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## **Modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Paris Agreement**

**Technical paper by the secretariat**


### *Summary*

This technical paper provides an overview of current arrangements and developments under and outside the Convention, and summarizes the views of Parties and observers from submissions and discussions related to the modalities for the accounting of financial resources provided and mobilized through public interventions. Key considerations in the development of modalities for the accounting of financial resources are explored by channel: finance through bilateral, regional and other channels, finance through multilateral channels and finance mobilized through public interventions. Cross-cutting considerations across channels are also discussed.

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## I. Summary

1. This paper provides an overview, by channel, of reported information under the Convention, relevant work outside the Convention, and the views of Parties and observers. The main points presented in the paper are summarized in table 1 for ease of reference.

Table 1

### Summary of reported information, relevant work outside the Convention and views of Parties and observers by channel

<i>Overview of reported information under the Convention</i>	<i>Work outside the Convention</i>	<i>Views of Parties and observers</i>
<b>Bilateral, regional and other channels</b>		
<ul style="list-style-type: none"> <li>On “Recipient country/region/project/programme”: different levels of granularity across Parties, with a considerable number of entries left blank or without specific information</li> <li>On “Climate-specific”: the majority of Parties refer to the use of Rio markers; many Parties also provide coefficients applied to translate Rio-marked data to estimation of climate finance</li> <li>On “Sector”: many entries are categorized as “other” sectors with a lack of specification in some cases</li> </ul> <p>(see chapter IV.A)</p>	<p>OECD DAC CRS statistics;</p> <p>IATI (see chapter IV.B)</p>	<ul style="list-style-type: none"> <li>Need for project and activity-level data</li> <li>Importance of limiting reporting to project components that are climate-specific; modalities could build on the OECD DAC system, though some noted concerns with the system</li> <li>Need for harmonization of reporting approaches across Parties regarding specific parameters (e.g. exchange rates, committed/disbursed)</li> <li>Could enhance reporting on sectors, for example by utilizing international sectoral classification systems</li> </ul> <p>(see chapter IV.C)</p>
<b>Multilateral channels</b>		
<ul style="list-style-type: none"> <li>Some Parties report imputed multilateral contributions; other Parties note the difficulty in estimating the climate finance share of core contributions</li> <li>The usefulness of disaggregated outflow-based data is noted, given the inherent limitations to inflow-based reporting at the aggregate level</li> </ul> <p>(see chapter V.A)</p>	<p>OECD DAC CRS statistics and methodology of imputed multilateral contributions; MDBs’ joint methodology based on MDB/IDFC common principles</p> <p>(see chapter V.B)</p>	<ul style="list-style-type: none"> <li>Climate-specific shares of the finance reported as core contributions are unclear</li> <li>Limitations in the existing arrangements for the provision on information on climate-specific outflows</li> <li>Modalities could facilitate provision or access to disaggregate level data on climate-specific outflows (e.g. through open data initiatives, leveraging from biennial assessment and overview of climate finance flows, collective reporting)</li> </ul> <p>(see chapter V.C)</p>
<b>Climate finance mobilized through public interventions</b>		
<ul style="list-style-type: none"> <li>Lack of specific guidance for reporting</li> <li>Only a few Parties currently collect and provide information</li> </ul> <p>(see chapter VI.A)</p>	<p>Work on data and methods under the OECD-led Research Collaborative, and by the OECD DAC and by the joint MDB group</p>	<ul style="list-style-type: none"> <li>Major gap in the existing arrangements</li> <li>Need for definitions and common understanding of concepts (e.g. mobilization) and consideration of criteria (e.g. causality, attribution)</li> <li>Modalities should facilitate reporting in a consistent manner and provision of</li> </ul>

Overview of reported information under the Convention

Work outside the Convention

Views of Parties and observers

(see chapter VI.B)

transparent information on methodologies

- However, there are challenges in data availability, confidentiality and cost of tracking
- Methodological difficulties in quantification of the catalytic effect of capacity-building and policy-related interventions

(see chapter VI.C)

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## Cross-cutting considerations

Parties and observers referred to considerations relating to:

- Party coverage
- Principles, particularly avoiding double counting
- What counts as climate finance
- Additional reporting parameters (e.g. grant-equivalent, transaction costs and return of investments, tagging finance activities that contribute to capacity-building and technology transfer)
- Cross-checking information
- Collective reporting
- Linkages (modalities, procedures and guidelines for the transparency framework under Article 13 of the Paris Agreement, global stocktake)

(see chapter VII)

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*Abbreviations:* CRS = Creditor Reporting System, IATI = International Aid Transparency Initiative., IDFC = International Development Finance Club, MDB = multilateral development bank, OECD = Organisation for Economic Co-operation and Development, OECD DAC = OECD Development Assistance Committee.

## II. Introduction

### A. Background and mandate

2. In the decision adopting the Paris Agreement, the Conference of the Parties (COP) requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Paris Agreement for consideration at COP 24, with a view to making a recommendation for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its first session.<sup>1</sup>

3. Article 9, paragraph 7, of the Paris Agreement stipulates that developed country Parties shall provide transparent and consistent information on support for developing

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<sup>1</sup> Decision 1/CP.21, paragraph 57.

country Parties provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines on the transparency framework for action and support, which was established by Article 13 of the Paris Agreement. Other Parties are encouraged to provide such information.

4. SBSTA 44 initiated consideration of the development of modalities for the accounting of financial resources provided and mobilized by public interventions in accordance with Article 9, paragraph 7, of the Paris Agreement. The SBSTA requested the secretariat to prepare a technical paper prior to SBSTA 46.<sup>2</sup> SBSTA 44 and 45 requested the secretariat to draw on the following information in the preparation of the technical paper:<sup>3</sup>

(a) Information from the in-session workshop organized by the secretariat on 8 November 2016;<sup>4</sup>

(b) Submissions by Parties and observer organizations;<sup>5</sup>

(c) The structure of the guiding questions from the in-session workshop;

(d) Discussions that took place during SBSTA 45;

(e) Relevant developments under and outside the Convention related to modalities for the accounting of financial resources provided and mobilized through public interventions, including the summary and recommendations by the Standing Committee on Finance (SCF) on the 2016 biennial assessment and overview of climate finance flows.<sup>6</sup>

## **B. Scope, approach and structure of the document**

5. This document provides an overview of current arrangements and developments under and outside the Convention, and summarizes the views of Parties and observers related to the modalities for the accounting of financial resources provided and mobilized through public interventions.

