

Tenth meeting of the Standing Committee on Finance Bonn, Germany, 12–13 June 2015

Background paper on measurement, reporting, and verification of support beyond the biennial assessment and overview of climate finance flows

Expected actions by the Standing Committee on Finance

The SCF will be invited to consider:

- a) The outcomes of the in-session technical workshop, including gaps and options for improvements in the existing methodologies for reporting financial information contained in the summary of workshop
- b) Identify other possible activities that it wishes to consider in the revision of the work plan on measurement, reporting and verification beyond the biennial assessment and overview of climate finance flows.

I. Options/Actions for consideration by the SCF

- a) *The outcomes of the in-session technical workshop held under the auspices of the Standing Committee on Finance (SCF), the Subsidiary Body for Scientific and Technological Advice (SBSTA), and the Subsidiary Body for Implementation (SBI).*
1. In accordance with 11/CP.20, paragraph 6, the SCF may wish to consider in this meeting the outcomes of the joint-in-session technical workshop, including the summary contained in annex I to this document. In particular, the SCF may wish to:
 - ii. Consider the gaps in methodologies for reporting financial information by Parties included in Annex I to the Convention based on the information contained in the summary and discussion input and presentations delivered at the workshop¹, with a view to agreeing on a list of gaps it wishes to include in its annual report to COP21.
 - iii. Consider the options for improvements identified during the joint in-session technical workshop as basis for developing a list of near and longer term actions for improving methodologies for reporting financial information by Parties included in Annex I to the Convention it wishes to include as recommendations in its annual report to COP21.

Option I: Reach an agreement on a list of recommendations at the tenth meeting.

Option II: Identify possible elements with a view to agreeing on a list of recommendations at the eleventh meeting.
 - iv. Agree on the form it wishes to present is deliberations on this matter.

Option I: Include a list of recommendations by the SCF in its annual report to COP21

Option II: Include a list of recommendations by the SCF in its annual report to COP21 and include the summary of the joint in-session technical report as annex to the annual report.
- b) *Identify other possible activities that it wishes to consider in the revision of the work plan on measurement, reporting and verification beyond the biennial assessment and overview of climate finance flows.*
2. With regards to the revision of the workplan on MRV of support beyond the BA, the secretariat has received a submission from the SCF member, Ms. Edith Kateme-Kasaija, which is contained in annex II to this document.

¹ Presentations available at: < http://unfccc.int/cooperation_and_support/financial_mechanism/items/8892.php >



3. The SCF, taking into account the elements contained in this submission and elements contained in document SCF/2015/9/6, may wish to further deliberate on the matter with a view to identify elements it wishes to consider in the revision of the workplan on MRV beyond the BA.

Option I: The SCF reaches an agreement on the elements of the MRV of support beyond the BA and finalises the workplan at the tenth meeting.

Option II: The SCF identifies the elements of the MRV of support beyond the BA, and mandates the co-facilitators, with the support of the secretariat, to present a draft workplan to be agreed at the eleventh meeting.

II. Background information

4. The COP, by decision 7/CP.19, paragraph 9, invited the SCF to consider ways to increase its work on MRV of support beyond the BA in accordance with its workplan for 2014–2015 and its mandates.
5. The SCF considered the matter at its ninth meeting. It identified Committee's priority in 2015 to be on the work mandated by decision 11.CP.20, paragraphs 4, 5, 6 and 7. The Committee also agreed to revise, with further inputs to be provided by SCF members intersessionally, the draft workplan for consideration by the SCF no later than at its eleventh meeting².
6. At the ninth meeting, the SCF also identified the objectives of the joint in-session workshop³, which was held on 6 June, under the auspices of the SCF, the SBSTA, and the SBI.
7. In line with decision 11/CP.20, the secretariat organised the joint-in session technical workshop in conjunction with the forty-second session of the subsidiary bodies, drawing from a range of sources of information, including, *inter alia*, the views of Parties and observers on the methodologies for the reporting of financial information referred to in decision 2/CP.17 paragraph 19⁴ and a technical paper prepared by the secretariat, summarizing the existing international methodologies for the reporting of financial information⁵. The workshop was co-facilitated by Mr. Seyni Nafu and Mr. Roger Dungan.

