

Written Submission from EIG on the Second Review of the Functions of the Standing Committee on Finance (SCF)

The Environmental Integrity Group (EIG), comprising of Georgia, Liechtenstein, Mexico, Monaco, the Republic of Korea and Switzerland, welcomes this opportunity to share its views related to the Second Review of the Functions of the Standing Committee on Finance, in response to the call for Submission to Parties in decision 15/CP.27 and 15/CMA.4

EIG believes that ensuring equitable geographical representation (EGR) in the composition of constituted bodies under the Convention—including the SCF—is among the most important ways to ensure that the principles of international law, the Convention, and the Paris Agreement guide multilateral climate action. EGR is critical to ensuring consideration of all developing countries’ unique national and regional perspectives and contexts. The SCF, in turn, provides critical expertise and expert inputs related to climate finance for consideration by the COP and the CMA. The expert inputs from the SCF are important inputs for the intergovernmental negotiation process between Parties on matters related to climate finance. Because of this, equitable *representation* on the SCF will promote equitable *participation by all regions* in the multilateral intergovernmental negotiations under the Convention and the Paris Agreement.

The Parties first reviewed the functions of the SCF at COP23, resulting in a COP decision text¹ and a technical paper prepared by the Secretariat.² The decision recognizes that the SCF’s structure would benefit from change and, inter alia, it:

- “emphasizes the need to continue to enhance all the functions of the SCF,”
- “decides to continue its deliberations on ways to enhance the participation of members of the SCF, *acknowledging the need to ensure the full participation and contribution of all constituencies*,” and
- “recognizes the need for the SCF to improve some of its in-session and intersessional working modalities with the aim of *further enhancing its efficiency and effectiveness, ensuring the inclusiveness and transparency of its proceedings*.”³

With the Second Review of the Functions of the SCF now underway, EIG submits that the time has come for the COP to deliver on the output of the First Review and to ensure more equitable representation for developing country Parties in the work of the SCF by revising its composition. The SCF’s existing mandates already require consideration of EGR. The only other time the COP revised the SCF’s composition was to ensure greater equity between Annex I and non-Annex I parties by altering the structure of the SCF from a chair and vice-chair to two co-chairs.⁴

¹ Decision 8/CP.23.

² FCCC/TP/2017/4.

³ Decision 8/CP.23 (emphases added).

⁴ See FCCC/CP/2012/4, Annex IV.

And the Terms of Reference (TOR) of the Second Review adopted at COP27 require that EGR be appropriately considered in the conduct of the Second Review.

EIG's views on suitable steps toward this end are set forth below. Believing deeply in the spirit of multilateralism, EIG expects that other solutions to its concerns may emerge from the diversity of views presented during consultations. EIG thus looks forward to input from other Parties and stakeholders on how best to adapt these proposals and to facilitate consensus on this important issue of EGR.

EGR in the SCF's Mandates of the Second Review

EGR is a core feature of the mandates underlying this review and the SCF. The SCF's own rules of procedure require it. Unlike other constituted bodies, the SCF does not have its own rules of procedure. Instead, under Rule 27.1 of the UNFCCC Draft Rules of Procedure, the Draft Rules of Procedure apply *mutatis mutandis* to the SCF. The Draft Rules of Procedure direct that elections give "due regard to the principle of equitable geographical representation."⁵ Similarly, the Paris Agreement (which the SCF serves) provides in its Preamble that it is "guided by the Convention's principles, including the principle of equity." EGR is thus a bedrock assumption of how the SCF operates in principle and practice.

This is all consistent with the findings of the SCF's fourth biennial assessment of climate finance flows, which was required "to include information on the geographical and thematic balances of such flows."⁶ In the report from that assessment, the SCF found that "more work is needed to promote inclusivity and geographical representation."⁷ The report also stressed the critical importance of "inclusive and broad geographic representation" for public finance actors. This was echoed in the fifth biennial report and overview's emphasis on "the principles of inclusiveness and participation." This shows that EGR is a key feature and embedded in the mandate of the SCF.

