

# Climate Finance Advisory Service

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Daily Briefing

8<sup>th</sup> Standing Committee on Finance Meeting

(3 October 2014, Bonn)

This is the Climate Finance Advisory Service (CFAS) Daily Briefing. Produced at key meetings and negotiations by the CFAS expert team, the Daily Briefings try to provide a concise, informative update on key discussions that have taken place at each day of the meeting and give an overview of substantive points of action or progress. Please note that this is an independent summary by CFAS and not officially mandated by the SCF.

## Summary from 3 October 2014

The eighth meeting of the Standing Committee on Finance (SCF) concluded on Friday, 3 October, in Bonn, building on the work undertaken by the several working groups over the past three days. The morning of the session featured two closing working groups, before agenda items were brought back to the plenary in the afternoon to take final decisions.

### **Biennial Assessment (BA) and overview of climate finance flows**

One working group delved into further reviewing the executive summary of the BA and overview of climate finance flows. Areas of the executive summary that received increased attention by Committee members included paragraphs on the introduction, recommendations as well as ownership and effectiveness. Members voiced that while not perfect, the report reflects the current state-of-the-art. In further discussions members refined the „Onion diagram“ on climate finance flows and discussed other graphics of the report as well as the handling of comments, which was unsatisfactory to some members. The remaining time before the lunch break was used to gather initial reflections on the report of the item MRV of support beyond the BA.

### **Fifth review of the Financial Mechanism (FM)**

On the basis of the redrafted executive summary that was circulated to SCF members, the working group on the fifth review of the FM resumed its work that had started on Wednesday. In revising the summary, the co-facilitator of the group also incorporated comments from other members of the SCF that were not part of the group on Wednesday.

Going through the document paragraph by paragraph, SCF members and observers exchanged views and made amendments to the text where it was felt necessary. Inter alia, the conclusions and recommendations on the issues of environmental and social safeguards and the fiduciary standards were discussed, where SCF members opted to specifically reference the need to improve consistency between the GEF and GCF provisions, for the benefit of all stakeholders and in order to reduce

transaction costs by making it easier for implementing entities to navigate both systems. The issue of co-financing was also touched upon briefly, highlighting the challenges it may impose on LDCs and SIDS to access funds. Further, the topic of adequacy, predictability and sustainability of funds was discussed in detail. Rather than stating that the LDCF and SCCF were not able to fulfil their mandates, the text was changed to remark that while the overall provision of funding to these funds has increased, there was still a backlog of unfunded projects remaining. Finally, the aspect of consistency and complementarity of the FM with other financial flows and sources of investments was elaborated extensively, with SCF members noting that the current version of the summary failed to capture the bigger picture, in contrary to what the title of the section suggests.

After lunch SCF members and observers gathered in the plenary for final decisions on all items.

### **Draft guidance to the operating entities (OE) of the FM**

The chair of the SCF started the plenary on the report of the working group for draft guidance to the OE. There were two major changes in the template, as presented in the previous CFAS daily briefing. Two new columns had now been inserted: On accountability, the column title had been amended to become „sources of information accountability“. Also the last column had been changed and is now titled "proposed inputs".

Members also spent some times considering, whether according to the COP and GCF arrangement, additional criteria to "eligibility criteria, programme priorities and policies" should be part of the template. While Para 2 of the arrangement stipulates that "the GCF shall receive guidance from the COP, including on matters related to policies, programme priorities and eligibility criteria", some members were of the view that the COP should provide guidance beyond those three elements.

Since, it seemed not possible to have a conclusion on the guidance to the OE, SCF members discussed how the Committee would proceed with the issue before the COP. It was agreed that the SCF would be invited to provide inputs to the draft template by 15 October 2014. Then SCF members would be requested to react on the compiled document within one week. Afterwards, the template would be annexed to the COP report.

### **BA and overview of climate finance flows**

After the co-facilitator presented the amendments in the executive summary, members endorsed it with some minor changes. However, the SCF elaborated on the use of the operational definition of climate finance proposed in the BA report. Currently the Convention does not offer a definition on climate finance, but rather specifies the commitment for the provision of climate finance. Moreover, data collectors and aggregators use different operational definitions, nevertheless with some common elements. Ultimately, the operational definition proposed in the BA points to a convergence: "Climate finance aims to reduce emissions and enhance sinks of greenhouse gases and to reduce vulnerability to and enhance/maintain the resilience of human and ecological systems to climate change". The part on definition invites Parties to consider the definitional elements for future reporting under the Convention

### **MRV of support beyond the BA**

The co-facilitator presented the report to the plenary, which now contains three parts: The first part on background information recalls the mandate given by the COP, requesting the COP to work on the MRV of finance. The second part deals with the agreement reached during this meeting, looking at possible activities to be undertaken in next year's workplan in order to advance the work MRV beyond the BA. Possible activities could be based on COP20 outcomes. The third part provides a list and timeline of on-going activities related to MRV of support under the Convention.

### **Fifth review of the FM**

The facilitator of the working group briefly updated SCF members on the good progress achieved during the last three days on reviewing the executive summary of the technical paper regarding the fifth review of the FM. However, it was proposed that the remaining work on this item would continue intersessionally on the basis of a redraft of the executive summary and the technical paper, which will be circulated to Committee members after the meeting. This provides the opportunity to SCF members that were not part of the working group to take adequate time to comment on the revision, with a view of finalizing this exercise by the end of October. The executive summary will be annexed to the official report of the SCF to COP20 in Lima.

### **Coordination and coherence: the issue of financing for forest**

The work of the working group from Thursday was presented to SCF members. Some SCF members raised questions of clarification, especially regarding amendments to the background document on financing for forests, i.e. the proposal of compiling additional data on public forest financing, as well as on investments that may drive deforestation and forest degradation. Another member suggested limiting the scope to forest finance within the UNFCCC, for instance examining the activities of the GEF.

The co-facilitator of the group also provided SCF members with some insights on the rationale behind the proposed amendments, which is reasoned in giving a comprehensive analysis and understanding of drivers for investments into land use activities, in particular to those that may not be sustainable. In addition, the notion was raised that this exercise does in fact only mark a first step in the direction of enhancing coherence and coordination, and had to be seen in conjunction with the 3rd SCF Forum on financing for forests.

The work on this agenda item will continue intersessionally by the established working group.

### **3rd SCF Forum on financing for forests**

In his report back to the plenary, the appointed facilitator informed SCF members on the progress made in the group, along with proposing the creation of a dedicated group to work on the 2015 Forum. In addition, the SCF decided that organizations interested in collaborating with the SCF in

hosting the Forum will be given the opportunity to express their interest through a submission by 31 October 2014. The SCF will decide intersessionally on how to take the organization of the 2015 Forum forward.

### **Outcome of the 2014 Forum: Mobilizing adaptation finance**

The results of the work from the working group on the 2nd SCF Forum, held in 2014, was presented to the members. The SCF members took note of the report, also suggesting reaching out to the Adaptation Committee to provide additional input into the report. The SCF will aim to finalize the revision of the executive summary of the report intersessionally by mid-October, which will be annexed to the SCF report to the COP in Lima. The full report will be uploaded to the SCF website.

### **Other issues**

Before closing the meeting the SCF briefly discussed the draft structure of the SCF report to the COP, which will be drafted by the secretariat and is aimed to be finalized by 3 November 2014 at the latest, following a round of reviews from Committee members.

The ninth meeting of the SCF will be held in March 2015, with the exact date still to be determined.

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