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## CORRECTED VERSION

### Summary Briefing 21st Standing Committee on Finance Meeting 3-5 October 2019

Dear friends of the Climate Finance Advisory Service (CFAS),

In our Summary Briefing from yesterday, we mistakenly stated that the SCF was not able to reach consensus on the outline for the first needs determination report.

This is incorrect! **The draft outline was ultimately approved by the Committee.** (See corrected version below - changes in bold).

We apologize for the misunderstanding and inaccuracy.

The CFAS Team

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### Summary from 3-5 October 2019

From 3-5 October 2019, the Standing Committee on Finance (SCF) convened for its 21st meeting in Bonn, Germany. Chaired by Mr. Ismo Ulvila (European Union) and Mr. Ayman Shasly (Saudi Arabia) the meeting discussed several agenda items to define next steps in the Committee's work going forward. This included, among others, agreeing on an outline and work plan for the first report on the determination of the needs of developing countries related to the implementation of the UNFCCC and the Paris Agreement, and on the 2020 Biennial Assessment and Overview of Climate Finance Flows, defining a theme for the 2020 Forum of the SCF, and drafting guidance to the operating entities of the Financial Mechanism of the Convention.

### Opening of the meeting and organization of work

The meeting was opened by the Co-Chairs, who invited all members to actively contribute to its expected outcomes. New members in the SCF, Ms. Eva Schreuder (Netherlands) and Mr. Stefan Schwager (Switzerland), were welcomed, and it was noted that Mr. Kamel Djemouai (Algeria) replaced Mr. Mohamed Nasr (Egypt) who was not able to attend the meeting. In his welcoming remarks, the Director of the UNFCCC Secretariat's Climate Finance Team, Mr. Daniele Violetti, reiterated the fundamental role that the SCF plays in providing high-quality support and advice to the finance negotiations under the Convention and in facilitating related decisions.

Before commencing with in-depth work on the different agenda items, including in dedicated breakout group discussions, all agenda items were briefly introduced in a plenary to give SCF members the opportunity to share initial views.

## Draft Guidance to the Operating Entities

The Co-Facilitators, Mr. Toru Sugio (Japan) and Ms. Diann Black Layne (Antigua and Barbuda), reported on work progress on the matter, and noted that in total 12 submissions were received by the SCF on draft guidance to the Operating Entities of the Financial Mechanism of the Convention. They shared their thoughts on possible ways to further improve the draft in order to come up with a concise and coherent version for the SCF to agree upon before its submission for the COP consideration.

Besides issues related to wording, much work was done on seeking clarity and relevance of certain paragraphs and on how to reduce the draft guidance to the most important and actionable points to enhance the probability of their implementation by the Green Climate Fund (GCF) and the Global Environmental Facility (GEF). Representatives from the GCF and GEF secretariats actively participated in the discussions, bringing in their views on the important items. Throughout the breakout group discussion, it was questioned, for instance, whether the approach of drafting the guidance should be enhanced in order to make it fit-for-purpose. In previous years, paragraphs that were subject to controversy amongst SCF members used to appear in the appendix of the document. This year, however, a different approach was introduced by the Co-Chairs, as a reaction to some members' attempts to negotiate on the contents to be considered in the main document or in the annexes. Despite lengthy discussions and due to different views on core strategic guidance, the Co-Chairs decided that no consensus was found and that a compilation of the views expressed will be submitted instead, noting however that this does not serve as a basis for negotiations.

## Forum of the Standing Committee on Finance

### Report of the 2019 SCF Forum

The 2019 SCF Forum was held on the theme "Climate Finance and Sustainable Cities", from 12-13 September 2019 in Beirut, Lebanon. A draft summary report of the forum was prepared for consideration by the Committee before its submission to COP25. In many rounds of discussion, SCF members deliberated on possible key findings of the forum and proposed changes to preclude potential ambiguities and unclarity. The discussions underscored the pivotal role cities play in the global climate crisis, while also highlighting the need for a better understanding on how to accelerate the mobilization and delivery of climate finance at city level. Several key issues were flagged, in particular the need for more quarantined, predictable and accessible climate finance; improved coordination and linkages between national and subnational levels; enhanced private sector investment through de-risking instruments; as well as the importance of strengthening capacities of cities by creating an enabling environment for a wide range of stakeholders to more effectively catalyse climate action. The outcomes of the participants' survey from the forum was also discussed with the view to explore whether they can help improve future forums both in terms of organizational and substantive matters. Overall, participants reiterated their positive impressions of the 2019 forum, stating that it served a great space to advance relevant topics related to climate action. It also contributed to the SCF outreach work and provided a great opportunity for networking and sharing of insights and lessons on how to enhance action in cities. However, some members expressed the urge to not only organize productive discussions, but to push forward certain topics that translate into concrete action. This should include increased participation by civil society actors and young people.

