

# Standing Committee on Finance

## Draft Scoping Document of the 2018 Biennial Assessment and Overview of Climate Finance Flows

*Proposal by the co-facilitators H. E. Seyni Najo and Ms. Outi Honkatukia*

– Revised –

### I. BACKGROUND

At its 15<sup>th</sup> meeting, the SCF initiated work on its 2018 BA and decided on early engagement with data producers and aggregators. It requested us, the co-facilitators, with the support of the secretariat, to initiate technical work on the preparation of the 2018 BA<sup>1</sup>.

Accordingly, we have prepared this document with the objective of facilitating our discussions on the scope, structure, and content of 2018 BA. Your early feedback on these matters is crucial in order to have robust discussions and to reach an agreement on the general outline of the 2018 BA at very busy 16<sup>th</sup> meeting on 18-21 September 2017. Additionally, we would like to invite you to suggest on sources of information and to gather feedback on process-related matters, including the preparation processes for the technical report and the summary and recommendations, as well as outreach.

This scoping document was developed on the basis of initial feedback received from the members of the SCF during the 15<sup>th</sup> meeting of the SCF<sup>2</sup>, written feedback and the group call held on 21 August 2017, the general outline of the 2016 BA<sup>3</sup>, and the 2016 BA technical report<sup>4</sup> as well as the Summary and Recommendations<sup>5</sup>.

The scoping document should be read in conjunction with the Background paper on the 2018 biennial assessment and overview of climate finance flows prepared for SCF16 (SCF/2017/16/8).

### II. SCOPE AND STRUCTURE

Decision 2/CP.17, paragraph 121(f) which lays out the core mandate along with subsequent COP decisions 1/CP.18, paragraph 71, 5/CP.18, paragraph 11, and 3/CP.19, paragraph 11, as well as 1/CP21, paragraph 94 (e) provide references for the scope of the BA 2018 BA. The text from the aforementioned decisions is contained in annex II.

The 2018 BA will include aggregate-level data on climate finance flows for years 2015 and 2016, and where available, with clear references to sources of the underlying activity-, project-, and fund-level data. The 2018 BA could also compile information on the non-climate finance flows to inform the analysis of the climate finance in the broader context.

The 2018 BA products would consist of the following:

- A **Technical Report** developed with internal and external expertise, which would include three core chapters, namely: methodological issues relating to measurement, reporting, verification of climate

---

<sup>1</sup> SCF/2017/15/11

<sup>2</sup> Ibid. See Summary of discussions on 2018 BA as contained in Annex VI.

<sup>3</sup> FCCC/CP/2015/8. Annex VIII.

<sup>4</sup>[http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/2016\\_ba\\_technical\\_report.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2016_ba_technical_report.pdf)

<sup>5</sup> Decision 8/CP.22. Annex.

finance; overview of climate finance flows; and assessment of climate finance flows. Additionally, the technical report will include a short introduction chapter with information on the methodological approach taken in the preparation of the 2018 BA. It would also contain annexes such as updates on operational definitions and reporting approaches, underlying data in tabular form, Frequently Asked Questions, glossary, and reference list.

- **Summary and Recommendations** developed by the Standing Committee on Finance. It would include four sections, namely: context and mandates; challenges and limitations; key findings; and, recommendations.
- **Aggregate-level data in a well-structured interactive format** on the dedicated website, with easy to access weblinks to the underlying data sheets and sources, as well as information on data certainty.

The technical report will be published as standalone publication on the UNFCCC SCF website. The Summary and Recommendations will be incorporated in the report of the Standing Committee on Finance to the COP24.

### III. CONTENT

The topics to be covered in the 2018 BA will build on the 2016 BA. Additionally, the SCF, at its 15<sup>th</sup> meeting, has identified the following considerations:

- (a) Increase the relevance of the BA under the UNFCCC process in 2018, including through consideration of how it may serve as an input to the global stocktake under the Paris Agreement;
- (b) Consider incorporation of forward-looking topics in addition to an analysis of ex-post information;
- (c) Further contribute to the enhancement of the quality and coverage of data in light of the overall objective of the BA to provide an overview of climate finance flows;
- (d) Continue to clearly communicate the caveats and the level of confidence for each dataset used;
- (e) Enhance information on the recipient perspective; and
- (f) Enhance accessibility to the underlying data.

The draft general outline of the 2018 BA contained in Section IV below is an attempt at capturing the full range of topics while taking into consideration the elements above. A non-exhaustive list of sources of information is contained in annex I.

The coverage of all elements under each chapter may be reassessed after a literature review. The co-facilitators will regularly report on the evolution of the outline during the preparation process of the first order draft.

