its Member States.

^d Workshop report available at https://unfccc.int/sites/default/files/resource/ac15_8a_ps_report_final.pdf.

^e Paris Agreement Article 7.5: Parties acknowledge that adaptation action should follow a country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems, and should be based on and guided by the best available science and, as appropriate, traditional knowledge, knowledge of indigenous peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions, where appropriate.

^f Gender Action Plan paragraph 10: The Gender Action Plan aims to ensure the respect, promotion and consideration of gender equality and the empowerment of women in the implementation of the Convention and the Paris Agreement.

^g GCF Indigenous Peoples Policy Para. 10. The overall objective of this Policy is to provide a structure for ensuring that activities of GCF are developed and implemented in such a way that fosters full respect, promotion, and safeguarding of indigenous peoples so that they (a) benefit from GCF activities and projects in a culturally appropriate manner; and (b) do not suffer harm or adverse effects from the design and implementation of GCF-financed activities. The Policy will allow GCF to promote its approach in a consistent way and improve outcomes over time. Par. 11. The specific objectives of this Policy are as follows: (m) To recognize and operationalize indigenous peoples' equitable access to the benefits of GCF-funded activities.

^h GCF Environmental and social policy Par. 3. In carrying out its mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, GCF will effectively and equitably manage environmental and social risks and impacts, and improve outcomes of all GCF-financed activities. This policy presents the commitments of GCF and articulates the principles and standards to which GCF will hold itself accountable. Through this policy, GCF will require that all GCF-supported activities will commit to: ... (c) Give due consideration to vulnerable and marginalised populations, groups, and individuals, local communities, indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by GCF-financed activities.

ⁱ Meeting report available at <https://unfccc.int/sites/default/files/resource/docs/2014/sbsta/eng/inf11.pdf>.

Annex II Compilation of information from submissions on the draft guidance to the Global Environment Facility

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| 1 | Welcoming – work programme | The EU welcomes the approval by the GEF Council in June 2019 of the biggest work program of USD 865.9 million including four Impact Programs intended to further catalyze transformational change and thereby the start of the implementation of the GEF-7 Programming Directions and Policy Recommendations. | | | EU ^b |
| 2 | Welcoming – climate change focal area strategy | The EU welcomes the actions taken by the GEF on incorporating innovation and technology development and transfer into the overall GEF-7 Climate Change Focal Area Strategy. The shift towards low-GHG-emission and climate-resilient development pathways, to support the overall mitigation targets of and adaptation efforts under the Paris Agreement is of utmost importance. | | | EU ^b |
| 3 | Welcoming – fiduciary standards | Welcomes development of GEF’s fiduciary standards, including new anti-money laundering and countering the financing of terrorism policy requirements. | | | Australia |
| 4 | Welcoming – GEF-7 emission reductions | Welcomes the doubling of GHG emission reductions during this programming period despite a 36 per cent reduction in funding for the climate focal area. | | | Australia |
| 5 | Welcoming – GEF-7 programming approach | Welcomes enhanced and efficient programming approached adopted for GEF. | | | Australia |
| 6 | Fiduciary standards | Welcomes the GEF Secretariat’s ongoing comprehensive review and forthcoming update of the GEF’s minimum fiduciary standards and requests that updates on this work be included in the GEF’s report to COP 26. | This is a positive step towards ensuring that the quality and effectiveness of the GEF’s minimum fiduciary standards are maintained and, where possible, improved upon. Contingent on the GEF Council’s approval of these updated standards at its 57th Council Meeting, we look forward to the complete, | | United States |

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| | | | <p>third-party assessment of GEF Agencies' compliance, including on anti-money laundering and countering the financing of terrorism.</p> <p>Source:</p> <ul style="list-style-type: none"> • GEF document GEF/C.55/Inf. 15 Review of the minimum fiduciary standards of GEF agencies: preliminary findings (page 8) • GEF document GEF/C.56/07/Rev.01 Status of agencies' compliance with minimum requirements on anti-money laundering and countering the financing of terrorism (page 2) | | |
| 7 | Fiduciary standards | Welcomes the GEF Council's decision to begin the process of developing improved fiduciary standards, including anti-money laundering and counter-terrorism finance policy. | <p>There is a need of measures to improve the management of GEFs funds towards the projects in order to collaborate with the transparency of the agency's operations and the agency alliance.</p> <p>Source: Policy: GA/PL/02, latest update on December 20, 2018</p> | COP/CMA | Argentina, Brazil, Uruguay |
| 8 | Co-benefits across focal areas | The EU encourages the GEF to pursue a coherent approach between focal areas by prioritizing projects with co-benefits in other areas, such as prioritizing projects in areas of environment and biodiversity that also provide co-benefits in the areas of adaptation. | | | EU ^b |
| 9 | Adequacy of resources | Due to the sharp decrease on climate change in the GEF-7, the GEF should pay high attention to the adequacy of the resources to ensure its sustainability. | | COP/CMA | G77 and China |
| 10 | Adequate and predictable funding under GEF-8 | <p>Reiterates the call to donors to ensure a robust 8th Replenishment in order to assist developing country Parties in assessing their needs and priorities, in a country-driven manner, including technological and capacity-building needs, to translate climate finance needs into action.</p> <p>Also requests donors to enhance their pledges to ensure that the provision of financial support to the</p> | <p>Noting the importance of the existing allocation for climate change, the GEF should be requested to further consider the needs and priorities of developing countries in the allocation for the climate change focal area in the next replenishment period.</p> <p>GEF should continue to provide resources for the CBIT, TNAs, and other initiatives such as expanded constituency workshops (ECWs), in</p> | COP/CMA | Argentina, Brazil, Uruguay |

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| | | <p>developing country Parties is balanced between adaptation and mitigation activities.</p> <p>Requests the GEF to allocate provisions in the climate change focal area of its 8th Replenishment for supporting developing country Parties in undertaking and updating technology needs assessments and piloting priority technology projects to foster innovation and investment.</p> | <p>an effort to enhance the abilities of developing countries to assess their needs and priorities and to translate climate finance needs into action.</p> | | |
| 11 | STAR allocation | <p>Urges the donors to maintain an ambitious STAR allocation at a level that allows the developing country Parties to comply with the conventions commitments and implement projects that address the global environmental benefits within the framework of the national priorities.</p> <p>Takes note that indicators outside the environmental conventions, such as GDP per capita to determine country allocations, do not reflect the challenges and needs that our countries are facing in terms of mitigation and adaptation to climate change, conservation and sustainable uses of biodiversity, land degradation, pollution and waste management, among others.</p> | <p>Among the multiple benefits of STAR are the predictability of funding and the flexibility of its programming, which contributes to countries' ownership of this financial mechanism and the proper preparation of GEF projects and programs in terms of budgets and capabilities.</p> <p>The STAR formula the weight of the parameter GDP results in insufficient allocations of funds for the developing countries, which is a region that can maximize environmental benefits globally.</p> <p>Source: Policy: GA/PL/01 Guidelines: GA/GN/01, approved on June 26, 2018</p> | COP/CMA | Argentina, Brazil, Uruguay |
| 12 | Co-financing | <p>Highlights that co-financing depends on the capabilities of the developing country Parties.</p> | <p>Co-financing in projects depends on the capabilities of the countries and the co-finance ratio should not be taken as mandatory rule.</p> <p>Source: Policy on Co-Financing, FI/PL/01, approved on June 26, 2018</p> | COP/CMA | Argentina, Brazil, Uruguay |
| 13 | Co-financing | <p>GEF to report, for each climate-related project/activity its approving and funding under GEF-7, how the co-finance ratio has been calculated and decided, and any useful information or difficulties encountered on that, including consideration of the role of the concerned GEF implementing/executing entity.</p> | | | African Group ^c |

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| 14 | Reflows | GEF to report on any savings/gained incomes/benefits it is making through any financial instruments or other mechanism for any funded project/activity, and how it expects to use/spend it. This has also to take into account time/period. | | | African Group ^c |
| 15 | Financial instruments | The GEF to report, in its annual report to the COP/CMA, for each contribution it is receiving from Annex II Parties or from any other contributor, in accordance with those Parties/Contributors (NatComs, BRs, BTRs...), which financial instrument(s) the GEF is using to allocate or provide financial resources to developing countries, now and in the future, through the GEF modalities and procedures. | This guidance is provided to assess, if developing countries are accessing the GEF resources and receiving funding through the same financial instruments, they have been provided to the GEF by Annex II Parties, other contributors, donors. | | African Group ^c |
| 16 | Environmental and social safeguards | Highlights that the implementation of an environmental and social policy should be focused on training/capacity-building for Agencies and Executing partners in order to reach a strengthen risk management system on environmental and social aspects and to improve the sustainability and efficiency of the institutions. | Agencies should be involved with the project executors and interested stakeholders to such extent that they consider whether all or part of the environmental and social framework that is available can be used. Source: Policy on Environmental and Social Safeguards D/PL/03, approved on December 20, 2018, latest update on June 13, 2019 | COP/CMA | Argentina, Brazil, Uruguay |
| 17 | CBIT | A request for the GEF to allocate additional resources to CBIT and ensure that all requests presented by developing countries are addressed, without imposing a cap. | GEF has informed countries that they only had 50 million dollars for CBIT and with an imposed cap of 1 million per country (which was arbitrarily overlooked in certain cases). Very few countries could access it and on a one time only opportunity, which is far from addressing their capacity-building needs to appropriately fulfil the transparency requirements of the PA. | COP/CMA | LMDCs |
| 18 | CBIT | Urges and requests the GEF to make arrangements to support the establishment and operation of the Capacity-building Initiative for Transparency as a priority reporting-related need, including through voluntary contributions to support developing | Developing countries can request resources to implement the need to build capacity at the national level to meet enhanced transparency | COP/CMA | Argentina, Brazil, Uruguay |

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| | | country Parties in the eight replenishment of the GEF and future replenishment cycles, to complement existing support under the GEF. | <p>requirements as defined in Article 13 of the Paris Agreement:</p> <ol style="list-style-type: none"> 1. Activities to strengthen national institutions for transparency-related activities in line with national priorities; 2. Activities to provide relevant tools, training, and assistance for meeting the provisions stipulated in Article 13; 3. Activities to assist with improvement of transparency over time. <p>Source: Programming Directions for the Capacity-building Initiative for Transparency, GEF/C.50/06, May 18, 2016</p> | | |
| 19 | NCs/BRs/BTRs | <p>The GEF to provide in its annual report to the COP/CMA a synthesis/compilation on how Annex I Parties include in their NCs/BRs/BTRs:</p> <ul style="list-style-type: none"> • Definition of adequacy of the financial resources mobilized and provided in response to developing countries' needs for adaptation and mitigation actions and activities; • Definition of predictability of the financial resources mobilized and provided in response to developing countries' needs for adaptation and mitigation actions and activities. | | | African Group ^c |
| 20 | Accreditation | Highlights the importance of enhancing country ownership and open a new round of accreditation of implementing agencies, so that new national and regional agencies can join the current portfolio of GEF agencies. | <p>Efficiency in project implementation: it is key that GEF encourage implementing agencies to work on a country demand basis and in accordance with their comparative advantages.</p> <p>Open a new accreditation process would allow achieving direct access to funds, strengthening national capacities, improving results, and national ownership of projects, with the consequent simplification of management processes, avoiding implementation costs borne by current agencies (considered to be timely the accreditation of agencies that have been</p> | COP/CMA | Argentina, Brazil, Uruguay |

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| | | | accredited in the framework of other international financial organizations, such as the GCF and the AF). Source: Accreditation of GEF Project Agencies, PR/IN/04, May 21, 2012 | | |
| 21 | Eligibility | Recalling that all developing country Parties to the Convention are eligible to receive resources from the Fund, including the support of the CBIT in GEF-7. | Sources and reference: Report of the GEF to COP 25, paragraph 64 | COP/CMA | G77 and China |
| 22 | Eligibility | A request for the GEF to provide resources to all developing countries that request them, in the context of the UNFCCC. | Political blockades to developing countries should not prevent the operating entities of the Financial Mechanism of the UNFCCC from fulfilling their role. | COP/CMA | LMDCs |
| 23 | Eligibility | GEF to include in its annual report to the COP/CMA, any conditionality (or eligibility/accessibility criteria) put by Annex II Parties or any contributor/donor, on how they want the financial resources they're providing to developing countries be allocated, provided or disbursed. | | | African Group ^c |
| 24 | Private sector | Welcomes the constitution of the Private Sector Advisory Group and requests an update on the GEF's forthcoming private sector strategy and subsequent private sector engagement in the GEF's report to COP-26. | The constitution of the Private Sector Advisory Group (PSAG) is a positive step towards deepening the GEF's private sector engagement. We look forward to further updates on the work of the GEF Secretariat and the PSAG in this area. Source: • GEF document GEF/C.56/Inf.05 Private Sector Advisory Group Composition | | United States |
| 25 | Gender | The EU welcomes progress in implementing the GEF's Gender Strategy and a gender responsive approach, and encourages the GEF to continue the integration of gender equality throughout all of its activities. | | | EU ^b |
| 26 | Reporting on technology | Invites the GEF to enhance the information in its reports to the COP on: | (a) The technology framework under the Paris Agreement provides overarching guidance to the work of the Technology Mechanism in the | COP/CMA | TEC |

| No. | Subject | Proposed draft guidance ^a | Rationale and sources ^a | To be considered by | Proposed by |
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| | | <p>(a) How the GEF has collaborated with the CTCN and the TEC in enhancing support for technology development and transfer in accordance with the Technology Framework adopted by decision 15/CMA.1;</p> <p>(b) Private sector engagement in response to decision 10/CP.23;</p> <p>(c) Activities that build upon results achieved by projects funded by the Poznan Strategic Programme on Technology Transfer;</p> <p>(d) The GEF's response to COP guidance on technology-related matters.</p> | <p>thematic areas of innovation, implementation, enabling environment and capacity-building, collaboration and stakeholder engagement and support. Actions and activities highlighted under its thematic area of support highlight the importance of enhancing collaboration of the Technology Mechanism with the Financial Mechanism for enhanced support for technology development and transfer.</p> <p>(b) COP 23 encouraged the GEF to further enhance engagement with the private sector, including in its technology projects.</p> <p>(c) The Poznan strategic programme's regional climate technology transfer and finance centres were established to generate lessons learned to help inform the Technology Mechanism. In addition, there are potential synergies in the activities undertaken by the centres and the Climate Technology Centre and Network.</p> <p>(d) To enhance understanding of GEF s response to COP guidance.</p> <p>Source: Report of the GEF to COP 25: (a) part III, section 4; (b) Part II, section 2; (c) Paragraphs 158 and 161–164; (d) Part I (e.g. page 8)</p> | | |
| 27 | TNAs | <p>Welcomes the financial support provided by the GEF to developing countries for conducting Technology Needs Assessments (TNAs) and encourages the GEF to continue to provide such support to developing countries for conducting or updating their TNAs.</p> <p>It further encourages the GEF, in collaboration with the GEF country focal points, to promote the utilization of TNAs to facilitate the financing and implementation of technology actions prioritized by the countries in their TNAs, within the scope of its mandate and its operational modalities.</p> | <p>To determine their climate technology priorities, countries undertake technology needs assessments (TNAs). A TNA supports national sustainable development, builds national capacity and facilitates the implementation of prioritized climate technologies to support climate mitigation and adaptation actions.</p> <p>Source: Report of the GEF to COP 25, paragraph 181</p> | | TEC |