6. Chapter III provides an overview of the related arrangements and developments under the Convention. Chapters IV–VI explore key considerations in the development of modalities for the accounting of financial resources by channel: finance through bilateral, regional and other channels; finance through multilateral channels; and finance mobilized through public interventions. Each of these chapters provide an overview of the information reported under the Convention for the respective channel of finance, describes relevant practices outside the Convention, and finally synthesizes related views of Parties and observers expressed through their submissions and discussions during SBSTA 45 and the in-session workshop. Lastly, cross-cutting considerations across all types of flows are discussed in chapter VII.

7. It should be noted that there is no specific reference to the “accounting of financial resources” in decisions prior to 1/CP.21, which mandates the SBSTA to develop modalities for the accounting of financial resources provided and mobilized through public

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<sup>2</sup> FCCC/SBSTA/2016/2, paragraph 110.

<sup>3</sup> FCCC/SBSTA/2016/2, paragraph 110, and FCCC/SBSTA/2016/4, paragraph 108.

<sup>4</sup> More information on the in-session workshop is available at [http://unfccc.int/cooperation\\_and\\_support/financial\\_mechanism/items/10121.php](http://unfccc.int/cooperation_and_support/financial_mechanism/items/10121.php).

<sup>5</sup> Submissions are available at <http://unfccc.int/5900> and <http://unfccc.int/7482>.

<sup>6</sup> Decision 8/CP.22, annex.

interventions in accordance with Article 9, paragraph 7, of the Paris Agreement. Therefore, this paper discusses arrangements and developments, primarily reporting arrangements, which may be considered as related to the accounting of financial resources.

### **III. Current arrangements and developments under the Convention related to modalities for the accounting of financial resources**

8. In accordance with decision 4/CP.5 on the “Guidelines for the preparation of national communications by Parties included in Annex I to the Convention, Part II: UNFCCC reporting guidelines on national communications” (hereinafter referred to as the UNFCCC reporting guidelines on NCs), Parties included in Annex II to the Convention (Annex II Parties) provide information in their national communications (NCs) on their provision of financial resources to developing country Parties.

9. In accordance with decisions 2/CP.17 and 19/CP.18, Annex II Parties also provide information on the provision of financial support to Parties not included in Annex I to the Convention (non-Annex I Parties) through their biennial reports (BRs) and tables of the common tabular format (CTF). Table 7(a) of the CTF is used to report contributions through multilateral channels; table 7(b) is used to report contributions from bilateral, regional and other channels; and summary information of the two tables is given in table 7. For the provision of information, Parties use the “UNFCCC biennial reporting guidelines for developed country Parties”<sup>7</sup> (hereinafter referred to as the UNFCCC reporting guidelines on BRs) as well as guidance available through the footnotes to the CTF tables.

10. Since the introduction of the BRs and CTFs, efforts have been ongoing under the Convention to enhance the consistency and transparency of reporting. Parties considered methodologies for reporting financial information and at COP 21 adopted revisions to CTF tables 7, 7(a) and 7(b),<sup>8</sup> as shown in the figure below, including:

- (a) Creation of a documentation box for the provision of information on definitions or methodologies used for reporting;
- (b) Creation of a reporting field for “activity” under contributions through bilateral, regional and other channels, in addition to the existing fields for recipient country/region/project/programme;
- (c) Alignment of the categorization for the reporting parameter “status” of support (“pledged”, “committed”, “provided”) with the categorization used in other existing international methodologies (“committed” and “disbursed”).

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<sup>7</sup> Decision 2/CP.17, annex I.

<sup>8</sup> Decision 9/CP.21.

**Revisions to common tabular format tables 7, 7(a) and 7(b) adopted through decision 9/CP.21**

(a)

Documentation box	
1: Core/general	
2: Climate-specific	
3: Status	
4: Funding source	
5: Financial instrument	
6: Type of support	
7: Sector	

Each Party shall provide an indication of what new and additional financial resources it has provided and clarify how it has determined that such resources are new and additional. Please provide this information in relation to tables 7(a) and (b).

(b)

Table 7(b)  
**Provision of public financial support: contribution through bilateral, regional and other channels in 20XX-3<sup>a</sup>**

Recipient country/ region/project/programme <sup>b</sup>	Total amount		Recipient country/ region/project/programme/activity <sup>b</sup>	Total amount	
	Domestic currency	USD		Domestic currency	USD
	Climate-specific <sup>f</sup>		Climate-specific <sup>f, 2</sup>		

(c)

Donor funding	Total amount				Status <sup>b, 3</sup>	Fundi sourc
	Core/general <sup>d, 1</sup>		Climate-specific <sup>e, 2</sup>			
	Domestic currency	USD	Domestic currency	USD	Committed	ODI
					Disbursed	Othe

11. Annex II Parties are to provide financial information using the revised tables starting from their third BRs (BR3) due in 2018. The secretariat is currently revising the electronic reporting application for the CTF in accordance with the adopted revisions.

12. Another ongoing development is the harmonization of the UNFCCC reporting guidelines on BRs and NCs. COP 17 requested the Subsidiary Body for Implementation (SBI) to begin the revision of the UNFCCC reporting guidelines at SBI 40.<sup>9</sup> In the draft UNFCCC reporting guidelines on NCs,<sup>10</sup> the guidelines and tables concerning financial, technological and capacity-building support are largely harmonized with those of the BR guidelines and CTF tables. Under the draft UNFCCC reporting guidelines on NCs, however, each Annex II Party is additionally required to provide detailed information on the assistance provided for the purpose of assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting the costs of

<sup>9</sup> Decision 2/CP.17, paragraph 18.

<sup>10</sup> FCCC/SBI/2016/8, annex I.

adaptation to those adverse effects. The revised guidelines are yet to be finalized. At SBI 45, the SBI agreed to continue its consideration of the outstanding issue contained in the draft guidelines at SBI 46. Due to this ongoing harmonization of the UNFCCC reporting guidelines on NCs with those of the BRs, the subsequent chapters will focus on the BRs and CTFs.

13. While noting such improvements to the reporting of information on climate finance, the SCF provides further insights into reporting by developed countries in its summary and recommendations on the 2016 biennial assessment and overview of climate finance flows.<sup>11</sup> According to the SCF, the current UNFCCC reporting guidelines accommodate a diversity of reporting approaches in order to accommodate reporting on a wide range of instruments and activities. Limited clarity with regard to the diversity in reporting approaches, however, limits comparability in climate finance reporting in some cases. The SCF suggests that further improvements in reporting guidelines and formats are needed to enhance transparency on the approaches used by individual Parties and to enable greater comparability across Parties.