### IV. GENERAL OUTLINE

<b>Outline of the Summary and Recommendations by the Standing Committee on Finance on the 2018 Biennial Assessment and Overview of Climate Finance Flows</b>
--

- I. Context and mandates
- II. Challenges and limitations
- III. Key findings
- IV. Recommendations

<b>Outline of the 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report</b>
---

### ACKNOWLEDGEMENT

## **Summary and Recommendations by the Standing Committee on Finance on the 2018 Biennial Assessment and Overview of Climate Finance Flows**

### **INTRODUCTION**

- Background and objectives: set the scene – context of COP decisions.
- Scope: explicit explanation of what 2018 BA will do – i.e. a ‘meta-data analysis’ and overview/ summary of existing publically available information.
- Challenges and limitations – e.g. practical difficulties in estimating domestic flows, private flows and other un-reported or underreported flows with any certainty.
- Approaches used in preparing the 2018 BA
  - Clearly outline what the BA is: describe where the data has been sourced from, time period, data coverage, and how the data was aggregated (e.g. how the different types of sub-flows are categorized in the onion diagram, how “pledged” vs “committed” vs “disbursed” are treated, etc.)
  - Clearly describe where the data on “geographical” and “thematic balance” comes from and how it is aggregated and categorized.

### **CHAPTER I – Methodological issues relating to the measurement, reporting and verification of climate finance**

- Brief update on ongoing technical work related to MRV of finance, including on operational definitions
  - Reporting and reviewing climate finance flows from developed to developing countries within and outside of the Convention
  - Reporting and reviewing climate finance flows received by developing countries
  - Insights on domestic tracking and reporting systems
  - Tracking and reporting on global total climate finance
- Information on how Parties define mitigation and adaptation in their NCs, BRs, BURs, as well as NDCs, NAPs, and NAMAs
- Comparison of strengths and weaknesses of the methodologies for reporting public and private climate finance flows – i.e. how the development of new methodologies for tracking and reporting mobilised private finance and harmonization of existing methodologies of data aggregators represent improvements compared to methodologies described in 2016 BA.
- Review recommendations from 2016 and 2014 BAs, including of the technical review of BR2 and BR3? and approaches used in reporting financial support by Annex II Parties after revisions to BR CTF tables 7, 7(a), and (b), with a view to examining the extent to which the recommendations have been considered in BR3.

### **CHAPTER II – Overview of current climate finance flows in 2015-2016**

- A succinct description of the limitations of the overview section
  - Description or explanation of the results, with identification of gaps, as needed
- Updated onion diagram, including information on trends since the first BA with respect to tot flows, thematic and geographic distribution and financial instruments used
  - Climate finance flows from developed to developing countries, also reflecting the perspective of recipient countries.
  - South–South cooperation on climate finance
  - Estimates of global total climate finance, including international and domestic flows.
- Presentation of increased data coverage and where data gaps persist
- Evaluation of the quality of data

- Clear identification of the uncertainties associated with each source of data
- Description of how the quality of measurement and reporting is assessed and the completeness of data – e.g. clearly outline the sources of data uncertainty, clearly describe the assessment of the quality of data “relatively certain”, “medium certain”, “relatively uncertain”, clearly present the scale the completeness of data from ‘low’ to ‘high’.

### **CHAPTER III – Assessment of climate finance flows**

- The approach taken in considering implications of climate finance flows, including composition, purpose, and emergent trends relevant to UNFCCC objectives and the new goals set out in the Paris Agreement.
- Consider how the 2018 BA can be used to assess how most effectively to meet adaptation and mitigation needs with climate finance and consider ownership, impact and effectiveness more generally building on 2016 and 2014 BAs.
- Information and analysis of investment needs and plans related to Parties’ nationally determined contributions and national adaptation plans
- Insights on climate finance cycle from the point of commitment, approval to disbursement to receipts, including intermediary costs
- Information and analysis of enabling policies and other drivers to mobilize climate finance
- Further discussion on enhancing access to climate finance
- Enhanced discussion on climate finance in the broader context, including information and bigger picture metrics that are relevant to facilitate the tracking of global progress towards the goals outlined in Article 2 of the Paris Agreement.
- Special topics such as gender and climate finance, forest finance, financial instruments to address loss and damage, technology investment etc.

### **ANNEXES**

- Frequently Asked Questions – a guide on how the reader should use and interpret the figures and its recommendations

#### *[Chapter I]*

- Updated compilation of definitions of climate finance and criteria used by data producers and aggregators
- Updated comparison of reporting approaches used by data producers and aggregators
- Updated compilation of information on reporting approaches used by Parties and non-Parties?
- Compilation of information on how Parties define mitigation and adaptation in their NCs, BRs, BURs, NDCs, NAPs, NAMAs
- Other?