With respect to the present review, the Parties adopted the TOR for the Second Review of the Functions of the SCF at COP 27.⁸ COP16 defined the functions of the SCF as assisting the COP in exercising its functions in relation to the Financial Mechanism of the Convention by:

(1) improving coherence and coordination in the delivery of climate financing; (2) rationalizing the Financial Mechanism; (3) mobilizing financial resources; and (4) measurement, reporting, and verification of support provided to developing country Parties.

Under the TOR, the Second Review is to be conducted with a view to, inter alia, strengthening the work of the SCF and identifying opportunities for increased efficiency and effectiveness. The TOR also specify that the scope of the Second Review "will cover progress to date and lessons learned in the fulfilment of the mandate of the SCF to assist the COP and serve the Paris

⁵ Rule 27(5); *see also* Rule 22(1).

⁶ SCF/2019/20/3/Rev.1, Annex II.

⁷ FCCC/CP/2021/12/Add.1 at para. 57.

⁸ Decision 15/CP.27.

Agreement in the exercise of its functions with respect to the Financial Mechanism.” In the context of this scope, the Second Review should “examine whether any gaps exist in the delivery of the work of the SCF and how they can be addressed, taking into consideration the capacity of the SCF to deliver its work.” Further, “the review should address the following elements,” among others:

- (a) Assessment of the extent to which the SCF has effectively delivered on its four core functions and mandated activities per 2/CP.17 outlined in relevant decisions and, in this regard, take stock of past achievements of the SCF in terms of its concrete outputs and how they have been utilized;
- (b) Identification of the potential need for reorientation or reprioritization of the existing functions of the SCF; and
- (c) Assessment of whether the working modalities of the SCF, including the participation of its members, are fit for purpose for carrying out its functions.

Finally, the Second Review should take into account criteria that include:

- (a) The effectiveness and efficiency of the SCF in the delivery of its functions;
- (b) The transparency of its decision-making processes;
- (c) The inclusiveness and geographical representation of the SCF; and
- (d) The level and nature of its stakeholder engagement.

With these terms, the COP clearly evinced its intention that EGR be a priority in the Second Review of the SCF.

Composition of the SCF

Twelve non-Annex I Parties lack routine access to a designated seat on the SCF and, by no coincidence, none of these twelve has held a seat on the SCF during the first decade of that body’s work. This reality is not only unjust on its face but also inconsistent with the Convention, the Rules of Procedure, and the Parties’ decisions from which the SCF derives its authority and purpose.

The working modalities and composition of the SCF were established at COP17. There, Parties decided that the SCF would comprise 20 members with necessary experience and skills in the areas of climate change, development, and finance, and considering gender balance. Member terms are two years long, but members may serve additional terms.

Among the SCF’s 20 members, ten seats are designated for members from Annex I Parties. The other ten seats are held by members from non-Annex I Parties, apportioned as follows: two each to Parties from Africa, Asia–Pacific, and Latin America and the Caribbean; one each from the small island developing states (SIDS) and least developed countries (LDCs); and two non-Annex

I Party member seats undesignated by region.⁹ The SCF's composition therefore does not designate any members for the twelve non-Annex I Parties in Europe: Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, the Holy See, Montenegro, North Macedonia, Republic of Moldova, San Marino, and Serbia. Under the SCF's current composition, none of these Parties has ever held one of these catch-all seats.¹⁰

EIG notes that this lack of genuine representation biases decision-making processes toward some developing country Parties and against others, creating the potential to entrench and deepen inequities. It also prevents developing country Parties of Europe from establishing and maintaining institutional knowledge necessary to effectively participate in the work of the SCF.

Further, as discussed above, this structural inequity contravenes the SCF's founding documents and mission. The Rules of Procedure, which govern the SCF, require consideration of EGR in the election of the SCF's co-chairs and rapporteur. The SCF cannot credibly satisfy this expectation for electing its officers when its own membership negates the principle. Achieving EGR in the composition of the SCF is also critical to and supportive of the SCF's mandates. The lack of EGR in the composition of the SCF undermines confidence in the SCF and in its ability to operationalize its goals.