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|------------|--|---|--|----------------------------|--------------------|
| 28 | TNAs and TAPs | Welcomes the GEF's continued prioritization of climate technology and encourages the GEF to continue to explore how Technology Needs Assessments and Technology Action Plans (TAP) relate to NDC implementation and NAP processes. | It is important to reiterate that while the GEF prioritizes climate technology investments, it does not actively do so through regional centres of the CTCN. There are no set aside resources available to support regional centres or the CTCN, as these elements were not included as part of the GEF-7 replenishment package. Countries can choose to include the CTCN in their project design in a country-driven manner, but so far this has not really happened. We understand the continual effort by the GEF to align the TNAs and TAPs with the NDC and NAP process to be positive steps towards efficient and effective climate reporting. | | United States |
| 29 | Technology and the GEF focal points and NDEs | Invites the GEF to encourage continued collaboration between GEF country focal points and the national designated entities for technology development and transfer, including on the use of STAR allocations, to support the implementation of climate priorities included in their NDCs. | Strengthened collaboration between GEF country focal points and the national designated entities (NDEs) for technology development and transfer would enhance coherence between the support provided by the GEF and that provided by the CTCN for technology transfer activities. Source: Report of the GEF to COP 25, page 9, paragraphs 2 and 7 | | TEC |
| 30 | Supporting the GEF focal points | Requests the GEF to guide implementing entities that deliver small donations to coordinate project definition and implementation processes with focal points in each country. | There is a significant need to increase capacities for the definition of projects and implementation processes in our countries. | | AILAC |
| 31 | Evaluation | The EU takes note of the first evaluation of the GEF by the Multilateral Organization Performance Assessment Network and welcomes its recommendations. | | | EU ^b |
| 32 | Evaluation | Welcomes the GEF Council's decision to update minimum requirements for evaluation for all GEF-financed activities, and encourages stakeholders such as expert bodies to support evaluation activities directly and through steering committees of work | The credibility of the evaluation process should be enhanced significantly with the involvement of expert international organizations, academic institutions and private sector entities if conducted in a comprehensive, balanced and | | Japan |

| No. | Subject | Proposed draft guidance ^a | Rationale and sources ^a | To be considered by | Proposed by |
|-----|---|---|--|---------------------|-------------|
| | | programs, and provide outside perspectives and expertise in a balanced, and credible manner. | transparent manner in accordance with the stakeholder engagement policy. Source: GEF/ME/C.56/02/Rev.01, paragraph 68 | | |
| 33 | Evaluation | Requests the GEF to enhance disclosures on private sector involvement in the evaluation process, in accordance with relevant GEF policies, in order to facilitate private sector participation and preventing potential conflicts of interest and potential reputational risks to the Convention. | It is imperative to increase transparency and regular disclosures on actors and activities of the private sector for accountability, in order to stimulate further investor interest under ESG as well as to prevent conflicts of interest and potential reputational risks to GEF and the Convention. Currently, disclosures on the private sector are limited in work program documents. Source: GEF/ME/C.56/02/Rev.01, SD/GN/01 | | Japan |
| 34 | Disclosure of monitoring and evaluation information | Welcomes the GEF Council's decision to enhance reporting requirements for work programs, particularly improving the disclosure of monitoring and evaluation documents and data on the website, and urges that any issues requiring attention be reported promptly. | The need to enhance disclosure and immediately address and report on problems surfacing at work projects is critical to retaining credibility and limiting reputational and financial risk of the GEF. Foreign Policy reported on an incident of this nature linked to an energy efficiency project, highlighting the need for enhanced monitoring and evaluation procedures. Source: GEF/C.56/03/Rev.01, Annex I, GEF/C.55/07/Rev.01, GEF/C.56/05/Rev.01 | | |
| 35 | Scientific data for adaptation strategies | Invites the GCF and GEF within their existing modalities to enhance the provision of support for developing countries to produce more accurate and reliable information and data on adaptation. | Work conducted by the AC in the last years revealed that one challenge to the design of appropriate adaptation strategies is the availability and accessibility of climate-related data and information. In some cases, it is not only a problem of accessing the information, but also of adequately informing communities on the climate change risks and impacts in a clear and comprehensive way. | | AC |
| 36 | Adaptation communications | Invites the GEF, in line with its existing mandate, to consider channelling support to developing country Parties for the preparation and submission of their | The AC would like to reiterate this invitation from decision 9/CMA.1, paragraph 20, in order to emphasize the importance of expediting | | AC |

| <i>No.</i> | <i>Subject</i> | <i>Proposed draft guidance^a</i> | <i>Rationale and sources^a</i> | <i>To be considered by</i> | <i>Proposed by</i> |
|------------|--|--|---|----------------------------|--------------------|
| | | adaptation communications, as a component of, or in conjunction with, other communications or documents, including a NAP, a NDC as referred to in Article 4, paragraph 2, of the Paris Agreement, and/or a national communication. | support from the GEF to developing country Parties for the preparation and submission of their adaptation communications. For those developing country Parties that choose to submit their adaptation communication as a component of, or in conjunction with, their NDC, many are currently in the process of revising their NDC and may be looking for resources. | | |
| 37 | Stakeholder engagement in impact programmes | Encourages the GEF to improve multi-stakeholder engagement to effectively implement multi-regional/multi-focal-area work programs, such as the Impact Programs, to minimize duplication of effort and to maximize impact. | An increase in the size and scope of work programs through the impact programs necessitate the involvement of multiple appropriate stakeholders, in order to better analyze the barriers to, and enablers of, scaling and transformation in the respective areas and to minimize duplication of effort by other international organizations. For example, GEF, by involving such relevant entities, as appropriate, through its Partner Agencies in work program steering committees could avoid such incidents, while maximizing impact (e.g. Involve the relevant focal/partner agencies of Collaborative Members of Forests for effective implementation of climate/forest-related programs, for example). Source: GEF/STAP/C.56/Inf.04 | COP/CMA | Japan |
| 38 | Reporting on the engagement of non-governmental actors | Invites GEF to prepare information on the participation of non-Parties such as the private sector, enterprises and non-governmental organizations in various areas of climate, so that Parties can obtain clearer judgments in up-coming reports. | Source: http://www.thegef.org/partners | | G77 and China |
| 39 | Cooperation with other institutions | Encourages the GEF to expand and promote the cooperation with other operating entities of the Financial Mechanism on climate change as well as other multilateral and bilateral organizations, which is conducive to play its role and spread the influence of combating the climate change. | | COP/CMA | G77 and China |

| <i>No.</i> | <i>Subject</i> | <i>Proposed draft guidance^a</i> | <i>Rationale and sources^a</i> | <i>To be considered by</i> | <i>Proposed by</i> |
|------------|---------------------------------|--|--|----------------------------|--------------------|
| 40 | Asset management by the trustee | The EU welcomes the progress made on developing Responsible Investment Guiding Principles by the World Bank as Trustee of the GEF and looks forward to the proposal to be presented in the GEF Council for an ESG Investment Strategy for the GEF Trust Fund as soon as possible, so as to ensure that the asset management by the trustee is aligned with the goals set in the Paris Agreement. | | | EU ^b |
| 41 | Additional guidance to the GEF | With the new programming priorities and policy recommendations for the GEF-7, Parties should carefully consider whether new guidance from the COP is needed at this juncture. | | | EU ^b |
| 42 | LDCF | The EU recognizes the work done by the GEF secretariat in relation to the graduation of the LDCs in the context of the LDCF as reflected in document GEF/LDCF.SCCF.25/Inf.06 Information Note on Least Developed Countries Fund Support for Graduating Least Developed Countries. | | | EU ^b |

^a Reproduced as contained in the respective submissions. The acronyms in this column are not defined in the acronyms and abbreviations list at the end of the document.

^b Submission by Finland and the European Commission on behalf of the European Union and its Member States.

^c Submission by the Arab Republic of Egypt on behalf of the African Group of Negotiators.

Annex III Outcome of discussions on the 2020 Biennial Assessment and Overview of Climate Finance Flows

I. General outline of the technical report of the 2020 Biennial Assessment and Overview of Climate Finance Flows

A. Acknowledgement

1. Summary and recommendations by the SCF on the 2020 BA, including tracking, follow-up and review of recommendations from 2014, 2016 and 2018 BAs.

B. Introduction

2. Background and objectives: set the scene – context of COP decisions, including decision 4/CP.24, paragraphs 4 (taking into account best available science) and 5 (use of established terminology in provisions of the Convention and the Paris Agreement in relation to climate finance, where applicable).
3. Scope: explicit explanation of what the 2020 BA will do (i.e. metadata analysis and overview/summary of existing publicly available information; mapping available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof).
4. Challenges and limitations (e.g. practical difficulties in estimating domestic flows, private flows and other unreported or underreported flows with any certainty; follow-up on gaps and challenges identified in previous BA).
5. Approaches used in preparing the 2020 BA:
 - (a) Clearly outline what the BA is: describe where the data have been sourced from, time period, data coverage and how the data were aggregated (e.g. how the different types of subflow are categorized in the onion diagram, how “pledged” versus “committed” versus “disbursed” are treated, etc.);
 - (b) Clearly describe where the data on “geographical” and “thematic balance” come from and how they are aggregated and categorized.

C. Chapter I – Methodological issues related to transparency of climate finance

Boxes/case studies

6. Key messages, new developments and trends.
7. Brief summary/update on ongoing technical work related to transparency of climate finance, including operational definitions:
 - (a) Compilation of definitions of climate finance and criteria used by various institutions, and compilation of information on how Parties define mitigation and adaptation in their national communications, biennial reports, biennial update reports, NDCs, NAPs and nationally appropriate mitigation actions;
 - (b) Comparison of approaches used in reporting climate finance, including sector-based methodologies, methodologies for estimating mobilized private finance, and domestic climate finance tracking systems.
8. Information on emerging methodologies for measuring mitigation and adaptation finance outcomes.

9. Information on emerging methodologies relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.
10. Review recommendations from the 2014, 2016 and 2018 BAs.

D. Chapter II – Overview of climate finance flows in 2017–2018

Boxes/case studies

11. Key messages, new developments and trends.
12. Mapping of data availability and gaps by sector, geographic area, thematic distribution and financial instrument/asset class.
13. Updated onion diagram, including information on trends since the 2014 BA with respect to flows, thematic and geographical distribution and financial instruments used and taking into account lessons learned from the 2018 BA (e.g. sectors, country classifications):
 - (a) Estimates of global total climate finance flows, including international and domestic flows;
 - (b) Climate finance flows from developed to developing countries;⁵
 - (c) UNFCCC funds;
 - (d) South–South cooperation on climate finance;
 - (e) Information on financial instruments used.
14. Evaluation of the quality of data, including clear identification of the uncertainties associated with each source of data and description of how the quality of measurement and reporting is assessed, and the completeness of data (e.g. clearly outline the sources of data uncertainty, clearly describe the assessment of the quality of data as ‘relatively certain’, ‘medium certain’ or ‘relatively uncertain’, and clearly present the scale of completeness of data from ‘low’ to ‘high’).
15. Update of available data sets that integrate climate change considerations into insurance, lending and investment decision-making processes and that include information relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.
16. Reflection of perspectives of recipient countries.
17. Identification of emerging sources of data (e.g. cities).

E. Chapter III – Assessment of climate finance flows

Boxes/case studies

18. Key messages, new developments and trends.
19. Introduction.
20. Thematic objectives and geographical distribution of climate finance flows to developing countries:
 - (a) Thematic objectives of climate finance;
 - (b) Geographical distribution of climate finance;

⁵ For the purpose of the overview of climate finance in the BA, various data sources are used to illustrate flows from developed to developing countries, without prejudice to the meaning of those terms in the context of the Convention and the Paris Agreement, including but not limited to Parties included in Annex II/Annex I to the Convention to Parties not included in Annex I to the Convention and MDBs; OECD members to non-OECD members; OECD DAC members to countries eligible for OECD DAC official development assistance; and other relevant classifications.

