Framework Convention on Climate Change

SCF/2018/19/9

Standing Committee on Finance

21 November 2018

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

Report of the nineteenth meeting of the Standing Committee on Finance

Attendance
Mr. Randy Caruso
Mr. Omar El-Arini (replacement for Mr. Zaheer Fakir)
Mr. Mattias Frumerie
Ms. Fiona Gilbert (replacement for Mr. Edmund Mortimer)
Ms. Outi Honkatukia
Mr. Jonghun Lee
Ms. Erin Marchington (replacement for Ms. Sonja Djukic)
Mr. Mohamed Nasr
Mr. Hussein Alfa (Seyni) Nafo
Ms. Lia Nicholson (replacement for Ms. Diann Black-Layne)
Ms. Vicky Noens
Mr. Paul Oquist-Kelley
Mr. Ayman Shasly
Mr. Toru Sugio (replacement for Mr. Kazuhiro Iryu)
Mr. Pieter Terpstra
Mr. Ismo Ulvila
Mr. Ivan Zambrana Flores

Absent with apologies
Ms. Diann Black-Layne
Mr. Georg Børsting (Co-Chair)
Ms. Sonja Djukic
Mr. Zaheer Fakir (Co-Chair)
Mr. Kazuhiro Iryu
Ms. Edith Kateme-Kasajja
Mr. Edmund Mortimer

1. Opening of the meeting

1. The 19th meeting of the Standing Committee on Finance (SCF) was opened at 9 a.m. on Monday, 29 October 2018.

2. As Co-Chairs Mr. Zaheer Fakir and Mr. Georg Børsting were unable to attend the meeting, the SCF agreed that Mr. Ayman Shasly and Ms. Outi Honkatukia would replace them as Co-Chairs for the meeting.

3. Mr. Ayman Shasly introduced and welcomed the new member Mr. Mattias Frumerie (Sweden) and thanked Ms. Gemma O'Reilly who was replaced by the new member, for her contribution to the SCF. The replacement members for SCF 19 were also welcomed to the meeting.

4. Mr. Shasly announced that to ensure transparency and broad participation, the SCF meeting would be available via Skype broadcast. He also introduced the pilot for enhancing engagement of observer constituency representatives.[1] This pilot included a

[1] See also item 7 below on enhancing stakeholder engagement (paragraphs 25 to 27).

conference call/webinar hosted by the Co-Chairs in advance of the meeting to prepare observer constituency representatives, as well as interactive virtual participation by representatives for the duration of SCF 19.

2. Organizational matters

(a) *Adoption of the agenda*

5. The SCF adopted the agenda contained in document SCF/2018/19/2 as proposed.[2]

(b) *Organization of the work of the meeting*

6. The SCF took note of the proposed tentative schedule as well as the order of work for the meeting, as outlined in the annex to document SCF/2018/18/2. 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 Mechanism

Proceedings

7. The SCF took note of document SCF/2018/19/3. The agenda item was introduced by the co-facilitators, Mr. Vicky Noens and Ms. Lia Nicholson, in the opening plenary session. This item was further discussed in three breakout group sessions and one additional plenary session. The outcomes of the discussions were presented to the SCF for its consideration at the closing plenary session.

Outcomes

8. The SCF agreed on the draft guidance to the GCF and the GEF in the form of draft decisions (contained in annexes IV and V), based on the annual reports of the operating entities as well as the inputs submitted by one Party, members of the SCF, the Adaptation Committee and the Technology Executive Committee. Each draft decision contains an appendix, which contains further matters that the SCF considered during the meeting but did not reach a consensus to include in the draft decision.

Next steps

9. The draft guidance to the operating entities of the Financial Mechanism will be included as annexes to the annual report of the SCF to the COP.

4. 2018 Biennial Assessment and Overview of Climate Finance Flows

Proceedings

10. The SCF took note of document SCF/2018/19/4. This agenda item was introduced in the plenary by the co-facilitators, Ms. Outi Honkatukia, and Mr. Seyni Nafo. This was further discussed in three breakout group sessions and one additional plenary session.

Outcomes

11. The SCF developed the provisional summary and recommendations by the SCF on the 2018 Biennial Assessment and Overview of Climate Finance Flows (BA), to be agreed intersessionally after SCF 19, for inclusion to the final report to the COP (see annex I).

12. The SCF also gave guidance for the finalization of the technical report and agreed to an outreach plan to promote the summary and recommendations by the SCF on the 2018 BA (see annex II).

2 All documents available at <https://unfccc.int/topics/climate-finance/meetings--events/scf-committee-meetings>.

Next steps

13. The Co-facilitators will circulate the provisional summary and recommendations by the SCF on the 2018 BA on a non-objections basis.

14. The technical report will be finalized and posted in the dedicated page on the website of the SCF before COP 24.

15. The secretariat, under the guidance of the Co-chairs and Co-facilitators, will organize a special event on the side lines of the COP 24 to present the summary and recommendations by the SCF on the 2018 BA.

5. Theme for the next Forum of the Standing Committee on Finance

Proceedings

16. The SCF took note of document SCF/2018/19/5. The agenda sub-item was introduced in the plenary by the Co-Chairs, discussed amongst members in one breakout group session, and agreed during a plenary session.[3] The summary of the discussions is contained in annex III.

