



Submission by the Republic of Vanuatu

To the

Standing Committee on Finance

April 30 2020

The Standing Committee on Finance (SCF) invites parties on their views on the operational definition on Climate Finance in order to enhance its technical work on this matter in the context of preparing 2020 Biennial Assessment and Overview of Climate Finance Flows.

Climate finance is at the heart of UNFCCC for all developing countries and small island developing states to enable implementation of the Convention and the Paris Agreement. The overarching goal of climate finance is stated in the Paris Agreement's Article 2.1(c) which is to make finance flows consistent with a pathway towards low GHG emissions and climate-resilient development. Vanuatu appreciates the work of the SCF, and understands that in order to prepare the 2020 BA, a clear definition of climate finance is imperative.

Vanuatu offers the following perspectives on the operational definition of climate finance:

- Climate finance is an international pool of funding that is readily available and is easily accessed by developing member states whose citizens and their livelihoods are threatened by devastating impacts of climate change. Its funding priorities should cover mitigation, adaptation and loss and damage activities and not be treated as normal development support.
- When such funding is utilized, there is tangible evidence demonstrating impact and funding is used cost effectively. Effectiveness of climate finance should clearly emphasize the focus on vulnerable groups as beneficiaries.
- There is transparency in monitoring the flow of climate finance funds from donor to accredited entities (AE) and to recipient countries, including the flow of funds within countries at various levels (national to sub-national).

Decision 11/CP.25, Paragraph 10 ; Decision5/CMA2, paragraph 10

- The sources of climate finance between countries should include public, private, alternative and blended sources.
- The operational definition of climate finance must provide clarity and embrace various financing instruments, such as grants, equity, concessional loans, blended instruments and risk sharing instruments.
- The definition of climate finance must include new and additional sources of climate finance and exclude existing Official Development Assistance (ODA). Transparent accounting should entail a clear methodology to avoid double or triple counting, and must ensure that there is consistency on how climate finance has been labelled so that all funding approaches, whether committed or disbursed, are taken into account.
- Of equal and critical importance to SIDS is that the operational definition of climate finance should include or clearly state the need for targeted capacity building (to cover areas to improve access, implementation/disbursements, tracking and monitoring and broader institutional arrangements for resilience building).
- The operational definition of climate finance must take into consideration climate finance provided to private sector actors as a means of encouraging private sector investment