

Comments on Sixth Review of the UNFCCC Financial Mechanism
Partnership on Sustainable Low Carbon Transport (SLoCaT)
10 April 2017

This submission is made on behalf of the SLoCaT Partnership (see Annex I) in response to the call for input on the [Sixth Review of the UNFCCC Financial Mechanism](#), as summarized here:

The Conference of the Parties...invites Parties, observers and other interested international organizations, stakeholders and non-governmental organizations involved in the activities of the operating entities of the Financial Mechanism to submit, by 30 April 2017, their views on the sixth review of the Financial Mechanism based on the guidelines contained in the annex, for consideration by the Standing Committee on Finance in preparing its expert input to the review.

The below comments reflect inputs from the SLoCaT Partnership, which follow the structure of the 'Criteria' under Section C of the Annex (on pp. 3-4).

This submission makes reference to the [SLoCaT Climate Finance Transport Database](#), which measures the contribution of eight major climate finance instruments (CFIs) to funding projects and programs on sustainable, low carbon transport. These comments also draw upon other SLoCaT Partnership-developed knowledge products on topics ranging from climate finance (e.g. [A Systematic Approach for the use of Climate Finance to Sustainable Transport](#)) to infrastructure ([Infrastructure Financing and Project Preparation Facilities](#)) to transport equity ([Inclusive Sustainable Transport in Support of Action on Equity and Poverty \(i-STEP\)](#)).

This submission draws the following main conclusions:

- Climate finance for the transport sector has been limited relative to other sectors. Although the transport sector accounts for roughly 25% of energy-related global GHG emissions, transport is underrepresented among CFIs (and accounts for just 1.7% of GEF projects).
- Adaptation finance for transport is still relatively limited, with only 9% of total transport projects/programs in the SLoCaT climate finance database focused on adaptation measures (e.g. only 5 of 81 transport-related GEF projects and programs are focused on adaptation).
- It is important to maintain a balance among '[Avoid](#)', '[Shift](#)' and '[Improve](#)' transport strategies, yet climate finance has so far had a disproportionate focus on 'Improve' (and to a lesser extent, 'Shift') strategies, which account for 90% of all CFI transport projects funded to date.
- Transformational change in the transport sector cannot happen without a medium-term outlook on climate finance; this should be linked to a [global macro roadmap](#) on transport decarbonisation, developed in parallel with country-produced [long-term climate strategies](#).
- The adoption of the Paris Agreement stresses the need for proportional attention to mitigation and adaptation across all sectors, and thus the structure of global financing mechanisms must not allow countries to "pick winners" solely based on lowest marginal cost per unit emission reduction (e.g. power), and thus neglecting investments in sectors with potentially higher marginal costs but with greater total value due to societal co-benefits (e.g. transport).
- Climate finance mechanisms must therefore take on board the lessons of the Paris Agreement by devoting more specific attention to sectoral communities (and not just Major Groups) to accommodate the on-the-ground arrangements that work for individual sectors.

General Comments

Following the adoption of the Paris Agreement, there is a need to move quickly toward implementation of low-carbon strategies, and it is therefore essential that all sectors contribute proportionally to the target of a 'well below 2 degree Celsius' scenario. Crucially, significant pre-2020 action is required in order to make more significant reductions in emission curve after 2030.

To accomplish this, climate finance mechanisms (and other funding sources) should not reward 'pre-Paris thinking,' but rather must take on board the lessons of the Paris negotiations by devoting more specific attention to sectoral communities (and not just Major Groups) to accommodate the on-the-ground arrangements that work for individual sectors.

The need for sectoral approaches will be even more evident with increased ambition in revised NDCs through the 2018 Facilitative Dialogue. 75% of NDCs name specific transport mitigation measures (one of the most widely-represented sectors in NDCs); thus it is clear that there is no lack of demand in this area. Therefore, if climate finance mechanisms are not structured to better encourage (and more ideally, to require) proportional levels of climate finance across sectors relative to sectoral emissions, then they will not meet the requirements of the Paris Agreement.