Outcomes

17. The SCF agreed that the theme of the 2019 Forum will be "Climate Finance and Sustainable Cities", and that its sub-themes will include:

(a) Financing cities' low emission development;

(b) Financing climate-resilient cities;

(c) Capacity-building of local authorities to finance sustainable cities;

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

Next steps

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

(a) Initiate organizing the 2019 Forum inter-sessionally on the basis of the Co-facilitators' proposal emanating from SCF 19, including developing the draft programme, inviting resource persons and participants, and making logistical arrangements;

(b) Gather further information on the options identified as potential partner events (see para 17), and inform the SCF of the information gathered so that the SCF can agree on the date and venue of the 2019 Forum inter-sessionally, preferably before the end of 2018.

19. The options identified as potential partner events and organizations include the following:

(a) *Option 1*: Back-to-back with ICLEI Resilient Cities (26–28 June 2019, Bonn, Germany);[4]

(b) *Option 2*: The Latin America Climate Week (July 2019, Salvador, Brazil), or the National Mayors' Front biannual conference on Sustainable Development in August 2019, Brazil;

(c) *Option 3*: A stand-alone event to be organized with partner organizations such as the EBRD, ICLEI, GCF and other organizations interested in the topic of sustainable cities;

[3] As footnote 1 above.

[4] The dates clash with SB 50, taking place from 17 to 27 June 2019. However, ICLEI indicated that they will consider starting the Resilient Cities event on 28 June.

(d) *Option 4*: Innovate4Climate (4–7 June 2019, Singapore).

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

Proceedings

20. The SCF took note of document SCF/2018/19/6. This agenda item was discussed in one plenary session.

Outcomes

21. The SCF adopted the draft report of the SCF to the Conference of the Parties (COP) including some changes to the draft 2019 workplan, including integrating gender consideration into the SCF's work and re-ordering the workplan according to core areas of work for 2019.

22. The SCF agreed that following revisions and review by SCF members, the secretariat will finalize the draft SCF report to the COP to reflect the outcomes of the 19th meeting of the SCF.

Next steps

23. The secretariat will update the draft SCF report to the COP, including revisions to the 2019 draft work plan.

24. The secretariat will send the draft report of the SCF to the COP to SCF members in the following week. Members would be given five business days for review. Following the incorporation of comments from SCF members, the Report of the SCF to the COP would be circulated for adoption on a no-objections basis within three working days.

7. Enhancing stakeholder engagement

Proceedings

25. The SCF took note of document SCF/2018/19/7. This agenda item was discussed in one plenary session. The Co-Chairs introduced this item, including the pilot initiatives for SCF 19 as mentioned at the opening of the meeting.

Outcomes

26. The SCF agreed to include this item for discussion at its first meeting in 2019, in order to facilitate a general discussion on stakeholder engagement, including the use of webcast at future SCF meetings.

Next steps

27. Co-Chairs, with the support of the secretariat to include this item on the provisional agenda for SCF 20.

8. Linkages with the Subsidiary Body for Implementation and the constituted bodies of the Convention

Proceedings

28. 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

29. The SCF took note of the reports related to linkages with the Executive Committee on the Warsaw International Mechanism for Loss and Damage (ExCom), the Climate Technology and Network, the Paris Committee on Capacity-building and gender and climate finance as contained in the background note and as provided by the Co-Chairs.

30. Mr. Randy Caruso reported on his participation at the 8th meeting of the Executive Committee on the Warsaw International Mechanism for Loss and Damage (ExCom) and the invitation by the ExCom to the SCF of providing inputs and in-depth information to the technical paper elaborating the sources of financial support, as provided through the Financial Mechanism for addressing loss and damage, finance available for addressing loss and damage outside the Financial Mechanism, as well as modalities for accessing such support and finance, building on the existing work of the SCF.

31. The SCF decided to accept the invitation of the ExCom to provide inputs to the technical paper elaborating the sources of financial support, building on the existing work of the SCF.

32. The Co-Chairs reported on the invitation by the Paris Committee on Capacity-building (PCCB) to participate in the PCCB-Series of Events which are scheduled to take place from 5 to 12 December in Katowice. The Co-Chairs informed the SCF of a webinar on gender which was organized inter-sessionally, and the secretariat provided a brief presentation to support the SCF to integrate gender consideration into its work.

33. The SCF took note of the reports related to linkages with the Executive Committee on the Warsaw International Mechanism for Loss and Damage (ExCom), the Climate Technology and Network, the Paris Committee on Capacity-building and gender and climate finance as contained in the background note and as provided by the Co-Chairs.

Next steps

34. The SCF, with the support of the secretariat, to provide inputs to the technical paper, including the existing work of the SCF.

9. Dates and venues of future meetings

35. The SCF agreed on the following dates and venues of its next meetings:

(a) SCF 20: 20 to 22 March 2019, Bonn, Germany;

(b) SCF 21: 10 to 13 September 2019, Bonn, Germany (tentative).