## IV. Climate finance through bilateral, regional and other channels

### A. Overview of information reported under the Convention

14. As noted in chapter III, climate finance through bilateral, regional and other channels is reported in CTF table 7(b). Table 2 below lists the reporting parameters as well as the guidance on reporting available for each parameter in table 7(b). Paragraphs 15–18 below then explore some parameters in more detail, including an analysis of the information reported through Parties’ CTFs accompanying their BR2s, with a view to identifying potential issues for consideration in the development of modalities for the accounting of financial resources.

Table 2

#### Reporting parameters and guidance for reporting in table 7(b) of the common tabular format

<i>Reporting parameter</i>	<i>Guidance for reporting (including BR guidelines (decision 2/CP.17, annex I) and footnotes to CTF tables)</i>
Recipient country/region/project/programme/ (activity from BR3 onwards)	<ul style="list-style-type: none"> <li>• Parties should report, to the extent possible, on details contained in this table</li> <li>• As additional information, Parties should report, as appropriate, on project details and the implementing agency</li> </ul>
Climate-specific	<ul style="list-style-type: none"> <li>• Parties should explain in their biennial reports how they define funds as being climate-specific</li> <li>• From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box</li> </ul>

<sup>11</sup> See footnote 6 above.



<i>Reporting parameter</i>	<i>Guidance for reporting (including BR guidelines (decision 2/CP.17, annex I) and footnotes to CTF tables)</i>
Year	<ul style="list-style-type: none"> <li>• Annual contributions for the previous two calendar or financial years without overlapping with the previous reporting periods</li> </ul>
Currency (domestic currency and USD)	<ul style="list-style-type: none"> <li>• Parties should provide an explanation on methodology used for currency exchange in the box below the CTF tables</li> </ul>
Status (provided, committed, pledged (changed to disbursed and committed from BR3 onwards))	<ul style="list-style-type: none"> <li>• Parties should explain, in their biennial reports, the methodologies used to specify the funds as provided, committed and/or pledged</li> <li>• From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box</li> </ul>
Funding source (ODA, OOF, other)	<ul style="list-style-type: none"> <li>• Parties are to specify funding sources identified as “other”</li> <li>• From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box</li> </ul>
Financial instrument (grant, concessional loan, non-concessional loan, equity, other)	<ul style="list-style-type: none"> <li>• Parties are to specify financial instruments identified as “other”</li> <li>• From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box</li> </ul>
Type of support (mitigation, adaptation, cross-cutting, other)	<ul style="list-style-type: none"> <li>• Parties are to specify types of support identified as “other”</li> <li>• From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box</li> </ul>
Sector (energy, transport, industry, agriculture, forestry, water and sanitation, cross-cutting, other)	<ul style="list-style-type: none"> <li>• Parties are to specify sectors identified as “other”</li> <li>• Parties may select several applicable sectors. Parties may report sectoral distribution, as applicable, under “other”</li> <li>• From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box</li> </ul>

*Abbreviations:* BR = biennial report, BR3 = third biennial report, CTF = common tabular format, ODA = official development assistance, OOF = other official flows.

15. With regard to the reporting parameter “recipient country/region/project/programme”, the footnote to the CTF states that Parties should report, to the extent possible, on details, and as additional information, report, as appropriate, on project details and the implementing agency. For the years 2013 and 2014, some Parties reported at the project or programme level, providing a title or short description for each entry. A greater number of Parties provided information per recipient country or region, suggesting that they have provided aggregate or semi-aggregate data. This may be due, in part, to the limitations of the number of input rows of the electronic reporting application for the CTF. Furthermore, a considerable number of entries were left blank or did not contain specific information on recipient countries/regions/projects/programmes. In such cases, the reporting field contained wording such as “worldwide”, “global” and “other”. Finally, very few Parties included additional information on implementing agencies.

16. With regard to the reporting parameter “climate-specific”, the footnote to the CTF states that Parties should explain in their biennial reports how they define funds as being climate-specific. Most Parties include such explanation in their BRs, although to varying degrees of detail. In terms of the approach taken in tracking the provision of bilateral

climate finance, a majority of Parties refer to the use of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD DAC) system of Rio markers. The Rio markers is a policy marker system to identify activities that are “principally” or “significantly” targeting climate change adaptation and mitigation, among other objectives of the Rio Convention. In their reporting for table 7(b), some Parties provide the total value of finance that targets climate change mitigation or adaptation as a “principal” or “significant” objective. Other Parties translate the Rio-marked data on development finance into an estimation of climate finance by applying coefficients to differentiate and scale down funding marked as targeting climate change as only a “significant” objective as opposed to “principal” objective. Among those Parties that utilize coefficients, a few Parties determine coefficients on a project-by-project basis, whereas the other Parties set default coefficients applied to each Rio marker. For those Parties that make explicit reference to the use of Rio markers and the application of coefficients within their BR3s, the relevant percentages are listed in table 3. If an activity was marked as principal, many Parties considered and reported 100% of the funds as climate finance, whereas if an activity was marked as significant, the share of funds considered and reported as climate finance varied widely across Annex II Parties. A number of Parties also highlighted in their BRs that they rule out possibilities of double counting, for example, by ensuring that weights in mitigation and adaptation are not aggregated in cases where an activity is marked as both mitigation and adaptation.

Table 3  
**Use of Rio markers and the application of coefficients for reporting in table 7(b) of the common tabular format**

<i>Party</i>	<i>Coefficient on Rio marker “principal”</i>	<i>Coefficient on Rio marker “significant”</i>	<i>Notes</i>
Australia	100%	30%	Project-by-project but 30% when it is not possible to disaggregate climate change component
Austria	100%	50%	
Belgium	100%	40%	Example of Government of Flanders
Denmark	100%	50%	
European Union	100%	40%	
Finland		10–100%	Depending on whether mitigation or adaptation is the principle or significant objective, the share varies between 10% and 100%
France	100%	40%	For Private Sector Aid and Studies Fund (FASEP) and concessional loans from the French Treasury
Germany	100%	50%	
Ireland	100%	50%	
Netherlands	100%	40%	
New Zealand	100%	30%	30% unless there is a more accurate or different default figure (from May 2014 submission as referenced in second biennial report)
Portugal	100%	0%	
Spain	100%	20–40%	20% if targeting either mitigation or adaptation as a significant objective; 40% if targeting both
Sweden	100%	40%	
Switzerland	51–100%	1–50%	

*Note:* This table includes information for Annex II Parties that explicitly refer to the application of coefficients to Rio markers in their third biennial reports. The table does not contain a comprehensive list of Parties that report based on the Rio marker system.