Moreover, the composition of SCF membership undermines the SCF's mandate to serve the Paris Agreement.¹¹ In light of the Paris Agreement's departure from the Convention's Annexes, the SCF's Annex-based composition is incongruous and anachronistic. An optimal outcome for the SCF will account for this new reality.

Only by ensuring that Parties from all geographical regions have a voice in the decision-making processes related to climate finance can the SCF fulfill its role of assisting the COP to make the work of the Financial Mechanism not only coordinated and inclusive but effective. EIG believes that attaining consensus on the outcome of the ongoing Second Review of the Functions of the SCF will be exceedingly difficult unless these issues are addressed by targeted remedial action to restore EGR to the functions of the SCF. That goal cannot be achieved without some guarantee of minimal inclusion for every United Nations regional group. Restoring critical parts of the SCF's mandate and functionality will also improve the body's efficiency and better reflect the diversity of unique regional challenges faced by developing countries around the world.

Proposals for Achieving EGR in the Composition of the SCF

In looking ahead to the future of the SCF's composition in the context of the Second Review, EIG proposes a revised SCF composition of 20 members, comprising the following:

- Each member having recognized competence in relevant scientific, technical, socioeconomic or legal fields, and taking into account the goal of gender balance;

⁹ Decision 2/CP.17, para. 125 and Annex VI.

¹⁰ See https://unfccc.int/sites/default/files/resource/2022_Historical_chart_08.pdf (Only held by Party representatives from China, Ghana, Indonesia, Mali, Philippines, Tanzania, Uganda).

¹¹ Decision 1/CP.21, para. 63.

- 10 members from developed country Parties
- 10 members from developing country Parties
 - 2 members from Africa
 - 2 members from Asia-Pacific
 - 2 members from Latin-America and the Caribbean
 - 2 members from Eastern Europe
 - 1 member from LDCs
 - 1 member from SIDS

EIG has also developed three possible procedures for transitioning to this composition, albeit without prejudice to the outcome of the Second Review, including the potential that consultations with Parties and stakeholders will lead to consideration of additional proposals or to revised versions of those set forth below.

Proposal 1: Transition at Election

The first approach would allow current members to serve their full term on the SCF and transition to the proposed new composition at the expiration of the next term.

Proposal 2: Provisional Seats

The second proposed approach would immediately add temporary provisional seats to the existing body as needed to meet the EGR objectives of the revised composition, while allowing current members to serve out the remainder of their full terms on the SCF.

Since the nomination and election of the current membership included express allocation of membership seats for all but those non-Annex 1 parties in Europe, achieving EGR would require adding provisional members only from UN regional groups that are excluded or underrepresented in the current composition as compared to the revised composition.

Again, all current members would serve their full terms and, at the next election cycle, would be eligible for nomination and election according to the new composition.

Conclusion

EGR is fundamental to the work, mandates, functions, and procedures of the SCF. Further, as the TOR expressly acknowledge, EGR is critical to the success of the Second Review of the Functions of the SCF in achieving its goals of strengthening the effectiveness, efficiency, and transparency of the Financial Mechanism. It is essential to ensuring that the work of the SCF accounts for different regional perspectives, priorities, and needs of developing countries around the world. Without EGR, Parties cannot ensure that the SCF's future work will be inclusive, transparent, credible, and comprehensive, or that it will reflect other critical principles of the UNFCCC. Without EGR, the SCF cannot faithfully implement the Convention or serve the Paris Agreement.

No decision, report, or other authority can justify the current membership allocation, particularly given the reality that the SCF has never had a member from any of the twelve Parties without

any designated seats in its decade of existence. The only question, then, is how best we should work to resolve this issue. With this submission, EIG hopes to begin that conversation.

EIG looks forward to discussing these issues with Parties and building toward an outcome that meets the needs of all.