

## Twelfth meeting of the Standing Committee on Finance Bonn, Germany, 6–7 April 2016

### 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:

- (a) consider the activities, expected outcomes and options included in the 2016–2017 workplan on MRV of support beyond the BA, in light of the mandates contained in the Paris Agreement and decision 1/CP.21;
- (b) identify specific activities to be undertaken in 2016 and the appropriate format for presenting the results of the SCF's work on this matter to COP 22.

#### I. Actions for consideration by the SCF

1. The SCF may wish to consider the mandates contained in the Paris Agreement and decision 1/CP.21 that may affect the scope of the activities and expected outcomes included in the Committee's 2016–2017 workplan on measurement, reporting and verification (MRV) of support beyond the biennial assessment and overview of climate finance flows (BA)<sup>1</sup>. In this regard, the SCF may wish to consider a note prepared by the co-facilitators Mr. Seyni Nafo and Mrs. Outi Honkatukia with the support of the secretariat as contained in annex I to this document.
2. The SCF may further wish to identify specific activities within the two-year workplan to be undertaken in 2016, considering the options presented in the above-mentioned note. With regard to the activities it agrees to undertake in 2016, the Committee may also wish to discuss the format of outputs that may be included in its annual report to COP 22.
3. Additionally, the SCF may wish to note the update on secretariat work on the implementation of the COP 21 decision on methodologies for the reporting of financial information by Parties included in Annex I to the Convention, as outlined in section III of this document below.

#### II. Background information

4. COP 19 requested the SCF to consider ways to increase its work on MRV of support beyond the biennial assessment and overview of climate finance flows in accordance with its workplan for 2014–2015 and its mandates.<sup>2</sup> COP 20 requested the SCF, in the context of its ongoing work, including the preparation of the biennial assessment and overview of climate finance flows, to further explore how it can enhance its work on the MRV of support.<sup>3</sup>
5. In this regard, the SCF undertook technical work in 2015 with a view to identifying gaps and areas for improvement in the current arrangements on MRV of support.<sup>4</sup> The SCF further developed a two-year workplan (2016–2017)<sup>5</sup> to enable improved MRV of support under the Convention.

<sup>1</sup> FCCC/CP/2015/8, Annex VII.

<sup>2</sup> Decision 7/CP.19, paragraph 9.

<sup>3</sup> Decision 6/CP.20, paragraph 11.

<sup>4</sup> An overview of mandates and gaps relating to MRV of support (2010–2015) is available at <[http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/%28for\\_website%29\\_overview\\_of\\_current\\_mandates\\_and\\_gaps.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/%28for_website%29_overview_of_current_mandates_and_gaps.pdf)>.

<sup>5</sup> Decision 6/CP.21, paragraph 3.



6. COP 21 endorsed the workplan of the SCF,<sup>6</sup> including work on the MRV of support beyond the BA. Additionally, COP 21 requested the SCF to continue to engage with relevant bodies under the Convention, multilateral and bilateral agencies and international institutions in implementing its workplan on MRV of support beyond the BA.<sup>7</sup> The SCF was also requested, in the context of its workplan on MRV of support, to take into account the work on the methodologies for the reporting of financial information by Parties included in Annex I to the Convention.<sup>8</sup>
7. Furthermore, the Paris Agreement and decision adopting the agreement (decision 1/CP.21) contain provisions and mandates on an enhanced transparency framework for action and support, with built-in flexibility which takes into account Parties' different capacities and builds upon collective experience. Further information on the provisions and mandates related to the transparency of support is contained in annex I to this document.

### **III. Updates on the implementation of decision 9/CP.21 on methodologies for the reporting of financial information by Parties included in Annex I to the Convention**