17. Under the reporting parameter “sector”, Parties can select several applicable sectors from energy, transport, industry, agriculture, forestry, water and sanitation, cross-cutting and other. The footnote instructs Parties to provide specification whenever “other” is selected. Parties may also report sectoral distribution, as applicable, under “other” when several sectors are selected. For table 7(b), over 30 per cent of total entries for 2013 and 2014 contained the categorization “other”. In some cases, Parties did not specify what “other” referred to. Information on sectoral distribution was generally not available.

18. Other observed reporting issues include the following:

- (a) Reporting only in domestic currencies or lack of indication of exchange rates;
- (b) Absence of explanation for the methodologies used to specify funds as provided, committed, pledged;
- (c) Lack of specification of what “other” refers to for the reporting parameters “funding source” and “financial instrument”.

## **B. Relevant work outside the Convention**

19. Practices outside the Convention in collecting information on climate-related development finance can inform the development of accounting modalities for financial resources under the Convention. Practices by the OECD DAC and the International Aid Transparency Initiative (IATI), which were most frequently referenced by Parties and observers in their submissions and in-session discussions, are elaborated in more detail in this chapter.

20. The OECD DAC collects and monitors information on development finance from DAC member countries and others through its Creditor Reporting System (CRS). Information is collected at the activity level and climate change mitigation and adaptation activities are identified using the Rio markers as mentioned above. The system is based on standardized definitions and classifications (e.g. exchange rates, points of measurement, financial instruments and sector codes), which enables consistent data collection and facilitates statistical analysis. See table 4 for more details.

21. The OECD DAC is continuously seeking to improve the quality of its data. The 2013–2015 joint Task Team of the DAC Network on Environment and Development Co-operation and the Working Party on Development Finance Statistics was established in 2013 to review the Rio marker methodology and system, including improving the transparency of reporting and the Rio marker definitions, eligibility criteria and guidance. Input to this process was provided by the multilateral development banks (MDBs) and the International Development Finance Club (IDFC). The task team came to a close in November 2015 and yielded, inter alia: (1) adjustments of the definition of the adaptation marker to better align it with the definition used by the Intergovernmental Panel on Climate Change; (2) a three-step approach to guide scoring on the adaptation marker; and (3)

development of an indicative table of likely scores by sector and examples of qualifying activities to guide Rio marking on climate change adaptation and mitigation.<sup>12</sup>

22. Furthermore, recognizing that many countries use the OECD DAC statistical system as a basis for reporting under the Convention, the DAC is currently considering adjustments to the CRS reporting to enhance the level of transparency between finance flows captured by the CRS and those reported under the Convention. These adjustments, which would be made on a voluntary basis, introduce new fields that include: (1) whether the measurement basis for reporting the activity under the Convention is “commitment” or “disbursement”; and (2) the share of the activity reported under the Convention as mitigation, adaptation, or cross-cutting (in percentages).

23. The OECD DAC is also modernizing its statistical system, including modernizing the reporting of concessional loans to introduce a grant-equivalent system for the purpose of calculating official development assistance (ODA) figures. Additionally, the DAC is working on a measure for “total official support for sustainable development” that is expected to capture broader official and officially supported resource flows beyond ODA, such as total resource flows to developing countries in support of development, regardless of the types of instruments used and associated terms. Such ongoing developments are expected to improve the coverage and quality of DAC statistics, including on climate-related development activities.<sup>13</sup>

24. Practices of IATI can also be a useful reference in the development of modalities for the accounting of financial resources under the Convention. Central to IATI is the IATI standard, a format and framework for publishing data. It was originally developed to track development cooperation activities and ensures consistency and comparability of data through the application of detailed and comprehensive codes or classifications under each reporting parameter. It accommodates reporting on a wide variety of activities including climate finance (mitigation and adaptation) from more than 525 publishers including bilateral and multilateral organizations, development finance institutions, non-governmental organizations and private development assistance providers. IATI publishers provide timely, comprehensive and forward-looking data and update them on a regular (monthly or quarterly) basis, and data users can easily locate and access the data at source, avoiding the need for publishers to duplicate reporting in many different formats and locations. IATI also offers an online datastore that gathers all published data into a single source each night and enables queries for several reporting parameters.

25. The focus of IATI is to leverage the flexibility of the IATI standard to include information on all resources and flows, with a view to providing an overview of the totality of resources available for different purposes. In addition to being fully compatible with OECD DAC fields and standards, the IATI standard allows reporting organizations to include many types of data including results data, linking to documents, geographical data and the use of other sets of codes such as the Sustainable Development Goals, targets or indicators, or more specific code lists that could be important to certain types of reporting organizations. Table 4 presents examples of the standard codes and classifications under the IATI standard, which is largely aligned with the OECD DAC statistical system.

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<sup>12</sup> More information can be found in the handbook *OECD DAC Rio Markers for Climate* available at [http://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook\\_FINAL.pdf](http://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf).

<sup>13</sup> More information available at <http://www.oecd.org/dac/financing-sustainable-development/modernisation-dac-statistical-system.htm>.

Table 4  
**Examples of standards applied by the Organisation for Economic Co-operation and Development's Assistance Committee and International Aid Transparency Initiative**

<i>Parameter</i>	<i>DAC Statistical Reporting Directives for CRS</i>	<i>IATI standard</i>
Currency	Based on United States dollars. List of exchange rates is published	Publishers are encouraged to report in their base currency. Conversion to other currencies is done using the specified value date
Status	Definitions set for commitment and disbursement	Description for commitment and disbursement
Financial instruments (type of finance)	Provides list with 7 broad categories and 50 subcategories and definitions	Based on the CRS classification
Funding source (ODA, OOF, other)	Provide list of flow types	Based on the CRS classification
Sector	Uses purpose codes with 27 main categories and 197 subcodes. Provides rules for applying codes (i.e. when the contribution benefits several sectors, the sector that receives the largest proportion should be reported) and advice through illustrative examples on how to identify the most suitable purpose	Applies the CRS classification and may also include other sector classifications such as Sustainable Development Goals
Policy marker	Rio markers with definition and eligibility criteria for mitigation and adaptation; marks as "principal" or "significant" objective	Reporting organization has the choice to apply the CRS classification and may add policy markers defined by organization itself
Other	Quality assurance is provided by the DAC Secretariat as part of the collection process	The codes also accommodate reporting by recipients A reporting parameter could be included for indicating whether data are verified or not verified

*Sources:* (1) Organisation for Economic Co-operation and Development. 2016. *Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire*. Available at [https://www.oecd.org/dac/stats/documentupload/DCDDAC\(2016\)3FINAL.pdf](https://www.oecd.org/dac/stats/documentupload/DCDDAC(2016)3FINAL.pdf), [https://www.oecd.org/dac/stats/DCD-DAC\(2016\)3-ADD1-FINAL-ENG.pdf](https://www.oecd.org/dac/stats/DCD-DAC(2016)3-ADD1-FINAL-ENG.pdf), and [https://www.oecd.org/dac/stats/DCD-DAC\(2016\)3-ADD2-FINAL%20-ENG.pdf](https://www.oecd.org/dac/stats/DCD-DAC(2016)3-ADD2-FINAL%20-ENG.pdf); (2) International Aid Transparency Initiative. *IATI standard website*. Available at <http://iatistandard.org/>.