36. The SCF also agreed to confirm the dates and venue of its 21st meeting at SCF 20.

10. Report of the nineteenth meeting of the Standing Committee on Finance

Next steps

37. Co-Chairs, with the support of the secretariat, will prepare the draft SCF 19 report for consideration and adoption by SCF members on a non-objection basis.

11. Other matters

Next steps

38. The secretariat will finalize and circulate the list of participants as soon as possible to SCF members, and make it available on the UNFCCC website.[5]

12. Closure of the meeting

39. The 19th meeting of the SCF closed at 5 p.m. on Wednesday, 31 October 2018.

[5] As footnote 1 above.

Annex I

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

[English only]

I. Context and mandates

1. The Standing Committee on Finance (SCF) assists the Conference of the Parties (COP) in exercising its functions with respect to the Financial Mechanism of the Convention, inter alia, in terms of measurement, reporting and verification of support provided to developing country Parties, through activities such as the biennial assessment and overview of climate finance flows (BA).[6]

2. Subsequent to the 2014 BA, the COP requested the SCF to consider: the relevant work of other bodies and entities on measurement, reporting and verification of support and the tracking of climate finance;[7] ways of strengthening methodologies for reporting climate finance;[8] and ongoing technical work on operational definitions of climate finance, including private finance mobilized by public interventions, to assess how adaptation and mitigation needs can most effectively be met by climate finance.[9] It also requested the Ad Hoc Working Group on the Paris Agreement, when developing the modalities, procedures and guidelines for the transparency framework for action and support, to consider, inter alia, information in the BA and other reports of the SCF and other relevant bodies under the Convention.

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

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

5. The 2018 BA includes, for the first time, information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including methods and metrics, and data sets on flows, stocks and considerations for integration. It also discusses climate finance flows in the broader context.

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

---

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

II. Challenges and limitations

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

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

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

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

III. Key findings

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

1. Developments in the period 2015–2016

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

(a) Annex II Parties

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

(b) International organizations

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

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

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

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

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

17. Notwithstanding the improvements in methodologies for reporting climate finance via the BR3 CTF tables 7, 7(a) and 7(b), some reporting issues persist that complicate the aggregation, comparison and analysis of the data. The current "UNFCCC biennial reporting guidelines for developed country Parties"[10] were designed to accommodate reporting on a wide range of climate finance instruments and activities. This required a reporting architecture that was flexible enough to accommodate a diversity of reporting approaches. In some cases, limited clarity with regard to the diversity of reporting approaches limits comparability in climate finance reporting.

18. The current "UNFCCC biennial update reporting guidelines for Parties not included in Annex I to the Convention"[11] for reporting by non-Annex I Parties on financial, technical and capacity-building needs and support received do not require information on underlying assumptions, definitions and methodologies used in generating the information. Nevertheless, the provision of such information is useful.

(d) Insights into broader reporting aspects

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

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

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

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

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

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

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

understanding of the consistency of multilateral and bilateral development finance with the Paris Agreement.

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

1. Global finance flows

23. On a comparable basis, climate finance flows increased by 17 per cent in the period 2015–2016 compared with the period 2013–2014. High-bound climate finance estimates increased from USD 584 billion in 2014 to USD 680 billion in 2015 and to USD 681 billion in 2016 (see figure 1). The growth seen in 2015 was largely driven by high levels of new private investment in renewable energy, which is the largest segment of the global total. Despite decreasing technology costs (particularly in solar photovoltaic and wind power generation), which means that every dollar invested finances more renewable energy than it previously did, a significant number of new projects were financed in 2015. In 2016, a decrease in renewable energy investment occurred, which was driven by both the continued decline in renewable technology costs and the lower generation capacity of new projects financed.[12] However, the decrease in renewable energy investment in 2016 was offset by an 8 per cent increase in investment in energy efficiency technologies across the building, industry and transport sectors.

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

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

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

(b) Multilateral climate funds

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

(c) Climate finance from multilateral development banks

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

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

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

(d) Private climate finance

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

30. MDBs reported private finance mobilization in 2015 was USD 10.9 billion and increased by 43 per cent the following year to USD 15.7 billion. OECD estimated USD 21.7 billion in climate-related private finance mobilized during the period 2012–2015 by bilateral and multilateral institutions, which included USD 14 billion from multilateral providers and USD 7.7 billion from bilateral finance institutions. It is estimated that, in 2015, USD 2.3 billion was mobilized through bilateral institutions. The Climate Policy Initiative estimated renewable energy flows for new projects ranged from USD 2.4 billion in 2015 to USD 1.5 billion in 2016; this was, however, a significant underestimation given the underlying reporting approaches.

