

Submission on “elements of the work plan on MRV beyond the biennial assessment and overview of climate finance flows”.

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In response to the call for submissions on elements of a work plan on MRV (measurable, reportable and verifiable) beyond the biennial assessment and overview of climate finance flows, I am pleased to share the following elements as inputs for further work.

There are major concerns on climate finance flows that derive from the lack of an agreed operational definition of climate finance, as well as the variety on type and robustness of systems and methodologies being used to report these finance flows. There has been discrepancies in the climate finance reporting- what has been provided and what has been received. UNFCCC should work towards a harmonized common operational understanding and definition as to what constitutes climate finance and then to work towards a set of standards for the MRV system of climate finance.

Building the work towards a detailed comprehensive analysis of climate finance flows falling within and outside the Convention would be a useful starting point to make progress on this matter. This would give a true picture of the state of play of climate relevant finance flows. While identifying the flows, one important step would be to identify that part of climate finance which is incremental and what is the share provided solely for climate change, if the funds are provided for multiple purposes. The work on methodologies should also include for the accounting of finance provided by developed countries and amount leveraged in the private sector.

A. Measurement

This must entail addressing the following two points:-

(I)Funds that should not be counted as climate Finance: Must entail a list of elements that must not be counted as climate finance

(II)Caution in Using/Adopting Definitions by Other Institutions: We only have a limited scope of working on climate finance issues from developed to developing countries bound by Articles 4, 11 and 12 of the Convention. In terms of eligibility criteria, definitions outside the Convention do not emphasize the flows to be new and additional.

To measure what should be counted as climate finance under the Convention must answer/contain atleast the following important elements.

- i. Purpose of the funds: Adaptation/mitigation/development
- ii. Types of funds mobilized: Loans/Grants.
- iii. Sources of these funds: Public/Private

- iv. Providers and recipients of such funds: Developed /developing countries/Private money/MDBs/Climate funds
- v. Identifying elements establishing newness, additionality and incremental cost: Is it over and above ODA/only incremental investment counted
- vi. Should be acknowledged by both receiver and provider (i.e developed and developing country)

B. Reporting

There is a need to enhance common understanding on reporting under the Convention by clarifying key concepts and reporting parameters in order to facilitate transparency and comparability of information and data on support. There is a need to work internationally agreed format on standards of reporting, which should include information on funded actions, amount effectively disbursed, and amount of new and additional funds, sector, financial channels, time frame and instruments. There is a need to look into the UNFCCC reporting guidelines on Biennial Reports and on National Communications that can lead to the harmonization of the reporting requirements under the Convention.

Improvements that would strengthen common reporting parameters include:

- (a) Status of contributions: “provided”, “committed” and “pledged”;
- (b) Where Parties report information on “mobilized private finance”, provision of information on the definitions and methods used to report such information;
- (c) Criteria for defining finance as being “climate-specific”;
- (e) Other technical elements such as exchange rates used.

C. Steps for robust Verification

- Once the above definitions are in place, then we need a reliable set-up that can assure us that the definitions and methodologies agreed are being substantially complied in the submission of reports.
- Develop a simple verification format for cataloging support received/reported by non-Annex I Parties.
- An independent analysis of climate finance will be an opportunity to incorporate recipient country views on the activities covered in the reporting
- A useful idea is to verify climate flows by both parties based on the double entry book keeping system so that the total flows provided are matched by the total flows received.