C. Criteria

3. *The effectiveness of the Financial Mechanism will be assessed taking into account the following:*

(a) The transparency of the decision-making processes of the operating entities of the Financial Mechanism;

- As suggested above, it is important for climate finance mechanisms to have more pro-active consultations with sectoral communities on the use of these mechanisms to initiate climate action, as the effectiveness of mechanisms will ultimately be determined by sectoral take-up.
- Thus, while the operating entities of the Financial Mechanism do offer transparency in the sense of process, they do not provide needed clarity on plans to accommodate the implementation needs of individual sectors, including transport. Further, while we are generally satisfied with procedural transparency, we would appreciate more clarity on when sectoral practitioners and advocates can make interventions to guide the development of this process.

(b) The level of stakeholder involvement;

- Civil society
- The SLoCaT Partnership submitted comments to the Secretariat of GEF on the *Programming Directions for GEF-6* in September 2013. SLoCaT suggests a regular consultation mechanism with GEF to investigate under-utilization of GEF-5 sustainable transport allocations (which amount to two thirds of \$250 million allocated¹), which could also be used to assist GEF on outreach and implementation of sustainable transport under GEF-6 and subsequent replenishments.²
- The SLoCaT Partnership submitted detailed comments on transport-related aspects of the GCF Performance Measurement Framework in March 2015. This input has been reflected to a limited extent, and we are not aware of further windows to provide additional comments.
- Private sector
- SLoCaT applauds GCF's decision to maximize engagement with the private sector, including through a significant allocation to its Private Sector Facility, which will allow a higher ceiling than is possible through constrained public sector finance.

¹ <http://www.slocat.net/sites/default/files/u3/application-of-post-2012-climate-instruments-to-transport-sector-ADB-IDB-SLoCaT-july-2010.pdf>, [SLoCaT Climate Finance Transport Database](#)

² <http://slocat.net/news/996>

- Climate finance instruments should forge a stronger relationship with green bonds to create additional financial leverage to make transport projects and programs more attractive to primary funders (e.g. national governments, development banks)

(c) The extent to which the Financial Mechanism is contributing to gender sensitive approaches;

- Increasing gender equity in transport will require increased and sustained funding of a range of sustainable transport options, as concluded in a [white paper](#) produced through SLoCaT's [Inclusive Sustainable Transport in support of action on Equity and Poverty \(i-STEP\)](#) program.
- The i-STEP white paper concludes that within both low- and middle-income populations, more vulnerable members of the population, such as women, girls and people with disabilities, suffer the impacts of transport poverty and disadvantage to a greater extent.
- Not only do women tend to have fewer financial resources, different trip patterns and concerns regarding personal safety but they also tend to suffer more from time-poverty (i.e. working long hours to achieve essential tasks). And where households have limited access to resources for transport, these are more frequently allocated to male household members.
- For these reasons, SLoCaT recommends a greater focus on funding sustainable transport options, along with supporting policies and standards, by operating entities of the Financial Mechanism, especially in rapidly-motorizing urban areas, where the male-dominated use of private cars does not offer women equitable access to essential goods and services.
- In addition, climate finance mechanisms should increase attention to funding rural transport infrastructure and services, which could yield significant emission reductions by reducing food loss and waste (which would be the third largest global emitter if taken as a country³), and could also have significant equity impacts, as women tend to bear greater transport burdens (and have access to even fewer transport options) in rural areas than their male counterparts.

(d) The adequacy and predictability, accessibility and timeliness and rate of disbursement of funds for activities in developing country Parties, including projects in the pipeline;

- A recent SLoCaT report on [Infrastructure Financing and Project Preparation Facilities](#) notes that development assistance funds a very small share of investment in public infrastructure (typically around 3-4%), with climate finance funding a further 0.25%; thus in no way will these sources alone be able to fill the infrastructure financing gap.⁴ While the rising number of institutions and entities able to provide development finance has the potential to increase total available funding, there is a need to ensure that project standards do not decline and that recipient governments have the capacity to take advantage of the increased funding.⁵
- A SLoCaT-GIZ report, [A Systematic Approach for the use of Climate Finance to Sustainable Transport](#), notes the imperative of using available climate finance, as well as ODA, more strategically to leverage and scale-up other public and private funding sources to develop more sustainable and low-carbon transport policy frameworks and project options. The report further concludes that international climate finance (in contrast to ODA) should be used more prominently not only to address specific climate concerns (e.g. mitigation and adaptation) but also to capture and quantify the full range of co-benefits (e.g. air quality). Climate finance initiatives can take a lead from GCF, which intends that all of its funding be transformative.
- To measure the contribution of climate finance instruments (CFIs) to sustainable, low carbon transport, the SLoCaT Partnership is collecting data on transport projects and programs from eight major CFIs⁶: the Clean Development Mechanism (CDM), the Clean Technology Fund (CTF), the Global Environment Facility (GEF), the International Climate Initiative (IKI), the

