

# Climate Finance Advisory Service

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Daily Briefing

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

(16–18 June 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 16 June 2014

On Monday, 16 June 2014, the Standing Committee on Finance (SCF) convened for its seventh meeting in Bonn, Germany. As has become common practice, agenda items were first introduced and briefly touched upon in plenary, before breaking out into separate breakout groups for more in-depth discussion.

The first agenda item of the day considered a paper prepared by the secretariat outlining the **communication strategy of the SCF**, aimed at assisting the SCF in developing its communication strategy in order to enhance concrete areas of collaboration and to facilitate its overall outreach activities with key stakeholders and thematic bodies under the Convention. Members welcomed the document and highlighted the need for the SCF to increase its visibility. On the other hand, members cautioned to focus on managing expectations, especially by clearly communicating what the SCF is capable of doing and can realistically achieve, given its rather full work plan.

Following this discussion, the Committee turned to the **Biennial Assessment and Overview of Climate Finance Flows** (BA), one of the core tasks of the SCF to be presented at the 20<sup>th</sup> Conference of the Parties to the UNFCCC in Lima. To introduce this item, the facilitators of the respective working group, Ms. Outi Honkatukia (Finland) and Mr. Seyni Nafo (Mali), gave a brief presentation to provide committee members and observers with an update on the current progress. SCF members welcomed the presentation and pointed towards the high expectations that have emerged surrounding the first BA. Therefore, recalling the previous agenda item, it would be important to manage expectations on what the BA can and will deliver. The facilitators highlighted some limitations that were encountered during the work so far, e.g. regarding methodological issues. In concrete, some gaps and challenges were identified, such as a lack of a common definition of climate finance; inconsistencies in terms of reporting to the UNFCCC, MDBs and other financial institutions; and the inadequate capacity of developing countries to monitor international and domestic climate finance. Despite these challenges, committee members felt the BA was a valuable exercise, precisely because it identifies these methodological issues, and that clearly identifying these would be a good conclusion of the BA in itself.

As a third item of the day, the Committee briefly discussed the **fifth review of the Financial Mechanism** (FM), which was introduced by a short presentation by the co-chair, who provided members and observers with some preliminary findings of the review so far. Some members felt it

would be necessary to rely on more information for the review, which has become available now after the work on the 5<sup>th</sup> review of the FM had already begun to provide the full picture. In addition, some members emphasized the need to differentiate between the recommendations that would result from undertaking the fifth review and the usual guidance provided to the operating entities of the financial mechanism.

The final item during the morning session addressed the Guidance to the **Operating Entities (OE) of the FM**. To start the discussion, a paper was presented that outlined options to improve future guidance to the OEs, for instance by avoiding redundant or repetitive guidance; shifting to guidance that is performance-based; and reducing guidance to the OEs to every two years rather than on an annual basis. Members welcomed the document and suggested to separate guidance into “core guidance” that could be given for several years, and giving “special guidance” if needed.

Before breaking for lunch, the co-chair announced the first two breakout groups for the afternoon: the fifth review of the FM and the BA. Afterwards in the plenary on the issue of REED finance would then be taken up.

The discussion on the **fifth review of the FM** centred on the “Draft Technical Paper on the Review of the Financial Mechanism”, which was prepared by the Secretariat. Although the technical paper was not posted on the website, it was forwarded to SCF members a week ago in order to allow for substantial discussions on the issue. The paper is meant to inform the discussions of the SCF on the fifth review of the FM and at the same time presents the outcomes of the analyses and assessments of the effectiveness of the OEs of the FM, based on the criteria outlined in the updated guidelines for the review. At the outset, the co-facilitator of the group highlighted that the findings contained in this draft technical paper may serve as a basis for conclusions and recommendations that the SCF may forward to the COP.

The discussion in the breakout group focussed on the governance and the level of responsiveness of the OEs to the guidance provided by the COP. Particularly, participants discussed a) whether the paper covers all elements included in the agreed outline on the fifth review and b) the preliminary findings on the two above mentioned chapters. In discussing these findings, participants considered the level of stakeholder involvement and gender sensitive approaches and questioned the representative of the GEF on the two issues. In the end, the breakout group was not able to conclude. It is expected that the discussion will be resumed tomorrow morning.

On the **Biennial Assessment**, the breakout group considered the findings of the first draft of the “Biennial Assessment and Overview of Climate Finance Flows” as well as the scope of the document. It was pointed out that the draft summarises climate finance estimates from available sources. These include estimates of global climate finance flows and two types of sub-flows – i.e. climate finance flows to developing countries (public and private) and climate finance reported to the Convention. Where available, the chapters also present estimates of flows by theme, sector/type of activity, and financial instruments employed.

In the discussion participants spent some time on the graph related to the scale of climate finance. They also discussed on the issue of data availability. In doing so, some participants pointed out that the estimates may include some degree of double counting and hence caution needed to be exercised

in collecting data or in aggregating them. Like the first breakout group, participants were not able to conclude and will resume their discussion tomorrow.

After the two breakout group sessions, the SCF resumed its meeting in the plenary and started the discussion on the issue of **financing for forests**, including different policy approaches applied in forest finance. On a background note: the COP in Warsaw requested the SCF to focus its upcoming possible forum on issues related to finance for forests, including the implementation of the activities referred to in decision 1/CP.16, paragraph 70, inter alia: (a) ways and means to transfer payments for results - based actions as referred to in decision 1/CP.18, paragraph 29; (b) the provision of financial resources for alternative approaches.

The discussion on REDD finance centred on how the SCF could address the issue of forest finance, particularly how to best operationalise the result-based financing approaches for REDD+. Some members pointed out that the SCF needs a better understanding of the issues and felt too premature, as proposed by the Secretariat's paper, to make specific recommendations to the OE on how to help developing countries accessing results based financing. Some other committee members mentioned that the SCF also needs to take into account work done in other fora such as the Collaborative Partnership on Forests. By the end of the session the SCF could not conclude on this issue and will resume this discussion in a breakout group tomorrow afternoon.

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