(e) Recipients

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

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

2. Domestic climate finance

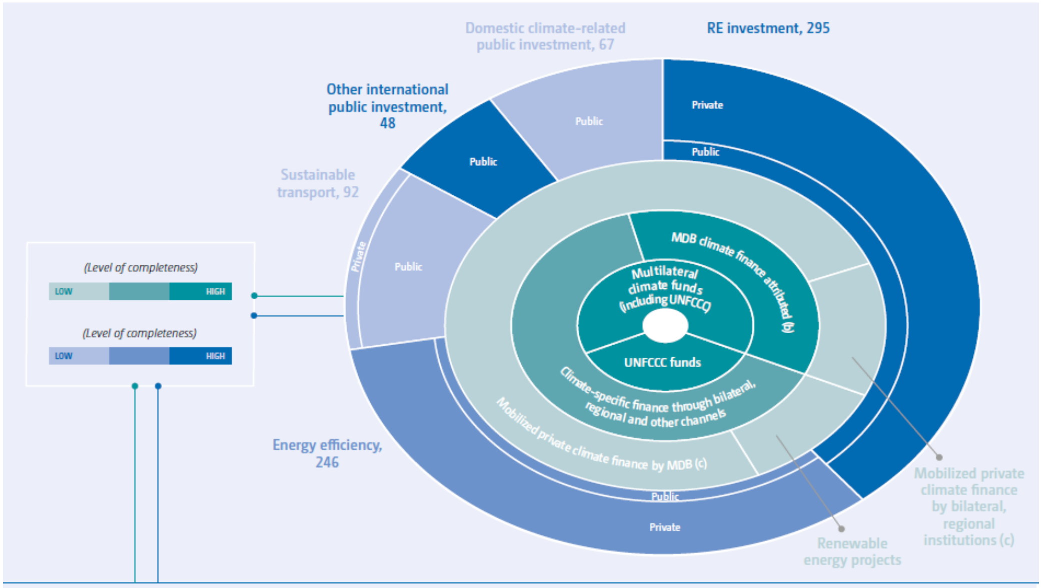
33. Domestic climate expenditures by national and subnational governments are a potentially growing source of global climate finance, particularly as, in some cases, NDC submissions are translated into specific investment plans and domestic efforts to monitor and track the domestic climate expenditures are stepped up. However, comprehensive data on domestic climate expenditure are not readily available, as these data are not collected regularly or with a consistent methodology over time within or across countries. Of the 30 countries that reported data on climate expenditures included in the 2016 BA, 19 countries provided such data in 2015 or 2016, with the 2015 data for 5 countries being included in the 2016 BA. Four countries reported expenditure of USD 0.335 billion in their BURs, while seven countries published climate public expenditure and institutional reviews amounting to USD 16.5 billion.[13] In two other countries, updated data are available amounting to USD 49 billion. In total, this brings domestic public climate finance estimates for the period 2015–2016 to USD 67 billion.

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

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

34. Information on climate finance flows among non-Annex I Parties is not systematically tracked, relying on voluntary reporting by countries through the OECD-DAC Creditor Reporting System and DFIs through IDFC that are based in countries that are not members of the Organisation for Economic Co-operation and Development (non-OECD). Total estimates of such flows amounted to USD 12.2–13.9 billion in 2015 and USD 11.3–13.7 billion in 2016. This represents an increase of approximately 33 per cent on average from the 2013–2014 period, driven primarily by non-OECD member institutions of IDFC increasing finance significantly to other non-OECD members. New multilateral institutions include the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank. Together, they provided USD 911 million to renewable energy projects in 2016. The AIIB portion of this amount included outflows that may be attributable to OECD-DAC members that are shareholders in AIIB.

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



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

Abbreviations: BEV = battery electric vehicle, BUR = biennial update report, CPEIR = climate public expenditure and institutional reviews, CPI = Climate Policy Initiative, IEA = International Energy Agency, I4CE = Institute for

Climate Economics, MDB = multilateral development bank, OECD = Organisation for Economic Co-operation and Development, UNDP = United Nations Development Programme.

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

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

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

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

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

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

C. Assessment of climate finance flows

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

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

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

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

[a] In decision 1/CP.16, paragraph 70, the Conference of the Parties encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing

emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

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

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

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

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

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

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

41. With regard to geographic distribution, Asia remains the principal recipient region of public climate finance flows. In the period 2015–2016, the region received 31 per cent of funding from multilateral climate funds, 42 per cent of bilateral finance reported to OECD and 41 per cent of MDB flows (including to the Pacific region). The Latin America and Caribbean region and sub-Saharan Africa each secured 22 per cent of approvals from the multilateral climate funds in the same period. Latin America and the Caribbean received 17 per cent of MDB financing and 10 per cent of bilateral finance reported to OECD, whereas sub-Saharan Africa received just 9 per cent of MDB financing but 30 per cent of bilateral finance reported to OECD.

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

43. The management of climate finance, as well as the development and implementation of the projects that it supports, necessarily entails costs. The degree of such costs, which are often

