



**Submission by the Republic of the Maldives
on behalf of the *Alliance of Small Island
States***
21 March 2017

In accordance with decision 9/CP.22, the Conference of the Parties invited members of the Standing Committee on Finance, Parties, the constituted bodies under the Convention and external stakeholders to submit, **by 9 March 2017**, their views on the review of the Standing Committee on Finance (SCF) based on the terms of reference contained in the annex, for consideration by the Subsidiary Body for Implementation at its forty-sixth session (May 2017).

The Alliance of Small Island States (AOSIS) is pleased to submit its views on the review of the SCF pursuant to the COP's invitation.

General comments on the role and functions of the SCF

The primary mandate of the SCF is to assist the COP in exercising of its functions with respect to the Financial Mechanism of the Convention to improve coherence and coordination in the delivery of climate change financing, rationalization of the Financial Mechanism, mobilization of financial resources and measurement, reporting and verification (MRV) of support provided to developing country Parties. Accordingly the COP has further elaborated on the mandated activities for the SCF over the period 2011-2015 and the role and work undertaken by the SCF has grown since its establishment in 2010.

The SCF in its annual report to the COP, provided an overview of those mandates compared to outputs delivered by the Committee [FCCC/CP/2016/8, Annex VII]. In view of this information, AOSIS is satisfied that the SCF has conducted its activities in accordance with the relevant decisions of the COP and produced satisfactory outputs. The AOSIS is further satisfied that the SCF has conducted its work in a transparent and inclusive manner. AOSIS recognizes that the SCF in exercising its mandate and functions in this manner has established itself as a key body under the Convention and will be an integral part of the Paris Agreement architecture and rule book.

The SCF's review, in line with its objective as defined in the annex to decision 9/CP.22¹, is necessary for the implementation of Parties' decision in 1/CP.21, paragraph 63, that the SCF shall serve the Paris Agreement. For an effective implementation of the Paris Agreement, the SCF has to be strengthened and enabled to exercise its functions in such a manner to provide the necessary technical input on financial issues under the Convention and the Paris Agreement.

Responding to (a) Strengthening the work of the SCF and (c) Extent to which existing activities of the SCF will fulfil its mandate to serve the Paris Agreement

AOSIS wishes to highlight lessons learned, identified gaps, and use for the Paris Agreement

¹ The objective of the review of the Standing Committee on Finance (SCF) is to review the functions of the committee, with a view to:

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

implementation of the SCF's work on:

- (1) Biennial assessment and overview of climate finance flows (BA) for 2014 and 2016, as well as the MRV of support beyond the BA;
- (2) the SCF's forum;
- (3) Mobilization of resources; and
- (4) Coherence and coordination in the Financial Mechanism's climate financing delivery and rationalization of the Financial Mechanism.

(1) Utilizing and building on the BA and MRV of support beyond the BA:

While the BA continues to suffer from shortcomings (which the SCF itself acknowledges [FCCC/CP/2016/8 Annex II paras 5-7]), the reports have been useful to identify gaps that must be addressed to ensure a comprehensive, credible, holistic picture of climate finance flows. In particular, identified gaps and lessons learned on definitional and methodological issues for accounting and reporting of climate finance flows have been important references for discussions on transparency of support under the Convention.

Recalling that in decision 1/CP.21, the SCF shall serve the Paris Agreement, AOSIS considers the BA, together with the work of the SCF on MRV of support beyond the BA, as important references for the development of modalities for the accounting and reporting of climate finance under the Paris Agreement in particular with respect to articles 2.1(c), 9.5, 9.7, 13.6, 13.9 and 14.1 of the Agreement. The scope of the BA should be aligned with these provisions from the Paris Agreement to enable a complete overview of flows responding to both (1) the overarching goal contained in article 2.1 (c), and (2) the financial mobilization and support to developing countries pursuant to articles 9 and 13. In particular, information on flows under (1) should include an overview of all flows, brown and green, to assess their consistency with international climate goals and how flows shift from brown to green over time. Both information under (1) and (2) are needed as inputs to the Global Stocktake in article 14 of the Paris Agreement.

In addition, further contributions would be welcomed from the SCF work under its 2016-2017 MRV workplan particularly on common reporting methods for needs and climate finance received, with consideration of developing country capacities and experiences, as well as needs for support on MRV, and, its consideration of general principles (i.e. transparency, comparability, efficiency, completeness and accuracy) that should guide the work on further efforts to improve methodologies for reporting financial information [FCCC/CP/2015/8 Annex VII]. While flexibility is afforded to small island developing states under article 13, AOSIS recognizes that reporting on support received and needed will be critical to ensure that support is being received at the right time, at the level required by those particularly vulnerable and therefore most in need. Those SIDS wishing to do so, should get the necessary support to put in place appropriate national or regional systems for tracking and reporting climate finance received. Accordingly, AOSIS considers that the SCF should prioritize progress in these areas to ensure that its work can contribute in a timely manner to the work under the Subsidiary Body for Scientific and Technological Advice and the Ad Hoc Working Group on the Paris Agreement relevant to accounting modalities, the transparency framework and the global stocktake.

