

EIG's Submission from 21.03.2017

The views of the Environmental Integrity Group (EIG) on the review of the functions of the Standing Committee on Finance (1st draft)

The EIG has been represented in the Standing Committee on Finance (SCF) since its foundation. We therefore welcome the opportunity to respond to the call for submissions indicated in Decision 9/CP.22 on the review of the functions of the SCF to share our view with respect to the different evaluation criteria in accordance with the Terms of Reference adopted at COP 22.

1. General Review

The Conference of the Parties (COP), at its 17th session in 2011, agreed to have the Standing Committee on Finance (SCF) assist the COP with respect to the Financial Mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate finance, rationalization of the Financial Mechanism, mobilization of financial resources, and measurement, reporting and verification of the support provided to developing country parties (2/CP.17, paragraph 121). The mandated activities of the SCF in assisting the COP include organizing a forum for the communication and continued exchange of information among bodies and entities dealing with climate finance, maintaining linkages with the Subsidiary Body for Implementation and thematic bodies of the Convention, providing draft guidance for the operating entities of the Financial Mechanism, making recommendations on how to improve the coherence, effectiveness and efficiency of the operating entities, providing expert input into the preparation and conduct the periodic review of the Financial Mechanism, and preparing a biennial assessment on climate finance flows (2/CP.17, paragraph 121).

Since its establishment in 2012, the SCF has held 14 meetings to implement activities referred to in decision 2/CP.17, paragraph 121, and four forums, which provided a venue to improve linkages and coherence in climate finance among UNFCCC bodies and external institutions. Furthermore, the SCF promoted the continuous development of the Financial Mechanism by providing draft guidance for the operating entities of the Financial Mechanism and expert input for the review of the Financial Mechanism. In particular, the biennial assessment and overview of climate finance flows, which has been prepared twice since 2014, is recognized as one of the biggest accomplishments of the SCF. It provides an overview of the global climate finance flows and is one of the most comprehensive reports on climate related financial assistance provided and mobilized to developing countries

2. Review by Criteria¹

(a) Effectiveness and Efficiency in the delivery of its core functions and mandated activities

- **(Forum)** Hosting forums back-to-back with climate finance events or in cooperation with relevant

¹The review has been conducted on SCF activities stipulated in decision 2/CP.17. paragraph 122 based on the evaluation criteria.

institutions² proved to be efficient in increasing the number of participants and enriching the discussions. However, the time-consuming debates in the SCF and at the COP on the selection of the topics and design of the forum each year are considered quite inefficient.

- **(Linkages with Bodies under Convention)** Discussions on strengthening linkages with the Subsidiary Body for Implementation and the thematic bodies of the Convention progressed slowly at the beginning because there were diverging views amongst SCF members on the operational implementation of the guidance from the COP with regards to the enhanced linkages with the various bodies under the Convention. The linkage discussions are now a standing agenda item for SCF meetings and there is regular exchange with the various bodies, ensuring coherence and complementarity between them. For example, with regards to the development of draft guidance to the operating entities, the SCF has improved the consistency and practicality of guidance provided by making sure that inputs from Parties and other constituted bodies are reflected in the draft guidance submitted to the COP. Also, over the past years, the SCF has continuously increased its engagement with the constituted bodies under the Convention such as the Adaptation Committee or the Least Developed Countries Expert Group by appointing SCF representatives to participate in their meetings or by providing specific inputs to products developed by those bodies.
- **(Draft Guidance to the Operating Entities of the Financial Mechanism)** The draft guidance to the operating entities provided by the SCF proved efficient in advancing relevant discussions at the COP. Before the SCF started issuing draft guidance the discussions at the COP used to be very lengthy, less efficient and less focused. Thanks to the preparatory work by the SCF the discussions at the COP have become much more conducive because Parties focus their interventions on amendments to the SCF draft guidance and the discussions are more structured. The quality of the draft guidance could be further improved if the SCF adjusted its approach with regard to processing and assessing the inputs received from the thematic bodies. However, in terms of making recommendations on how to improve complementarity, coherence, effectiveness and efficiency between the operating entities and between the operating entities and other entities delivering climate finance, we find that the discussions in the SCF are not as fruitful and to-the-point as they could be because of the sensitivity of the issue and the lack of guidance from the COP.
- **(Preparation of the biennial assessment and overview of climate finance flows)** The two biennial assessments and overviews of climate finance prepared by the SCF since 2014 were put together efficiently based on the data of the UNFCCC and data from external institutions including the OECD and the MDBs, and by employing external experts. The current practice whereby the SCF signs off to the summary and the recommendations on the BA while the larger technical report remains a product of the external experts seems to us to be the right approach and worthwhile to be continued.
- **(Working Modalities of the SCF)** To enhance the effectiveness and efficiency of the SCF, we believe it is essential that maximum participation of members is assured, which has not been always the case in the past. The inter-sessional technical work of the SCF is very important and the EIG considers the current practice of assigning certain topics/elements of the work programme

²(1st Forum) held in conjunction with the Carbon Expo in Barcelona, Spain, (2nd Forum) organized in collaboration with the Climate Investment Funds (CIF) Partnership Forum in Montego Bay, Jamaica, (3rd Forum) held in conjunction with the World Forestry Congress in collaboration with the UN FAO in Durban, South Africa, (4th Forum) co-hosted by the ADB and the Climate Change Commission of the government of the Philippines

to specific working groups to bring the inter-sessional work forward as very efficient. However, care must be taken to ensure that there are sufficient opportunities for the SCF as a whole to provide feedback on the work and outputs of the working groups. We consider two meetings per year sufficient and reasonable and believe chances for full participation are higher if no more than two meetings are held per year.