### Theme for the 2020 SCF Forum

Following thorough discussions based on suggestions developed by the Co-Facilitator, Ms. Fiona Gilbert (Australia), SCF members agreed that the theme for the 2020 SCF Forum will be "Finance for Nature-based Solutions". A multi-level governance approach that incorporates input from a myriad of stakeholders at different levels will be applied, and the sub-themes will be further refined under the lead of the Co-Facilitators and agreed intersessionally. Members also discussed potential partners for the event, and they identified intersessional work relating to organizing the forum, with the view to reduce

the workload that the UNFCCC secretariat has faced. The dates and venue of the event will be determined at a later stage.

## **2020 Biennial Assessment and Overview of Climate Finance Flows**

At its 20th meeting, the SCF agreed to prepare the 2020 Biennial Assessment and Overview of Climate Finance Flows (BA) by following the approach taken in the preparation for the 2018 BA and by considering the recommendations provided in previous BAs, as well as taking into account the best available science in future BAs as guided by COP24. Upon invitation by the Co-Chair, the Co-Facilitators on the matter, Ms. Vicky Noens (Belgium) and Mr. Hussein Alfa Nafo (Mali), reported that a SCF conference call was held intersessionally on May 29th 2019 to discuss a preliminary draft outline of the 2020 BA. They added that a meeting with potential collaborators and data providers took place during the SB50 sessions in June 2019, followed by further development on the work plan and outreach activities for the 2020 BA. In response to the report, one SCF member suggested dedicating a chapter to Article 2.1(c) of the Paris Agreement in the technical report of the 2020 BA to assess how climate finance flows, in both adaptation and mitigation, are consistent with a pathway towards low greenhouse gas emissions and climate-resilient development to support the most vulnerable developing countries. The idea faced different views, including some members sharing their concern on private sector investors not being satisfied with lower returns on their climate investments.

During the breakout group, members discussed a revised version of the outline of the technical report of the 2020 BA, which received further inputs from informal consultations held throughout the meeting. On the proposal to dedicate a chapter to Article 2.1(c) in the report, members rather opted for a chapter mapping information relevant to that article, including ongoing activities and initiatives such as investment portfolios, regulatory initiatives, voluntary private sector disclosures, and integrating climate risk in investments. It was decided to also include special topics, such as financial instruments to address loss and damage, technology investment and climate-resilient infrastructure in the outline. Given there is neither a definition by the Convention nor the Paris Agreement of what 'transformation' means, it was proposed to refer in the outline to 'impact of transformation on real economy'. Moreover, relevant case studies on efforts to avoid double counting within the BA, perspectives on the links between development and climate in providing and accessing finance, as well as mitigating the potential increased cost of finance due to the integration of climate change risk were welcomed.

On country categorization, one SCF member raised his concerns about referring to "developed and developing countries" when addressing climate finance flows, and suggested using "different country groupings" instead. Many other members opposed to the proposal, arguing that climate finance should flow from developed to developing countries as clearly urged by the Paris Agreement. After intensive discussion on the issue, it was agreed that, for the purpose of the overview of climate finance in the BA, various data sources might be used to illustrate flows from developed to developing countries without prejudice to the meaning of those terms in the contents of the Convention and the Paris Agreement. After all the remaining issues were solved, the SCF agreed on the outline of the 2020 BA and, additionally, adopted a work plan consisting of organizing technical expert workshops in conjunction with SCF22 and potentially SCF23 in 2020, conducting strategic outreach and collaboration with external initiatives and stakeholders through a call for evidence, and data collection from national reports from other relevant conventions.

## **First report on the determination of the needs of developing countries**

At its last meeting, the SCF agreed to initiate preparatory work on the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. The Co-Chairs invited the Co-Facilitators on the matter, Mr. Zaheer Fakir (South Africa) and Mr. Mattias Frumerie (Sweden), to report on progress conducted on their work intersessionally. Besides organizing an outreach

meeting with Parties, potential collaborators and information and data providers during SB50, a draft outline and work plan on the report was prepared. In addition to a background paper on sources of information and methodologies used in determining those needs was prepared, an expert meeting took place on 10-11 July 2019 in Manila, Philippines, to inform the work of the SCF in preparing the report requested by COP24, with inputs from relevant stakeholders. In the brief debate that followed one SCF member requested more clarity in the draft outline on the role of developed countries to mobilize climate finance flows in support of developing countries' needs. The lack of a common understanding on how to calculate climate finance was raised, as well as challenges to define the right methodology in determining the needs of developing countries related to implementing the Convention and the Paris Agreement. As the SCF is conducting such exercise for the first time, members were encouraged to take the opportunity to contribute to an ambitious process that would help meeting the needs of the most vulnerable to climate change. There was also a common understanding that the approach should not consist of finding some figures on how much climate finance will be needed, but to rather define the proper methodology first, so that determining those needs can help better responding to them.