² SCF/2015/9/10, paragraphs 23, 25 and 26.

³ Ibid, paragraph 24

⁴ FCCC/SBSTA/2015/MISC.3 and Add1

⁵ FCCC/TP/2015/2

Annex I – Summary of the joint in-session technical workshop on reporting methodologies for reporting financial information by Parties included in Annex I

Mandate and objectives

The secretariat, at the request of the Conference of the Parties (COP), organized a joint in-session technical workshop (hereafter the workshop), under the auspices of the Standing Committee on Finance (SCF), the Subsidiary Body for Scientific and Technological Advice (SBSTA), and the Subsidiary Body for Implementation (SBI)⁶.

The aim of the workshop was to inform the work of the SBSTA, as referred to in decision 2/CP.17, paragraph 19. Furthermore, the SCF, taking into consideration the outcomes of the workshop, will include recommendations on the methodologies for financial information in its annual report to the COP at its twenty-first session⁷.

Accordingly, the workshop aimed to achieve the following objectives:

- Identify **gaps** in the methodologies for the reporting of financial information; and
- Identify **options for improvements** in the current methodologies for the reporting of financial information, including concrete actions in the near and longer terms.

Proceedings

The workshop was held on 6 June, in conjunction with the forty-second session of the subsidiary bodies. The workshop drew from a range of sources of information, including, *inter alia*, the views of Parties and observers on the methodologies for the reporting of financial information referred to in decision 2/CP.17 paragraph 19⁸ and the technical paper prepared by the secretariat, summarizing the existing international methodologies for the reporting of financial information⁹. The workshop was open to all Parties and admitted observer organizations attending the sessions.

The workshop was co-facilitated by SCF co-chair, Mr. Seyni Nafu and SCF member, Mr. Roger Dungan. The workshop started with opening remarks delivered by the SBSTA chair, Ms. Lidia Wojtal and SBI Rapporteur, Mr. Sidat Yaffa, on behalf of SBI Chair, Mr. Amena Yauvoli

The secretariat gave two presentations. The first presentation focused on reporting on the provision of financial support in the sixth National Communications (NC6) and first Biennial Reports (BR1), providing insights on reporting requirements, discrepancies in the reporting of data in the NC6, BR1, and Common Tabular Format (CTF), as well as a status update on the revision of the NC reporting Guidelines. The second presentation provided an overview of existing methodologies for reporting financial information, highlighting reporting and data issues related to the biennial assessment and overview of climate finance flows (BA) and ways to address them¹⁰.

Following the presentations, a panel constituted of developed and developing country experts and experts from multilateral development banks, OECD, and think tanks provided their views on gaps and potential improvements to the existing methodologies for the reporting of financial information, including reporting under the Convention, in accordance with their areas of expertise and country-specific experiences.

Subsequently, the workshop participants were divided into three breakout groups to enable interactive discussions, each led by a Party representative serving as the discussion leader, using the following questions.

⁶ Decision 11/CP.20, paragraphs 4 and 5

⁷ Decision 11/CP.20, paragraph 6.

⁸ FCCC/SBSTA/2015/MISC.3 and Add1

⁹ FCCC/TP/2015/2

¹⁰ Available at: http://unfccc.int/cooperation_and_support/financial_mechanism/items/8892.php

- What are the gaps in the methodologies for the reporting of financial information?
- How can we improve the current methodologies for the reporting of financial information? What are some concrete actions in the near and longer terms?
- How could the common tabular format be adjusted so as to integrate recommendations and improvement proposals from the methodology discussions?