³ Andrew Steer, World Resources Institute, Transforming Transportation, January 2016.

⁴ SLoCaT Partnership (2016). "Spending more, spending better on sustainable transport infrastructure." Refer [<http://2016.itf-oecd.org/sustainable-transport-infrastructure-spending>].

⁵ <http://www.ppmc-transport.org/infrastructure-financing-facilities-project-preparatory-facilities/>

⁶ <http://www.ppmc-transport.org/slocat-climate-finance-transport-database/>

Joint Crediting Mechanism (JCM), Joint Implementation (JI), the Nationally Appropriate Mitigation Actions (NAMA), and the Nordic Development Fund (NDF).

- As of October 2016, SLoCaT's [Climate Finance Transport Database](#) contains information on 258 transport projects, covering the time period from 1992 to 2016. The database captures over \$2.6 billion on transport-focused investments by CFIs. The highest transport related allocations are made by CTF with a total of \$1.72 billion, followed by NAMA with \$471 million and GEF with \$391 million.
- Climate finance for the transport sector has been limited to date relative to other sectors. Although the transport sector accounts for roughly a quarter of energy-related global GHG emissions, transport remains quite underrepresented in the CFIs. The share of transport projects among total projects by CFIs varies from 0.4% for CDM, 1.7% for GEF, 3.2% for IKI and 5.4% for CTF. Their activities are still very limited and they have yet to emerge as significant contributor to achieve sustainable development goals. Only NAMA has had a strong focus on transport, with 45.5% of total investments in the sustainable mobility field.
- For climate finance to be effective in catalyzing transformative action on transport and climate change, it is important to maintain a balance of funding among [‘Avoid’, ‘Shift’ and ‘Improve’](#) transport strategies, yet so far climate finance has had a disproportionate focus on ‘Improve’ (and to a lesser extent ‘Shift’) strategies to date. These categories account for 90% of all CFI transport projects funded, with ‘Improve’ projects generally increasing over time.
- Though studies show that ‘Avoid’ strategies can have a comparable impact to ‘Shift’ and ‘Improve’ strategies, their share of climate finance-funded transport projects remains marginal (see Figure 3 below). Thus, climate finance instruments should strive to achieve a better balance among these categories in funded projects over time.
- The i-STEP [survey on transport, poverty, and sustainable development](#) shows a "high-level of strategic focus backed by programs and finance to provide more equitable transport and to increase the understanding of the positive impacts of integrated and well-funded transport projects". But the SLoCaT climate finance database shows that little is currently invested in equitable transport, with only five projects including ‘reducing poverty’ in their description.
- The i-STEP [literature review on poverty and transport](#) reveals that walking and cycling are too often overlooked in policy making and do not receive sufficient financial support, citing the low priority of cycling in planning processes as a main barrier. This is reflected in SLoCaT's climate finance database, in which only a handful of projects include walking and cycling; it is thus clear that transport equity considerations remain underrepresented in climate finance.
- The ongoing development finance discussion has made it increasingly clear that a project-based financing approach is inadequate for systemic change. Climate finance should therefore draw from lessons of development finance, to move toward more programmatic, framework oriented, transport sector-wide approaches to sustainable low carbon transport.
- The 2018 Facilitative Dialogue requires scaled up mitigation action (as reflected in the [Marrakech Partnership for Global Climate Action](#)). Transformational change cannot happen without a medium-term outlook on climate finance; this outlook should be linked to a global macro roadmap on transport sector decarbonization (with regional variants), and should be developed in parallel with country-produced [long-term climate strategies](#). For the transport sector, this process could be developed in coordination with the SLoCaT-PPMC [global macro roadmap](#) on transport decarbonization.
- Additional observations on the [specific](#) operating entities of the Financial Mechanism follow:
 - ***Global Environmental Facility (GEF):***
 - GEF transport investment levels have been inconsistent on an annual basis (see Figure 1 below). While we acknowledge that project demand is country driven, the structure of GEF-1 to GEF-4 have allowed individual countries to “pick winners” from among sectors based solely on lowest marginal cost per unit emission reduction (rather than net social benefit).

