

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

### ***Mandate and objectives***

The secretariat, at the request of the Conference of the Parties (COP),<sup>1</sup> organized a joint in-session technical workshop (hereinafter referred to as 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).

The aim of the workshop was to inform the work of the SBSTA referred to in decision 2/CP.17, paragraph 19. Accordingly, the objectives of the workshop were as follows:

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

The SCFs will consider the outcomes of the workshop at its tenth and eleventh meetings in June and September respectively. Subsequently, the SCF, in accordance with the mandate received from the COP,<sup>2</sup> will include recommendations on the methodologies for the reporting of financial information in its annual report to COP 21. The annual report of the SCF will be published on the UNFCCC website within two weeks after the eleventh meeting.<sup>3</sup>

### ***Proceedings***

The workshop was held on 6 June 2015 in conjunction with the forty-second sessions of the subsidiary bodies. It drew on a range of sources of information, including the views of Parties and observer organizations on the methodologies for the reporting of financial information<sup>4</sup> and the technical paper prepared by the secretariat summarizing the existing international methodologies for the reporting of financial information.<sup>5</sup> The workshop was open to all Parties and admitted observer organizations attending the sessions.

The workshop was co-facilitated by the Co-Chair of the SCF, Mr. Seyni Nafu, and a member of the SCF, Mr. Roger Dungan. Opening remarks were delivered by the Chair of the SBSTA, Ms. Lidia Wojtal, and the Rapporteur for the SBI, Mr. Sidat Yaffa, on behalf of the Chair of the SBI, Mr. Amena Yauvoli.

The secretariat gave two presentations. The first focused on the reporting on the provision of financial support in the sixth national communications (NC6s) and first biennial reports (BR1s), providing insights into the reporting requirements and discrepancies in the reporting of data between the NC6s, BR1s and common tabular format (CTF), as well as a status update on 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". The second presentation provided an overview of the existing methodologies for the reporting of financial information, highlighting reporting and data issues related to the biennial assessment and overview of climate finance flows (BA) and ways to address them.

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<sup>1</sup> Decision 11/CP.20, paragraphs 4 and 5.

<sup>2</sup> Decision 11/CP.20, paragraph 6.

<sup>3</sup> The annual report of the SCF to COP21 will feature on this page: <<http://unfccc.int/6877>>.

<sup>4</sup> FCCC/SBSTA/2015/MISC.3 and Add.1.

<sup>5</sup> FCCC/TP/2015/2.

Following the presentations, a panel constituted of experts from Parties included in Annex I and Parties non included in Annex I, multilateral development banks, the Organisation for Economic Co-operation and Development (OECD) and think tanks provided their views on the gaps in 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, guided by the following questions:

- 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 CTF be adjusted so as to integrate recommendations and improvement proposals arising from the methodological discussions?

In order to enable interactive discussions on the topics at hand and maximize the output of the workshop, the breakout group discussions adopted a 'carousel approach', whereby the participants were invited to switch to other discussion groups every 20 minutes. The discussion leaders reported back to the plenary at the end of the workshop and concluding remarks were provided by the workshop co-facilitators. The programme, presentation slides and audio recordings for the workshop are available on the dedicated web page.<sup>6</sup>

### ***Enhancing the transparency, comparability and consistency of the reporting of financial information under the Convention***

The workshop 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 used for collecting and aggregating data on climate finance flows. Nonetheless, they underscored the potential of biennial reports (BRs) to strengthen the reporting under the Convention by enhancing the overall transparency of information on support provided to developing countries and the level of comparability of financial information.

The participants exchanged perspectives on how inconsistencies in reporting financial information under the Convention can be addressed by improving the guidance provided on reporting in BRs and the CTF and by making adjustments to the BR CTF. The discussions mainly focused on the later. In addition, some participants underscored the need to address inconsistencies in data sets between Parties by fine-tuning information included in the national communications (NCs) against data from the corresponding BRs so as to minimize confusion during the review process.

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

Several participants considered the role of common reporting methodologies in enhancing confidence in the quality of data on the overall climate finance flows as well as the role of national tracking and reporting systems in incentivizing the planning of climate action in

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<sup>6</sup> <<http://unfccc.int/8892>>.

developing countries and the effective use of financial resources. Other participants underlined the importance of common approaches to collecting underlying data across Parties as well as the need to consider complementarities between the methodologies used for reporting financial information by Annex I Parties and the methodologies used for aggregating data on the overall climate finance flows.

