

Submission by Ethiopia on behalf of the Least Developed Countries Group on the review of the Standing Committee on Finance (SCF) based on the terms of reference

The LDC Group welcomes the opportunity to send in its views on the review of the mandate and functions of the SCF based on the Terms of Reference that were agreed at COP22 (decision 9/CP.22).

The LDC Group appreciates the work done by the SCF since its establishment. The role and impact of the work of the SCF has grown over the last few years and has now become an integral part of the architecture of the Convention and will be an important body in the implementation of the Paris Agreement. However the LDC Group has some concerns when it comes to resources, especially budgetary constraints that hinders it from delivering on its mandate.

The LDC group sees this review as an opportunity to assess how effectively and efficiently the SCF has delivered on its mandate, as outlined in 1/CP.16 and 2/CP.17 - which is to assist the Conference of the Parties in exercising its functions with respect to the Financial Mechanism of the Convention - with a view to identifying opportunities for increased efficiency and effectiveness.

The specific mandate of the SCF includes:

- Improving coherence and coordination in the delivery of climate change financing;
- Rationalization of the Financial Mechanism;
- Mobilization of financial resources; and
- Measurement, reporting and verification of support provided to developing country Parties.

The objective of the review of the SCF as stated in its terms of reference (decision 9/CP.22) is to review the functions of the committee with a view to:

- Strengthening the work of the SCF, as appropriate;
- Identifying opportunities for increased efficiency and effectiveness;
- Informing Parties on the extent to which the existing activities and working modalities of the SCF will fulfill its mandate to serve the Paris Agreement in line with decision 1/CP.21, paragraph 63;
- Taking into account interrelated review processes, such as the sixth review of the Financial Mechanism.

This submission focuses on **strengthening the work of the SCF** and **working modalities of the SCF**.

In this regard it is necessary that the quality of the technical outputs of the SCF is considered and ways identified on how to close gaps that exist in the delivery of the work of the SCF.

Strengthening the work of the SCF

Parties decided in Paris that the SCF shall serve the Paris Agreement in line with its functions and responsibilities established under the COP (paragraph 63 of 1/CP.21). The objective of the review to **strengthen the work of the SCF** is therefore timely and needed. While acknowledging that the SCF has

done various important works, the outputs of its work could feed more directly into the negotiation process to inform decision-making. The SCF could also be engaged in additional activities in line with its mandate such as mobilization of resources that has not been prioritized so far. The outputs and recommendations of the SCF should be more formally taken into consideration by the COP and followed through by bodies of the Convention.

The SCF is routinely delivering draft guidance to Operating Entities of the Financial Mechanisms of the Convention for the COP's consideration; the biennial assessment and overview of climate finance flows (BA) and organized forums on various topics.

The SCF, through its work on the biennial assessments, has been instrumental in providing an overall picture of climate finance flows. To this end, the SCF has engaged various independent experts and organizations to produce the technical reports under its guidance – a practice which should be encouraged. The reports have identified challenges and gaps in conducting these assessments. For instance the 2nd BA (2016) states that the limited clarity with regard to the use of different definitions of climate finance limits comparability of data. Therefore it is important that the SCF in its future work takes up **consideration of these gaps and challenges**, and continues work on drafting an operational definition of 'climate finance' for the COP's consideration. These areas of work will be important inputs to the work of the SBSTA on developing modalities for the accounting of financial resources provided and mobilized through public interventions and the APA on developing modalities, procedures and guidelines (MPGs) for transparency of support. In relation to this, the SCF's work on the measurement, reporting and verification of support provided to developing country Parties beyond the BA should also be integrated in the transparency framework MPGs.

The BA will also become an even more important tool for the COP and the CMA in the coming years as we are gearing up for the first Global Stock Take. Meeting developed countries support pledges will need to be supplemented by measures to accelerate the redirection of investment flows from brown to green investments. The scope of the BA should therefore be further broadened to include, to the extent possible, all financial flows, in a dynamic manner to assess progress towards the goal set in article 2.1 (c) of the Paris Agreement.

Furthermore, with the adoption and entry into force of the Paris Agreement, it is timely to consider how the SCF could quickly focus on its function of **resource mobilization and scaling up of resources**, which has up to now remained unattended to. Therefore there is a need to establish a process how the SCF can undertake this function and how it can provide recommendations that could be considered by the COP/CMA. Consideration of its role in performing this function should be a key priority area for the SCF in the coming years. It may be that, in addressing this function, the SCF may need to reorient or reprioritize its function by focusing on where the SCF can add value to the ever-increasing challenges of financing for climate change.

With regards to **improving coherence and coordination in the delivery of climate change financing**, the SCF should do further work on how the climate finance delivery institutions can harmonize their procedures and standards to facilitate access, in particular for capacity –constrained countries such as

LDCs and how their mandates, priorities and criteria can complement each other for optimal contribution to the successful implementation of the Paris Agreement and access and recommend ways to avoid duplication of efforts.

In relation to the SCF's work on the **linkages with SBI and other thematic bodies of the UNFCCC**, the SCF has a role in continuing its work on this issue by participating in meetings of these other bodies. In doing so, the SCF should regularly communicate its work and identify areas in which it could collaborate with the different bodies.

The **Forums that have been organized by the SCF** have proved to be useful in bringing experts together on specific topics. However these forums, rather than being considered as discussion workshops only, should be drawn upon so that they produce outputs and recommendations, which are taken into consideration by the SCF in the drafting of its recommendations to the COP.

Working modality and representation

Further focus could also be placed on the **working modalities of the SCF**. While virtual meetings are at times held by the SCF, this modality presents challenges for some members from countries where access to efficient web based communications is not guaranteed. This risks preventing full participation of such members and their contributions may consequently remain unavailable.

An **assessment of the membership** composition and rules for the SCF, as outlined in 2/CP.17 (Annex VI), is necessary to determine the effectiveness and availability of the members. A recommendation should then be made by the review on how to improve situations where seat vacancies or other participation challenges are identified. The issue of alternative membership to the SCF, modeled on the approach used in other UNFCCC bodies, is critical and requires consideration during the review as this could improve members' participation and contributions in meetings. With the SCF taking more responsibilities in its role serving the Paris Agreement, it is also worth assessing increasing the number of members and funded advisers to representatives from developing countries.

The issue of **observers at meetings** of the SCF must be analyzed and a clear recommendation made on how to allow for inclusiveness. Many of the observers currently are NGOs and UN Agencies from Annex 1 countries. The working modalities of the SCF allow observers to participate in break-out groups and also contribute during the meetings. The dilemma is that there is little participation, if any, of observers from LDC countries. This creates a challenge in that the decisions made after discussions favour the groups which have more participants (both members and observers) at the SCF meetings.

The review should make recommendations on **how the UNFCCC can better utilize the SCF's outputs** and on which systems can be put in place to monitor and evaluate the utilization of these outputs. It is critical that the SCF outputs are shared broadly and effectively among its stakeholders as a lot of financial and technical resources are always put into their production.