The adoption of the Paris Agreement stresses the need for proportional attention to mitigation and adaptation across all sectors, and the structure of global financing mechanisms must reflect this need.

- Among 81 transport-related projects/programs in GEF's project database, only 5 are focused on adaptation of transport systems (see Figure 2 below)
- Although there is a budget line of 200-300 million USD for transport through the GEF-6 Sustainable Cities pilot, one of three priority themes for the program⁷, eligible agencies have yet to propose a significant number of transport projects. Transport therefore demands sectoral status in its own right within the GEF, and should not be combined with Climate Change and/or Sustainable Cities, which may have the effect of reducing the number of proposals for sustainable low carbon transport projects and programs.
- The SLoCaT Partnership applauds GEF interest in funding country- and region-scale projects, especially among top GEF recipient countries and regions (e.g. China, Indonesia, Latin America), and in engaging private sector involvement in these investments.

Green Climate Fund (GCF):

- SLoCaT tracks developments around the Green Climate Fund, which has started to approve projects, but notes that the number of projects approved so far is still quite limited and there is not a sufficient number of transport projects that would currently justify including it as a 9th CFI in the SLoCaT Climate Finance database.
- It is encouraging to see that GCF's [proposal approval process](#) places 'Shifting to low-emission sustainable development pathways through low-emission transport' among GCF's four mitigation impact areas, and includes 'Increasing climate-resilient sustainable development for resilient infrastructure and built environment to climate change threats' among GCF's four adaptation impact areas.
- However, GCF transport investments should not be categorized only under mitigation, as sustainable low carbon transport systems also require robust resilience measures to achieve their full mitigation potential. Thus, we feel it would be more productive to for the GCF framework to more clearly encourage projects with potential overlap in mitigation and adaptation.

Adaptation Fund

- Adaptation finance for transport is still relatively limited, with only 9% of total transport projects/programs in the SLoCaT climate finance database focused on adaptation measures.
- The Adaptation Fund does not currently include transport among its project sectors, which therefore have the potential to address transport only indirectly through 'Urban/Rural Development' and 'Multisector Projects,' and so far this has not been pursued in practice.

(e) The responsiveness, efficiency and performance of the cycle for project/programme approval procedures of the operating entities of the Financial Mechanism;

- GEF focuses essentially on an *ex-ante* assessment of GHG emission reductions, and there are no built-in mechanisms to substantially alter support if project objectives are not realized.⁸
- Therefore, the current GEF approach to estimate emission reduction impacts before making an award would seem to make it more difficult to use climate finance to leverage other funding sources (with the acknowledgement for needed transparency in project evaluation).

⁷ 2014. GEF. [GEF-6 Programming Directions](#). Accessed Feb 10, 2015.

⁸ <http://www.slocat.net/sites/default/files/u3/application-of-post-2012-climate-instruments-to-transport-sector-ADB-IDB-SLOCAT-July-2010.pdf>