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

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

Several participants underlined the need to clarify the varied purposes of different reporting systems, noting that reporting in the NCs and BRs is undertaken for the purpose of reporting on the (collective) commitments under the Convention and providing an overall picture of climate finance, in line with the reporting requirements under the Convention. Other participants highlighted the need to differentiate between the methodologies using policy-based scoring systems and the methodologies used for quantifying financial support.

In addition, the participants acknowledged the ongoing work under the SBI on the revision of the reporting guidelines on National Communications.

The participants recognized the usefulness of the technical discussions on the above-mentioned matters, including, *inter alia*, in the context of the negotiations under the Ad Hoc Working Group on the Durban Platform for Enhanced Action as well as the relevance of the ongoing work of the SCF, including the preparation for the BA and the work on measurement, reporting and verification beyond the BA.

The following sections summarize the gaps in, and potential options for improving, the current methodologies for the reporting of financial information, including options for adjustments to the BR CTF identified during the workshop.

### ***Gaps in the methodologies for the reporting of financial information***

Participants identified the following gaps in the reporting system under 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 underlying assumptions**, which hamper the comparability across Parties of data on financial support provided;
- **Lack of clarity on the purpose of reporting systems**: participants questioned what and who the reporting is 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 in the CTF a challenge, particularly with regard to data on financial support for adaptation;
- **Insufficient or lack of information on financial support received**, including from the recipient country and impact-/results-based perspectives;
- There was recognition that, in the longer term, a **CTF-like approach to reporting financial information in the biennial update reports (BURs) would be useful** as a complement to the reporting of financial information by Annex I Parties;
- **Lack of (information on) methodologies for reporting on climate-specific shares of core/general contributions** channeled through multilateral financial institutions;

- **Gaps in the relevant reporting guidelines**, including lack of guidance on how to provide information on methodologies used for reporting on climate-related private finance under the Convention, which is important, particularly in the light of measuring progress made towards achieving 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 for the existing CTF** in terms of data input and output;
- **Inconsistencies in the financial information included in the NCs and BRs**, giving rise to the need for streamlining/harmonization of the relevant 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 the NCs and BRs, which necessitates 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***

The workshop participants discussed potential improvements to the existing reporting methodologies, including through adjustments to the BR CTF and the revision of the UNFCCC reporting guidelines on BRs. They identified a number of near- and longer-term options.

*Options for adjustments to the BR CTF*

With respect to actions that can be taken to provide clarity on climate finance concepts used in the reporting under the Convention, the participants proposed that Parties, in their next 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” and support as being for “adaptation” or “mitigation” or “cross-cutting”. In the longer term, the participants suggested **introducing instructions to help guide Parties on how to consistently report on their methodologies**. In addition, they suggested that the categorization in the reporting parameters, such as reporting the status of support in the BR CTF as “pledged”, “committed” or “provided”, could be modified in the longer term to align with the categorization used in other existing international methodologies (e.g. “committed” or “disbursed”).

To address the lack of information on financial support received, the participants suggested options for addressing the potential disconnect between the reporting of Annex I Parties and that of Parties not included in Annex I to the Convention by **engaging in a data-driven discussion**. As a potential near-term option, they proposed that the **reporting Parties could consult with the recipient Parties to informally cross-reference their data on the status of support before the submission of their NCs and BRs**. This approach may also be useful for reporting on climate-related private finance. In the longer term, the participants suggested developing and adopting **a CTF to help recipient Parties in the preparation of their BURs**.

In addition, the participants identified options that could be considered in order to address the constraints of the existing CTF in terms of data input and output. As potential near-term options, they proposed **improvements to the software**, including extending the number of input rows in the uploadable Excel file and creating links to other reporting software and platforms to facilitate the importation of, for example, activity-level data into the CTF. Such improvements to the software could also allow for the exporting of BR CTF data to other systems, such as IATA. In the longer term, the participants suggested **exploring options that allow for flexibility in the instructions on how Parties can provide information in the BR CTF**, including the instructions on how to tag rows on “committed” and “provided” or “disbursed” in the ‘status’ column.

*Efforts relating to methodologies for the reporting of financial information*

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

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