8. In 2015, the SCF, in accordance with decision 11/CP.20,<sup>9</sup> included its recommendations on the methodologies for the reporting of financial information in its annual report to COP 21, taking into consideration the outcomes of the joint in-session technical workshop organized under the auspices of the SCF, the SBSTA and the SBI in conjunction with SB 42.
9. COP 21 welcomed the recommendations and decided, inter alia, to adopt revisions to tables 7, 7(a) and 7(b) of the common tabular format for the "UNFCCC biennial reporting guidelines for developed country Parties". The COP requested the secretariat to revise the electronic reporting application for the common tabular format (CTF), in time for the preparation and submission of the biennial reports due in 2018 (BR 3).<sup>10</sup> The secretariat has initiated a project in February 2016 to implement the necessary revisions. The revised tables are scheduled to be ready for production in 2016.
10. With regard to the electronic reporting application, COP 21 further requested the secretariat to explore ways of creating links to other reporting software and platforms to facilitate the importing and exporting of activity-level data and to inform the SCF to take this into consideration in its workplan.<sup>11</sup> The secretariat has initiated consideration of the technical and legal feasibility and constraints associated to the importing and exporting of data between the electronic reporting application for the CTF and the OECD-DAC Creditor Reporting System. The results of this analysis will be presented in the form of a briefing note to the SCF in the second half of 2016.
11. Finally, the secretariat was requested to improve the software of the biennial report data interface to allow for search functions on the UNFCCC website to collect information per key category in tables 7, 7(a) and 7(b) of the common tabular format.<sup>12</sup> Initial improvements to the functionality of the biennial reports data interface (BR-DI)<sup>13</sup> has been implemented.

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<sup>6</sup> FCCC/CP/2015/8, Annex VII.

<sup>7</sup> Decision 6/CP.21, paragraph 4.

<sup>8</sup> Decision 9/CP.21, paragraph 14.

<sup>9</sup> Decision 11/CP.20, paragraph 6.

<sup>10</sup> Decision 9/CP.21, paragraph 7.

<sup>11</sup> Decision 9/CP.21, paragraph 11.

<sup>12</sup> Decision 9/CP.21, paragraph 10.

<sup>13</sup> Available at <<http://www4.unfccc.int/sites/br-di/Pages/Home.aspx>>.

**Annex I****Note by the co-facilitators****Workplan on MRV of support beyond the BA, in light of the Paris Agreement and decision 1/CP.21****Context**

1. In 2015, the SCF identified a number of gaps and areas for improvement in the current arrangements of MRV of support, which is available on the SCF website<sup>14</sup>. The SCF, at its eleventh meeting, agreed to implement the activities presented in the table below during the period 2016–2017 to address the identified gaps and enable improved MRV of support under the Convention.
2. The Paris Agreement and decision giving effect to it include provisions that establish an enhanced transparency framework – with built-in flexibility – by building on the existing MRV arrangements under the Convention mainly through: (i) the development of common modalities, procedures and guidelines for the transparency of action and support (under APA); and (ii) the development of modalities for the accounting of financial resources provided and mobilized through public interventions (under SBSTA). Additionally, the Paris Agreement sets out the purpose of the transparency of support.
3. The modalities, procedures, and guidelines of the transparency framework will *build upon* and *eventually supersede the MRV system* established by paragraphs 40 to 47 and 60 to 64 of decision 1/CP.16 and paragraphs 12 to 62 of decision 2/CP.17.
4. The work under the APA with respect to the transparency of support is due for completion by 2018. The results of the work will be presented in the form of recommendations for adoption by the CMA at its first session. Similarly, the work under SBSTA is expected to be initiated at SBSTA 44 (May 2016) and is due by 2018.
5. Given the above, this note presents relevant elements contained in the Paris Agreement and the decision adopting the Agreement (decision 1/CP.21) in order to assist the SCF in taking stock of the overall Paris outcome. The note includes initial options for adjustments to the workplan on MRV of support beyond the BA, in light of the Paris Agreement and decision 1/CP.21, which the SCF may wish to consider prior the implementation of the activities contained therein.

**Relevant elements in the Paris Agreement and the decision adopting the Agreement**

6. The transparency framework under the Paris Agreement builds on and enhances the transparency arrangements under the Convention. The Agreement and decision 1/CP.21 contain elements relevant to ‘provision’ of information (i.e. reporting), ‘review’ and ‘accounting’ in the context of the transparency of support. Neither the Paris Agreement nor the accompanying decision refer to ‘measurement’ or ‘verification’ as such. These concepts mainly feature in Article 13 (transparency) and Article 9 (finance) in the Agreement and the respective sections in the decision 1/CP.21. Relevant elements are outlined below.

Article 13 (Transparency) and respective decision paragraphs

7. Article 13 (Transparency), paragraph 1 in the Paris Agreement establishes the transparency framework *“in order to build mutual trust and confidence and to promote effective implementation.”* Paragraph 3 in the same article states that *“it shall build on and enhance the transparency arrangements under the Convention... and be implemented in a facilitative, non-intrusive, non-punitive manner”*.
8. Article 13, paragraph 6 sets out the purpose of the transparency of support as follows:
  - a. *to provide clarity on support ‘provided’ and ‘received’ by relevant individual Parties in the context of Articles 4 (mitigation), 7 (adaptation), 9(finance), 10 (technology transfer), and 11 (capacity-building); and*
  - b. *to extent possible, provide a full overview of aggregate financial support provided to inform the global stock take.*

<sup>14</sup> Available at <<http://unfccc.int/6881.php>>.