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

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

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

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

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

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

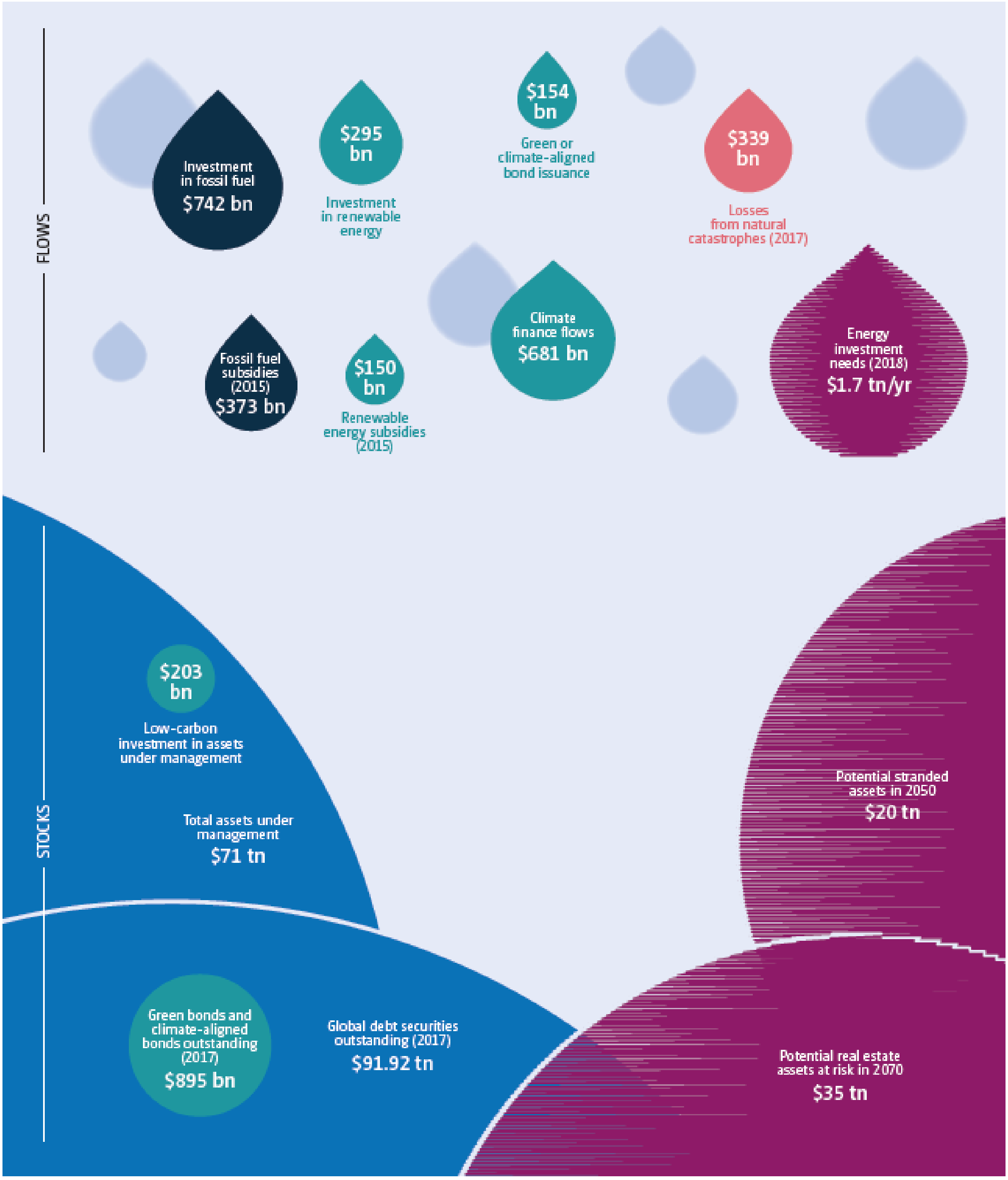
Information relevant to Article 2, paragraph 1(c), of the Paris Agreement: climate finance in context

49. Climate finance continues to account for just a small proportion of overall finance flows (see figure 3); the level of climate finance is considerably below what one would expect given the investment opportunities and needs that have been identified. However, although climate finance flows must obviously be scaled up, it is also important to ensure the consistency of finance flows as

a whole (and of capital stock) pursuant to Article 2, paragraph 1(c), of the Paris Agreement. This does not mean that all finance flows have to achieve explicitly beneficial climate outcomes, but that they must reduce the likelihood of negative climate outcomes. Although commitments are being made to ensure that finance flows from DFIs are climate consistent, more can be done to understand public finance flows and ensure that they are all are consistent with countries' climate change and sustainable development objectives.

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

Figure 3
Climate finance in context



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

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

IV. Recommendations

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

Chapter I (methodologies)

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

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

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

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

Chapter II (overview)

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

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

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

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

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

Chapter III (assessment)

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

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

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

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

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

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

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

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

Annex II

2018 Biennial Assessment and Overview of Climate Finance Flows: communication and outreach workplan – activities and timeline

1. The Standing Committee on Finance (SCF) may wish to undertake additional outreach in the run-up to and during the twenty-fourth session of the Conference of the Parties (COP) for the launch of the 2018 Biennial Assessment and Overview of Climate Finance Flows (BA):

(a) **'Soft launch'**: an open webinar to present the BA summary and recommendations by the SCF Co-Chairs prior to COP 24 (to be confirmed);

(b) **Launch activities:**

(i) **BA special event** at COP 24 (on 4 December 2018) to present the BA results to Parties and observers, focusing on the key findings and recommendations, supplemented by information from the technical report, as appropriate. The UNFCCC Executive Secretary and a representative of the COP 24 Presidency will deliver opening remarks. The event will be chaired by the SCF Co-Chairs and will be followed by a presentation and panel discussion involving SCF members and representatives of contributors to the BA. The primary target audience includes heads of delegation, finance negotiators and senior representatives of the data producers and aggregators community, while the secondary target audience includes civil society organizations and academia;