Various breakout group discussions were held to make progress on the matter and find agreement on issues that divided some members. There was a suggestion that the report should help identifying the needs for financial investments in addressing the issue of loss and damage in support to the Executive Committee of the Warsaw International Mechanism for Loss and Damage (ExCom WIM), and that it should be elaborated in a way that it can be used outside of the UNFCCC context as well. There was objection on the suggestion to dedicate an entire chapter to key findings in the report, given that each chapter has their specific particularities and findings. Hence the decision to include key findings in the executive summary as well as in major chapters, such as those focused on overview of available information on the needs of developing countries; processes and approaches for determining those needs; underlying assumptions and methodologies used in for such a determination; and challenges, opportunities and gaps in determining the needs.

One member proposed including in the draft outline a section with an overview of methodologies and approaches used by developed countries, especially Annex II Parties, to respond to the needs of developing countries, and indication of advantages and disadvantages of each methodology and approach. He added that definitions used by developed countries for financial resources predictability, mobilization, provision, accessibility, and adequacy should be included. Furthermore, he suggested considering an assessment of the potentials and capabilities of Annex II Parties to respond to those needs, and the identification of policies and measures that need to be taken by developed countries, and in particular, by Annex II Parties, to adequately respond to developing countries needs to be considered as well. Despite some members recognizing that predictability and accessibility are important issues to be reflected in the report, those suggestions were rejected by many others, who argued that the aim of the report is neither to determine how Annex II Parties define climate finance nor how they match to these needs, rather the objective is to determine the needs of developing countries.

**Following an intensive discussion, the SCF reached an agreement on the draft outline for the first report on the determination of needs of developing countries.** In addition, members approved the work plan for the first report, including the format and outputs, and also considered the background paper on the sources of information and the methodologies and approaches used in determining the needs.

### Linkages with the SBI and the thematic bodies of the Convention

At its 20th meeting, the SCF agreed on its continued approach to maintaining linkages with the thematic bodies under the Convention, taking into account the request by COP23 to further refine its approach to maintaining linkages with the subsidiary and thematic bodies

based on available resources available and working modalities. A list was circulated to nominate a new focal point for the gender and adaptation portfolio, replacing former Co-Facilitator of the 2018 SCF Forum, Mr. Pieter Terpstra (Netherlands). Present focal points briefly presented the work that was undertaken thus far with topics ranging from agriculture, forest, gender, capacity building, and technology to loss and damage. Members stressed the usefulness of focal points to be present at meetings with other constituted bodies to exchange lessons learnt and to highlight the work of the SCF in relation to those bodies. However, resentments were expressed where input provided by the SCF for constituted bodies were not taken into full consideration.

## Other matters

In addition to these agenda items, SCF members also held (for the first time) a Technical Stakeholder Dialogue with observers attending the meeting, which has enabled some to share information and updates on their activities that support the work of the Committee. In their efforts to enhance the participation of relevant stakeholders in their work, members discussed the agenda item on enhancing stakeholder engagement, which was deferred from the last meeting. They considered a background paper on enhancing stakeholder engagement and approved an overall strategic outreach plan on the matter, which identifies possible strategic outreach activities in 2019, including at COP25 and in 2020.

The SCF report to COP25 was presented to members and approved, reflecting the few comments expressed by some members and noting that it will also include the outcomes of the 21st SCF meeting.

Regarding dates of upcoming SCF meetings, the SCF agreed to hold three meetings in 2020 and welcomed the views expressed on hosting some of these meetings in the margins of other relevant gatherings, such as the SCF Forum or the SB sessions. It was decided that the 22nd SCF meeting will be from 18-20 March 2020 and that suitable dates for the 23rd and 24th meetings will be determined intersessionally.

Before concluding the meeting, the Co-Chairs reminded members that the elections of new SCF members for the term 2020-2021 will take place early next year and encouraged them to facilitate the nomination of suitable candidates within their constituencies by end of COP25.

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