

# Climate Finance Advisory Service

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Daily Briefing

6<sup>th</sup> SCF Meeting

(4–5 March 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 4 March 2014

On Tuesday, March 4<sup>th</sup> 2014, the members of the Standing Committee on Finance (SCF) convened for their sixth meeting in Bonn, Germany. As usual at the first meeting of the year, the session started with procedural matters such as the election of the co-chairs. At that, the two former co-chairs – Stefan Schwager (Switzerland) and Diann Black-Layne (Antigua and Barbuda) – were reappointed and will chair the SCF until the end of this calendar year. With regard to the organisation of the work, it was decided that each agenda item would start being discussed in the plenary, before being taken up for in-depth discussion into three breakout groups.

The first agenda item considered the issue of the Fifth Review of the Financial Mechanism. Last year, the SCF updated the guidelines for the fifth review, by taking into account the recent development of the financial mechanism. In Warsaw, the COP adopted these updated guidelines and requested the SCF to continue providing expert input, with a view of finalizing the review by COP20 in Lima, Peru.

In the beginning, the discussion centred around the question of how the SCF intends to provide its expert input and which elements – based on the adopted guidelines. The discussion in the plenary was more focused on the annexes of the paper provided by the secretariat, which contains the scope and methodology of the technical paper as well as possible clusters for assessing the effectiveness of the financial mechanism. The latter was discussed in-depth as it contains some information on sources of information that will inform the technical paper. In the discussion, some developed countries highlighted that although the Adaptation Fund (AF) could be considered as a source of information for the technical paper, it was however, not part of the review of financial mechanism. In doing so, they referred to the on-going Second Review of the AF, which is a separated review that is also finalized this year. Noteworthy is that the secretariat, in its explanation, mentioned that the annexes are based on the guidelines that have been adopted last year. It has only broken them down into small elements to give an indication to the SCF on what else will be fed into the expert input by the SCF. In the breakout group the discussion mainly centred on how and to what extent to draw upon the information available from the experience of institutions outside the financial mechanism, e.g. the Adaptation Fund.

The second agenda item considered the Second Forum of the SCF to be held from 21-22 June in Montego Bay, Jamaica. The forum is – per mandate – meant to enable an enhanced communication and continued exchange of information among bodies and entities dealing with climate change finance in order to promote linkages and coherence.

As agreed last year, the overall objective of the second forum is to assist in the mobilization and deployment of adaptation finance through exchange of experiences of various stakeholders. In Warsaw however, the COP requested the SCF to focus as soon as possible on issues related to finance for forests, particularly on results-based payments, and provisions of financial resources for alternative approaches. Therefore, SCF members were invited to consider, whether or not to broaden the scope of the agreed objective of the forum, and to integrate issues related to forest finance. In the discussion, there was near consensus amongst members that given the two-day Forum meeting, the Committee would be well advised to solely focus on adaptation finance and address the request by COP regarding financing for forests in the third Forum, to be held in 2015. In the breakout group, members and observers discussed both on the content of the tentative agenda of the Forum as well as the concept note provided in the background document by the secretariat. As for the agenda, members were of the view that the first day of the Forum should address adaptation in a more general way, while the second day would feature thematic discussions on specific sectors: buildings and infrastructure, water, forests, as well as financial policies and instruments to facilitate adaptation. Besides this, it was also agreed that the Forum should provide a platform to share experiences from different regions and shed light on good examples.

Lastly, the SCF also considered the background document on the Biennial Assessment and Overview of Climate Finance Flows, the second key deliverable for the SCF this year besides the review of the financial mechanism. Since COP18 in Doha, the SCF is tasked to undertake the biennial assessments and overview of climate finance flows, which should include information on the geographical and thematic balance of such flows and consider ways of strengthening methodologies for reporting climate finance (Decision 1/CP.18). Last year, the committee agreed on the proposed draft outline, which was adopted by the COP in Warsaw. In Warsaw, the COP also requested the SCF, in preparing the first biennial assessment, to consider on-going technical work on operational definitions of climate finance, including private finance mobilized by public interventions and to assess how adaptation and mitigation needs can most effectively be met by climate finance (Decision 3/CP.19 para 11).

At a previous meeting, the SCF has set up a working group on the biennial assessment, facilitated by two of its members. This working group and the UNFCCC secretariat undertook several activities since the last meeting in August 2013. Noteworthy are the selection of three consultants from the roster of climate finance experts of the secretariat, as well as a call for submissions to interested stakeholders. The consultants will assist the secretariat to prepare the biennial report under the guidance of the members of the SCF and particularly of the working group.

The discussion in plenary and later in the breakout group focused on the annotated outline (working draft), which summarized issues to be addressed in the biennial report. There was an agreement among members that the biennial assessment was a key part of the overall MRV regime under the Convention, but not a substitute of the MRV of finance provided by developed to developing countries.

The main issue during the discussion was about whether the biennial assessment should also contain an assessment of the financial needs of developing countries. Here, there was a clear divergence between representatives from developed and developing countries. Some members of developed countries cautioned that all needs assessments so far undertaken, e.g. under the UN Convention on Biological Diversity, were not able to provide the information needed. They therefore advised to strike the balance between an ambitious assessment and the practicability, given the short time of six months remaining before the assessment report needs to be adopted by the SCF. Developing countries highlighted that one could not assess how adaptation and mitigation needs are met by climate finance, without having a notion of what the needs are. The co-chairs of the working group, in summarising the discussion in the breakout group, pointed out that although it was difficult to undertake, in frame of this first biennial assessment, an overall comprehensive assessment of the needs of developing countries, the finding of the assessment should try to cover the issues and give some indications on the needs of developing countries at a global level. They also emphasised that the goal of this meeting was to come up with a finalised set of criteria that should help the consultants and the secretariat to undertake the assessment.

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