Figures

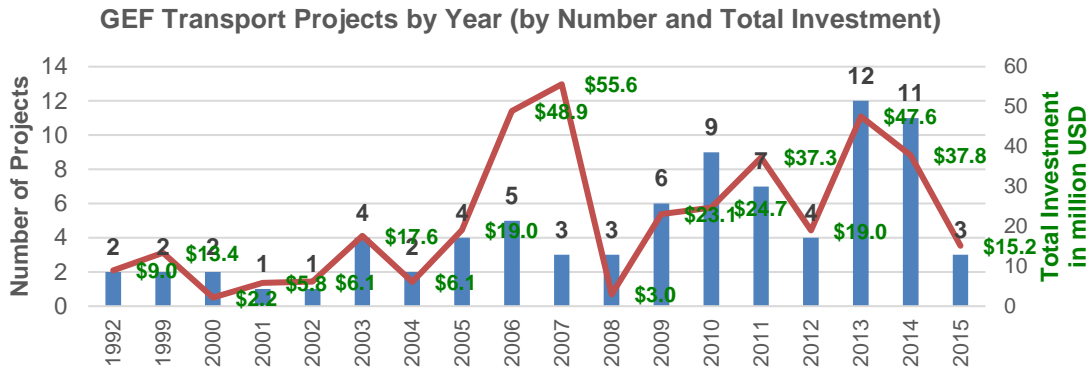


Figure 1: GEF Transport Projects by Year

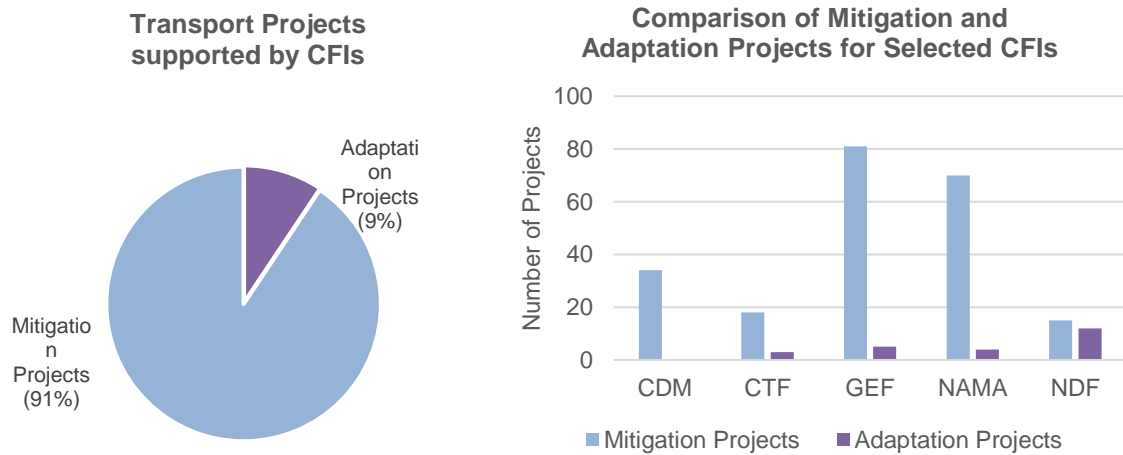


Figure 2: Comparison of Mitigation and Adaptation Projects Supported by CFIs

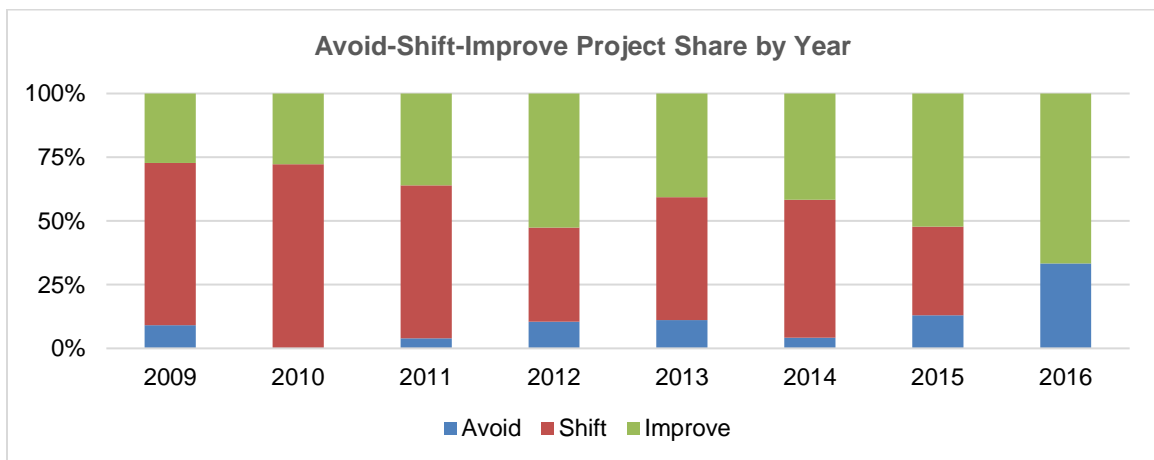


Figure 3: Avoid-Shift-Improve project share from climate finance

Annex I: Members of the Partnership on Sustainable, Low Carbon Transport (SLoCaT)