9. With respect to provision of information (reporting), Article 13, paragraph 9 states that “*developed country Parties shall, and other Parties that provide support should, provide information on financial, technology transfer and capacity-building support provided to developing country Parties*”.
10. Paragraph 10 in the same article states that “*developing country Parties should provide information on financial, technology transfer and capacity-building support needed and received.*”
11. Paragraph 13 in the same article also sets out that CMA 1 will adopt common modalities, procedures and guidelines, as appropriate, for the transparency of support. Paragraph 91 in the transparency section of decision 1/CP.21 requests the APA to develop recommendations for modalities, procedures and guidelines for consideration at COP 24, with a view to forwarding them to CMA 1 for adoption.
12. Additionally, decision 1/CP.21, paragraph 92, includes a set of elements that the APA is requested to take into account when developing recommendations for the modalities, procedures and guidelines, including, inter alia:
  - a. *the need to promote transparency, accuracy, completeness, consistency, and comparability; and*
  - b. *the need to ensure that double-counting is avoided.*
13. Paragraph 94 further requests the APA, when developing the modalities, procedures, and guidelines to consider, inter alia, information in the biennial assessment and overview of climate finance flows and other reports of the SCF and other relevant bodies of the Convention.
14. With respect to review, Article 13 paragraph 11 states that:
 

“Information submitted by each Party under paragraphs 7 and 9 of this Article shall undergo a technical expert review, in accordance with decision 1/CP.21....In addition, each Party shall participate in a facilitative, multilateral consideration of progress with respect to efforts under Article 9, and its respective implementation and achievement of its nationally determined contribution.”
15. Paragraph 12 in the same Article states that “*...The review shall also identify areas of improvement for the Party, and include a review of the consistency of the information with the modalities, procedures and guidelines referred to in paragraph 13 of this Article, taking into account the flexibility accorded to the Party under paragraph 2 of this Article....*”

#### Article 9 (Finance) and respective decision paragraphs

16. Article 9 (Finance), paragraph 7 refers to the provision of *transparent and consistent information on support for developing country Parties provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines* (referred to in Article 13, paragraph 13) to be adopted by the CMA 1.
17. Furthermore, paragraph 57 in the finance section of decision 1/CP.21 requests the 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 Agreement” for consideration by COP 24, with the view to making a recommendation for consideration and adoption by CMA 1.

#### Other relevant Articles and decision paragraphs

18. In addition to the provisions contained in Articles 9 and 13 and the respective sections in decision 1/CP.21, the Paris outcome includes provisions of relevance in the context of the global stocktake, adaptation and compliance. These are outlined below.
19. Article 14 (Global stocktake) states that the *CMA shall periodically take stock of the implementation of the Agreement to assess the collective progress towards achieving the purpose of this Agreement and its long-term goals (referred to as the “global stocktake”)*. It further states that it shall do so in a *comprehensive and facilitative manner*, considering, inter alia, the *means of implementation and support*. The APA, in decision 1/CP.21, paragraph 99 is requested to identify the sources of input for the global stocktake for consideration and adoption by CMA1, including, inter alia, information on mobilization and provision of support. The APA, in paragraph 101, is further requested to develop modalities for the global stocktake with a view to making a recommendation for consideration and adoption at CMA 1.
20. Additionally, Article 7 (Adaptation), paragraph 14, states that the global stocktake shall, inter alia, review the adequacy and effectiveness of adaptation and support provided for adaptation. In decision 1/CP.21, paragraph 45, the AC and the LEG have also been requested to collaborate with

the SCF to *develop methodologies, and make recommendations* for consideration and adoption by CMA 1 on: (i) *necessary steps to facilitate the mobilization of support for adaptation in developing countries in the context of the limit to global average temperature increase referred to in Article 2*; and (ii) *review the adequacy and effectiveness of adaptation and support referred to in Article 7, paragraph 14 (c)*. Although there has not been a request to collaborate with the SCF, the AC was requested to jointly develop modalities with the LEG to *recognize the adaptation efforts of developing country Parties* as well as to prepare recommendations on *methodologies for assessing adaptation needs*, as referred to in decision 1/CP.21, paragraphs 41 and 42 (b), respectively.