(ii) **Presentation of the summary and recommendations by the SCF on the 2018 BA** at the High-level Ministerial Dialogue on Climate Finance (on 10 December 2018), with a target audience including ministers and heads of delegation;

(iii) **Brief presentations by the SCF Co-Chairs** at the COP 24 opening plenary and in the relevant contact group on finance (if deemed necessary);

(c) **Information:**

(i) **Short article** to be posted on the UNFCCC website and across the secretariat's social media channels to announce the posting of the BA summary and recommendations on the SCF website;

(ii) **Invitation to media** to attend the BA special event; relevant blurbs posted on the UNFCCC website and across the secretariat's social media;

(d) **Products:**

(i) **1,000 professionally printed paper copies of the summary and recommendations by the SCF on the 2018 BA** and **USBs** to be made available for distribution at the BA special event and the High-level Ministerial Dialogue on Climate Finance, with priority given to delegations;

(ii) **Web version of the 2018 BA onion diagram and related table.**

Annex III

Report of the breakout group on the theme of the next SCF Forum (Agenda item: 5)

I. Summary of the discussions

1. The co-facilitators, Mr. Mohamed Nasr and Mr. Pieter Terpstra, introduced the co-facilitators' proposal on the theme of the next forum that they had developed inter-sessionally with the support of the secretariat. Six observers[14] participated in the breakout group and discussed the theme of the forum and potential partner events.

2. In general, participants welcomed the co-facilitators' proposal and highlighted, among others, the following:

(a) The theme of climate finance and sustainable cities is timely and provides space to bring actors, including the GCF, the GEF, stakeholders and local governments, working together on climate finance. It will also be good opportunity to showcase good practices and lessons learned in financing sustainable cities and bridge the gaps and to enhance linkages with related processes under and outside of the UNFCCC process;

(b) The sub-themes identified in the co-facilitators' proposal could serve as the elements of the forum programme;

(c) The youth constituency representative suggested the role of youth in building and maintaining sustainable cities and presenting success stories and case studies may be considered in the context of sub-theme on the role of climate finance in facilitating a transition towards inclusive, participatory and gender-responsive and youth-oriented cities.

3. The breakout group narrowed down to the following options the possible partners for the 2019 SCF Forum:

(a) Option 1: Back-to-back with ICLEI Resilient Cities (26–28 June 2019, Bonn, Germany);[15]

(b) Option 2: The Latin America Climate Week (July 2019, Salvador, Brazil), or the National Mayors' Front biannual conference on Sustainable Development in August 2019, Brazil;

(c) Option 3: A stand-alone event to be organized with partner organizations such as the EBRD, ICLEI, GCF and other organizations interested in the topic of sustainable cities.

4. Based on the inputs received during the breakout group discussion, the co-facilitators' proposal was revised as contained in the appendix. The agreements reached at the breakout group are outlined in paragraph 5 below.

II. Agreements reached in the breakout group

5. The breakout group agreed to propose to the SCF the following:

(a) The theme of the 2019 Forum will be on "Climate finance and sustainable cities", with the following sub-themes:

(i) Financing cities' low emission development;

(ii) Financing climate-resilient cities;

[14] Participants included Party observers from Algeria and the United States of America, as well as the European Bank for Reconstruction and Development, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), ICLEI – Local Governments for Sustainability and YOUNGO.

[15] The dates clash with SB 50, taking place from 17 to 27 June 2019. However, ICLEI indicated that they will consider starting the Resilient Cities event on 28 June.

(iii) Capacity-building of local authorities to finance sustainable cities;

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

(b) The co-facilitators will revise the co-facilitators' proposal based on the feedback received during the breakout group, as contained in the appendix;

6. The breakout group also identified the following as next steps:

(a) The co-facilitators, with the support of the secretariat, will initiate organizing the 2019 forum inter-sessionally on the basis of the co-facilitators' proposal, including developing the draft programme, inviting resource persons and participants and finalizing logistical arrangements;

(b) The co-facilitators will gather further information on the three options identified as potential partner events (see paragraph 3), and inform the SCF of the information gathered so that the SCF can agree on the date and venue for its next forum inter-sessionally, preferably before the end of 2018.

Appendix

Co-facilitators' proposal on the theme of the 2019 SCF Forum

I. Introduction

1. The co-facilitators propose that the SCF considers **Climate Finance and Sustainable Cities** as the theme of its next forum.

2. Sustainable cities promote low emission and climate-resilient development, while ensuring access to safe and affordable housing, adequate and affordable public transport, green public space and inclusive and participatory urban planning and management including of women, youth and other social groups.[1] This theme would bring together the elements identified at SCF 18 of sustainable cities, gender and climate finance, youth and capacity building, and address both mitigation and adaptation actions.

II. Rationale

3. **Cities contribute significantly to climate change:** Currently, more than 50 per cent of the world's population live in cities, making cities a central player in addressing climate change. Cities release about 70 per cent of energy-related greenhouse gas emissions, and at the current pace of urbanization, the world's cities will grow by 65 million inhabitants a year between 2010 and 2025, particularly in developing countries[2].

