



Submission by Germanwatch to the Standing Committee on Finance, 30 July 2013

Germanwatch welcomes the call for submissions by the Standing Committee on Finance and would like to provide the following inputs on elements to be taken into account for the development of a work programme on MRV of support, as well as for the conduct of the biennial assessments and overview of climate finance flows in 2014 which is considered as part of the MRV work of the SCF.

Germanwatch is of the view that at this critical juncture of the climate finance debate, ensuring transparency and accountability is more crucial than ever before. One expression of this is that the issue of MRV has frequently been mentioned during the Workstream 1 and 2 discussions under the ADP. Finance flows to address climate change are currently highly multifaceted, flowing through multiple channels and delivered to developing countries in multiple forms. No existing system adequately measures, reports and verifies, in its current setup, the support provided to developing countries on climate finance. While it is also important to achieve progress and lessons learned in the effectiveness of climate change actions, for the benefit of those who are most affected by climate change, the monitoring and evaluation of such action is not subject of this call for submissions and is partially dealt with in other bodies (e.g. in the Adaptation Committee).

Regarding the Work Programme on Measurement, Reporting and Verification (MRV) of support

Germanwatch is of the view that a robust MRV system is indispensable to building an internationally effective regime including compliance measures, but is not a substitute for it. Any MRV system under the Convention should build on the provisions of Articles 3, 4, and 11 of the Convention, as well as upon some previous decisions taken by the COP.

It is important that the COP in Warsaw reaffirms that the Standing Committee on Finance (SCF), according to its function laid out in paragraphs 122 of decision 2/CP. 17, is the appropriate body to undertake and coordinate the MRV regime under the Convention.

Accordingly:

- In our view, pursuant to the decision 2.CP17 para 122, which allows the SCF to perform any other functions given to it by the COP, the SCF could be mandated by the COP in Warsaw to develop a regime for the measurement, reporting and verification of support provided to developing country Parties, through further advancing the current elements of MRV of support.
- The MRV regime to be shaped by the SCF should strive to link and complete all ongoing processes related to MRV of support under the Convention and its different bodies in a holistic manner, with the view of designing a single and robust regime. This regime should have the overall goal to address the accurate accounting of the provision of resources provided by developed countries to developing countries, in order to assess compliance with the different finance commitments for adaptation, mitigation, technology transfer and capacity building by developed countries.
- The SCF should elaborate definitions of key terms used in the climate finance debate, such as what climate finance is under the Convention, as well as definitions for "new", "additional", "disbursed", "pledged", "leverage", "public" and "private" finance etc.
- These definitions should enhance the understanding among Parties as a prerequisite for the set up of any robust MRV regime.
- Use the Biennial Assessment to critically analyse the substance and the adequacy of the information provided by developed countries, in order to assess previous and current financial

flows as well as how the flows are channelled through different funds and financial mechanisms, the purposes they serve and the actual net amount of finance delivered to recipient countries.

In our view, for the development of a robust and transparent MRV regime, the following aspects should be taken into account:

I. Measurement

- Measurement shall cover all sources of funding provided by developed countries in fulfilment of their financial obligations under the Convention, with the goal of supporting developing countries in their enhanced action on mitigation, adaptation, technology development and transfer, report drafting, and capacity-building.
- In order to be able to ensure comparability of the measured financial flows from developed countries, the SCF should
 - prepare methodologies, where feasible, on how resources provided through leveraging, incentivizing and/or official development aid shall be considered as complementary to (or will not be counted as a part of) the annual US\$ 100 bn commitment by 2020
 - develop and clarify a coding methodology for climate finance, taking into account existing experience
 - clarify, with respect to funds provided for multiple purposes/through multiple channels, which share provided solely for climate change shall be counted towards climate change finance.

II. Reporting:

- Development of the reporting requirements
 - Use in addition to the potential possible inputs for the first Biennial Assessment and MRV of support outlined in document SCF/2013/4/8, the information and lesson learned from the fast start finance report.
 - The reporting part of the regime should build on best reporting practice of the fast start finance period.
 - Take into account the information in and experience with the NAMA registry.
- Setting up of a registry
 - To set up an overall registry system for all climate projects seeking financial support and available financial support, which will be disclosed and available at any times to all stakeholders, in order to ensure inclusiveness, verification and transparency to all Parties.
- Reporting
 - Information on sources, additionality and channels used and amount of money pledged, allocated and disbursed by each developed country should be accurate and be reported to the COP through Annex I national communications, Biennial Reports and additional information submitted from developed and developing countries.
 - Further assess the adequacy and the appropriateness of the information provided in the existing common reporting format for the Biennial Report.
 - Develop guidelines for the existing common, internationally agreed reporting format applying clear definitions (see above) and highlighting best practice experience (incl. from the fast-start finance period), such as reporting on the project-level, determination of additionality etc., in order to maximise transparency and coherence of the reporting and to allow for comparability, assessment and analysis by the Standing Committee on Finance and all stakeholders.
 - Climate finance provided by developed countries shall also demonstrate that increasing climate finance does not lead to displacing other non-climate-related development finance.

III. Verification:

- Develop a verification process which allows to assess whether the individual and aggregate commitments for climate finance, and the fulfilment of the developed countries' financial obligations under the Convention are being met.

- The verification part of the MRV system should include a role for the recipient countries in assessing whether the provided finance can be reasonably called climate finance or not, along guidelines of the MRV system, and in reporting on its effective use of funds.
- The SCF should consider developing a certification system as part of the MRV regime which would ensure transparency in the quality of finance provided with regard to the MRV standards.