21. Another element that may have potential relevance is Article 15 (**Compliance**) which *establishes a mechanism to facilitate the implementation of and promote compliance with the provisions of the Paris Agreement*.

**Reviewing the workplan on MRV beyond the BA (2016–2017), in light of the Paris Agreement and decision 1/CP.21**

22. In light of the above-mentioned mandates in the Paris Agreement and decision 1/CP.21, the SCF may wish to review its two-year workplan, with a view to making any necessary adjustments.
23. The table below indicates elements from Articles 13 (transparency) and 9 (finance) of the Paris Agreement and respective decision paragraphs that are related to activities contained in the two-year workplan on MRV of support beyond the BA (2016–2017). The table also includes initial recommendations and options with regard to adjusting the workplan, particularly in consideration of the related work expected to be undertaken by the APA and the SBSTA ahead of CMA 1.
24. In identifying the specific activities it wishes to undertake in 2016, the SCF may also wish to consider the options presented in the table. For each area of work;
  - Option I identifies specific activities that the SCF may wish to undertake this year in the context of the 2016 BA and the possible format for including the results of the work in the annual report to COP 22.
  - Alternatively, under Option II, the SCF will not be undertaking any work until the APA initiates its work on modalities, procedures and guidelines for the transparency of support and/or the SBSTA initiates its work on the modalities for the accounting of financial resources.

**Workplan on MRV of support beyond the BA (2016–2017) contained in FCCC/CP/2015/8, Annex VII, with possible adjustments.**

Recommendations and options for adjustment to the workplan are shown in highlights

<i>Activities</i>	<i>Expected outcomes as it appears in FCCC/CP/2015/8, Annex VII</i>	<i>Related work under Paris Agreement and decision 1/CP.21</i>	<i>Expected outcomes adjusted in accordance with related work under Paris Agreement and decision 1/CP.21</i>
<b>Measurement</b>			
Continue technical work to enhance the transparency and comparability and develop a better understanding of operational definitions of climate finance in collaboration with relevant international financial institutions and organizations	Options provided to the COP, as appropriate	No reference to measurement	The SCF, in the context of the preparation of the 2016 BA, <sup>15</sup> to continue work on operational definitions of climate finance and include options in the annual report to COP22
Encourage transparency and comparability of developing country reporting	Options provided to the COP on methodologies for reporting financial information for developing countries	Developing country Parties should provide information on support needed and received (Article 13, para 10); APA to develop recommendations for modalities, procedures and guidelines for consideration by COP 24 (Article 13, para 13 and 1/CP.21, para 91)	Option I: The SCF, in the context of the preparation of the 2016 BA, <sup>16</sup> considers information provided by developing country Parties in the national reports under the Convention and any other available information, and includes options provided to the COP on methodologies for reporting financial information for developing countries in the annual report to COP 22  Option II: The SCF does not undertake work until such point the APA initiates work on modalities, procedures and guidelines
Undertake work in the area of accounting of financial resources provided and mobilized through public interventions		SBSTA to develop modalities for the accounting of financial resources provided and mobilized through public interventions for consideration by COP24 (1/CP.21, para 57)	Option I: The SCF, in the context of the preparation of the 2016 BA, <sup>17</sup> to consider best available information on accounting frameworks used by climate finance data producers and aggregators and include the results in the annual report to COP22  Option II: The SCF does not undertake work until such point the SBSTA initiates work on modalities for the accounting of financial resources

<sup>15</sup> Potential inclusion in Chapter 1.2 - Issues relating to climate finance definitions (see draft annotated outline of 2016 BA).

<sup>16</sup> Potential inclusion in Chapter 1.3.1.2 - Reporting by Parties to the Convention.

<sup>17</sup> Potential inclusion in Chapter 1.3 - Methodologies for reporting climate finance.