4. **Cities are extremely vulnerable to climate change:** Due to the concentration of population and buildings, and the interconnectedness of urban infrastructure, cities are extremely vulnerable to climate change. Three-quarters of the world's large cities lie on a coastline, making them especially vulnerable to rising sea levels and extreme weather events, which have impacts on their lives, health and well-being, and economic activities.[3] Unexpected expenditures from extreme and slow-onset events resulting from climate change can lead to major disruptions in business operations and city budgets.[4]

5. **Cities can play a significant role in achieving the goals of the Paris Agreement:** According to analyses of Nationally Determined Contributions (NDCs) submitted by Parties, 82 per cent of all NDCs include urbanization-related climate activities[5]. For example, taking the buildings sector, 132 NDCs explicitly mention action areas in the building sector in their NDCs[6]. If these NDC pledges were achieved, about 60 per cent of building-related CO_2 emissions would be covered.[7]

---

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

2 <https://www.nature.com/articles/s41558-018-0101-5.epdf?shared_access_token=zKkv6EHBg5iVJ7DiaXyjAdRgN0jAjWel9jnR3ZoTv0NX80NXOa77tudlwS4otGOGBJoGx79lbX0ItZ-pU0fCjXAT-9AM_zlmd_594fD6QNFUxmtKsO-8DzsK5O5jB6W2xWlqVPKT9cGRYAyzwuUNlKZuv4-Fp1dN5oWnW0D9H6g%3D>.

3 Ibid.

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

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

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

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

6. **Limited availability and accessibility of funds:** Local authorities face an increasing challenge of financing sustainable cities due to constrained municipal budgets. Traditional sources of finance to cities range from national government grants, taxes, and allocations for budget support. However, these tend to be insufficient and do not cover incremental costs of climate change impacts and action. According to estimates, USD 4.1 trillion–USD 4.3 trillion per year will need to be spent on urban infrastructure to keep up with urban growth in a business-as-usual climate scenario. An incremental 9 to 27 per cent (USD 0.4 trillion to USD 1.1 trillion) more capital investment will be necessary to make urban infrastructure low emission and climate-resilient.[8] While international climate funds are available, urban areas seem to have restricted access to these funds, including due to limited capacities and access requirements. Furthermore, national ministries or specialized entities seem to have been the main gateways for channelling climate finance of international funds, rather than cities[9].

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

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

(a) Lack of information on investment and implementation needs of cities, e.g. limited support opportunities for project preparation phases[10];

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

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

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

III. Proposed objectives of the Forum

9. The forum could discuss opportunities to finance urban climate-resilient and low emission cities by tapping into a wide range of international, domestic and local sources. Such opportunities could include deploying new models of urban climate finance investments based on partnerships with various stakeholders, particularly micro-, small- and medium enterprises (MSMEs), commercial banks, district-level taxes, insurance and re-insurance schemes, and catastrophe bonds and social impact

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

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

[10] CCFLA (2017): Localizing climate finance, mapping gaps and opportunities, designing solutions. Available at: <http://ccacoalition.org/en/file/4103/download?token=jep1hI3i>.

bonds to accelerate investments into high-impact climate action.[11] In addition, the forum could discuss approaches to facilitate access of local authorities to international climate funds such as the Green Climate Fund, the Global Environment Facility or the Adaptation Fund, e.g. through direct access modalities.[12]

10. Taking into account the function of the SCF to assist the COP in improving coherence and coordination in the delivery of climate change financing, including through the organization of a forum, the **overall objective** of the next SCF Forum could be to bridge the gaps between the various stakeholders dealing with sustainable cities and climate finance by bringing them together and share information on support opportunities available and the needs of local authorities to finance sustainable cities.

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

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

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

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

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

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

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

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

IV. Sub-themes

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

(a) **Sub-topic 1: Financing cities' low emission development *{mitigation}*:** The forum could examine ways to mobilize public and private climate finance for cities' low emission development. It could also examine ways to establish or enhance frameworks for cities to mitigate climate change by allocating resources for developing mechanisms and trading systems with the support of national governments.[13] Sectoral issues, such as transportation, waste management and buildings could be part of the discussion as these sectors have high greenhouse gas emissions saving potential. Action in those

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

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

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

areas could result in greenhouse gas savings of 3.7 gigatonnes of CO_2 equivalent annually in 2030 additional to current national reduction plans[14].