In order to enable interactive discussions on the topics at hand and maximize the output of the workshop, the breakout group discussion adopted a 'carousel approach', whereby participants were invited to switch to other discussion groups every 20 minutes. The discussion leaders reported back to the plenary at the end of session and concluding remarks were provided by the co-facilitators. The workshop programme, presentation slides and audio recordings of the in-session workshop are available on the dedicated web page¹¹.

Enhancing transparency, comparability and consistency of the reporting on provision of financial information under the Convention

Participants recognized the significant improvements in the reporting of financial information under the Convention as well as the efforts of international organizations to improve the methodologies for collecting and aggregating data on climate finance flows. Nonetheless, Parties underscored the potential of biennial reports (BRs) in strengthening the reporting under the Convention by enhancing the overall transparency of support provided to developing countries and the level of comparability of financial information.

Participants also exchanged perspectives on how inconsistencies in reporting financial information under the Convention can be addressed by improving the guidelines in the BRs and the Common Tabular Format (CTF) and by making adjustments in the CTF. In addition, some participants underscored the need to address inconsistencies in the data sets between Parties by fine tuning information included in NCs with data from BRs so as to minimize confusion during the review process.

Many participants underlined the importance of transparency on how the core contributions by Annex I Parties to multilateral financial institutions were used for climate relevant projects. In this regard, participants noted the need for disclosure of such information by multilateral financial institution and collaboration with OECD to calculate the imputed multilateral contributions to enable Parties to provide clearer data on climate-specific shares.

In addition, several participants considered the role of common reporting methodologies in enhancing the confidence in the quality of data on the overall picture of climate finance flows as well as the role of national tracking and reporting systems in incentivizing planning climate action in developing countries and effective use of financial resources. Other participants underlined the importance of common approaches needed in collecting underlying data across Parties as well as the need to consider complementarities between methodologies used for reporting financial information by Annex I and methodologies for aggregating data for the overall climate finance flows.

Many Parties highlighted the advantages of assigning the leading role in providing input on methodologies for reporting financial information to a body of the Convention.

Some participants noted the need to consider ways to reflect recipient countries' perspective in the reporting on support provided, including through development of standardized reporting templates and through engagement in a data-driven discussion on the status of support before the submission of BRs. With respect to the status of support, several participants noted the benefits of providing information on both "committed" and "provided".

Several participants underlined the need to clarify the varied purposes of different reporting systems, noting that national communications and biennial reporting is undertaken with the purpose of reporting on the (collective) commitments under the Convention and providing an overall picture of climate finance, in line with

¹¹Available at: http://unfccc.int/cooperation_and_support/financial_mechanism/items/8892.php

reporting objectives under the Convention. Other participants highlighted the need for differentiating between methodologies using policy-based scoring systems and the methodologies used for quantifying financial support.

Participants also acknowledged ongoing work on the revision of reporting guidelines under SBI.

Participants recognized the usefulness of the technical discussions on these matters in the context of the negotiations under the ADP as well as the relevance of the ongoing work of the SCF, including the preparation of the BAs and the work on measurement, reporting, and verification (MRV) beyond the BA.

The subsequent sections summarize the gaps and potential options for improving the current methodologies for reporting financial information, including through adjustments in the CTFs, which were identified during the workshop.

Gaps in in the methodologies for the reporting of financial information

Participants identified the following gaps in the reporting system of the Convention:

