

Fifteenth meeting of the Standing Committee on Finance Bonn, Germany, 7–9 March 2017

Background paper on the 2018 biennial assessment and overview of climate finance flows

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to initiate work on its 2018 biennial assessment and overview of climate finance flows (BA), including:

- a) To reach an agreement on the overall approach;
- b) To develop a preliminary draft outline; and
- c) To agree to initiate technical work and early engagement with data providers, producers and aggregators.

I. Possible actions for consideration by the SCF

1. *Overall approach:* The first and second BAs comprised a summary and recommendations that was prepared by the SCF and included in its annual report to the COP and a technical report that was prepared by experts under the guidance of the SCF. Co-facilitators, with the support of the secretariat, guided the preparation of the technical report inter-sessionally. The drafts of the technical report were reviewed by the open-ended working group of the BA inter-sessionally as well as at the technical meetings, with the participation of external contributors including data providers, producers and aggregators. At its meetings, the SCF provided strategic guidance for the preparation of the technical report as well as developed the summary and recommendations based on key findings and insights from the technical report. The SCF may wish to discuss and agree to continue applying this overall approach to its work for the preparation of the 2018 BA.
2. *General outline:* The SCF may also wish to deliberate on the objectives, scope, and structure of the 2018 BA, with a view to developing a preliminary draft outline for finalization at its next meeting. The SCF may wish to refer to the outline of the 2016 BA contained in the Annex to this paper as a basis for this discussion, and identify possible changes and additional elements for consideration in the 2018 BA. In this context, the SCF may wish to recall its decision to continue, as a follow-up activity to the 2017 SCF forum, its consideration of how to include financial instruments that address the risks of loss and damage in its work related to the BA.¹
3. *Initiation of the technical work and stakeholder engagement:* Furthermore, to ensure timely and effective preparation of the 2018 BA, the SCF may wish to reach an agreement to initiate technical work in 2017 and start engagement with data providers, producers and aggregators at an early stage. A draft approach to BA related outreach and communication activities in 2017 is included in document SCF/2017/15/3. Possible milestones and an indicative timeline are included below.

¹ FCCC/CP/2016/8, Annex III.



Indicative timeline								
Activities and deliverables	2017-2018							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase I: Finalizing the outline								
Scope, structure and annotated outline								
Phase II: Research and drafting								
Literature review								
Engagement with data providers, producers and aggregators			Technic al meeting		Technic al meeting	Technic al meeting		
Phase III: Consolidating the final draft								
Working group discussions on findings and insights, based on draft chapters								
Consolidating the final draft of the technical report								
Drafting and finalization of the Summary and Recommendations								
Phase IV: Publication								
Layout, design and production								
Phase V: Outreach and dissemination								
Communication and promotion of the technical report and the summary and recommendations								

II. Background

4. COP 17 decided that the SCF should assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention in terms of MRV of support provided to developing countries, inter alia, through preparing BAs. The BAs are to include information on the geographical and thematic balance of flows drawing from available sources of information, including, inter alia, from biennial reports and biennial update reports. Further guidance is contained in decisions 1/CP.18, paragraph 71, 5/CP.18, paragraph 11, 3/CP.19, paragraph 11, 9/CP.21, paragraph 13, and paragraph 37 (f) in the annex to decision 8/CP.22.
5. With respect to the transparency framework established under the Paris Agreement, the COP, in decision 1/CP.21, paragraph 94(e) requested the Ad hoc Working Group on the Paris Agreement, in developing the modalities, procedures, and guidelines for the transparency framework, to consider, inter alia, information in the BAs and other reports of the SCF.
6. COP 22 noted the 2016 BA while particularly welcoming the summary and recommendations by the SCF as contained in the annex to decision 8/CP.22.

Annex**Outline of the 2016 biennial assessment and overview of climate finance flows***Executive summary*

- The mandate
- Challenges and limitations
- Key findings
- Conclusions and recommendations

Introduction

- Objectives: set the scene – context of COP decisions.
- Scope: explicit explanation of what BA2 will do (i.e. it's a 'meta analysis' and overview/summary of existing publically available information, rather than presenting new data).
- The BA should also provide a guide on how the reader should use and interpret the figures in its recommendations.

Approach used in preparing BA2

- Clearly outline what the BA is: describe where the data has been sourced from, time period, data coverage (i.e. what's in and what's out), 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.
- Clearly outline the challenges and limitations (e.g. practical difficulties in estimating domestic flows and other un-reported flows with any certainty)

Methodological issues related to MRV including recent developments

- Describe how other data aggregators have treated their numbers (e.g. briefly describe their definitions and how they compare to BA1, etc.),
- Describe how the differences among definitions and reporting methods have been addressed (e.g. how we treat "pledged" vs "committed" vs "disbursed", etc.)
- Compare the strengths and weaknesses of the methodologies for reporting public and private climate finance flows (i.e. how the development of new methodologies and harmonization of existing methodologies of data aggregators represent improvements compared to methodologies described in BA1 to feed into recommendations)
- Review recommendations from BA1, including those from the report of the technical review of BR1, with a view to examining the extent to which the recommendations have been considered in BR2.

Overview of flows

- A succinct section, mainly presenting numbers (e.g. public, private, domestic flows, South-South, North-South, climate relevant flows including flows from the FM of the Convention, investment in and support for fossil fuels), also reflecting the perspective of recipient countries.
- The onion diagram, showing estimates of climate finance flows for the period 2013-2014, with sufficient tabular data to make it clear what is included and how.
- Presentation of estimates of geographical and thematic balance of flows.
- Reflection on issues discussed at the 2015 and 2016 SCF Forum.

Assessment of flows

- A succinct description of the limitations of the overview section, description or explanation of the results, with identification of gaps, as needed.
- Identification of criteria – if any – for the "assessment" of climate finance flows.
- Describe how the quality of measurement and reporting is assessed (e.g. clearly outline the sources of data uncertainty, clearly describe the assessment of the quality of data "relatively certain", "medium certain", "relatively uncertain")

- Consider how the BA2 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 BA1.
- Explain how information in BA2 can be used in the context of mobilization of climate finance resources.

Conclusion and recommendations

- A short section focusing on recommendations for further improvements for BA3. It could describe some of the political challenges inherent in an assessment of this kind, but be very neutral in what recommendations are made as a result.
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