*Abbreviations:* CRS = Creditor Reporting System, DAC = Development Assistance Committee, IATI = International Aid Transparency Initiative, ODA = Official Development Assistance, OOF = Other Official Flows

### C. Summary of views and discussions

26. Parties and observers generally acknowledged that existing arrangements under the Convention for reporting climate finance could serve as a basis for the development of accounting modalities for bilateral, regional and other finance.

27. Nevertheless, Parties and observers also highlighted the gaps and challenges in the current arrangements that need to be addressed in the development of new modalities. To improve the transparency, accuracy, consistency, comparability and completeness of information, Parties and observers proposed the following:

- (a) Project and activity-level data should be provided on bilateral climate finance;
- (b) Granular and disaggregated information should be provided to serve as a counterbalance to the lack of precise definitions and to foster engagement between donor and recipient countries;
- (c) Direct transfer of information from other data sources to the system under the Convention to facilitate the provision of more complete and detailed information;
- (d) Harmonization of reporting approaches across Parties with regard to specific parameters, for example on whether to count finance when committed or disbursed, whether to only include ODA or also other official flows and which currency exchange rates to use;
- (e) The reporting parameter on sector should be enhanced, for example by utilizing international sectoral classification systems to allow Parties to provide a more granular picture of what types of activities are supported.

28. Several Parties and observers underlined the importance of limiting reporting to the project components that are specifically targeting climate change. Given that many Parties use the OECD DAC Rio markers as a basis to report on their bilateral climate finance, some Parties and observers suggested that the accounting modalities should build upon the OECD DAC system, for example by showing how much finance is tagged as principal versus significant objectives or providing methodological information on the use of Rio markers, including coefficients used. However, a group of Parties also noted concerns regarding overreliance on the OECD DAC system which was neither designed for tracking nor for accounting purposes of climate finance. The group of Parties pointed out, for example, that the Rio markers do not allow identification of “new and additional” resources against a baseline.

## V. Climate finance through multilateral channels

### A. Overview of information reported under the Convention

29. Provision of climate finance through multilateral channels is reported in CTF table 7(a). The reporting parameters and corresponding guidance are summarized in table 5. The remainder of this chapter focuses on issues relating to the reporting parameters “core/general” and “climate-specific” that may be relevant for consideration in the development of modalities for accounting of financial resources.

Table 5

**Reporting parameters and guidance for reporting in table 7(a) of the common tabular format**

<i>Reporting parameter</i>	<i>Guidance for reporting (including BR guidelines (decision 2/CP.17, annex I) and footnotes to CTF tables)</i>
Donor funding	Parties shall provide summary information in textual and tabular format on allocation channels including, as appropriate, the following: multilateral climate change funds, as well as other climate change funds; multilateral financial institutions, including regional development banks; specialized United Nations bodies
Core/general	This refers to support to multilateral institutions that Parties cannot specify as climate-specific

<i>Reporting parameter</i>	<i>Guidance for reporting (including BR guidelines (decision 2/CP.17, annex I) and footnotes to CTF tables)</i>
Climate-specific	Parties should explain in their biennial reports how they define funds as being climate-specific  From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box
Status (provided, committed, pledged (changed to disbursed and committed from BR3 onwards))	Parties should explain, in their BRs, the methodologies used to specify the funds as provided, committed and/or pledged  From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box
Funding source (ODA, OOF, other)	Parties are to specify funding sources identified as “other”  From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box
Financial instrument (grant, concessional loan, non-concessional loan, equity, other)	Parties are to specify financial instruments identified as “other”  From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box
Type of support (mitigation, adaptation, cross-cutting, other)	Parties are to specify types of support identified as “other”  From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box
Sector (energy, transport, industry, agriculture, forestry, water and sanitation, cross-cutting, other)	Parties are to specify sectors identified as “other”  Parties may select several applicable sectors. Parties may report sectoral distribution, as applicable, under “other”  From BR3 onwards, Parties are to provide information on definitions and methodologies in the documentation box
Year	Annual contributions for the previous two calendar or financial years without overlapping with the previous reporting periods
Currency (domestic currency and USD)	Parties should provide an explanation on methodology used for currency exchange in the box below the CTF tables

*Abbreviations:* BR = biennial report, BR3 = third biennial report, CTF = common tabular format, ODA = official development assistance, OOF = other official flows

30. In accordance with footnote d to CTF table 7(a), support to multilateral institutions that Parties cannot specify as climate-specific is reported under reporting parameter “core/general”. With regard to reporting parameter “climate-specific”, the footnote states that Parties should explain in their BRs how they define funds as being climate-specific. Accordingly, Parties report corresponding amounts per multilateral climate change funds, multilateral financial institutions including regional development banks and specialized United Nations bodies for “core/general” and “climate-specific” in separate columns in CTF table 7(a).

31. While many Parties included some information on how they defined funds as being climate-specific as opposed to core/general in their second BRs (BR2) and/or as custom footnotes to the CTF tables, the information is diverse and limited. Revisions to CTF tables

7, 7(a) and 7(b) adopted through decision 9/CP.21 would facilitate, from BR3 onwards, the provision of information on definitions and methodologies in the documentation box.

32. Several Parties indicated that they have applied the OECD DAC methodology for imputed multilateral contribution to report the climate-specific share (see chapter B below). Other Parties noted the difficulty in estimating climate-specific shares of core/general contributions and indicated that they have reported the totality of contributions to the respective multilateral channels. This suggests that Parties largely reported inflows of contributions into multilateral institutions through BR1 and BR2 CTFs. This may, in part, be due to a lack of country-level methods for estimating outflows from multilateral channels to developing countries that are attributable to respective developed country Parties.

