

AGN Chair sets the scene on climate finance architecture at the 2018 Standing Committee on Finance Forum

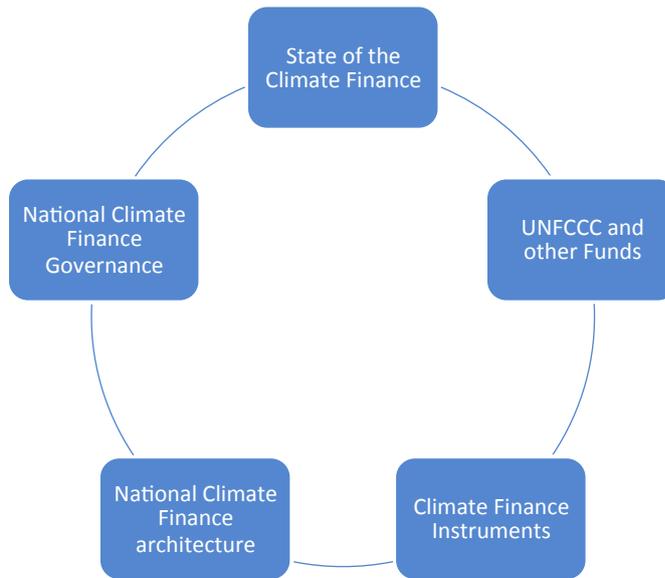


The 2018 Standing Committee on Finance (SCF) forum concluded its sessions on July 6th in Songdo-South Korea's sustainable city. The two-day forum was hosted by the Korean Ministry of Strategy and Finance, succeeding the Green Climate Fund (GCF) 20th board meeting.

Held under the theme "*The Climate Finance Architecture: Enhancing collaboration, seizing opportunities*", the forum brought together a wide array of expertise and stakeholders from governments, financial institutions, climate funds, think tanks, civil society, academia, youth and the private sector with an aim to sketch and reflect on the latest developments, trends, challenges and opportunities in the national and international climate finance facets. Guided by the SCF members and co-chairs, the discussions took place in a holistic, transparent and participatory approach.

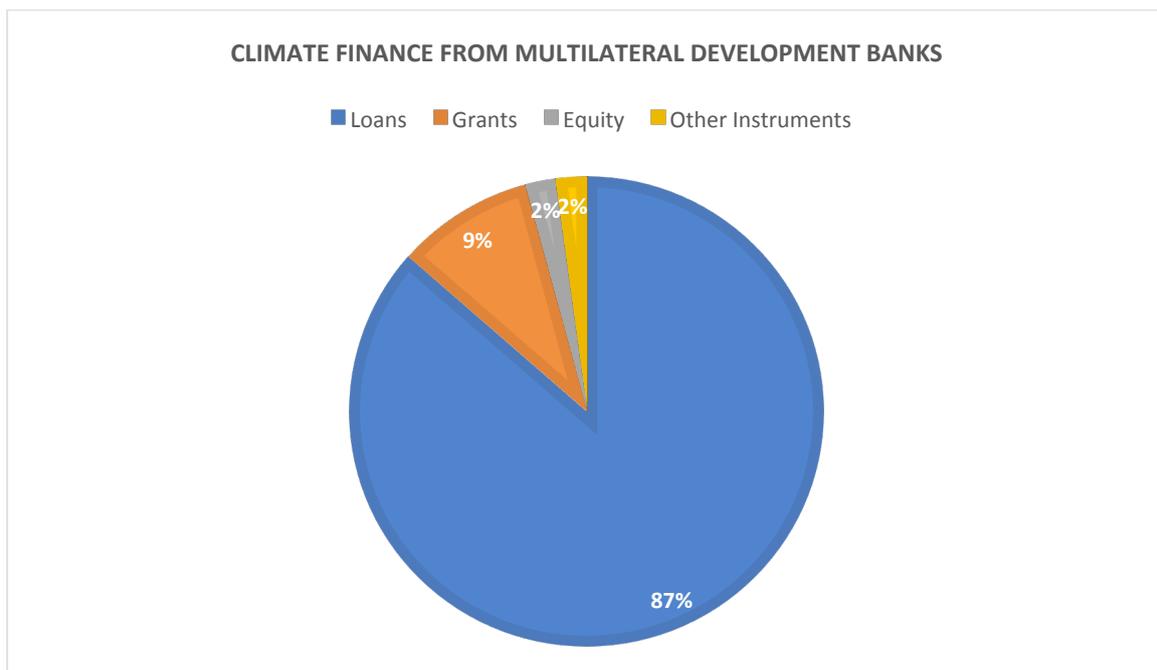
The Forum comes in a timely manner ahead of the Bangkok intersessional during which the draft Paris Rulebook is set to be finalised, for an anticipated adoption at COP24 in Katowice. This historic milestone makes it imperative to review the climate finance architecture, so as to take stock of where we are in terms of mobilizing the necessary finance to deliver on the agreed commitments and obligations under the convention and the Paris Agreement.

