Distinguished members of the Standing Committee of Finance, in response to the call made to submit proposals for Monitoring, Reporting and Verification, which began with the preparation of the First Biennial Assessment and Overview of Climate Finance Flows and pursuant to the decision made in the Conference of the Parties (COP), 11 / CP.20, paragraph 2 (decision 11 / CP.20, paragraph 2), where the parties and observer organizations are invited to submit views and proposals on methodologies for reporting financial information, referred to in decision 2/CP17, paragraph 19 (decision 2/CP17, paragraph 19). In answer to that the Climate Finance Group for Latin America and the Caribbean (GFLAC) in collaboration with its focal points and the organization E3G are pleased to submit this work proposal as inputs for discussions that the parties will have within the workshop to be held in Bonn, Germany in June 2015 on mechanisms to measure, report and verify climate finance.

1 Submitted via submissions portal
Index

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II. Recommendations for the SCF for a MRV system based on in country experiences in the use of GFLAC Manual

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Annex A. Sectors and activities to be considered in tracking resources as climate change
I. Introduction - The relevance of a MRV system of climate finance from a developing country perspective

Finance is one of the key elements that will constitute an international climate agreement that parties are seeking to secure in Paris this year. In Paris climate finance is required to provide the means and incentives for countries to achieve a below 2°C outcome and to effectively build climate resilience. Furthermore, it will play an important role as a signal of political intent by developed countries to re-build trust amongst parties regarding delivery of previous commitments to achieve agreement on future fair contributions.

Climate finance has been flowing already, but we have little understanding of it. The 2014 Biennial Assessment and Overview of Climate Finance Flows report published by the Standing Committee of Finance estimates that the flows form developed to developing countries, including both public and private flows, are between US$40 and US$175Bn a year. Although, information on public flows through multilateral institutions has been improving, the wide range of uncertainty of these numbers shows the challenges the authors encountered when collecting, aggregating and analysing information, especially when it comes to private flows mobilized through public interventions.

Lack of a robust and harmonic system under the UNFCCC to track and understand climate finance undermines its role in supporting effective implementation of climate action. The tools and processes currently in place do not allow for an adequate assessment of whether climate finance is fulfilling commitments and contributing towards achieving the targets of the convention, discouraging as well efforts to strengthen trust amongst parties. This situation also disincentives the design and establishment of the tools at national level required to build transparency and accountability in relation to those flows relevant to each country.

Processes under the UNFCCC on MRV of finance should provide guidance for provider and recipient countries. Relevant decisions taken by the Conference of Parties on this area include requiring Annex II parties to report climate finance provided to developing countries in their National Communications and biennial reports (BRs), furthermore guidelines as well as a common tabulate format have been defined to encourage comparability of the information provided. In the other hand non-annex I parties should report in their biennial update reports (BURs) information on the financial support received for activities relating to climate change; however, up-to-date there are not guidelines or a common tabulate format that can facilitate the process of reporting climate finance received and allow for comparability and analysis between developed and developing countries data.

Furthermore, assumptions and underlining methodologies for data collection and assignation into climate finance categories in the BRs and BURs have not been defined and are left for consideration of each party which can decide its own approach. This current processes result on data with lack of transparency and comparability, ultimately telling us very little about the efforts all parties are doing and the areas of opportunities and improvements.

The above makes clear the urgent need to define a common methodology for all parties, under the principles of transparency, accountability and wide stakeholder engagement, for both providers and recipients parties, for reporting climate finance. Such methodology must ensure reporting of climate finance from source to final use, under clear terms defined by the UNFCCC.

An international MRV system for climate finance will be sustainable to the extent that national mechanisms are in place and can act effectively. Top-down and bottom-up systems will need to be considered given the strong link between the national and international MRV processes. Therefore in-country experiences on tracking climate finance, provided and received, are of huge importance.
for building a successful MRV system that taps on the synergies between the national and international processes.

Furthermore, national budgets as well as South-South cooperation are mounting their role on climate related issues. Many developing countries are increasing efforts to cooperate and support others, including through UNFCCC institutions such as the Green Climate Fund (GCF) and the Global Environment Facility (GEF), and to better align international climate support to national priorities and strategic plans. E3G work on Strategic National Approaches to Climate Finance\(^2\) has found that country driven approaches are key to ensure capacity for addressing country specific market gaps, catalysing domestic investment and building absorption capacity and potential for scaled up investment by the private sector. However, as found in various Latin-American countries, efforts at national level face various challenges to advance on the climate agenda, some of which are the result of a fragmented international ecosystem for climate finance and an existing mismatch at national and international level of resources and expectations between providers and recipients of climate finance.