(b) Transparency in Decision Making Processes

All meetings since the 4th meeting were webcast and the recordings were released on the website. All documents for all the meetings are published online and publicly available. There is also a repository of information publicly available and observers and external experts are always invited to the SCF meetings. These measures have in our view enhanced significantly the transparency of the decision-making of the SCF and proved highly effective. Furthermore, SCF's positive experience with the live webcasting was a motivating element for the GCF to webcast its Board meetings.

(c) Participation of External Stakeholders

- **(Forum)** Through the participation of MDBs, DFIs and private stakeholders dealing with climate finance, and through their continuous input into the discussions, the various SCF fora have accumulated great knowledge and expertise over the past years. At the same time, the SCF fora have helped to improve linkages and coherence in climate finance discussions between the UNFCCC and external climate finance actors and stakeholders.
- **(Biennial Assessment)** The involvement of experts from external institutions including the OECD, MDBs, CPI and ODI in preparing the biennial assessment on climate finance flows has contributed positively to measuring the level of financial support to developing countries from developed countries.
- **(SCF meetings)** The EIG considers the active engagement of the various stakeholders at the meetings and in the inter-sessional work of the SCF as one of its main strengths. The SCF has the ability to convene key players and institutions working on climate finance. We consider the regular interaction with external stakeholders as very relevant; this can be achieved within the current budget envelope.

(d) Quality and Added-value of Outputs

- **(Forum)** The details included in the summary report of the SCF for a will be useful in the provision of information. However, there was lack of performance in terms of their practicality in application and use. The better the topic is anchored in the SCF work plan, the higher is the added-value of the outputs of the SCF forum, since they can be directly integrated into the future work of the SCF on that particular topic.
- **(Financial Mechanism)** There is room for improvement in executing the function of improving coherence, effectiveness and efficiency between the operating entities of the Financial Mechanism.
- **(Biennial Assessment)** With respect to the biennial assessment, it carries great significance as

the first assessment report on climate finance by the UNFCCC. It is particularly meaningful in that representatives of developed and developing countries worked together to prepare the report on climate finance flows. The assessment currently functions as an important report that shows the overall climate finance flows globally. However, there are limitations in terms of accuracy of private finance due to a lack of methodology for measuring and tracking private finance. There has been an improvement in the overall methodology to measure and track climate finance in the BA and the coverage from the 1st to the 2nd biennial assessment was broadened. We believe the further improvement of the methodology for the BA is very important and consider it a key priority for the future work of the SCF.

- **(Support to MRV)** SCF discussions on methodologies for the reporting of financial information by developed country parties in the context of improving work on the MRV function beyond the biennial assessment were successful in drawing an expeditious and efficient agreement on ways of improving the reporting method through the BR of Annex1 countries at COP21.
- **(Overall uptake of SCF outputs)** We believe the uptake of SCF outputs has not been ideal even though the quality of its outputs, in particular of the BA, is generally very good. We believe it could be improved through a broader dissemination of the findings by the SCF members and the SCF secretariat. The SCF should communicate more actively and the public repository online should be used more extensively. The broader the outputs are disseminated the higher is the chance that the outputs are used and taken up by external stakeholders and improving the impact of the work of the SCF.

(e) **Timeliness of the Outputs**

The SCF develops an annual work plan in consideration of the need for discussion and timing of application. Based on the work plan, most items got accomplished within the time frame and these achievements were submitted to the COP each year. Thanks to the support of the UNFCCC secretariat to the SCF, the timeline for most outputs was met.

3. Recommendations

- In implementing the Paris Agreement, developed countries and parties on a voluntary basis are likely to gradually expand the size of their climate finance. In this sense, improving coherence and coordination in the delivery of climate finance will be critical for its effective use. It is recommended that the SCF play a more central role in this regard.
- In order to ensure coherence in delivering climate finance, it is required of the SCF to strengthen its role in promoting cooperation among climate-related funds. Going beyond improving coherence and complementarity among operating entities of the Financial Mechanism, the role of the SCF should be more focused on the effective use of finance, by means including defining the relationship between other climate-related funds and preventing overlapping functions. In particular, as the GCF Board has agreed to pursue work to increase coherence and complementarity with the SCF, it is deemed necessary for the SCF to work in cooperation with the GCF to improve coherence in the delivery of climate finance.
- In order to achieve the SCF's mandate on MRV, the SCF needs to contribute to improving methodologies for the measuring of private finance for the preparation of BA. There also needs to be a more concrete plan on the SCF's work to exercise MRV beyond BA. This could include

for instance work to improve data on the recipients of climate finance to assess where finance is going and how effectively it is being used.

- To increase the impact of the work of the SCF we believe its recommendations to the COP should be more specific. Based on our experience, the more to the point the recommendations of the SCF were the more effective were also the discussions at the COP.