AOSIS also wishes to highlight the importance that the SCF focus its efforts on how appropriate disaggregated data can be generated in an effort to better reflect how and where climate finance flows are distributed. AOSIS is particularly interested in disaggregated information for climate finance flows to particularly vulnerable countries, including SIDS and LDCs. Both groups include members from several geographical regions, and as a result current disaggregation of climate finance data usually lacks the cross-regional SIDS or LDC specific focus.

(2) Utilizing the SCF Forum

In general, outputs and recommendations from the SCF's work could feed more directly into relevant negotiations and discussions under the Convention and the Paris Agreement. For example, the 2016 SCF Forum on financial instruments that address the risks of loss and damage associated with the adverse effects of climate change provided a forum for exchange of information and identification of challenges with current financial instruments that could be used for loss and damage. Critics of the Forum expressed concern for its limited focus, particularly on risk transfer instruments. The tensions exposed in the Forum provided an opportunity around which further dialogue could be structured. However this was not reflected in the recommendations nor the follow up activities which in sum only encouraged further consideration of issues with no actionable points. In this instance, the Forum could have been used to contribute to advance discussions on loss and damage drawing on the technical inputs and identification of areas where those technical inputs were lacking. Efforts should be made to ensure that SCF Forum can be more effectively used to make progress on issues in a pragmatic manner and to support the technical work of other constituted bodies under the Convention and under the Paris Agreement as the need arises. Recommendations emanating from an SCF Forum or other SCF activity should therefore be oriented for relevant bodies to take action thereon.

(3) Mobilization of resources

In particular in the context of the Paris Agreement, the SCF has to strengthen its work to fulfil the function of mobilization of resources, which has been a gap so far. An important use of the information from the SCF is in the development of the **new collective quantified goal from a floor of USD 100 billion per year** pursuant to decision 1/CP.21, paragraph 53. While the determination of the first long-term climate finance goal was largely a political exercise, the entry into force of the Paris Agreement and the urgency of action necessary to ensure that its objectives are not undermined, require a more technical approach to defining the next climate finance goal. The SCF is appropriately positioned to facilitate consideration of relevant technical inputs and appropriate processes for the development of that goal including taking into account its work related to scaling up finance for adaptation in relation to finance for mitigation.

(4) Coherence and coordination

AOSIS considers that the SCF could strengthen its work on the coherence and coordination in the Financial Mechanism's climate financing delivery, as well as the rationalization of the Financial Mechanism. In particular, AOSIS wishes to stress the importance of coordinated and harmonized access procedures between the operating entities and specialized funds to enable efficient and simplified access procedures in particular for those developing countries that face particular vulnerabilities and capacity constraints. As a matter of priority, the SCF can also contribute technically to the coordination of timeframes of the replenishment cycles of the operating entities, as well as the adequacy of their replenishments.

In line with the review's objective of taking into account interrelated review processes, and given the COP's request to the SCF to provide expert input to the sixth review of the Financial Mechanism (FM) to be finalized by the COP22, the SCF can utilize this channel for providing technical input to support the operating entities' deliberation of their replenishment processes.

Further on the matter of inputs to the sixth review of the FM, AOSIS also considers that the SCF's expert input should include a review of how the FM has addressed the needs of SIDS in terms of access relative to resources available for SIDS and delivery of support.

Responding to (b) Identifying opportunities for increased efficiency and effectiveness: Working modalities of the SCF and (c) Extent to which existing working modalities of the SCF will fulfil its mandate to serve the Paris Agreement

AOSIS underscores that the **increased efficiency and effectiveness** of the work of the SCF is necessarily linked to consistent participation of its Members with appropriate technical expertise and complimentary technical support. The SCF's working modalities and composition should be adjusted in that regard.

The Revised composition and working modalities of the Standing Committee contained in FCCC/CP/2012/4 provides that: [t]he Standing Committee shall be composed of members nominated by Parties for approval by the Conference of the Parties, who shall have the necessary experience and skills, notably in the areas of climate change, development and finance, taking into account the need to achieve gender balance in accordance with decision 36/CP.7. Based on this provision, the only qualification provided for members is experience and skills.

Further elaboration of this could provide, at a minimum, that members shall have demonstrated technical expertise such as academic qualification or professional experience, in international law, economics and international finance including development finance and climate finance. In addition, it could also provide that members shall serve in an independent professional capacity. AOSIS is also open to consider the appointment of funded alternates who shall be able to participate and to undertake functions as a member in the absence of the primary member.

The review should produce some recommendations for how to encourage and facilitate participation of external experts and observers with relevant expertise in the SCF's activities on the BA, MRV of support beyond the BA, the Forum, mobilization of resources, and coherence and coordination.

An outcome of the SCF's review should also include options/recommendations on how to make better use of the SCF's outcomes and recommendations within the relevant bodies under the Convention and the Paris Agreement.

Finally to ensure consistent participation, AOSIS continues to support the position that the SCF shall be funded through the core budget of the Convention. AOSIS would like to stress the need to ensure that the SCF has adequate resources and an adequate number of meetings to undertake its functions. Due to the increasing work under the Paris Agreement, three meetings a year should be the minimum and the reduced number of two meetings in 2017 should not set a precedent for future meetings.