33. Amounts from inflow-based reporting for contributions through multilateral channels is significantly smaller than that of outflow-based reporting because the additional financing mobilized by multilateral institutions by drawing on retained earnings and leveraging money from global capital markets on the basis of their capital is not captured. In addition, inflow-based reporting is mostly limited to aggregate-level data of the amount provided to the corresponding multilateral institution. Therefore, information such as breakdown of “type of support”, “financial instruments” and “sector” of multilateral climate finance activities is not available through inflow-based reporting. In this regard, few Parties, in their BR2 CTF, made reference to the usefulness of methodologies that are used to track and report outflows from multilateral channels such as the joint methodology for tracking mitigation and adaptation finance of the MDBs (see chapter B below).

## **B. Relevant work outside the Convention**

34. The summary and recommendations by the SCF on the 2016 biennial assessment and overview of climate finance flows<sup>14</sup> presents key findings with respect to ongoing efforts of international financial institutions and international organizations to harmonize tracking and reporting of climate finance. This chapter focuses on some of the aspects of accounting practices involved in reporting outside of the Convention that can inform the development of accounting modalities for financial resources under the Convention.

### **1. Inflow perspective: Organisation for Economic Co-operation and Development methodology for imputing multilateral contributions<sup>15</sup>**

35. Under this methodology, imputed multilateral contributions are calculated to estimate the climate-specific share of a country’s core contribution to multilateral financial institutions, including MDBs. The formula involves estimating the share of climate-related projects in the portfolio of multilateral financial institutions by dividing climate-related outflows by the total portfolio of the institution. The climate-related share of the portfolio for a multilateral financial institution is then multiplied by unearmarked contributions from countries to that institution to estimate how much of these contributions were used for climate-related projects.

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<sup>14</sup> See footnote 6 above.

<sup>15</sup> <http://www.oecd.org/dac/environment-development/Treatment-of-green-multilateral-flows-in-OECD-DAC-statistics.pdf>.



The multilateral financial institutions access additional financing through their retained earnings and money leveraged from global capital markets. The outflows are therefore significantly greater than the inflows that are captured through this methodology.

## 2. Outflow perspective: multilateral development banks' joint methodology for tracking and reporting mitigation and adaptation finance

36. A group of MDBs, including the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank Group, and the International Finance Corporation and the World Bank from the World Bank Group, has jointly reported their investments in climate change adaptation and mitigation projects ("climate finance") on an annual basis since 2011. The joint methodology designed and applied by the MDBs captures outflows to developing countries and does not involve attribution to individual countries that make core contributions to MDBs.

37. The joint methodology for tracking and reporting mitigation finance has aimed to improve the robustness and comparability of climate finance by taking a granular approach and counting components/subcomponents of activities identified as eligible for classification as climate finance. It is based on the Common Principles for Climate Mitigation Finance Tracking, which were jointly developed by the MDBs and the IDFC.<sup>16</sup> With respect to sectors, the principles include activities that are classified in 10 categories (e.g. renewable energy; energy efficiency; agriculture, forestry and land use; waste and wastewater, etc.) and 27 subcategories (e.g. three subcategories for renewable energy, including: electricity generation; heat production or other renewable energy application; and measures to facilitate renewable energy into grids).<sup>17</sup> The MDBs and IDFC continue to work closely to achieve greater harmonization of reporting and comparability of mitigation finance reported by the two groups. Furthermore, with the aim of aligning the joint methodology with the goals of the Paris Agreement, the MDBs intend to update activities eligible for classification as mitigation finance to be applied from the period 2019–2020.

38. The MDBs' joint methodology for tracking climate adaptation finance uses a context- and location-specific three-step approach.<sup>18</sup> The MDBs take a granular approach in adaptation and count the component/subcomponent or proportion that is adaptation activity. For projects where adaptation is included in projects with other objectives, the incremental cost is estimated. It should be noted that the MDBs' approach is consequently more conservative than the OECD DAC approach and leads to lower estimates. The MDBs intend to fine-tune the joint methodology for tracking climate adaptation finance during the period 2017–2018 with a view to enhancing adequacy and consistency across the MDB group. Additionally, the MDBs are working closely with IDFC on the "common principles for climate change adaptation finance tracking"<sup>19</sup> with a view to achieving greater

<sup>16</sup> Available at:

[http://www.eib.europa.eu/attachments/documents/mdb\\_idfc\\_mitigation\\_common\\_principles\\_en.pdf](http://www.eib.europa.eu/attachments/documents/mdb_idfc_mitigation_common_principles_en.pdf).

<sup>17</sup> As footnote 16 above.

<sup>18</sup> The joint methodology for tracking climate adaptation finance is contained in annex B to the *2015 Joint Report on Multilateral Development Banks' Climate Finance*. Available at <https://www.adb.org/sites/default/files/institutional-document/189560/mdb-joint-report-2015.pdf>.

<sup>19</sup> Available at [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Common\\_Principles\\_for\\_Climate\\_Change\\_Adaptation\\_Finance\\_Tracking\\_-\\_Version\\_1\\_02\\_July\\_2015.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Common_Principles_for_Climate_Change_Adaptation_Finance_Tracking_-_Version_1_02_July_2015.pdf).

harmonization of reporting and comparability of adaptation finance reported by the two groups.

39. As of April 2017, the group of MDBs have also been reporting project-level data on their outflows of climate-related development finance to the OECD DAC through the identification of climate components within projects.<sup>20</sup>

40. While the MDBs' joint methodology does not involve attribution, studies by other international organizations have utilized methodologies that attribute outflows from MDBs to individual countries. A description of two such methodologies is provided in annex H to the *2016 Biennial Assessment and Overview of Climate Finance Flows Report*.<sup>21</sup>

### C. Summary of views and discussions

41. Parties underscored the importance of enhancing the collective understanding of support provided through multilateral channels, including amounts mobilized by multilateral institutions. Nevertheless, Parties acknowledged that the current arrangements under the Convention for reporting contributions through multilateral channels are unclear, resulting in varied information provided in BR CTF table 7(a). Parties identified several challenges and gaps in the existing arrangements under the Convention specific to reporting of contributions through multilateral channels, including, inter alia:

(a) Lack of clarity with regard to climate-specific shares of contributions through multilateral financial institutions reported as "core/general" thereby resulting in inconsistencies and insufficient levels of comparability of the data in BR CTF table 7(a);

(b) Limitations in the existing arrangements, particularly the suitability of CTF table 7(a) for provision of information on climate-specific outflows of multilateral financial institutions.

42. With regard to enhancing transparency, accuracy, consistency, comparability and completeness of information on inflows to and outflows from multilateral channels, Parties and observers highlighted, inter alia, the following considerations:

(a) The modalities for the accounting of financial resources could limit reporting to climate-specific shares of inflows to multilateral financial institutions;

(b) The modalities could facilitate provision of and/or access to disaggregated data on climate-specific activities in the outflows of multilateral financial institutions. In this regard, several Parties referred to the usefulness of open data initiatives;

(c) The modalities could build on other arrangements under the Convention such as the biennial assessment and overview of climate finance flows of the SCF to capture the outflows from multilateral channels, particularly MDBs.