- (c) Additionality of climate finance provided.
21. Effectiveness of climate finance: ownership, needs and impacts:
- (a) Access to climate finance (e.g. challenges, lessons learned and improvements since the 2018 BA);
 - (b) Pledges, approvals, commitments and disbursements of climate finance;
 - (c) Ownership;
 - (d) Alignment of climate finance with investment needs and plans, including in the context of NDCs and NAPs;
 - (e) Reported results and impacts of climate finance: selected insights and experience;
 - (f) Leverage and mobilization;
 - (g) Technology cost.
22. Global total climate finance, and developing country flows in context:
- (a) Total investments by sector and region, including in high-carbon energy;
 - (b) Estimates of subsidies;
 - (c) Subsidies and financing measures affecting forests and land-use change;
 - (d) Global finance at risk from climate change.
23. Drivers of climate finance flows.
24. Special topics/issues, such as gender and climate finance, forest finance, financial instruments to address loss and damage, technology investment and climate-resilient infrastructure.

F. Chapter IV – Mapping information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof

Boxes/case studies

- 25. Key messages.
- 26. Introduction.
- 27. Scope.
- 28. Challenges and limitations.
- 29. Ongoing activities and initiatives such as investment portfolios, regulatory initiatives, voluntary private sector disclosures, integrating climate risk in investments.
- 30. Additional information and data sets (e.g. metrics, approaches, methodologies, etc.).
- 31. Impact of transformation on real economy.

G. Annexes**H. FAQs****I. Glossary****J. References****K. List of abbreviations****L. Boxes/case studies (in relevant chapters)**

32. Possible examples:

(a) Metrics for assessing progress in the alignment of portfolios of international financial institutions, institutional investors, etc.;

(b) Systems and tools used for integrating climate change considerations into investment strategies and decision-making processes in the mainstream investment, lending and insurance sectors;

(c) Available information relevant to Article 2 of the Paris Agreement;

(d) Small island developing State perspective on climate finance flows;

(e) Efforts to avoid double counting within the BA;

(f) Perspectives on the links between development and climate in providing and accessing finance;

(g) Financial instruments on addressing the potential increased cost of finance due to the integration of climate change risk.

II. Workplan, including milestones, indicative timeline and outreach activities

33. Outreach is an important component of the BA preparation process, particularly for data collection and review, as well as for work in the context of decision 4/CP.24, paragraph 10, and could primarily be achieved using the following outreach activities:

(a) **Technical meetings** organized as stand-alone technical expert workshops in collaboration with partners and/or in conjunction with the SCF. An initial collaborators meeting was held on the margins of SB 50 in June 2019. The first technical meeting could be held in conjunction with SCF 22 in the first quarter of 2020. The second technical meeting could be held in the second or third quarter of 2020, with the themes of the meetings to be confirmed;

(b) In issuing the **call for evidence** the SCF may wish to consider recommendation (o) of the 2018 BA: “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”;

(c) **Data collection** from national reports under the Convention, other reports, and statistical systems, as well as from institutions that provide climate finance, through surveys and desktop research.

| Possible milestones and an indicative timeline (as at 5 October 2019) | | | | | | | | | |
|---|-----------|-----------------------|----|-------------------|-------------------------|--------------------------|--------------------|----|------|
| Activities and deliverables | 2019–2020 | | | | | | | | 2021 |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| Phase I: developing and finalizing the outline | | | | | | | | | |
| Scope, structure and annotated outline | | | | | | | | | |
| Phase II: research and drafting | | | | | | | | | |
| Literature review | | | | | | | | | |
| Engagement with data providers, producers and aggregators | | Collaborators meeting | | | First technical meeting | Second technical meeting | | | |
| Open call for evidence period | | | | | | | | | |
| Phase III: developing the BA | | | | | | | | | |
| Developing the first-, second- and third-order drafts of the technical report | | | | First-order draft | Second-order draft | Third-order draft | | | |
| Working group discussions on first-, second- and third-order draft chapters of the technical report | | | | | | | | | |
| SCF discussions on draft report | | | | | SCF 22 | SCF 23 | SCF 24 | | |
| Drafting and finalizing the summary and recommendations | | | | | | First-order draft | Second-order draft | | |
| Consolidating the final draft of the technical report | | | | | | | | | |
| Phase IV: publication | | | | | | | | | |
| Layout, design and production | | | | | | | | | |
| Development of web-based content | | | | | | | | | |
| Phase V: outreach and dissemination | | | | | | | | | |
| Website updates on the development of the report | | | | | | | | | |
| Updates at SCF side events at COPs and sessions of the subsidiary bodies | | | | | | | | | |
| Meetings with constituted bodies (to be confirmed) | | | | | | | | | |
| Communication and promotion of the technical report and the summary and recommendations | | | | | | | | | |
| Webinars and launch event at COP 26 | | | | | | | | | |
| Continued outreach | | | | | | | | | |

Annex IV

Outcome of discussions on the 2020 report of the Standing Committee on Finance on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

I. Outline of the first report of the Standing Committee on Finance on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

A. Acknowledgement

B. Executive summary

1. Key findings.

C. Mandate and scope

2. Mandate stemming from decision 4/CP.24, paragraph 10.
3. Scope and approaches used in preparing the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement:
 - (a) Description of the sources of information and data, time period, coverage, and how the different information and data from national, subregional, regional and global reports were categorized, aggregated and presented;
 - (b) Description of the approach taken by the SCF in determining the needs of developing country Parties;
 - (c) Other considerations taken in the preparation of the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, for example gender consideration, indigenous peoples, consultative process, etc.

D. Overview of available information on the needs of developing country Parties

4. Key findings.
5. Introduction.
6. Qualitative and quantitative information and data available on the needs of developing countries relating to implementing the Convention and the Paris Agreement, according to:
 - (a) Information and data from national reports by theme, geography and sector, for example from NDCs, NAPs, biennial update reports/national communications, technology needs assessments, country programmes developed for the GCF, the GEF and/or the Adaptation Fund, city climate action programmes, as applicable, other national climate change policies and strategies, as well as national development plans;
 - (b) Information and data from regional and subregional reports, strategies, programmes (e.g. country programmes), policies, etc., by theme, geography and sector, for example from regional and subregional reports on needs in Africa, Asia-Pacific, Eastern

Europe, and Latin America and the Caribbean, including from bilateral and regional agencies and banks;

(c) Information and data from global reports, policies and programmes, by themes, geographies, sectors, etc., for example from multilateral agencies, United Nations programmes, multilateral development banks.

Boxes/case studies/visualizations.

E. Processes and approaches for determination of needs in developing country Parties

7. Key findings.
8. Introduction.
9. Institutional arrangements.
10. Country experience (e.g. boxes/case studies).

F. Underlying assumptions and methodologies used in determining the needs of developing country Parties

11. Key findings.
12. Introduction.
13. Overview of methodologies and approaches used in determining the needs of developing country Parties: indication of advantages/disadvantages/challenges of each methodology/approach.
14. Mapping of criteria and views used by countries and other stakeholders in determining the needs of developing country Parties, both in relation to goals (temperature goals or sectoral goals), with differentiation between adaptation and mitigation, and identification of common trends and views used in determining needs.

Boxes/case studies/visualizations.

G. Challenges, opportunities and gaps in determining the needs of developing country Parties

15. Key findings.
16. Introduction.
17. Information gaps and limitations.
18. Opportunities for enhancing the determination of needs.
19. Insights into determining needs with available resources (country case studies and experience).
20. Issues identified by countries and regional and multilateral institutions on concerns and obstacles faced in determining the needs of developing country Parties, as well as opportunities:
 - (a) For example, level of indebtedness, relevant credit worthiness, policies related to finance (co-financing requirements, results-based finance, etc.), instruments available and cost of finance;
 - (b) Co-benefits related to addressing the needs of developing country Parties, such as the Sustainable Development Goals, disaster risk reduction, the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda.

Boxes/case studies/visualizations.

H. Annexes

I. FAQs

J. Glossary

K. References

L. List of abbreviations

M. Boxes/case studies

II. Workplan, including outreach activities, for the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

21. Delivery date: 2020.

A. Mandate(s) and objectives

22. COP 24 requested the SCF to prepare, every four years, a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement for consideration starting at COP 26 at CMA 3 (hereinafter referred to as 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement).⁶

23. COP 24 also requested the SCF, in preparing the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, to collaborate, as appropriate, with the operating entities of the Financial Mechanism, the subsidiary and constituted bodies, multilateral and bilateral channels, and observer organizations.⁷

B. Overall approach

24. Building on the experience of the SCF in developing comprehensive assessments, such as the BAs, SCF 20 agreed that the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement will be prepared following the BA approach, namely comprising **technical work** and **work at the Committee level**. The technical work allows the SCF, with the support of the secretariat and external expertise, to gather information and data on developing countries' needs to inform its **work at the Committee level**.

25. The technical **work** combines literature review with technical and expert meetings, webinars and outreach activities, involving data providers and other contributors that have experience in determining developing countries' needs at the national, regional and global level. This involves data and information gathering from a range of sources and databases, including national reports submitted by Parties to the UNFCCC, external databases and other related national, regional and global reports that provide quantitative and qualitative information on the needs of developing countries. Hence, the organization and

⁶ Decision 4/CP.24, para. 13.

⁷ Decision 4/CP.24, para. 14.

implementation of the **technical work** follows a ‘**hub-and-spokes**’ approach. The figure below shows this approach, with the SCF being the hub and the different types of contributor being the spokes. This approach allows the SCF to gather the necessary information and methodologies for preparing the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, while also building the collaborators network for subsequent reports.

26. The **work at the Committee level** involves reviewing the technical work and providing further guidance. It also involves identification of key findings from the technical work, compiling the identified determination of needs of developing countries in relation to implementing the Convention and the Paris Agreement, and the possible preparation of potential recommendations for the COP.

‘Hub-and-spokes’ approach



27. The technical work also aims to enhance engagement with Parties, the operating entities of the Financial Mechanism, the subsidiary and constituted bodies, multilateral and bilateral channels, and observer organizations, including those that produce aggregate data and information on needs. For example, the SCF can closely engage with, in addition to Parties, a wide variety of institutions that produce and aggregate information on needs at the global and regional level, including on issues relating to methodologies and approaches for determining needs. Such institutions include United Nations agencies, constituted bodies under the Convention, MDBs, bilateral development finance institutions, international organizations, research institutions and think tanks, private sector financial institutions, academia and civil society organizations that operate in developing countries. In addition, Parties and various institutions can participate in the meetings of the SCF and dedicated technical meetings and other outreach channels that the SCF wishes to establish, such as webinars. Engaging with Parties and data producers and aggregators allows the SCF to produce a robust report.

C. Modalities

28. The two co-facilitators of the SCF working group on the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement have been selected from within the SCF membership and are appointed to guide the technical work both intersessionally and at SCF meetings. The co-facilitators are supported by the secretariat.

29. To ensure sufficient rigour, the technical work will consist of five phases as outlined below. Each phase will be led by an external consultant and coordinated by the secretariat, under the guidance of the co-facilitators of the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement:

(a) Phase I – developing and finalizing the outline of the report. This phase involves developing the scope, structure and annotated outline;

(b) Phase II – research and drafting. This phase involves:

(i) Data collection from available sources and types of information on the needs of developing countries;

(ii) Technical meetings organized as stand-alone technical expert workshops in collaboration with partners and/or in conjunction with SCF meetings;

(iii) A call for evidence to gather inputs from data providers and aggregators, Parties and institutions that have undertaken work on the determination of needs, covering data availability and gaps, and information on methodologies and approaches;

(c) Phase III – developing the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. This phase includes the iterative drafting of the technical report and presenting it for feedback at SCF meetings. The SCF will discuss and confirm whether the report will include recommendations;

(d) Phase IV – publication. This phase includes developing the layout, graphic design and website content ahead of the finalization and dissemination of the report;

(e) Phase V – outreach and dissemination. This phase includes:

(i) Regular updates on the UNFCCC website regarding the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, linked to the home page of the SCF;⁸

(ii) Side events at sessions of the COP and the subsidiary bodies, as part of SCF side events, to provide updates on progress and to exchange information in relation to similar initiatives outside the Convention.

30. Within the SCF, an open-ended working group will participate in the intersessional technical work. This may involve, inter alia, providing input and reviewing the drafts of the individual chapters and the final draft of the report, including through written comments and dedicated webinars. The results of the phases of work will feed into the work of the dedicated SCF working group on the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement.

31. The outputs (e.g. draft chapters, technical papers, scoping document) will be disseminated to the SCF for consideration. The SCF working group, led by the two co-facilitators, will complete the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement with the assistance of the secretariat and consultants.

⁸ <https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties-related-to-implementing-the-convention-and->

32. The secretariat will guide and monitor the day-to-day operations of the external consultants. To build and maintain institutional memory, the external consultants will conduct their work and interact with external collaborators jointly with the secretariat.