- **Lack of common understanding of climate finance concepts, including lack of clarity on how Parties define mitigation, adaptation and cross-cutting, and lack of information on the underlying assumptions**, which hamper comparability of data on financial support provided across Parties.
- **Lack of clarity on the purpose of reporting systems**; participants questioned what and who are reporting for. A clearer awareness of the target 'audience' and their needs would help in further clarifying reporting methodologies.
- **Insufficient granularity**, which makes disaggregation of data, provided through CTFs a challenge, particularly with regards to data on financial support for adaptation.
- **Insufficient or lack of information on financial support received**, including from recipient country and impact/results-based perspectives
- There was also recognition that in the longer term, a **CTF-like approach to reporting financial information for biennial update reports would be useful** as a complement to the reporting of financial information by Annex I Parties.
- **Lack of (information on) methodologies for reporting climate-specific shares of core/general contributions** channelled through multilateral financial institutions
- **Gaps in the reporting guidelines**, including lack of guidance on how to provide information on methodologies for reporting climate-related private finance under the Convention, which is important particularly in light of measuring progress towards the joint goal of mobilizing USD 100 billion per year by 2020 in the context of meaningful mitigation action.
- **Constraints posed by the software used in the existing CTF** in terms of data input and outputs.
- **Inconsistencies in financial information included in NCs and BRs**, giving rise to the need for streamlining /harmonization reporting guidelines.
- **Communication gap**, particularly where international reporting systems provide disaggregated data on financial information (e.g. project, project component and activity level data) included in national communications and biennial reporting, which necessitate the need to explain the underlying methodologies.

Potential options for improving the current methodologies for the reporting of financial information in the near and longer terms

Participants discussed potential improvements to the existing reporting methodologies, including through adjustments in the BR CTFs and revision of UNFCCC reporting guidelines. Participants identified a number of near -term and longer-term options.

Options for adjustments in the BR CTFs

With respect to actions that can be taken to provide clarity on climate finance concepts used in the reporting under the Convention, participants proposed that Parties, in their next round of the BRs, as a near-term option, could **reference definitions used in other existing international methodologies**, such as the Rio Markers

methodology, in their identification of funds as being “climate-specific”, type of support as being “adaptation”, “mitigation”, and “cross-cutting” or the sector. In the longer term, participants suggested **introducing instructions to help guide Parties on how to consistently report on their methodologies**. In addition, participants suggested that categorisation in the reporting parameters such as the status of support in the BR CTFs (i.e. “pledged”, “committed” and “provided”) could be modified in the longer term to align with the categorisation used in other existing international methodologies (e.g. “committed” and “ disbursed”).

To address the lack of information on financial support received, participants suggested options for addressing the potential disconnect between the reporting of Annex I and non-Annex I Parties by **engaging in a data-driven discussion**. As a potential near-term option, participants proposed that the **reporting Parties could consult with recipient Parties to informally cross-reference the data entered on the “status of support” with recipients’ data before the submission of NCs and BRs**. This approach may also be useful in light of reporting on climate-related private finance. In the longer-term, participants suggested developing and adopting **a common tabular format to help recipient Parties in the preparation of their Biennial Updated Reports**.

Participants also identified options that could be considered in order to address constraints with existing CTF in terms of data input and outputs. As potential near-term options, participants proposed **improvements in the software**, including extension of the number of input rows in the uploadable excel file and creating links to other reporting software and platforms so as to facilitate importation of, for example, activity-level data into the CTF. Similarly, the improvements in the software could allow for exporting of BR CTF data to other systems such as IATA. In the longer-term, participants suggested **exploring options that allow for flexibility in the instructions on how Parties can provide information in the BR CTFs**, including instructions on how to tag rows on “committed” and “provided”/ “disbursed”.

Efforts relating to methodologies for reporting financial information

With respect to methodologies for aggregating data on the overall climate finance flows, some participants proposed to **introduce a framework that allows for the integration of information and data on support provided and received**, particularly in the context of the preparation of the biennial assessment and overview of climate finance flows of the SCF.

With respect to methodologies for reporting climate-related private finance, some participants proposed that the SCF undertake further work, including through collaboration with other international organisations.

Annex II – Submission by SCF members on elements of a work plan on MRV of support beyond the BASubmission by SCF member, Ms. Edith Kateme-Kasaija

Based on the two recommendations of the recent Biennial Assessment, there are issues that emerged regarding the MRV of financial support to developing countries by Annex 1 of the UNFCCC. These are:

- The need to encourage climate finance providers to inform UNFCCC National Focal Points of climate finance committed and reported to the Convention as directed to their country to the extent possible.
- The need to invite a relevant body of the Convention to develop common reporting methods for needs and climate finance received in time for the next cycle of BURs, with consideration of developing countries experiences.