43. Additionally, two groups of Parties further suggested that the modalities for the accounting of financial resources under the Convention could facilitate tracking, measurement and reporting of joint efforts of several Parties in providing and mobilizing resources through multilateral channels. The same groups of Parties were of the view that

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<sup>20</sup> Data available at <http://www.oecd.org/dac/stats/climate-change.htm>.

<sup>21</sup> Available at [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).

avoiding double counting through collective reporting ensures accuracy of data aggregated for the purposes of tracking progress towards the goal of jointly mobilizing USD 100 billion per year by 2020.

## **VI. Climate finance mobilized through public interventions**

### **A. Current arrangements related to the modalities for the accounting of financial resources**

44. The UNFCCC reporting guidelines on BRs state that Annex II Parties should report, to the extent possible, on private financial flows leveraged by bilateral climate finance towards mitigation and adaptation activities in non-Annex I Parties, and on policies and measures that promote the scaling up of private investment in mitigation and adaptation activities in developing country Parties.<sup>22</sup> This provision is made in recognition of the goal of mobilizing financial resources referred to in decision 1/CP.16, paragraph 98.

45. However, there are no parameters included in the CTF tables for reporting such information. Nevertheless, a limited number of Parties provided, to varying degrees, information in their BR2s on private financial flows associated with their bilateral climate finance and, in some instances, with specific funds embedded in multilateral financial institutions. Information on the estimation methods was also included in some cases.

46. Decision 1/CP.21, paragraph 57, and Article 9, paragraph 7, of the Paris Agreement refer to financial resources provided and mobilized through public interventions. Furthermore, Article 9, paragraph 3, refers, *inter alia*, to mobilization of climate finance from a wide variety of sources, instruments, and channels. Meanwhile Article 9, paragraph 4, refers, *inter alia*, to the need to consider public and grant-based resources for adaptation.

### **B. Relevant work outside the Convention**

47. Practices outside of the Convention in estimating and collecting data on private climate finance associated with public interventions are growing. The 2016 biennial assessment and overview of climate finance flows includes insights on emerging methods to estimate private finance. In its summary and recommendations on the 2016 biennial assessment and overview of climate finance flows, the SCF encouraged relevant institutions and experts to devise options for estimating and collecting data on private climate finance.<sup>23</sup> These practices can inform the development of modalities for the accounting of financial resources mobilized through public interventions. The remainder of this chapter provides an update in this regard.

48. Since 2013, the OECD-led Research Collaborative on Tracking Private Climate Finance and the OECD DAC have been working on methodological options and data collection for measuring publicly mobilized private finance. The Research Collaborative serves as a platform for researchers, financial institutions and countries to foster research

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<sup>22</sup> Decision 2/CP.17, annex I, paragraph 19.

<sup>23</sup> As footnote 6 above.

and information exchange on publicly mobilized private finance. For instance, several developed and developing countries have been piloting studies.<sup>24</sup>

49. The DAC's work follows the mandate from its high-level meetings in December 2014 and February 2016, with the aim of establishing an international standard for measuring the volume of private finance mobilized by official development finance interventions, including climate-related ones. So far, the DAC has developed and piloted financial instrument and mechanism-specific methodologies for measuring private finance mobilization for the following types of public finance interventions:

- (a) Guarantees;
- (b) Syndicated loans;
- (c) Equity shares in collective investment vehicles;
- (d) Credit lines;
- (e) Direct investments in companies.

50. The DAC approach is underpinned by three core methodological considerations relating to "causality" and "attribution". With regard to causality, the implicit assumption in these methodologies is that the private investment would not have happened without the public intervention. In cases where multiple public actors are involved, the private finance mobilized is attributed pro rata, based on (depending on the type of intervention) the role, risk and/or amounts provided or guaranteed by each public actor.<sup>25</sup>

51. The Research Collaborative, the DAC, development finance institutions and other stakeholders have identified challenges in distinguishing and drawing boundaries between the concepts "mobilizing", "co-financing", and "catalysing", with the concept of "total co-financing" identified as more neutral. Joint work between the Research Collaborative and the DAC, in close collaboration with public finance institutions, is being pursued to advance efforts to further develop methodologies that strike consensus and balance between practicality and accuracy.

52. Additionally, researchers involved in the Research Collaborative are pursuing work to explore and test approaches for estimating the catalytic effect of capacity-building and policy-related interventions (including domestic interventions by developing countries) on private finance.

53. The MDBs have also developed a joint methodology for tracking climate co-finance. This methodology defines co-finance as the amount of financial resources contributed by external entities alongside climate finance committed by MDBs, without implying causal relationships. With regard to attribution, this methodology utilizes the pro rata method. The aggregated co-finance resources already reported by individual MDBs and other international and national actors are subtracted.<sup>26</sup> The group of MDB continues to work on improving methodologies for tracking climate co-finance. The MDBs have reported co-finance alongside climate finance for the first time in 2016. This initial methodology will

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<sup>24</sup> For more information see <https://www.oecd.org/env/researchcollaborative/on-going-activities.htm>.

<sup>25</sup> For more information see <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/OECD-DAC-Methodologies-to-measure-amounts-mobilised-from-the-private-sector-by-official-development-finance-interventions-2016.pdf>.

<sup>26</sup> The joint methodology for tracking climate co-finance is contained in annex D to the *2015 Joint Report on Multilateral Development Banks' Climate Finance*. Available at <https://www.adb.org/sites/default/files/institutional-document/189560/mdb-joint-report-2015.pdf>.

be further improved in 2017, taking into account the recommendations of the dedicated MDB Task Force.

### C. Summary of views and discussions

54. Parties and observers have identified modalities for facilitating tracking and reporting private climate finance mobilized through public interventions as one of the major gaps in the existing arrangements under the Convention and referred to the following in the context of developing modalities:

- (a) A need to clearly distinguish between the accounting of climate finance provided versus private finance mobilized through public interventions;
- (b) Development of common definitions and understanding of the concepts “mobilization”, “leverage” and “co-finance”;
- (c) Considerations of criteria such as “causality” between public interventions and amounts mobilized, “motivation”, “geographic origin” and “concessionality”;
- (d) Differentiation between directly and indirectly mobilized private climate finance;
- (e) Agreement on which public interventions should be counted as mobilizing private finance.