(b) **Sub-topic 2: Financing climate-resilient cities *{adaptation}***: The forum could also examine concrete ways to finance urban resilience and adaptation, while aligning with Parties' commitments outlined in their National Adaptation Plans (NAPs) and the NDCs. It could also look at financing preparedness for the onset of climate-related disasters. Cities need funding and expertise to tackle climate change, but a dearth of financing channels and projects for especially urban resilience has been noted in various studies and research findings. It is also more challenging to identify opportunities for transformative impacts from urban adaptation interventions than in the case of mitigation projects, where the opportunities for private sector involvement and market creation tend to be more obvious.[15]

(c) **Sub-topic 3: Capacity-building of local authorities to finance sustainable cities *{capacity-building}***: Some of the challenges that local authorities face include limited technical and institutional capacity to turn project ideas into sound project concepts, and creating an enabling environment for attracting finance opportunities. Therefore, the next forum could discuss opportunities to facilitate capacity-building activities of local authorities, including by identifying existing frameworks and tools to:

(i) Integrate climate considerations into national and subnational urban planning, including NDCs, NAPs and other plans and policies;

(ii) Access climate finance and prepare attractive projects to investors, including by building viable project designs and solid financial structures;

(iii) Gather information through models and scenarios at the relevant spatial and temporal scales to facilitate understanding how cities impact, and are impacted by climate change.

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

(a) **Sub-topic 4: The role of climate finance in facilitating a transition towards inclusive, participatory and gender-responsive and youth-oriented cities *{gender/youth}*:** Highlighting sustainable cities provides the space for social considerations to facilitate transitions to climate-resilient and low emission cities in the context of addressing poverty, equity and well-being and to promote education, training, awareness, participation and access to information for the youth in line with the Action for Climate Empowerment agenda under the UNFCCC. Against this backdrop, the forum can showcase good practices of financing inclusive, equitable and participatory cities, by highlighting the role of women, youth and socially excluded groups in the planning and decision-making at the subnational and local levels or in the use of various financial instruments. At the municipal level, the forum could consider women's roles in collaborating between cities and public and private investors to accelerate and scale up investments in sustainable urban solutions. At the local level, it could showcase good practices of participatory approaches, such as including urban residents in fiscal and financial decision-making on how a percentage of the municipal budget gets spent through participatory budgeting.[16] Furthermore, by promoting business opportunities for MSMEs, national and subnational governments indirectly

---

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

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

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

empower women that often head these enterprises, and by promoting the development of micro-insurance schemes, cities support the inclusion of women, youth and other social groups. In considering linkages with other targets, the forum could also look at achieving SDG targets including those related to gender, through a gender-sensitive approach, and those related to youth through, for instance, liaising with youth organizations.

14. As part of its outreach activities, and in response to the COP mandate to host a dialogue in 2019 on the implementation of its commitment to integrate gender considerations into its work[17], the outcomes of the dialogue could inform this sub-topic.

III. Target audience

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

[17] Decision 3/CP.23, annex, table 4 D.1.

Annex IV

Draft guidance to the Green Climate Fund

[English only]

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

The Conference of the Parties,

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

1. *Welcomes* the report of the Green Climate Fund to the Conference of the Parties at its twenty-fourth session and its addendum,[18] including the list of actions taken by the Board of the Green Climate Fund (hereinafter referred to as the Board) in response to guidance received from the Conference of the Parties;

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

(a) The decision of the Board[19] to launch the process for the Green Climate Fund's first formal replenishment, the success of which is important not only for the Green Climate Fund but also for the Parties to the United Nations Framework Convention on Climate Change;

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

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

(d) The decision of the Board[20] to initiate a review of the performance of the Green Climate Fund to assess the progress of the Fund in delivering on its mandate as set out in its Governing Instrument;

(e) The decision of the Board[21] concerning the selection process for the appointment of the Executive Director of the Green Climate Fund secretariat;

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

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

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

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

[18] FCCC/CP/2018/5 and Add.1.
[19] Green Climate Fund Board decision B.21/XX.
[20] Green Climate Fund Board decision B.21/XX.
[21] Green Climate Fund Board decision B.21/XX.

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

3. *Notes*:

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

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

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

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

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

(c) Accreditation framework review;

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

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

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

i. An integrated approach to addressing policy gaps:

a. An incremental and full-cost calculation methodology;

b. Options for further guidance on concessionality;

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

iii. A two-stage proposal approval process;

iv. Investment criteria indicators;

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

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

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

(g) Policy matters for information:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix

Further matters considered by the Standing Committee on Finance

1. *Notes*:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annex V

Draft guidance to the Global Environment Facility

[English only]

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

The Conference of the Parties,

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

1. *Welcomes* the report of the Global Environment Facility to the Conference of the Parties and its addendum,[37] including the responses of the Global Environment Facility to guidance from the Conference of the Parties;

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

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

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

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

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

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

8. *Welcomes* the Global Environment Facility Council's decision[38] to begin the process of developing improved fiduciary standards, including anti-money-laundering and counter-terrorism finance policy;

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

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

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

[37] FCCC/CP/2018/6 and Add.1.

[38] Global Environment Facility Council decision GEF/C.54/09/Rev.01.

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

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

Appendix

Further matters considered by the Standing Committee on Finance

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

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

3. *Expresses concerns* that there has been no increase compared with the sixth replenishment in the amount replenished in the seventh replenishment of the Global Environment Facility, when climate and environment impacts and consequences are becoming more challenging, as reflected in different reports, including the Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5 °C,[39] and when countries have been asked and are supposed to increase their ambition and efforts;

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

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

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

7. *Welcomes* the updated policy on co-financing[40] of the Global Environment Facility, which establishes a greater level of ambition for the overall portfolio of the Global Environment Facility;

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

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

---

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

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