Possible milestones and an indicative timeline (as at 4 October 2019)

| Activities and deliverables | 2019–2020 | | | | | | | | 2021 |
|---|-----------|-----------------------|----|-------------------|---|--|--------|----|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| Phase I: developing and finalizing the outline | | | | | | | | | |
| Scope, structure and annotated outline | | | | | | | | | |
| Phase II: research and drafting | | | | | | | | | |
| Literature review | | | | | | | | | |
| Engagement with data providers, producers and aggregators | | Collaborators meeting | | | First technical meeting (theme to be confirmed) | Second technical meeting (theme to be confirmed) | | | |
| Open call for evidence period | | | | | | | | | |
| Phase III: developing the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement | | | | | | | | | |
| Development of first-, second- and third-order drafts of the technical report | | | | First-order draft | Second-order draft | Third-order draft | | | |
| Working group discussions on the first-, second- and third-order draft chapters of the technical report | | | | | | | | | |
| SCF discussions on the draft report | | | | | SCF 22 | SCF 23 | SCF 24 | | |
| Drafting and finalizing the summary and recommendations (to be confirmed) | | | | | | | | | |
| Consolidation of the final draft of the technical report | | | | | | | | | |
| Phase IV: publication | | | | | | | | | |
| Layout, design and production | | | | | | | | | |
| Development of web-based content | | | | | | | | | |
| Phase V: outreach and dissemination | | | | | | | | | |
| Web updates on the development of the report | | | | | | | | | |
| Updates at SCF side events at sessions of the COP and the subsidiary bodies | | | | | | | | | |
| Meetings with constituted bodies (to be confirmed) | | | | | | | | | |
| Communication and promotion of the technical report and the summary and recommendations (to be confirmed) | | | | | | | | | |
| Webinars and launch event at COP 26 | | | | | | | | | |
| Continued outreach | | | | | | | | | |

Annex V 2019 Forum of the Standing Committee on Finance: “Climate finance and sustainable cities”

III. Introduction

21. The theme of the 2019 SCF Forum was “Climate finance and sustainable cities”. The objective of the Forum was to enhance understanding of how to accelerate the mobilization and delivery of climate finance for the development of sustainable cities by:

(a) Bringing together key stakeholders to share good practices and lessons learned in financing sustainable cities and integrating climate considerations into cities’ broader domestic infrastructure, development and urban planning processes;

(b) Identifying challenges faced at the city level in accessing and attracting climate finance, and sharing information on available support;

(c) Exploring the role of climate finance in facilitating the development of inclusive, participatory, gender-responsive and youth-oriented cities.

22. The Forum⁹ took place in Beirut, Lebanon, from 12 to 13 September 2019, and was hosted by the United Nations Economic and Social Commission for West Asia. The Forum was organized with financial contributions from Australia and Norway, and from the United Nations Economic and Social Commission for West Asia, the Union for the Mediterranean and the Islamic Development Bank.

23. About 130 participants attended the Forum, representing municipal and national governments, global city networks, financial institutions (including multilateral development banks, multilateral climate funds and international commercial banks), bilateral agencies, international organizations, United Nations agencies, think tanks and civil society.

24. The Forum was organized into four thematic parts and eight sessions on various aspects of climate finance and sustainable cities (see figure 1).

Figure 1

Organization of the 2019 Forum of the Standing Committee on Finance

| | | |
|---|--|--|
| Part I (sessions 1 and 2) Climate finance and sustainable cities <ul style="list-style-type: none"> ○ <i>Importance of cities in climate action</i> ○ <i>Climate finance in the context of cities’ sustainable development</i> ○ <i>Urban sustainability solutions for key sectors and financing needs</i> | | |
| Part II (sessions 3 and 4) Planning and financing sustainable cities <ul style="list-style-type: none"> ○ <i>Sources of climate finance for cities</i> ○ <i>Innovative financing mechanisms and instruments for cities’ climate action</i> ○ <i>Cities’ financial needs and investment priorities</i> | Part III (sessions 5 and 6) Capacity-building and enabling environments for mobilizing and accessing climate finance for sustainable cities <ul style="list-style-type: none"> ○ <i>Access to climate finance at the city level</i> ○ <i>Project preparation and readiness support for city-level actors</i> ○ <i>Incentivizing private sector engagement</i> | Part IV (sessions 7 and 8) Role of climate finance in building more inclusive sustainable cities <ul style="list-style-type: none"> ○ <i>Empowering groups in vulnerable situations</i> ○ <i>Enabling environments for inclusive growth</i> ○ <i>Potential of MSMEs in funding climate action at the city level</i> |

25. The following modalities were used for in-depth discussion at the Forum:

⁹ The programme, presentations and slides, and recordings are available on the 2019 SCF Forum web page 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>.

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

(b) Breakout group sessions, which consisted of case study presentations to initiate in-depth group discussion on best practices and lessons learned and to identify challenges and possible solutions for overcoming them;

(c) Plenary sessions for reporting back on the breakout group discussions and identifying key findings.

26. Multimedia tools were used to stimulate interactive discussion at the Forum, including videos to introduce the discussion objectives and resource persons, and pre-recorded and real-time virtual presentations by guest resource persons.¹⁰

27. The secretariat conducted a survey of the participants to evaluate the organization of the Forum from both the substantive and the logistical perspective. The outcomes of the survey are available online.¹¹

IV. Key findings

A. Climate finance and sustainable cities

28. Climate change impacts in urban sectors cause a domino effect, whereby the consequences for one sector have an impact on other sectors. Many international development agendas highlight the close linkages between climate action and urban sustainable development: they must be complementary at all levels and across all sectors, and cities must be supported in their efforts to mainstream climate change and sustainable development in their development plans and strategies.

29. National governments have an important role to play in establishing enabling environments and policy frameworks for the transition to low-emission and climate-resilient economies. Moreover, sustained multi-level governance integration of NDCs and NAPs is important for making a more concerted effort towards building sustainable cities.

30. Although cities are crucial to a low-emission and climate-resilient future, a lack of finance and access to finance is a major barrier preventing cities, particularly in developing countries, from realizing their sustainability ambitions. Furthermore, it was emphasized by some that existing development finance institutions and multilateral development banks are often constrained by their mandates and balance sheets to work directly with cities or to mobilize climate investment for cities at the pace and scale required. In addition, the long and complex application procedures of international climate funds act as another barrier to cities' access to finance.

31. Cities have communicated their need for defined, set-aside, predictable and accessible climate finance. There is a gap of USD 1.8–2.4 trillion per year in financing for low-emission and climate-resilient infrastructure globally, the majority of which is needed in urban areas. Both public and private finance need to be fully harnessed to fill the gap, and cities must be provided financial and technical support for mobilizing and accessing public and private sources of finance. City networks and partnerships have a crucial role to play in matching supply with demand for climate finance.

32. Cities vary in size, geographical location, fiscal status, creditworthiness and financial autonomy, and they face different challenges in improving their sustainability. Each city requires a nuanced approach to planning and financing to become a sustainable city, and the financial and technical support provided needs to be customized to meet the needs and priorities of the city.

¹⁰ The comments and questions received from participants via the online tool can be found on the 2019 SCF Forum web page.

¹¹ https://unfccc.int/sites/default/files/resource/Forum%20feedback_.pdf.

33. Awareness around climate finance among city-level actors involved in planning and financing sustainable cities must be increased, and their capacity to mobilize and access climate finance should be bolstered. Institutionalizing the capacity of city authorities and creating enabling environments will help to retain the capacity to utilize climate finance for urban sustainability projects in the longer term.

34. Urban sustainability projects must be informed by science in order to ensure that climate finance addresses the core issues of sustainability and resilience. This will also help to maximize the effectiveness and impact of projects funded by climate finance.

35. Urban climate actions should be centred on development benefits to make such actions more meaningful and effective, and help to improve the livelihoods of city residents in developing countries. Communication and engagement with local stakeholders when planning and financing urban sustainability and resilience projects is crucial to ensuring that no one is unintentionally left behind by the projects.

36. Significant differences exist between cities in developing and developed countries, and between cities in different developing countries, in terms of capacity, levels of financial and decision-making independence and, most important, ability to access finance. Many cities in developing countries, for instance, have no functioning capital market, low creditworthiness or no credit rating. If multilateral climate funds and development institutions make interventions based only on the criteria of economic returns or commercial viability, there is a risk that cities in developing countries cannot benefit from the interventions.

37. There are social and economic impacts in transforming conventional cities into sustainable cities, particularly in developing countries and in sectors such as transport and waste management. A just and equitable transition and job creation are crucial for catalysing political decisions required for the shift.

B. Planning and financing sustainable cities

38. Partnerships and joint initiatives among key actors, including cities, global city networks, national governments, and multilateral and bilateral financing institutions, are critical to planning and financing sustainable cities and for:

- (a) Raising awareness around climate finance among local authorities;
- (b) Fostering peer-to-peer learning and building the capacity to mobilize and access climate finance;
- (c) Sending positive political signals to, and fostering confidence and trust within, the private sector.

39. Small cities can join local government associations to cooperate with national governments, global city networks and international support providers, and jointly seek systemic solutions in relation to preparing and implementing urban sustainability projects. Small-scale projects in small cities with similar circumstances and characteristics can be bundled into project portfolios, which can help lower credit risks, reduce transaction costs and streamline project application processes.

40. A number of international and domestic sources of climate finance exist. No single source of finance can meet all the needs of a city; therefore, an urban project may make use of a mix of financial sources from both the public and private sector. The innovative use of domestic sources of climate finance, including green bonds, subnational climate funds and cities' participatory budgets, is being piloted. However, many cities in developing countries need financial and technical support to make use of those sources. In addition, there is a lack of awareness regarding the availability of financial resources and assistance.

41. Financial instruments can be used to help cities overcome fiscal and regulatory barriers to mobilizing financial resources from both public and private sources. However, in some cases, cities may not be empowered, due to national legislation, to directly access international funds. Experts at the city level are best placed to understand those financial and

regulatory barriers, while subnational development banks (and also subregional multilateral development banks and climate funds) may be in a position to advise and assist cities in designing and applying the most suitable financial instruments.

42. In order to unlock private investment, cities must communicate urban sustainability projects in the language of private investors, for example in terms of the risks and returns involved and the project duration. Lack of understanding of the scale of project risk could amplify perceived risk and create the perception among investors that urban sustainability projects entail additional risks and costs.

43. Assessing the investment needs of cities in the context of national investment needs for implementing NDCs and NAPs will help to strengthen the vertical integration of national and subnational actors in striving towards achieving the goals of the Paris Agreement and the SDGs. Meanwhile, engaging with various key climate finance stakeholders in assessing those needs and applying internationally endorsed assessment methodologies can send out positive signals and help to attract potential investors.

C. Capacity-building and enabling environments for mobilizing and delivering climate finance for cities

44. Cities' access to climate finance should be facilitated so that scaled-up climate finance can be channelled to cities for urban sustainability projects. Subnational finance vehicles operated by multilateral climate funds that directly support cities could be created, while including urban climate action in the second round of NDCs could ensure that urban priorities are integrated into national planning processes and help to secure more financial resources for city-level projects.

45. Financial engineering of climate and sustainability investments takes place primarily at the national level, but many of the financiers involved lack understanding of how city finance works and require relevant training and capacity-building. Subnational development banks may have the expertise to meet that need, and can help local and regional governments to expand and diversify their financial resources while helping to build the structural capacity to formulate bankable low-emission and climate-resilient projects.

46. Engaging and collaborating with the financial sector is essential to financing urban sustainability projects. Engaging the sector early, during the project conceptualization stage, is useful as finance experts can help to assess the commercial viability of a project and advise on how the project can be financially structured. Good green investment opportunities at the city level are in high demand, and it should be a priority of cities and other key stakeholders supporting urban sustainability action to engage the financial sector and explore ways of financing urban projects.

47. Engaging local private investors and finding a suitable place for them in urban sustainability projects is important. Such investors should be offered incentives based on reaching milestones that showcase the sustainability outcomes of their activities and their consideration of the characteristics and scale of local businesses.

48. While unlocking private investment is important, a group of participants emphasized that the prospects for economic returns and the commercial viability of projects should not be determining factors for multilateral climate funds and development institutions making interventions.

49. Aligning cities' project proposals with NDCs and the SDGs is important in the project preparation phase as it can help in matching supply with demand for climate finance. Creating interdepartmental working groups within city administrations could help enhance internal coordination in preparing project proposals; while the burden on city governments to develop project proposals internally could be alleviated by delegating part of this function to a dedicated national or subnational agency.

D. Role of climate finance in building more inclusive and sustainable cities

50. City planning and project implementation must be inclusive of all constituencies and groups, including the urban poor, women and youth.

51. At least a quarter of the world's urban population is living in slums and informal settlements, and that proportion is on the rise; yet the urban poor have often been neglected in city project planning and implementation processes. They should be seen as positive change makers and be invited to participate in project planning, preparation and implementation processes. Local and national governments can work together with industry leaders to create green jobs that could benefit both the urban poor and municipalities.

52. Meanwhile, rural areas must not be neglected in development: addressing the development gap between rural and urban areas is important for slowing the rapid urban population growth. Furthermore, when it comes to sustainable urban development, due consideration should also be given to small and secondary cities, not just to megacities.

53. Engaging gender and youth advisers in urban planning could help to ensure that climate finance is used to make cities more sustainable, gender-responsive and youth-oriented. Their opinions and advice should be given due consideration in the project cycle.

54. While building the capacity of women, youth and community leaders is important, building the capacity of local and municipal authorities to understand the linkages between climate change and the economic, social and environmental issues faced by cities, as well as the need to include gender and youth perspectives in sustainable city planning, is equally important.

55. Lastly, attaining political buy-in and financial support for gender and climate change projects, especially from local governments, remains a challenge; and stronger political will is needed to localize and finance climate action.

V. Summary of discussions

A. Climate finance and sustainable cities

56. The world is experiencing rapid urbanization, driven by economic, social and environmental changes. Currently, 55 per cent of the world's population lives in cities, but by 2050 this is expected to rise to 68 per cent, with an additional 2.5 billion people living in urban areas. Cities account for more than 80 per cent of global gross domestic product, which is expected to grow to 88 per cent by 2025.¹² Cities are not only the main drivers of climate change, but also among the most affected by the adverse impacts of climate change, such as extreme weather events. Climate change also affects livelihoods, especially those of people living in cities in developing countries, as it contributes to increases in the price of food, water and energy.

57. Tackling climate change is inherently linked to achieving sustainable development in the context of urban planning and development. City authorities must identify how each sector is affected by climate change and assess the chain reaction that an impact on one sector can cause in another. In this regard, the Cross-Dependency Initiative¹³ provides a tool that can be used to map the cross-cutting impact of climate change across different sectors at the city level.