55. Parties expressed views on the objectives and characteristics of the modalities for private finance mobilized through public interventions, including the need for modalities to be developed to facilitate, inter alia, the following:

- (a) Capturing and communicating private climate finance in a consistent manner, including through reporting formats;
- (b) Provision of information on how developed country Parties have used public interventions in mobilizing private climate finance;
- (c) Provision of sufficient information for understanding how methodologies used to calculate mobilized private finance avoids double counting across Parties;
- (d) Encouraging and incentivizing the most effective use of climate finance;
- (e) Tracking progress towards the goal of mobilizing USD 100 billion per year by 2020;
- (f) Tracking progress towards the goals outlined in Article 2 of the Paris Agreement and informing the global stocktake.

56. Parties also identified a number of challenges and limitations for consideration in the development of modalities for private climate finance mobilized through public interventions, including:

- (a) Availability of data, which are currently mostly limited to co-financing;
- (b) Challenges and costs associated with collecting and verifying data on private finance mobilized through public interventions, particularly public finance instruments (e.g. guarantees, syndicated loans, equities, etc.);
- (c) Challenges with tracking and quantifying mobilized private climate finance as a result of capacity-building and policy-related interventions;
- (d) Difficulties in estimating private climate finance due to the diversity of activities and emerging new initiatives within the private sector.

## VII. Cross-cutting considerations

57. Through their submissions as well as discussions during SBSTA 45 and the in-session workshop, many Parties and observers also referred to broader, cross-cutting considerations across all channels of climate finance that should be taken into account in the development of modalities for the accounting of financial resources. These issues are discussed below.

### A. Party coverage

58. In relation to the coverage of accounting modalities, Parties generally acknowledged that accounting modalities applied to developed country Parties could also be applied to other Parties, which are encouraged to provide information on climate finance provided to developing countries on a voluntary basis. Specifically, a few Parties were of the view that the work of the SBSTA should deliver a common system that enables and facilitates the provision of as much information as possible by all Parties, while recognizing the mandatory and non-mandatory aspects. Another group of Parties were of the view that the work of the SBSTA on accounting modalities should focus on guidance for the provision of information from developed countries in the short term, while also recognizing that the modalities can also be useful to guide other Parties that have been invited to provide information on a voluntary basis. One Party also referred to the need for clarification on which Parties belong to developed and developing country Parties.

### B. Principles

59. Parties also elaborated their views on the issue of basic principles to consider in the development of accounting modalities. Decision 1/CP.21, paragraph 92, lays out a number of elements that the Ad Hoc Working Group on the Paris Agreement (APA) should take into account in its development of modalities, procedures and guidelines for the transparency framework, including the need to promote transparency, accuracy, completeness, consistency and comparability, and the need to ensure that double counting is avoided. Parties were of the view that such principles should be further discussed and clarified in the context of climate finance as part of the work on modalities for the accounting of financial resources. Many Parties particularly stressed the importance of designing the accounting modalities to prevent any kind of double counting. Parties identified several types of double counting that need to be considered, including:

- (a) Counting the same financial resources used to meet obligations under a different international regime (e.g. the Convention on Biological Diversity) as climate finance;
- (b) Counting the same financial resources used for internationally transferable mitigation outcomes as climate finance;
- (c) Counting financial resources more than once between Parties and a multilateral institution in the case of multilateral finance;
- (d) Counting financial resources to bilateral institutions embedded in multilateral institutions as both bilateral and multilateral climate finance;
- (e) Counting financial resources more than once across Parties in the case of mobilized finance.

### **C. What counts as climate finance**

60. Furthermore, the lack of common understanding on what counts as climate finance was central to many Parties' and observers' concerns about the current arrangements under the Convention. These Parties and observers underlined the need for internationally agreed definitions on climate finance provided and mobilized through public interventions in order to ensure consistency and comparability of data as well as to facilitate the aggregation and tracking of progress at the global level. The same Parties and observers also raised concerns about the relabelling of ODA as climate finance, and emphasized the need to clarify what is meant by "new and additional" finance against a baseline. On the other hand, some Parties proposed alternative ways of achieving consistency and comparability rather than engaging in the highly politicized debate around definitions. These Parties proposed that building upon international systems with standard definitions and classifications (e.g. IATI, OECD DAC statistical system) in the development of modalities would remove ambiguities in the current reporting guidelines and enable robust data collection and clear analysis of data. A few Parties specifically noted that more detailed sectoral classifications would provide a more granular picture of what types of activities are counted as climate finance and contribute to progress on the definitional issue.

### **D. Additional reporting parameters**

61. A number of Parties and observers also supported the introduction of additional reporting parameters, including those related to:

- (a) Reporting the grant-equivalent as opposed to the face value of the finance provided;
- (b) Reporting on the flow of climate finance; that is, to specify the amount of transaction and overhead costs as well as the finance that flows back to developed countries as a result of loan repayment or return of investments;
- (c) Capturing contributions of subnational governments;
- (d) Recognizing that finance, capacity-building and technology transfer are not mutually exclusive and allowing Parties to tag an activity as contributing to one or more of these objectives.

### **E. Collective reporting**

62. Focusing on the need to coherently and transparently track progress towards a collective goal, a few Parties encouraged collective measuring, tracking and reporting under the Convention. The same group of Parties pointed to the common methodological framework utilized by 18 developed country Parties, including the accompanying technical recommendations.

### **F. Cross-checking information**

63. A common concern identified by Parties and observers was the lack of means to cross-check the information on the provision of climate finance reported in BRs. To address this issue, some Parties and observers proposed that the accessibility of reported information should be improved using web-based tools to allow beneficiaries and other stakeholders to track the financial resources made available per recipient. IATI was identified as a potential model of readily accessible and usable information. A group of

Parties proposed a reciprocal system between donors and recipients be developed to allow developing countries to verify receipt of climate finance. Other Parties supported the introduction of a designated entity to undertake validation of reported data. Furthermore, in order to ensure that the data of the donor and recipient side is comparable, another group of Parties underlined the need to develop accounting modalities for climate finance received jointly with accounting modalities for finance provided and mobilized.

## **G. Linkages**

64. Finally, with regard to the relationship of the work of the SBSTA with that of the APA, Parties shared the understanding that the outcome of the work by the SBSTA should feed into the broader work of the APA on the development of modalities, procedures and guidelines for the transparency framework on support. Given that the two bodies work in parallel, many Parties highlighted the importance of close coordination between the SBSTA Chair/co-facilitators and the APA Co-Chairs. A few Parties suggested that it may be useful to consider joint meetings of the two workstreams.

65. Additionally, some Parties emphasized that the global stocktake would also rely on the outcome of the work of the SBSTA and the resulting provision of more transparent and comparable information.

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