Over the course of two days, participants dedicated day one to explore the state of the art on climate finance including financial flows, funding entities under and outside the UNFCCC, and new financing instruments. Deliberations on national finance architecture took place on the second day, including a review of the existing national climate funds, governance frameworks, success stories, and challenges, with an aim to improve financial flows from the international to national and local levels.



Discussion blocks of the SCF 2018 Forum

At the outset of the forum the AGN Chair, Mohamed Nasr of Egypt, who also co-facilitated the organization of the forum, laid the groundwork for discussions by presenting the findings of the latest [Biennial Assessment Report \(BA\)](#) of the SCF released in 2016. Nasr highlighted the need for a paradigm shift in the mainstream perception of climate finance from “only grants” to include all other financial instruments including, but not limited to, loans. This comes in light of the BA quantitative analysis which shows that funding from Multilateral Development Banks (MDBs) constitutes the biggest share in climate finance which has grown from \$23.4 Bn in 2015 to \$32.9 Bn in 2017, 87% of which is in the form of loans.



“It is very important to understand that the nature of climate finance is a reflection of the financial instruments. Looking at the bigger picture, we can see that 43% of all climate finance is in the form of grants, while as 43% is in loans, 11% in equity and 3% in guarantees” indicated Nasr.

He further added that climate finance data represents a major challenge in terms of quality and completeness. There are not enough sources of data and reports available due to the lack of a clear methodology for data collection, no agreement upon definition of climate finance, and the multiplicity of tags that climate finance could be labelled with including development finance or merely investment finance. Hence, the reality of the magnitude of climate dedicated funding could be more or less than what is captured in existing reports and assessments.

AGN members -among which are SCF and GCF board members- made significant contributions to the forum from the organizational aspects to advancing discussions on all issues at stake, specifically the issues of top priority to the African continent. This included leveraging finance for adaptation action which is estimated at approximately 30% of all available funding, sustainably building and enhancing national institutional capacities to better access and manage climate funds, ensuring country-ownership and country-drivenness of the national planning and actions for which funding is dispersed, and conducting all of that through a coordinated cross-sectoral approach that engages all stake-holders and takes into consideration country priorities and needs.

Aside by capacity building which was collectively perceived as a foundational enabler for concrete adaptation action, there was a strong voice for south-south cooperation and peer-to-peer learning in designing and operationalizing institutional governance frameworks and national climate funds.

The forum identified issues of common concern which need further work including sustainability and predictability of funding, enhancing complementarity between the climate funds, simplifying access to financial resources and de-risking private investment. Critical issues related to country ownership and, building and retaining capacity remain challenging standing issues that need to be operationalized.

Experience from the Montreal Protocol was brought to the discussions to draw upon the lessons learnt from the Montreal Multilateral Fund, which could be useful to the UNFCCC financial mechanism in devising a post-2025 long-term global goal on climate finance. Initial Reflections indicated the need for moving beyond financial targets that are not tied to quantifiable goals on adaptation and mitigation. In addition, a strong compliance mechanism is indispensable for achieving the stipulated targets.

In its entirety, the forum provided an interactive opportunity bridging public, private, multilateral, bilateral and non-governmental experiences, highlighting the intertwined factors which contributed to the successes, the challenges and the knowledge gaps that need to be addressed, in order to unlock financial flows from the international to the most local level possible, and create robust national finance architecture.

In his capacity as a member of the SCF and co-facilitator of the forum, Nasr will co-prepare a report on the 2018 SCF forum and develop recommendations to guide the COP.