58. Many international development agendas¹⁴ highlight the linkages between climate change and urban development (see box 1). The linkages demonstrate the importance of

¹² United Nations Department of Economic and Social Affairs. 2019. *World Urbanization Prospects: The 2018 Revision*. New York: United Nations. Available at <https://population.un.org/wup/Publications/Files/WUP2018-Report.pdf>.

¹³ See <http://xdi.systems/>.

¹⁴ Such as the Paris Agreement, the 2030 Agenda for Sustainable Development, the New Urban Agenda and the Sendai Framework for Disaster Risk Reduction 2015–2030.

breaking down divisions and ensuring complementarity between climate action and urban sustainable development activities at all levels.

Box 1

Linkages between climate change and urban development in international agreements

Paris Agreement

Underscores the importance of cities and other subnational authorities taking climate action and being supported in this regard. The United Nations Human Settlements Programme reviewed 160 NDCs and found that 110 (69 per cent) included reference to urban action

2030 Agenda for Sustainable Development

Of 169 SDG targets, 92 (54 per cent) are relevant to local government

New Urban Agenda

Includes 22 references to climate change, climate action and related issues (compared with a single reference in the Istanbul Declaration on Human Settlements and the Habitat Agenda)

Sendai Framework for Disaster Risk Reduction 2015–2030

Includes 30 references to climate change, and urban planning is highlighted as key to strengthening disaster risk governance

Source: http://www.europarl.europa.eu/cmsdata/124169/REGI_2017.06.19_3_R.Tuts_Urban%20Action%20on%20Climate%20Change%20Linkages_UN-Habitat.pdf

59. Subnational governments have a significant role to play in combating climate change. The panellist from the Climate Policy Initiative mentioned that, according to the Organisation for Economic Co-operation and Development, 55 per cent of public financial spending is carried out by subnational governments, and 64 per cent of climate-related spending and investment is at the subnational level.¹⁵

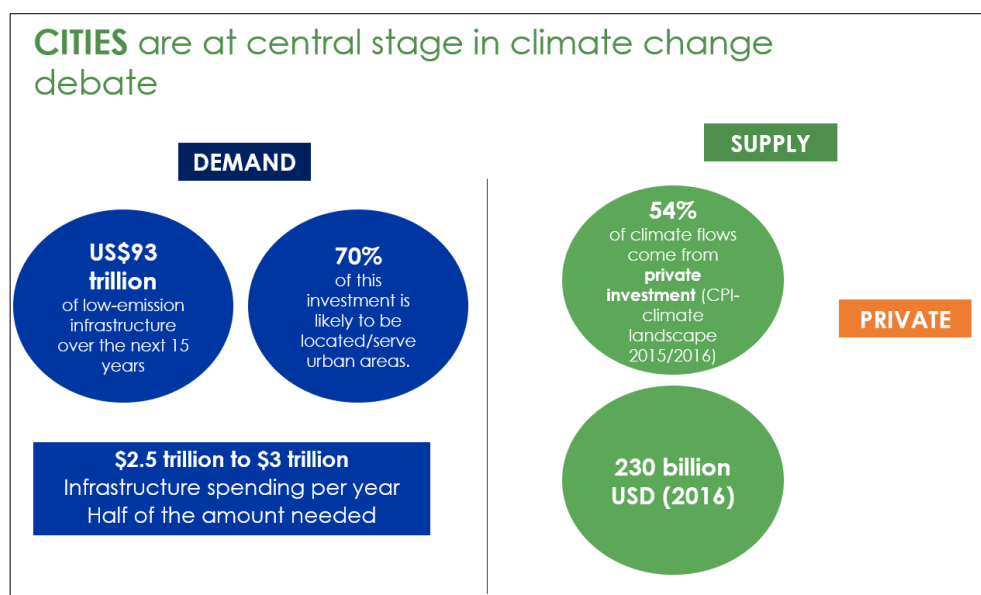
60. According to the Global Commission on the Economy and Climate, a USD 93 trillion investment in low-emission infrastructure is required over the next 15 years, 70 per cent of which is for urban areas (see figure 2). This translates into a per annum investment of USD 4.3–5.4 trillion until 2030; yet the current investment scale remains at USD 2.5–3 trillion per year, which is about half of the amount required.¹⁶ Interpreting the financing needs for urban infrastructure requires a nuanced and regionally contextualized approach given that by 2050 90 per cent of population growth will be concentrated in medium-sized cities in Africa and Asia,¹⁷ and the financing needs of developed countries are focused on maintaining and retrofitting aged infrastructure.

¹⁵ Organisation for Economic Co-operation and Development, World Bank and United Nations Environment Programme. 2018. *Financing Climate Futures: Rethinking Infrastructure*. Paris: Organisation for Economic Co-operation and Development Publishing. Available at <https://www.oecd.org/environment/financing-climate-futures-9789264308114-en.htm>.

¹⁶ Cities Climate Finance Leadership Alliance. 2015. *The State of City Climate Finance 2015*. New York: Cities Climate Finance Leadership Alliance. Available at <http://ccfla.wpengin.com/wp-content/uploads/2015/12/CCFLA-State-of-City-Climate-Finance-2015.pdf>.

¹⁷ United Nations Department of Economic and Social Affairs. 2018. *World Urbanization Prospects: The 2018 Revision*. New York: United Nations. Available at <https://population.un.org/wup/Publications/Files/WUP2018-Report.pdf>.

Figure 2
Estimated demand for and supply of climate finance at the city level



Source: Presentation by Priscilla Negreiros, Climate Policy Initiative. Available at <https://unfccc.int/sites/default/files/resource/Session%201%20Priscilla%20CPI.pdf>.

61. Studies show that there are financial resources, particularly from the private sector, that could be harnessed to fill the financing gap. According to a representative of the New Cities Foundation, there is unprecedented appetite in the private sector, including among institutional investors and pension funds, for investment in climate-resilient infrastructure.¹⁸ However, several barriers to mobilizing and accessing finance for infrastructure investment and sustainable development in cities remain, particularly in developing countries, such as:

- (a) Lack of financial autonomy (e.g. taxation policy managed by the national government, cities not permitted to take on debt);
- (b) Limited financial and human resources and technical capacity to formulate investment-ready climate projects or issue municipal bonds;
- (c) Poor creditworthiness or lack of credit, resulting in limited access to the global financial market;
- (d) Regulations enacted by cities being bound by national priorities;
- (e) Lack of awareness of and capacity to utilize:
 - (i) International sources of climate finance through bilateral and multilateral channels;
 - (ii) Innovative financial instruments that can help cities to collaborate more closely with financial institutions and corporations and harness the potential of private markets.

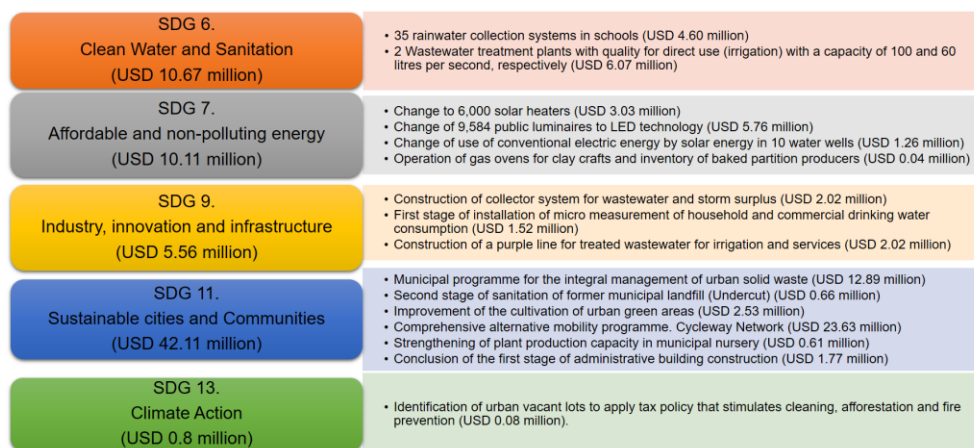
62. Many cities, in both developed and developing countries, are demonstrably committed to carrying out climate action and achieving the SDGs. For example, the Mayor of Metepec, Mexico, shared activities that her city has undertaken, including developing an inventory of greenhouse gas emissions; carrying out vulnerability assessment; mainstreaming climate change in local development strategies and emergency management plans; establishing systems to monitor and report progress towards the SDGs; and joining global city networks in order to form partnerships with other cities.

¹⁸ Kim J. 2016. *Handbook on Urban Infrastructure Finance*. Montreal, Canada: New Cities Foundation. Available at <https://newcities.org/wp-content/uploads/2016/03/PDF-Handbook-on-Urban-Infrastructure-Finance-Julie-Kim.pdf>.

63. Some cities in developing countries (e.g. Metepec, Mexico, which served as a case study) have also started to assess their financing and investment needs for implementing urban sustainability projects, including with specific climate targets and financial requirements (see figure 3). This was highlighted as a useful way to match supply with demand for climate finance. Furthermore, some cities have started to work with the financial sector, including commercial banks and insurance groups, to create climate adaptation bonds and climate-resilience investment vehicles, thereby exploring how to engage the private sector in meeting the financing and investment needs of cities.

Figure 3

Financial needs and investment priorities of the urban sustainability projects of the Mexican city of Metepec



Source: Presentation by Gabriela Gamboa, Mayor of Metepec, Mexico. Available at <https://unfccc.int/sites/default/files/resource/Session%201%20Gamboa%20Metepec.pdf>.

64. National governments play a dual role as enablers and regulators in facilitating climate action at the city level. One panellist, a former minister of environment of Egypt, shared an example from the energy sector: the national Government introduced policy on feed-in tariffs, thereby enabling investment in renewable energy by multilateral development banks and the private sector; and also played a regulatory role by reforming the price structure of electricity and adjusting fossil fuel subsidies while ensuring equity and protecting people in vulnerable situations.

65. Vertical integration that ensures harmonization between national and municipal governments was highlighted as a crucial element of coherent national action towards tackling climate change and achieving sustainable urban development. The absence of such integration can be counterproductive, for example when one major city in a country is advancing climate action while another is taking decisions that are harmful to the environment. The electoral cycle of cities and the consequent turnover of mayors and leadership was also raised as a challenge in ensuring sustained vertical integration.

66. In this context, the discussion addressed how to ensure sustained vertical integration, such as by working with city-level technocrats or assigning a national agency to coordinate the integration. Another important aspect highlighted was the need for city authorities to be aware of the cost of climate change impacts on different sectors (infrastructure, health, water, etc.); the cost of inaction or misaction; and the possibility of accessing and harnessing public and private financial resources to support sustainable urban projects and programmes.

67. Existing challenges in building sustainable cities, and how climate finance could be used to address those challenges in the energy and building, water and waste management, and transportation sectors, were discussed in three breakout groups. Box 2 summarizes the brainstorming discussions.

Box 2

Summary of the brainstorming discussionsPoints that emerged across all three brainstorming groups

- A nuanced approach is needed to address the sustainability challenges faced by cities and exploring possible solutions given the various circumstances and contexts of cities of different sizes and in diverse geographical locations.
- There is a general lack of complementary planning and action across the different sectors. Strong governance, that establishes an urban cross-sectoral framework and empowers one agency to lead the coordination may help to enhance complementary planning and action.
- With blended finance, the limited public finance of municipal governments can be used to improve the risk profile of urban projects and ready them for investment, thereby catalysing additional financial resources from other sources, including the private sector.
- Awareness around climate finance needs to be enhanced among city authorities, local communities, local financial institutions and engineers working on urban projects. In particular, capacity-building on climate finance for city authorities must be institutionalized so that it can be sustained. Furthermore, a platform is needed for city experts in each sector to share best practices and lessons learned in utilizing climate finance to develop sustainable cities.

Points that emerged from the energy and building brainstorming group

- City authorities and investors need to undertake cost-benefit analyses to decide between retrofitting old buildings and building new buildings. Sometimes it makes more economic sense to build new buildings and ‘leapfrog’ into a sustainable city.
- Building codes are an important policy instrument for reducing emissions from urban buildings and structures. Many cities in developing countries need support to develop and implement building codes.
- City authorities and urban project developers require greater access to financial instruments (such as equity finance or guarantees that can de-risk urban housing and energy projects). Scaled-up public finance (e.g. for guarantees) and enabling environments for greening the financial market may help to expand the opportunities available.
- Small-scale energy or housing projects can be bundled into portfolios. This can help to lower credit risks, reduce transaction costs and streamline application processes, which encourages local financial institutions to participate, thus facilitating larger-scale investment.

Points that emerged from the water and waste management brainstorming group

- Rapid urbanization will increase water stress at an unprecedented rate; and solid waste generation will double between 2016 and 2050. Enhancing the science-policy interface is key to ensuring that climate finance is directed to address the core issues in these sectors.
- For example, in the water sector, international support is available to help countries to identify where river basins are most vulnerable to climate change, and to enhance the capacity to develop water projects that are ready to be funded by climate finance.
- Multilateral climate funds offer funding opportunities for projects in the water sector; project proposals need to frame the issue of water from a climate change perspective in order to get funding approval.
- Public policy tools, such as environmental licensing, payment for ecosystem services and collective action approaches, are available to city authorities preparing water or waste projects. However, challenges remain; for example, environmental licensing may increase the time, technology and finance required for project implementation. These public policy tools require the political interest of the people impacted by the project; measuring the impact and effectiveness of the policy intervention and the investment remains difficult.

Points that emerged from the transportation brainstorming group

- Many developing countries prioritize development objectives that are more closely related to livelihoods (e.g. poverty alleviation or public health) over low-emission transportation. In this context, the development benefits of transportation projects (e.g. enhanced mobility and cleaner air) should be emphasized to make transportation projects more meaningful and effective.
- The transportation sector, particularly in developing country cities, is highly dominated by MSMEs. The right incentives and enabling environment are therefore critical to catalyse a green transition in the sector. Public–private partnerships are a policy instrument that can be effective in making climate finance directly accessible to MSMEs.
- Communication and engagement with local stakeholders in a clear and transparent process is crucial to making sure the economies of local transportation businesses (which often depend on conventional fossil fuel-based automobiles) are not sidelined in urban transportation projects.