Reporting			
Provide expert input to harmonize reporting guidelines of national communications with the biennial reporting common tabular format (BR CTF)	Options provided to the COP to request the SBI to take action in the revision of 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", as appropriate	<i>Note: Revised CTF tables were adopted by decision 9/CP.21. By the same decision, SBI is invited to take into consideration the adjustments to the CTF in its revision of the UNFCCC reporting guidelines on national communications.</i>	No further action at this stage
Devise practical options for reporting mobilized climate-related private finance in cooperation with relevant institutions and experts, including from the private sector	Options provided to the COP to request the SBSTA to take action at the next revision of BR CTF tables, as appropriate	Developed country Parties shall provide information on support provided and mobilized through public interventions (Article 9, para 7); APA to develop recommendations for modalities, procedures and guidelines for consideration by COP 24 (Article 13, para 13 and 1/CP.21, para 91); SBSTA to develop modalities for the accounting of financial resources provided and mobilized through public interventions for consideration by COP24 (1/CP.21, para 57)	Option I: The SCF, in the context of the preparation of the 2016 BA, <sup>18</sup> considers information provided by developed country Parties in their national reports under the Convention and any other available information, and includes options provided to the COP for reporting mobilized private finance in the annual report to COP 22  Option II: The SCF does not undertake work until such point the APA initiates work on modalities, procedures and guidelines for transparency of support and the SBSTA initiates work on modalities for the accounting of financial resources
Consider common reporting methods for needs and climate finance received, with consideration of developing countries capacity and experiences as well as needs for support on MRV of support	Options provided to the COP to invite the SBSTA to develop a common reporting format	The enhanced transparency framework with built-in flexibility: Developing country Parties should provide information on support needed and received (Article 13, para 10); APA to develop recommendations for modalities, procedures and guidelines for consideration by COP 24 (Article 13, para 13 and 1/CP.21, para 91)	Option I: The SCF, in the context of the preparation of the 2016 BA, <sup>19</sup> considers information provided by developing country Parties in the national reports under the Convention and any other available information, and includes options provided to the COP on methodologies for reporting financial information by developing countries in the annual report to COP 22  Option II: The SCF does not undertake work until such point the APA initiates work on modalities, procedures and guidelines for transparency of support
Consider general principles (i.e. transparency, comparability, efficiency, completeness, accuracy) that	Options provided to the COP, as appropriate	APA to take into account, inter alia, the need to promote transparency, accuracy, completeness, consistency, and comparability in developing recommendations for modalities, procedures and guidelines	No further action at this stage

<sup>18</sup> Potential inclusion in Chapter 1.3.3.1 - Methods to estimate private finance.

<sup>19</sup> Potential inclusion in Chapter 1.3.1.2 - Reporting by Parties to the Convention.

should guide the work on further efforts to improve methodologies for reporting financial information		(1/CP.21, para 92)	
Enhance engagement of relevant data producers, collectors, aggregators, with a view to facilitating the development of common methodologies for collection of financial information	Options provided to the COP, as appropriate	<p>Developed country Parties shall provide information on support provided and mobilized through public interventions (Article 9, para 7); APA to develop recommendations for modalities, procedures and guidelines for consideration by COP 24 (Article 13, para 13 and 1/CP.21, para 91); SBSTA to develop modalities for the accounting of financial resources provided and mobilized through public interventions for consideration by COP24 (1/CP.21, para 57);</p> <p>[COP decisions: SCF to continue to engage with relevant bodies under the Convention, multilateral and bilateral agencies and international institutions in the context of the workplan on MRV of support (decision 7/CP.21, paragraph 4 ); SCF to take into account the work on the methodologies for the reporting of financial information by Parties included in Annex I to the Convention in the context of its workplan on MRV of support (decision 9/CP.21, paragraph 14)].</p>	<p>Option I: The SCF, in the context of the preparation of the 2016 BA,<sup>20</sup> considers information provided by developed country Parties in the national reports under the Convention and any other available information, and includes options provided to the COP on common methodologies in the annual report to COP 22</p> <p>Option II: The SCF does not undertake work until such point the APA initiates work on modalities, procedures and guidelines for transparency of support and the SBSTA initiates work on modalities for the accounting of financial resources.</p>
<b>Verification</b>			
Consider options to strengthen verification	Options provided to the COP to invite relevant bodies to take action, as appropriate	<p>No reference to verification</p> <p>Information submitted by developed country Parties shall undergo a technical expert review. Each Party shall participate in a facilitative, multilateral consideration of progress with respect to efforts under Article 9 (Article 13, para 11)</p>	<p>Option I: Provide options to the COP, as appropriate, including views on sequencing issues between the BA and expert review of developed country reporting (currently BRs are not reviewed in time for the preparation of the BA)</p> <p>Option II: The SCF does not undertake work until such point that relevant work is initiated with regards to the technical expert review and multilateral consideration of progress.</p>
Consider options for cross-checking financial information reported under the Convention on support provided and received, where possible, with a view to, inter alia,	Options provided to the COP, as appropriate	No reference to verification	

<sup>20</sup> Potential inclusion in Chapter 1.3.1.2 - Reporting by Parties to the Convention.



developing a better understanding of the progress made towards the goal of jointly mobilizing \$100 billion dollars a year by 2020			
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