#### *[Chapter II]*

- Climate finance reported in BR3 Common Tabular Format tables in tabular form
- Climate finance commitments made by multilateral channels in tabular form
- Climate finance provided by bilateral channels in tabular form
- Public and private climate finance mobilised through public interventions by channel in tabular form
- Climate finance received reported in BUR and other available national reports and studies in tabular form.
- Characteristics of global climate finance flows
  - Estimates of domestic public and private climate finance in tabular form
  - Where available, estimates of climate finance flows by sector in tabular form
- Other?

#### *[Chapter III]*

- Characteristics of reported climate finance by multilateral and bilateral channels

- Compilation of information of investment needs and plans related to Parties’ nationally determined contributions and national adaptation plans
- Compilation of information on emerging metrics that are relevant to facilitate the tracking of global progress towards the goals outlined in Article 2 of the Paris Agreement.
- Other?

**GLOSSARY**

**REFERENCES**

**LIST OF ABBREVIATIONS**

**V. WORKING ARRANGEMENTS**

Data collection and information gathering will follow a “hub-and-spokes” approach. The preparation of the BA will involve extensive literature review, data collection and aggregation through surveys and other research methods. It will also emphasize strong engagement with data producers and aggregators, including but not limited to: multilateral development banks, bilateral development finance institutions, national development banks, UN agencies, OECD, think-tanks, private sector financial institutions, and academia. Additionally, the 2018 BA will involve literature review of available information that is relevant to tracking global progress on the goals outlined in Article 2 of the Paris Agreement.

*Preparation of the Technical report*

The technical report is prepared with the assistance of external experts, and will include a literature review, data collection and analysis, drafting of the chapters, and technical review.

The SCF members participating in the open-ended working group contribute to the preparation of the technical report, including through provision of input inter-sessionally. The SCF collectively assesses the quality of outputs and considers drafts at its meetings and/or inter-sessionally.

The co-facilitators provide overall leadership in the preparation of the technical report. The co-facilitators are supported by the climate finance team of the UNFCCC secretariat.

*The summary and recommendations.*

The SCF develops the summary and recommendation. The co-facilitators prepare drafts, with the support of the secretariat, to facilitate the development of the summary and recommendations.

**VI. OUTREACH**

Outreach is an important component of the BA preparation process, particularly for the data collection and review. This is primarily achieved via the following means:

- Two technical meetings organised in conjunction with the SCF meetings in 2018 involving SCF members and data producers and aggregators
- Data collection from national reports under the Convention, other reports, statistical systems, as well as data collection from institutions that provide climate finance through surveys and desktop research.

**VII. ACTIVITIES AND INDICATIVE TIMELINE**

Main activities	Jun-Dec 2017	2018			
		Q1	Q2	Q3	Q4
Data availability and gaps analysis					

General outline					
Data collection, aggregation, harmonization and analysis					
1 <sup>st</sup> order draft of the technical report					
1 <sup>st</sup> BA technical meeting					
2 <sup>nd</sup> order draft of the technical report					
Technical review					
2 <sup>nd</sup> technical meeting					
1st order draft of the Summary and Recommendations					
3 <sup>rd</sup> order and final draft of the technical report					
Technical review					
2 <sup>nd</sup> order and final draft of the Summary and Recommendations					
Editing, lay-out and production					
Development of web-based content					
Roll-out and publication					
Webinars and Launching event at COP24					