B. Planning and financing sustainable cities

68. Planning and financing sustainable cities is challenging and complex, but key stakeholders, including city authorities, national governments, global city networks, and multilateral and bilateral financing institutions, are stepping up to jointly assist cities in mobilizing and accessing the climate finance required to plan and finance urban sustainability projects.

69. In this context, the Mayor of the city of Guisser, Morocco, shared the example of a subnational climate finance expertise programme in the country¹⁹ that is a joint initiative of an association of mayors and local governments and is supported by a global city network and the national government. City authorities, particularly in small cities, find such joint initiatives useful because they raise awareness of climate finance among local authorities and help them to develop investment-ready urban sustainability projects.

70. Another example of a city-to-city matchmaking scheme²⁰ was shared by a panellist from Japan. Under the scheme, cities in developing countries are partnered with cities in developed countries on the basis of their financial, technological and capacity-building needs and capacity to meet those needs, respectively. A bilateral support agency coordinates the matchmaking and uses public grants to finance feasibility studies in the developing country city. At the project implementation stage, public funds provide half of the investment requirement, and a consortium of private businesses from the two cities contributes the other half of the investment needed, thereby mobilizing the financial resources required for the project as well as fostering the recipient city's ownership and the long-term sustainability of the project.

71. Such joint initiatives and partnership schemes send positive political signals to and build confidence and trust within the private sector, particularly MSMEs, thereby encouraging them to participate and invest in urban sustainability projects.

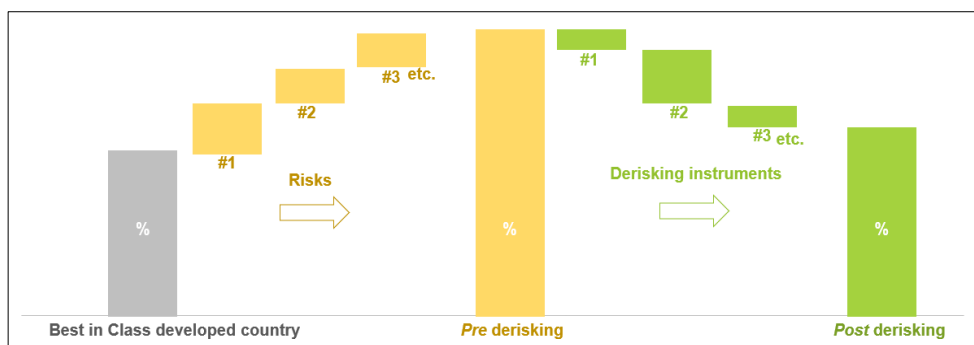
72. Furthermore, public instruments are useful for de-risking urban renewable energy projects. Such projects entail a higher upfront cost, compared with conventional fossil fuel-based energy investment, and the cost of capital is higher in developing countries than in developed countries owing to various perceived and actual risks.²¹ A representative of Lebanon shared how a package of public instruments can assist policymakers and city authorities in developing countries in reducing project investment risk (see figure 4).

¹⁹ See http://www.fmdv.net/Actualites/Actualite_1376.

²⁰ See <http://www.env.go.jp/earth/coop/lowcarbon-asia/english/project/index.html>.

²¹ Including grid or transmission risks, political risks, power market risks, social acceptance risks, financial sector risks and macroeconomic risks.

Figure 4
United Nations Development Programme framework for de-risking renewable energy investment



Source: Presentation by Vahakn Kabakian, Ministry of Environment of Lebanon. Available at <https://unfccc.int/sites/default/files/resource/SCF%20Session%203%20Presentation%20VK%20-%20Lebanon.pdf>.

Building on that example, one participant shared the case of Nicaragua, demonstrating that combining conducive foreign direct investment policy and a long-term power purchasing agreement that spans 20 years can be as effective as a package of public instruments in de-risking urban energy projects.

2. Sources of climate finance for cities

73. There is no single source of finance that can meet all needs of cities. The sources of finance used for urban projects are determined by a number of factors, such as the scale and type of project and the city's fiscal status, creditworthiness and financial autonomy (some cities are not legally permitted to receive grants or loans from an international source). When designing the financial structure of an urban project and identifying possible sources of climate finance, each city's unique circumstances and each project's characteristics must be taken into account.

74. Green bonds can be used to mobilize climate finance at scale by attracting investment from institutional investors and pension funds for both mitigation and adaptation projects. Cape Town, Johannesburg, Paris and Tokyo are examples of cities where green bonds have been used successfully to mobilize climate finance for urban projects, highlighting the potential of green bonds to finance urban sustainability action.

75. However, challenges remain in using green bonds to meet the financing needs of cities in developing countries, including that:

- (a) Many cities are under financial stress due to budgetary constraints and are not sufficiently creditworthy to access the green bond market;
- (b) Issuing green bonds requires a substantial amount of technical expertise and capacity-building;
- (c) There is no internationally agreed standard to designate a bond as 'green', and cities have to rely on national guidelines, which are sometimes not available;
- (d) Determining the eligibility of a project to be funded by green bonds requires certification by a third-party institution, which can increase the project cost.

76. Possible alternative sources of climate finance that developing country cities can tap include subnational climate funds, their participatory budgets, and local or municipal taxation:

- (a) Subnational green funds can make use of limited public funding sourced from the national government to catalyse private investment at the municipal level. The Paris Green Fund, which was initially mobilized with EUR 15 million from the French Government in 2018, has catalysed more than EUR 200 million of investment in urban sustainability projects, mainly from small and medium-sized enterprises, which are required

to showcase positive impacts on urban sustainability, such as creating new jobs, promoting renewable energy and producing social impacts;

(b) Under a city's participatory budgeting process, a mayor decides to set aside a certain percentage of the public urban investment budget for citizens to decide on its usage. Additional resources can be mobilized through crowd-funding among the citizens. Such a scheme can encourage the voluntary participation of citizens and strengthen their ownership of urban sustainability projects;

(c) Although local tax is a potential option for mobilizing financial resources, in many countries taxation policy is managed at the national level and even local taxes require State authorization, so mayors have limited capacity to mobilize a meaningful amount of resources through taxation. In addition, social unacceptability of an additional local tax could place a political burden on the city.

77. Examples demonstrate that no single source of finance can fulfil all the investment needs of a city, and different sources of finance, both public and private, need to be utilized in order to make an impact. Closer communication and collaboration between the environmental and financial divisions of city administrations, and closer communication between governments and the financial sector, are required to match supply with demand for climate finance.

3. Innovative climate finance instruments for cities

78. Innovative financial instruments can help cities to make use of financial resources from both the public and private sectors. Enabling environments and conducive policies are key to cities tapping into the private financial resources available in the investment market, including from pension funds, sovereign wealth funds and institutional investors, through entrepreneurship and innovative financial instruments.

79. Innovative financial instruments are not necessarily "new" instruments. Rather, a financial instrument is considered innovative if it can unlock solutions to problems that the market alone cannot resolve. The circumstances of market failures vary by city and by sector; hence the development and use of innovative financial instruments may vary from city to city. Experts at the city level are best placed to understand the issues that cities face on the ground, such as financial or regulatory constraints. Such experts should therefore be engaged in designing and applying innovative financial instruments for urban sustainability projects. Ways to assist cities in using innovative financial instruments and replicating best practices in other cities of similar size and context include:

(a) Pooling resources within a geographical scope (e.g. a subregion);

(b) Promoting communication and collaboration among key climate finance actors, including subnational development banks, subregional multilateral development banks and climate funds;

(c) Utilizing the initiatives and financing vehicles that support cities in using innovative financial instruments, such as the Global Innovation Lab for Climate Finance²² and the Sub national Climate Fund Africa of R20 – Regions of Climate Action.²³

80. Various financial instruments are used to design the financing structure of an urban sustainability project, and city authorities and urban project designers often engage with private investors. Issues related to urban sustainability and the transition to low-emission and climate-resilient cities need to be appropriately explained to private investors, and they need to be informed of the risks, returns and duration of the proposed project. Investors might otherwise perceive greater risk because of the complex nature of urban sustainability projects and the misconception that they entail additional costs. Furthermore, it can be useful to use the needs and priorities of private investors as a starting point for conceptualizing and designing an urban project.

²² See <https://www.climatefinancelab.org/the-labs/global/>.

²³ See <https://regions20.org/sub-national-climate-fund-sncf-2/>.

4. Cities' financial needs and investment priorities

81. Cities' investment needs and priorities should be assessed in the context of broader national investment needs and priorities for implementing NDCs and NAPs. Given that recent climate finance (at the national and international level) has often been channelled to support action under NDCs and NAPs, aligning a city's investment plan with the respective NDC and NAPs will facilitate its access to climate finance.

82. National governments should reflect urban climate action in NDCs, particularly when preparing the second round of NDCs (to be completed by 2020), so that cities' considerations can be mainstreamed in national planning and more financial resources can be provided for urban projects. Furthermore, national government entities (e.g. ministries of finance) that undertake fiscal policy reform should consider how to support subnational governments in mobilizing and accessing climate finance.

83. Stakeholders often collaborate in assessing the investment needs and priorities of cities. In this regard, a representative of the European Bank for Reconstruction and Development shared information on its Green Cities programme,²⁴ which helps cities to identify their sustainable urban investment needs and priorities and prepare a green city action plan on the basis of a methodology developed by ICLEI – Local Governments for Sustainability. Key stakeholders, such as local communities, civil society, the mayor's office and potential private investors, are involved in assessing a city's needs, identifying priority action areas and developing the action plan. Such plans helped the European Bank for Reconstruction and Development to finance urban sustainability projects and catalysed co-financing by the GCF. Furthermore, engaging with partners from the early stage of the needs assessment, in a transparent manner and in accordance with internationally endorsed methodologies and standards, sends a positive signal to potential investors and lowers the financial risk of private investors.

84. By taking an active role in assessing their financial and investment needs, city-level actors strengthen ownership of their investment plans and project results. Scalability and replicability are keys to ensuring the long-term sustainability of projects.

85. Smaller cities may have identified financial and investment needs that are smaller in scale than others, but they should have an equal opportunity to access domestic and international climate finance. However, examples illustrate that smaller cities often do not have a working relationship with the national government, nor do they have access to public instruments, such as sovereign guarantees. To overcome these challenges, smaller cities can join local government associations so that they can express their needs collectively. Furthermore, national governments and smaller cities can jointly seek systemic solutions to facilitate cities' more independent and regular access to climate finance.

C. Capacity-building and enabling environments for mobilizing and delivering climate finance for cities

86. Urban sustainability projects and climate action entail high upfront cost, but many cities face challenges in mobilizing or accessing international climate finance owing to their low level of capacity or creditworthiness or inadequate enabling environments and policy frameworks. Therefore, cities' capacity to manage their fiscal resources and access to climate finance needs to be strengthened, and national governments need to find systematic ways to localize climate action, particularly at the city level.

87. Although many climate funds and multilateral development banks offer climate finance and capacity-building support for project preparation and implementation, advancing a project to the actual financing stage remains a challenge for many cities. Climate finance access modalities and mechanisms must be decentralized so that cities have more opportunity to access finance and so that funding flows directly to cities for their urban sustainability projects.

²⁴ See <https://www.ebrdgreencities.com/>.

88. New political challenges that hamper the sustainability of urban projects and local climate action emerge with every electoral cycle at both the national and subnational level, as policies are often discontinued when a new government or mayor takes office. In this regard, there is a need to ‘election proof’ cities’ climate action plans so that work can continue uninterrupted even after a change in political leadership.

89. Most financiers lack understanding of how city finance works, and there is an important role for subnational development banks in this regard. For instance, subnational development banks can help local and regional governments to expand and diversify their financial resources, address their structural lack of capacity and formulate and implement low-emission and climate-resilient projects. Similarly, there are international support organizations and development institutions that can provide capacity-building support specifically targeting local government financing institutions. For example, the United Nations Capital Development Fund and the Global Fund for Cities Development are working with RIAFCO, a network of African local government financing institutions, to enhance cities’ understanding of municipal finance instruments and their regulatory and policy context as well as innovative sources of finance (see box 3).

Box 3

Network of African Local Government Financing Institutions

RIAFCO is an innovative network of local government financing institutions across Africa. The network aims to encourage such institutions to cooperate closely on all aspects of decentralization of finance and to build solidarity among its members through peer-to-peer institutional and technical exchanges. It has 11 member countries: Benin, Burkina Faso, Burundi, Cameroon, Côte d’Ivoire, Gabon, Guinea, Madagascar, Mali, Niger and Senegal.

RIAFCO member institutions include FEICOM, FDL and ANICT. Key priorities of RIAFCO member institutions include strengthening institutional capacities and strategic functions such as the budget, accounting and financial functions through peer-to-peer learning and benchmarking. An example of best practice showcased by RIAFCO is FEICOM’s completion of training on how to obtain credit rating from international rating agencies in line with international accounting standards, which was backed by Cameroon’s Ministry of the Economy and Finance. For local government financing institutions, complying with international accounting standards remains a priority so that they can produce reliable financial information for potential investors, lenders and other creditors.

Source: RIAFCO. 2018. *Studies on financial resource sustainability and diversification for Local Government Financing Institutions in Africa*. Yaoundé: RIAFCO. Available at <https://www.uncdf.org/article/3838/studies-on-financial-resource-sustainability-and-diversification-for-local-government-financing-institutions-in-africa>.

90. Building a project pipeline that generates income remains a challenge. While the importance of engaging and collaborating with the private sector is often emphasized, capacity-building in the area of private sector engagement and partnerships for sustainable development is still much needed.