There has been experience from the Fast Start Finance arrangement in which Annex 1 Countries reported the magnitudes of financial resources given to the developing countries and the latter reported that they were not aware. It is also true that due to lack of an agreed definition of climate finance Annex 1 Countries could have indeed presented ODA support as Climate Change finance. In this regard therefore the proposal to involve National Focal Points is very important and will go a long way in solving the problem reporting on Climate finance MRV:

I therefore propose that Annex 1 and any other climate finance providers need to inform the UNFCCC Secretariat and UNFCCC National Focal Points of climate finance committed and reported to the Convention. There is however, need for an agreed common BUR format for finance received.

Submission by SCF member, Ms. Sarah Conway**Improving the methodologies for reporting financial information under the Convention**

As you know, the SCF's mandate includes "considering ways to increase its work on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows." The COP has further requested the SCF to take a number of specific steps, including considering ways of implementing recommendations from the first BA, which highlighted a number of areas for improvement in developed and developing countries' methodologies for reporting under the Convention.

In the [recent submission](#) by the United States under SBSTA item 10(b), we highlighted a number of these areas for improvement that the SCF could include in its recommendations to SBSTA. In order to provide the SCF with the robust input and information required for making useful recommendations to SBSTA, the SCF should make full use of the following opportunities:

- Technical paper – the paper should concisely outline views on the key gaps and possible improvements in the current reporting methodologies that developed and developing countries are using. As specified in the SCF's mandate under SBSTA, these gaps and suggested improvement should include those identified in: i) Parties' submissions on the appropriate methodologies and systems used to measure and track climate finance (which focused on reporting by all Parties), ii) developed country Parties' submissions based on their experience in submitting their first biennial reports (which focused on reporting by developed country Parties), and iii) Parties' and observer organizations' submissions on the methodologies for the reporting of financial information, as referred to in decision 2/CP.17, paragraph 19, (which focused on the reporting of financial information more broadly). The biennial assessment's findings on reporting methodologies could also be included. For instance, the BA highlighted the inconsistency in how developed countries reported information on certain "metadata" elements contained in the biennial reporting guidelines and also recommended developing common

reporting methods for developing countries to use when reporting on their receipt of climate finance in the next cycle of BURs.

- Joint in-session technical workshop - the workshop should be a forum for discussing the gaps and recommendations in Party reporting as identified by various stakeholders and summarized in the technical background document. To this end, the Secretariat, in collaboration with the SCF, should invite representatives from the MDBs, civil society organizations, international organizations (e.g. OECD), and relevant technical groups (e.g. UNDP/CPEIR, Consultative Group of Experts (CGE)) to complement the views expressed by Parties. For instance, the workshop could be an excellent opportunity to hear from representatives of the MDBs on how to best integrate their joint-reporting data in order to improve the current coverage of and methods for reporting on multilateral flows to developing countries. Additionally, representatives from the CGE could be invited to present their past work on best practices and guidance for reporting on the receipt of climate finance by developing country Parties, which could be a useful input for developing common reporting formats that developing countries could use to enhance the consistency and clarity of their reporting.
- The workshop could be structured as follows:
 1. Improving the coverage of Party reporting
 - a. Views by Parties
 - b. Presentation by Secretariat on the CTF as well as submissions by Parties with regards to experiences with the CTF
 - c. Presentation on options for more consistent recipient reporting by the CGE, WRI, and/or UNDP/CPEIR.
 2. Improving the coverage of multilateral flows
 - a. Views on gaps by Parties, IGOs and NGOs (e.g. CPI)
 - b. Views by an MDB representative
 3. Discussion of options and next steps

Taken together, these opportunities could provide the SCF with a clear sense of the gaps and possible improvements that it can draw from when drafting recommendations on the methodologies for the reporting of financial information in its annual report to the COP.