| | |
|--|--|
| 1. African Development Bank | 47. International Energy Agency |
| 2. African Transport Policy Program | 48. International Road Assessment Program |
| 3. Agence Française de Développement | 49. International Road Federation |
| 4. Alstom | 50. International Transport Forum |
| 5. Asian Development Bank | 51. International Union of Railways |
| 6. Association in Peace with the Environment (Guatemala) | 52. Islamic Development Bank |
| 7. Brake | 53. Korean Transport Institute |
| 8. Bus Rapid Transit Centre of Excellence | 54. Michelin Challenge Bibendum |
| 9. CAF-Development Bank of Latin America | 55. National Center for Transportation Studies, Philippines |
| 10. Center for Clean Air Policy | 56. Nordic Development Fund |
| 11. Centre for Green Mobility | 57. Polis Network |
| 12. Center for Science and Environment | 58. REN 21 |
| 13. Center for Sustainable Transport Mexico | 59. Renewable Energy and Energy Efficiency Partnership |
| 14. Center for Transportation and Logistics Studies, Gadjah Mada University | 60. Research for Community Access Partnership |
| 15. Centre for Environment Planning & Technology Ahmedabad | 61. Ricardo Energy & Environment |
| 16. China Urban Transport Research Centre | 62. Rupperecht Consulting |
| 17. Clean Air Asia | 63. Smarter Than Car |
| 18. Clean Air Institute | 64. SNCF |
| 19. Climate Bonds Initiative | 65. Stockholm Environment Institute |
| 20. Climate Works | 66. Sustainable Transport Africa |
| 21. CODATU | 67. The Energy and Resources Institute |
| 22. Concito | 68. Transport and Environment |
| 23. Despacio | 69. Transport Planning and Research Institute |
| 24. Deutsche Gesellschaft für Internationale Zusammenarbeit (United Kingdom) | 70. Transport Research Laboratory |
| 25. Dopplemayr | 71. Uganda Road Sector Support Initiative |
| 26. United Kingdom, The United Kingdom Ross Center for Sustainable Cities | 72. UNIFE-The Association of European Rail Industry |
| 27. European Bank for Reconstruction and Development | 73. United Nations Centre for Regional Development |
| 28. European Cyclists' Federation | 74. United Nations Development Program |
| 29. European Institute for Sustainable Transport | 75. United Nations Department for Economic and Social Affairs |
| 30. European Investment Bank | 76. United Nations Department for Economic and Social Affairs for Asia and the Pacific |
| 31. FIA Foundation | 77. United Nations Economic Commission for Europe |
| 32. First African Bicycle Information Organization | 78. United Nations Economic Commission on Latin America and the Caribbean |
| 33. Ford Foundation | 79. United Nations Human Settlement Program |
| 34. Global Environmental Facility | 80. United Nations Industrial Development Organization (UNIDO) |
| 35. Grutter Consulting | 81. University Capetown |
| 36. Health Bridge | 82. Victoria Transport Policy Institute |
| 37. Hewlett Foundation | 83. Volvo Research and Education Foundations |
| 38. Innovation Center for Energy and Transportation | 84. Walk 21 |
| 39. Institute for Global Environmental Strategies | 85. World Bank |
| 40. Institute for Transportation and Development Policy | 86. World Business Council on Sustainable Development |
| 41. Institute of Transport Studies, University of California, Davis | 87. World Cycling Alliance |
| 42. Institute for Transport Studies, University of Leeds, United Kingdom | 88. World Health Organization |
| 43. Institute of Urban Transport India | 89. Wuppertal Institute for Climate, Environment and Energy |
| 44. Inter-American Development Bank | 90. World Wide Fund For Nature International |
| 45. International Association for Public Transport | |
| 46. ICLEI-Local Governments for Sustainability | |