91. Unlocking private finance is essential for meeting the climate and sustainable development needs of cities. A representative of the Hongkong and Shanghai Banking Corporation stressed the importance of engaging the private sector from the early stages of designing urban projects, as the financial sector has the capacity to assess the commercial viability of a project in the initial conceptualization stage and determine the project’s risk–return profile. Good green investment opportunities at the city level are in high demand within the financial sector, and so it is important for city authorities to reach out to the sector and explore all possibilities to unlock private sector investment.

2. Climate finance access and accreditation

92. International climate funds and multilateral development banks still rely predominantly on accredited entities at the national and international level to direct funds. For instance, the GCF currently does not have a subnational financing vehicle that directly

channels funds to city-level sustainability projects and programmes. As a result, under the current structure and modality of the GCF, cities first need to identify and aggregate their mitigation and adaptation needs and present them to the GCF national designated authority, which then relays the information to the GCF and requests support. During that process, cities also need to ensure that their needs are justified in the context of climate change, which can be challenging for city administrations.

93. However, there is growing awareness that small and medium-sized cities should also be offered funding opportunities for their investment-ready climate projects. Thus, there is a need to decentralize access modalities and create subnational financing vehicles that can better reach cities and address their needs.

94. Representatives of city authorities and other stakeholders expressed that they had been largely unaware of the existing international funding mechanisms and programmes, highlighting that city administrations are generally unfamiliar with sources and instruments of climate finance and their capacity constraints in developing and implementing urban projects.

95. While capacity gaps and constraints of cities in accessing finance during all phases of a project cycle were highlighted throughout the discussions, differing views were expressed on the orientation of interventions by multilateral climate funds and development institutions, such as the criteria used for project preparation and support related to capacity-building. One group of participants underlined the importance of de-risking urban projects through public finance and utilizing financial instruments like blended finance to unlock private sector investment. Another group of participants stressed that the prospects for economic returns or the commercial viability of projects should not be the determining factors for multilateral climate funds and development institutions making interventions. If economic returns and commercial viability are the only criteria, many cities in developing countries and the poor will not be reached, contrary to the principle of leaving no one behind set out in the 2030 Agenda for Sustainable Development.

96. While much emphasis has been placed on replicating good practices and sharing lessons learned with regard to capacity-building, the capacity gap between different cities in the world can be immense, not only between cities in developing and developed countries but also between cities in different developing countries. In this context, the range of sizes, characteristics and circumstances of cities was reiterated, and some participants noted that the good practices of a few cities leading climate action may not be directly applicable to or replicable in a large number of other cities. Furthermore, building the institutional capacity of cities is a long-term venture and should be undertaken in parallel with developing regulatory and legal frameworks that enable climate action at the subnational level.

3. Project preparation and capacity-building support for cities

97. Lack of human and institutional capacity at the municipal level makes it challenging for cities to navigate the numerous project preparation facilities and to plan and finance urban sustainability projects. Incubator platforms, such as the ICLEI – Local Governments for Sustainability Transformative Actions Program, which matchmakes cities with suitable project preparation facilities and financiers on the basis of the stage of the project and the city's needs, can help cities to overcome capacity-related challenges.

98. Participants raised some important points relating to preparing project proposals using project preparation facilities. Project proposals need to be fully aligned with NDCs and the SDGs to be eligible for climate finance and should describe specific indicators for measuring the success of the project, the results framework that can be used to assess the indicators and the expected duration of the project to achieve its objectives.

99. For the purposes of project preparation and implementation, internal coordination needs to be strengthened within city administrations, for example by creating interdepartmental working groups involving staff from environmental and financial departments.

100. One way to alleviate the burden of project preparation and capacity-building on local and subnational governments could be to delegate part of those functions to national or subnational agencies. Cities would thus not have to internalize all project preparation tasks

and capacities from the onset, but could make use of support from national or subnational agencies to expedite the process. In fact, there are a number of organizations and groups providing specific expertise and technical assistance to help cities to develop and implement projects that are in line with global climate goals and the SDGs.

4. Incentivizing private sector engagement

101. Awareness and understanding of national climate finance architecture has improved but there is still a general lack of understanding within the private sector and among financiers in both the public and private sphere of how climate finance works at the subnational level. Financiers, who have expertise in the various financing options, including innovative financial instruments,²⁵ need to be trained in the areas of city-level sustainability projects, de-risking urban projects and incentivizing private sector engagement. In this context, participants highlighted the potential role that subnational development banks could play in training financiers and raising awareness and understanding of municipal finance.

102. Private sector entities need to be better informed about sustainable investment opportunities at the city level. In recent years, some multilateral development banks have introduced urban programmes to improve private sector access to climate finance and engagement with cities. However, such programmes still need to be fully mainstreamed in the operations of multilateral development banks and multilateral and bilateral channels of climate finance.

103. Engaging private investors and finding a suitable place for them in the value chain of urban sustainability is important. To this end, financial incentives for the private sector should be offered on the basis of the milestones that they have reached and their activities that have contributed to urban sustainability, taking into consideration the unique characteristics and scale of local businesses. The pace and scale of finance flowing from the international and national level down to the city and local level is currently not enough for efforts towards meeting the SDGs by 2030. Greater efforts must be made to catalyse local climate action through champions, advocacy and follow-up work.

D. Role of climate finance in building more inclusive and sustainable cities

104. Participants discussed possible ways of addressing the needs of urban poor communities and people in vulnerable situations through sustainable urban services and the creation of green jobs.

105. A case study from Egypt was presented, which showed how urban poor communities were supported through a government-led sustainability initiative. The national Government worked with municipalities, the packaging industry and local small and medium-sized enterprises to formally offer contracts for garbage collection work to the urban poor living in informal settlements who had already been voluntarily collecting and recovering up to two thirds of the municipal waste. The national Government worked with multinational packaging companies to create a system of reversing credits so that all garbage collectors in the value chain could be compensated for their work. As a result of this initiative and the close collaboration of the Government with the industry and local small and medium-sized enterprises in the process, every tonne of municipal waste collected created seven jobs, benefiting and empowering the urban poor.

106. Efforts to develop sustainable cities that are more inclusive, gender-responsive and youth-oriented must go beyond stakeholder consultations with the urban poor, gender and youth groups. A representative of the Mediterranean Youth Climate Network shared that many youth consultative bodies stand ready to engage with city authorities on local planning, and that the voices of youth must be taken into consideration in order to make a sustained impact at the city level. Vulnerable communities and minority groups should be assisted in identifying their sustainability needs and priorities and translating their needs into

²⁵ Including risk-sharing, insurance associations, sustainability and green bonds, equity investments and blended finance.

sustainability projects in collaboration with city and national authorities and other partner organizations.

107. Targeted training and capacity-building are needed to empower women and girls to participate in urban sustainability projects, and political and financial support is required to ensure the long-term sustainability of gender-inclusive urban climate action. The Gender into Urban Climate Change Initiative of GenderCC – Women for Climate Justice aims to build local knowledge and skills for climate action from the grass roots. Female trainees were selected from community groups to participate in a sustainable energy training programme. The trainees then became energy advisers to local governments. However, the project was not supported financially by the local government and the trainees had to seek and rely on external funding.

108. Municipal and local authorities have an important role to play in linking climate change with cities' social, economic and environmental issues as well as with broader sustainable development needs. City authorities' knowledge of those linkages needs to be strengthened and their capacities need to be bolstered so that they can adequately address the needs of vulnerable groups. Furthermore, linking climate change with broader development issues could assist city authorities in identifying possible sources of climate finance.

109. Developing rural areas was highlighted as a way to slow migration to urban areas and lessen the burden that rapid urban population growth places on city infrastructure. In the 1980s, authorities in Managua, the capital and the largest city of Nicaragua, were struggling to build and maintain infrastructure for a city of 800,000 people because the pace of urban population growth exceeded the pace of urban infrastructure development. In this context, it was emphasized that development action must not neglect rural areas, and addressing the development gaps between rural and urban areas is also important from the perspective of achieving sustainable development in a balanced manner.

2. Role of climate finance in empowering groups in vulnerable situations

110. The rapid growth in urban populations worldwide has been accompanied by an increase in populations living in informal settlements, slums and poor residential areas. The United Nations Human Settlements Programme estimates that around 25 per cent of the world's urban population lives in slums, and that, since 1990, 213 million more people are now living in slums.²⁶

111. Those living in informal settlements or slums have often been neglected by governments and have not been invited to take part in urban sustainability discussions. They have also been largely excluded from opportunities to make decisions on urban systems and infrastructure. A representative of Shack/Slum Dwellers International, a network of community-based organizations of the urban poor in 33 countries in Africa, Asia and Latin America, emphasized that slum dwellers can be agents of climate action at the community and municipal level and must be seen as able to contribute to solutions. A number of grass-roots initiatives and micro-level climate actions were presented, including the network's work with slum dwellers in greening the streets, collecting and recycling waste and building public toilets. Efforts are also being made in countries like Uganda to introduce small renewable energy solutions for people living in informal settlements.

112. The urban poor living in informal settlements and slums must be integrated into city planning and decision-making, as they have the potential to contribute to sustainable cities and can bring about positive change given the right training and opportunities for participation. Grass-roots networks and federations like Shack/Slum Dwellers International focus on having regular community-level discussions and forums at the city, national and regional level, and aggregating the needs of their communities. They can thus serve as a collective voice of the urban poor and influence politics and decision-making. For instance, these grass-roots networks are participating in global climate action forums, including the discussions of the Global Commission on Adaptation.

²⁶ United Nations Human Settlements Programme. 2015. *Habitat III Issue Papers: 22 – Informal Settlements*. Available at http://new.unhabitat.org/sites/default/files/download-manager-files/Habitat-III-Issue-Paper-22_Informal-Settlements-2.0%20%282%29.pdf.

113. The power of small grants and seed money to be used to advance community and urban projects was emphasized. A representative of Belize presented a project aimed at developing a national resilience strategy action plan by working directly with communities and having them agree on their 10 priority actions. Project administrators received a grant of USD 50,000 from the United Nations Development Programme for the project, which they are using to conduct research and seek additional funding from other donor agencies.

114. Lack of data at the local and municipal level presents a challenge in the context of empowering groups in vulnerable situations in building sustainable cities. There has not been much research focused on sustainability at the subnational and municipal level, and national reports often do not reflect the realities and needs of smaller communities and the poor residential areas in cities. This data gap needs to be addressed to facilitate the development of effective projects, which could be achieved by using grants to fund data collection and by establishing partnerships with local research institutes and universities.

3. Enabling environments for inclusive growth

115. There is a high level of youth activism in relation to climate change, and an increasing number of green and social mentoring initiatives and programmes are being offered to youth. Gender policies are mainstreamed in many multilateral and bilateral institutions channelling climate finance. However, efforts at inclusivity must go beyond simply referencing gender and youth groups in city planning and budgeting processes; these groups need to participate in formulating and implementing projects.

116. Engaging with gender and youth advisers as well as applying gender- and youth-related markers and checklists in preparing urban projects can help to foster more inclusive, gender-responsive and youth-oriented cities. Having gender and youth advisers engaged throughout all stages of designing urban sustainability projects can help to ensure that their needs are reflected in the project. Additional aspects of enabling environments for inclusive growth include strong advocacy for inclusive growth; platforms for sharing experience of urban sustainability action; and social impact projects and entrepreneurship with a climate dimension.

4. Potential of micro-, small- and medium-sized enterprises in funding climate action that can benefit groups in vulnerable situations

117. MSMEs are the main drivers of development in local economies and there is an emerging movement for them to engage in urban sustainability projects. MSMEs' climate-related needs must be matched with the supply of climate finance, including establishing financing criteria and standards specifically for MSMEs at the city level. Financing products and tools are available or being developed for MSMEs in developing countries, such as India and Mexico. A good practice in developed countries is the policy of providing incentives to local MSMEs by allocating 5 per cent of the local government budget for this use so that the financial resources can be directed to support MSMEs.

118. MSMEs have the potential to finance climate action and projects: they can help meet the needs of vulnerable and marginalized groups in their municipalities and cities and support mitigation action at the city level. Developing funding programmes conducive to investment by MSMEs could help to harness the full potential of MSMEs in relation to urban sustainable development. Furthermore, MSMEs must be engaged in cities' climate action and planning processes as key stakeholders.

Annex VI

Enhancing stakeholder engagement: strategic outreach plan

A. Objectives

1. In its deliberations on this matter, the SCF may consider the following objectives:
 - (a) To increase the role of the SCF as a trusted, authoritative, relevant and plugged-in advisor and hub on climate finance, an accelerator, a connector, influencer and an incubator of ideas that produce the best products;
 - (b) To profile the SCF as a bridge between the COP and multilateral and regional institutions and actors in the climate finance landscape;
 - (c) To increase the use and uptake by public and private climate finance audiences of SCF products, including, for example, the findings and recommendations from the BAs, the reports on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, and the SCF Forum;
 - (d) To initiate and enhance existing collaboration with government practitioners and the private sector to improve the coverage and quality of the work of the SCF, including with stakeholders from developing countries.