## ANNEX I: Non-exhaustive list of sources of information

Types of data sources – Overview chapter	Suggested sources of information
<p><b>Flows from developed to developing countries</b></p> <ul style="list-style-type: none"> <li>• National reports under the Convention</li> <li>• Reports of the multilateral climate funds</li> <li>• Reports of the multilateral development banks and data on multilateral climate funds available in other statistical systems</li> <li>• Reports of bilateral channels and data on climate finance provided by bilateral channels in the OECD CRS</li> <li>• Other reports and studies on climate finance received by developing countries</li> <li>• Other relevant reports and databases</li> </ul> <p><b>Mobilized private finance</b></p> <ul style="list-style-type: none"> <li>• Reports that provide estimates on publicly mobilised international public and private finance for mitigation and adaptation activities in developing countries</li> </ul> <p><b>Domestic flows</b></p> <ul style="list-style-type: none"> <li>• Reports and databases that provide data on climate-related public expenditures and domestically mobilised private climate finance</li> </ul> <p><b>Broader climate-related private and investment finance flows</b></p> <ul style="list-style-type: none"> <li>• Databases that provide data on private climate finance flows by sector and financial instrument/asset class</li> </ul> <p><b>Other relevant sources of information</b></p>	<ul style="list-style-type: none"> <li>• National Communications, Biennial Reports and the Common Tabular Formats, Biennial Update Reports, Nationally Determined Contributions, National Adaptation Plans</li> <li>• Reports of operating Entities of the Financial Mechanisms and the Special Funds, and reports of other multilateral climate funds</li> <li>• 2016 and 2017 Joint Reports on Multilateral Development Banks' Climate Finance</li> <li>• OECD DAC statistics</li> <li>• Global Landscape of Climate Finance, CPI</li> <li>• ODI's Climate Funds Update</li> <li>• CPEIR – Climate Public Expenditure and Institutional Review</li> <li>• Other studies and tools that track domestic and climate finance received.</li> </ul> <p style="background-color: yellow; text-align: center;">[INSERT HERE SUGGESTED SOURCES OF INFORMATION]</p>
Types of information sources –Assessment chapter	Suggested sources of information
<p><b>Other reports of the SCF</b></p> <p><b>Information related to bigger-picture metrics for tracking progress towards the goals outlined in Article 2 of the Paris Agreement, including ongoing public and private initiatives:</b></p> <ul style="list-style-type: none"> <li>○ Activities of multilateral, bilateral, and national development finance institutions</li> <li>○ Climate-related financial disclosure practices – asset-level data and climate-related analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Reports and databases used in the Overview chapter</li> <li>• Reports of the 2017, 2016 and 2015 SCF Forums</li> <li>• Technical paper on the review of the Financial Mechanism</li> <li>• “Future of the Funds: Exploring the Architecture of Multilateral Climate Finance”, WRI</li> </ul>

<ul style="list-style-type: none"> <li>○ Environmental risks analysis in the mainstream finance, investment and insurance sectors</li> <li>○ Information on non-climate financial and investment flows</li> <li>○ Other</li> </ul> <p><b>Other relevant sources of information</b></p>	<ul style="list-style-type: none"> <li>● “Financing the Energy Transition: Are World Bank, IFC, and ADB Energy Supply Investments Supporting a Low-Carbon Future?”, WRI</li> <li>● Reports and technical papers by the OECD including: <ul style="list-style-type: none"> <li>○ ‘What Enables Effective International Climate Finance in the Context of Development Co-operation?’</li> <li>○ The empirics of enabling investment and innovation in renewable energy</li> <li>○ Mobilising Bond Markets for a Low-Carbon Transition</li> </ul> </li> </ul> <p>[INSERT HERE SUGGESTED SOURCES OF INFORMATION]</p>
	<ul style="list-style-type: none"> <li>●</li> </ul>



## ANNEX II

Decision	Para. Number	Text
<b>2/CP.17</b>	121 (f)	<p>Also decides that the Standing Committee shall assist the Conference of the Parties in exercising its functions with respect to the financial mechanism of the Convention in terms of 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 the support provided to developing country Parties through activities, such as the following:</p> <p>(f) Preparing a biennial assessment, overview of climate finance flows, to include information on the geographical and thematic balance of such flows, drawing on available sources of information, including national communications and biennial reports of both developed and developing country Parties, information provided in the registry, information provided by Parties on assessments of their needs, reports prepared by the operating entities of the financial mechanism, and information available from other entities providing climate change finance;</p>
<b>1/CP.18</b>	71	Requests the Standing Committee, in initiating the first biennial assessment and overview of climate finance flows, to take into account relevant work by other bodies and entities on the measurement, reporting and verification of support and the tracking of climate finance
<b>5/CP.18</b>	11	Requests the Standing Committee, in preparing the first biennial assessment and overview of financial flows, to consider ways of strengthening methodologies for reporting climate finance;
<b>3/CP.19</b>	11	Requests the Standing Committee on Finance, in the context of the preparation of its biennial assessment and overview of climate finance flows, to consider ongoing technical work on operational definitions of climate finance, including private finance mobilized by public interventions, to assess how adaptation and mitigation needs can most effectively be met by climate finance, and to include the results in its annual report to the Conference of the Parties;
<b>1/CP.21</b>	94 (e)	Requests the Ad Hoc Working Group on the Paris Agreement, in developing the modalities, procedures and guidelines referred to in paragraph 91 above, to consider, inter alia:

		(e) Information in the biennial assessments and other reports of the Standing Committee on Finance and other relevant bodies under the Convention;
<b>In reference to the above 1/CP.21</b>	91	Requests the Ad Hoc Working Group on the Paris Agreement to develop recommendations for modalities, procedures and guidelines in accordance with Article 13, paragraph 13, of the Agreement, and to define the year of their first and subsequent review and update, as appropriate, at regular intervals, for consideration by the Conference of the Parties, at its twenty-fourth session, with a view to forwarding them to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement for consideration and adoption at its first session;