B. Audiences and stakeholders

2. The SCF may wish to consider identifying specific audiences and how it wishes to enhance outreach to various stakeholders through its targeted areas of work, including Parties, cities and regions, multilateral and regional development finance institutions, the private sector, and research institutions, academia and think tanks:
 - (a) **Parties** – the SCF could consider more coordinated outreach with capacity-building initiatives within the United Nations network, including the Capacity-building Initiative for Transparency, the Initiative for Climate Action Transparency, the NDC Partnership and others, where climate finance capacity is developed. Through these initiatives, findings from SCF outputs may be disseminated and inputs can be invited from developing countries to future SCF products;
 - (b) **Cities and regions** – building on the 2019 SCF Forum on climate finance and sustainable cities, the SCF could consider maintaining and coordinating outreach activities with city-level initiatives and networks, particularly in developing countries, and invite inputs to future SCF products;
 - (c) **Development finance institutions** – the SCF could consider building on existing outreach with multilateral development finance institutions and conduct further outreach to regional development finance institutions in developing countries through networks and bank associations;
 - (d) **Private sector** – building on previous discussions on enhancing outreach and engagement with the private sector, the SCF may wish to consider the policy development required to drive the private sector further, including for example highlighting the investment risk inherent in not taking climate into account, and engaging with existing working groups and task forces working on the regulatory framework to develop standards;
 - (e) **Research institutions, academia and think tanks** – the SCF could consider organizing technical meetings, expert meetings and webinars targeting the scientific community to gather information and data relevant to its respective areas of work, with a particular focus on outreach to researchers in developing countries. In addition, the SCF could consider requesting certain areas of work to be included on the agendas of other research events;
 - (f) **Civil society** – the SCF could consider fostering partnerships with civil society organizations to expand its knowledge base. It could also partner with civil society in organizing key events, such as the SCF Forum.

C. Types of engagement

Dissemination

3. In considering the types of engagement for outreach, the SCF may consider disseminating the knowledge generated through its products by:

(a) Convening a series of dialogues with public and private climate finance actors with various stakeholders (e.g. multilateral climate funds, MDBs, United Nations programmes and climate finance stakeholders from developing countries) at special and side events at the climate change conferences and at other events (e.g. at sessions of the COP and of the subsidiary bodies, high-level ministerial dialogues, pre-COPs);

(b) Providing ‘talking point packs’ for SCF members who engage in climate finance related events, including high-profile events, where a critical mass of decision makers and target audiences is present, such as the annual meetings of the Boards of Governors of the World Bank Group and International Monetary Fund, annual meetings of the MDBs, United Nations General Assembly high-level dialogues on financing for development, the regional climate weeks; the 2019 C40 Cities World Mayors Summit, the 2020 Group of 20 Riyadh Summit and the World Climate Summits convened by networks of institutional investor groups;

(c) Fostering partnerships with networks that provide knowledge brokering and support in disseminating the outcomes of SCF flagship products (e.g. with the Climate and Development Knowledge Network and public and private finance networks in developing countries);

(d) Responding to calls for inputs and submissions from other bodies, institutions or processes to disseminate the findings of SCF products (e.g. the global stocktake, constituted bodies);

(e) Using social media and newsletters to promote the key outcomes of SCF work and interaction with various stakeholder groups through social media channels (e.g. Twitter, Facebook), as well as sharing relevant outputs of partner networks with the SCF. The SCF may explore the use of existing climate finance related newsletters or setting up its own newsletter.

Collection of information and data

4. The SCF may also consider enhancing the collection of information and data in developing its products by, for example, enhancing its strategic outreach to data and information providers from developing countries, through:

(c) **Partnerships** with task forces, working groups or research institutions, regional centres, intergovernmental organizations, multilateral and regional development banks, United Nations programmes (e.g. United Nations Conference on Trade and Development, United Nations Development Programme, United Nations Environment Programme, regional United Nations economic commissions), non-profit organizations and think tanks to widen its knowledge base and address some of the information and data gaps related to its respective areas of work;

(d) Technical meetings and workshops with technical experts to address specific issues related to the work of the SCF. While technical meetings and workshops are currently organized in the context of the BA in conjunction with SCF meetings, the SCF may wish to consider expanding their use to other technical areas of its work, such as the reports on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, or the SCF Forum, as well as to organize meetings in conjunction with other climate finance related events, particularly in developing countries, to increase participation;

(e) **Strengthening calls for inputs and submissions from other bodies, institutions or processes.** The SCF could consider identifying specific stakeholders for outreach, particularly in developing countries, to respond to calls for inputs to SCF products (e.g. the BA, the reports on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, and the SCF Forum);

(f) Surveys to collect data from sources of information other than national reports under the Convention;

(g) Stakeholder engagement at SCF meetings by continuing the practice of enabling virtual participation of nominated stakeholders to contribute to the discussions of the SCF at its meetings and other SCF-related events.

D. Expected outcomes

5. Expected outcomes of the strategic outreach plan could include:

(a) Increased recognition that the SCF is the authoritative body on multilateral climate finance matters and an influencer in the climate finance landscape;

(b) The increased knowledge and awareness of key stakeholders in the climate finance architecture, which can inform their planning and decision-making in strengthening their response to the threat of climate change;

(c) Enhanced coverage and quality of data and information that can be used to inform the development of SCF flagship products;

(d) Partially addressed information and knowledge gaps identified in SCF products (e.g. the BA and the reports on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement).

E. Outreach in 2019–2020

6. The SCF, with the support of the secretariat, could develop and maintain an overview of related events taking place in 2019 and 2020. SCF members who participate in these events would contribute to the discussions relevant to the areas of work of the SCF, through actual or virtual participation, and report back to the SCF on the outcomes of the events at its subsequent meetings.²⁷

²⁷ A preliminary collection of potential outreach events is presented in tables 1 and 2 in SCF document SCF/2019/21/10.

Annex VII

SCF Input to ExCom Technical Paper on Sources of Finance

General Typology of Sources

- A. Development Finance Institutions
 - i. National
 - ii. Bilateral
 - iii. Multilateral
- B. Domestic Budgets
 - i. National
 - ii. Sub-national
- C. Private Sector Facilities
- D. Philanthropies & Civil Society Organizations

General Typology of Instruments

- A. Grants
- B. Debt Finance
 - i. Loans
 - ii. Bonds
 - iii. Credit Lines
- C. Equity
- D. Guarantees
- E. Risk Financing
 - i. Risk Pooling
 - ii. Risk Transfer

Sources/Funds/Facilities

- 1) Adaptation for Smallholder Agriculture Program (ASAP); International Fund for Agricultural Development (IFAD)
- 2) Adaptation Fund (AF); Adaptation Fund Board (AFB)
- 3) Africa Risk Capacity (ARC); ARC Secretariat
- 4) Africa Disaster Risk Financing (ADRF) Program; World Bank/ GFDRR
- 5) Asia-Pacific Disaster Response Fund; The Asian Development Bank
- 6) Canada Caribbean Disaster Risk Management Fund; Global Affairs Canada's Caribbean Disaster Risk Management Program
- 7) Catastrophe Deferred Drawdown Option (CAT DDO); The World Bank (WB)
- 8) Containment and Relief Trust (CCR, formerly Post- Catastrophe Debt Relief Trust, PCDR); International Monetary Fund
- 9) Capital-at-Risk Notes Program, The World Bank
- 10) Caribbean Catastrophe Risk Insurance Facility
- 11) CCRIF Small Grants Programme; The World Bank (WB)
- 12) Catastrophe Containment and Relief Trust; International Monetary Fund (IMF)
- 13) Climate Insurance Fund (CIF); KfW
- 14) ClimDev-Africa Programme; AfDB, the Commission of the African Union, the United Nations Economic Commission for Africa (UNECA)
- 15) Community Disaster Risk Reduction (CDRR) Fund; Caribbean Development Bank (CDB)
- 16) Contingent Credit Facility for disasters (CCF) and Contingent Credit Line for disasters (CCL); Inter- American Development Bank (IADB)
- 17) Climate Risk Early Warning Systems (CREWS), Global Facility for Disaster Reduction and Recovery
- 18) Crisis Response Window; World Bank International Development Association (IDA)
- 19) Disaster Preparedness ECHO; European Commission's Humanitarian Office (ECHO)
- 20) Disaster Prevention Fund and Multi- Donor Disaster Prevention Trust Fund; Inter-American Development Bank
- 21) Disaster Relief Emergency Fund (DREF); The International Federation of Red Cross and Red Crescent Societies
- 22) The EU Emergency Trust Fund for Africa; EU

- 23) Federal Emergency Management Agency (FEMA)/ Agency for International Development (USAID) emergency grants; US Federal Emergency Management Agency
- 24) Food Security Climate Resilience Facility; World Food Programme (WFP)
- 25) MDTF Global Facility for Disaster Reduction and Recovery (GFDRR); The World Bank (WB)
- 26) ACP- EU Global Facility for Disaster Reduction and Recovery (GFDRR); The World Bank (WB)
- 27) Global Climate Change Alliance (GCCA); European Commission (EC)
- 28) Green Climate Fund (GCF); Green Climate Fund Board
- 29) Immediate Response Facility (IRF); Inter- American Development Bank (IDB)
- 30) InsuResilience Investment fund; German Development Bank (KfW)
- 31) International Development Association; The World Bank
- 32) IOM Development Fund; International Organization for Migration (IOM)
- 33) Least Developed Country Fund (LDCF); Global Environment Facility
- 34) Livelihood fund; AFD, FFEM, IUCN, IDB ICRAF
- 35) R4 Rural Resilience Initiative; World Food Programme
- 36) RIICE (Remote Sensing-based information and Insurance for Crops in Emerging Economies); Public-private partnership between GIZ, IRRI and Sarmap and Allianz Re
- 37) Micro-Insurance Catastrophic Risk Organisation (MiCRO) fund; Caribbean Development Bank (CDB)
- 38) Natural Capital Financing Facility; European Investment Bank
- 39) Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI); Geoscience Division, SPC, World Bank, and the Asian Development Bank
- 40) Pilot Programme for Climate and Resilience (PPCR); The World Bank
- 41) Special Relief Fund (SRF); African Development Bank
- 42) Special Climate Change Fund (SCCF); Global Environment Facility (GEF)
- 43) Stand-by Emergency Credit for Urgent Recovery (SECURE); The Japan International Cooperation Agency (JICA)
- 44) START Fund; various CSOs
- 45) UN Central Emergency Response Fund (UN CERF); United Nations

Annex VIII

Draft workplan of the Standing Committee on Finance for 2020

| <i>Activity</i> | <i>Outcomes/results</i> | <i>Time frame</i> |
|--|---|---|
| 1. Mandated activities of the SCF under 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 | 2020 SCF Forum, on finance for nature-based solutions | Pending the adoption of the date and venue by the SCF |
| | Continuous update and implementation of the SCF strategic outreach plan | Ongoing |
| | Established linkages and continued exchange with bodies and entities dealing with climate finance under and outside the Convention | 2020 SCF Forum Ongoing Forum outreach activities |
| | 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 | Ongoing |
| Decision 5/CP.18, paragraph 4: facilitate the participation of the private sector, financial institutions and academia in the Forum | | Ongoing |
| 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 to enhance the dissemination, use and ownership of the accumulated knowledge and expertise gathered at the Forum | Continuous update and implementation of the SCF strategic outreach plan | Ongoing |
| | Established linkages and continued exchange with bodies and entities dealing with climate finance under and outside the Convention | |
| (b) Maintain linkages with the SBI and the constituted bodies of the Convention , including 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 | SCF Co-Chairs inform the presiding officers of the constituted bodies under the Convention about the activities of the SCF and establish working relationships | Annual |

| <i>Activity</i> | <i>Outcomes/results</i> | <i>Time frame</i> |
|--|--|--------------------------------|
| | Continuous update and implementation of the SCF strategic outreach plan | Ongoing |
| | Enhanced linkages with the SBI and the constituted bodies under the Convention | Ongoing |
| (c) Provide the COP with 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 and the CMA | COP 26 |
| Decision 3/CMA.1, paragraph 8: prepare draft guidance for the entities entrusted with the operation of the Financial Mechanism, and on the LDCF and the SCCF, for consideration and adoption at CMA 2 | | COP 26 |
| (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 SCF Forum, as appropriate | Sessions of the COP Ongoing |
| (e) Prepare a biennial assessment and overview of climate finance flows, to include information on the geographical and thematic balances of such flows | Ongoing technical work for the fourth BA, including data collection and engagement with climate finance data producers and aggregators | Outcome at COP 26 |
| 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 effectively be met by climate finance, and include the results in the annual report of the SCF to the COP | | Ongoing |
| 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 | | Ongoing |

| <i>Activity</i> | <i>Outcomes/results</i> | <i>Time frame</i> |
|--|--|-------------------|
| Decision 4/CP.24, paragraph 5: use the established terminology in the provisions of the Convention and the Paris Agreement in relation to climate finance, where applicable | | Ongoing |
| Decision 4/CP.24, paragraph 10: map, every four years, as part of the BA, the available information relevant to Article 2, paragraph 1(c) of the Paris Agreement, including its reference to Article 9 thereof | | Ongoing |
| Decision 19/CMA.1, paragraph 24: prepare synthesis reports for the technical assessment of the global stocktake | | Ongoing |
| 2. Additional SCF mandates: determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement | | |
| Decision 4/CP.24, paragraph 13: the SCF to prepare, every four years, a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement for consideration starting at COP 26 and CMA 3 | Ongoing technical work for preparation of the report | Outcome at COP 26 |
| Decision 4/CP.24, paragraph 14: the SCF to collaborate, as appropriate, with the operating entities of the Financial Mechanism, the subsidiary and constituted bodies, multilateral and bilateral channels, and observer organizations | | Ongoing |
| 3. 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 the engagement of the SCF with all relevant stakeholders and bodies under the Convention | Continuous update and implementation of the SCF strategic outreach plan | Ongoing |
| | Enhanced linkages with the SBI and the constituted bodies under the Convention | Ongoing |
| Decision 8/CP.23, paragraph 14: further strengthen stakeholder engagement | Enhanced stakeholder engagement | Ongoing |

| <i>Activity</i> | <i>Outcomes/results</i> | <i>Time frame</i> |
|---|---|-------------------|
| 4. 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 SCF processes according to the entry points identified in the technical paper | Ongoing |
| 5. Additional SCF mandates: forests | | |
| Decision 7/CP.19, paragraph 11: 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 | 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: the SCF to 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 |