Enhancing transparency and accountability through a robust MRV system of finance can potentially play a critical role in rebalancing power, building trust and increasing effectiveness of action. Better quality of, and access to, information can allow for identification of opportunities and areas of improvements, empower communities, build country ownership and enable informed and effective policy decisions. This could generate a more mature discussion around climate finance, providing a robust system of accountability to manage the difference between genuine errors leading to under-delivery versus deliberate free-riding.

With this view in mind GFLAC, a group of civil society organizations and academic institutions in Latin America and the Caribbean, representing 13 countries and with focal points in 9 countries (Argentina, Bolivia, Chile, Ecuador, Guatemala, Honduras, Nicaragua, Mexico and Peru) developed a methodology and conducted in 2014 a series of analyzes to monitor both international resource flows received in Latin American countries by bilateral and multilateral cooperation, and resource flows that Latin American countries have allocated via their public budgets for combating climate change, both to reduce emissions and vulnerability and increase resilience to the impacts of climate change.

This exercise is one of the few that are made from the perspective of recipient countries and in particular from the experience of non-governmental actors with field experience. It also brings a unique experience on creating and strengthening capacities in civil society and other Latin American non-governmental and governmental actors in financing issues and national budgets on climate change as well as the development of national reports on climate finance, an area where other actors performing funds mapping have not been active.

In the following sections we present the key elements of the GFLAC methodology, as well as a set of considerations for the SCF on elements to strengthen a MRV system of finance based on the experience on tracking climate finance in Latin-American. Our aim to contribute to the debate on methodologies for reporting climate finance form a developing country perspective as well as highlight the importance of national MRV systems for climate finance and other relevant flows directed to tackling climate change and building climate resilience.

\(^2\) E3G (2014), Strategic National Approaches to Climate Finance, available at http://e3g.org/x4Kn
II. Recommendations to the SCF for a MRV system based on in country experiences in the use of GFLAC methodology

Following monitoring experience conducted by the GFLAC, we present below the elements that should be considered by the Finance Standing Committee in its effort to integrate robust MRV methodologies.

**Measuring or monitoring:** Originally conceived to measure and/or monitor the aid aimed at mitigation measures, this concept should be strengthened broaden to include support for both mitigation and adaptation and other means of implementation such as technology transfer. The measurement should include the amount of resources transferred from one country to another integrating both the vision of developed countries as providers, and developing countries as recipients. Even measuring south-south cooperation flows is an exercise that can help improve the transparency of the climate finance architecture. While developed countries are those that currently have commitments to transfer funds, a measuring system should allow a top-down as well as a bottom-up analysis, where the recipient countries also measure transfers in order to verify that the measurement reflects the reality of the parties, thus integrating harmonized and comparable systems in time and thus avoiding double counting of funds or even an overestimation.

Given the experience of measuring and monitoring conducted in nine countries in Latin America and the Caribbean, it is suggested that the measuring exercise should be conducted both from developed countries, who provide resources as part of their obligations, and from developing countries in order to generate an atmosphere of mutual accountability and thus an atmosphere of trust.

<table>
<thead>
<tr>
<th><strong>Measuring Elements for international financing flows for developed countries.</strong></th>
<th><strong>Measuring Elements for international financing flows for developing countries.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Measure the amount of resources approved, allocated, disbursed and implemented according to the analysis criteria defined in the methodology, as part of commitments to transfer to developing countries.</td>
<td>- Measure the amount of resources received and implemented according to the analysis criteria defined in the methodology from international funding, whether bilateral and multilateral.</td>
</tr>
<tr>
<td>- Measure the amount of these resources allocated as loans, grants, bonds or other financial figure.</td>
<td>- Measure the amount of these resources received as loans, grants, bonds or other financial figure.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Elements for national financing flow measurement through public budgets for developed countries.</strong></th>
<th><strong>Elements for national financing flow measurement through public budgets for developing countries.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Measure when the transferred resource is public.</td>
<td>- Measure which is the resource that the country allocates via its public budgets to combat climate change at the national level.</td>
</tr>
<tr>
<td>- Measure which is the resource that the country allocates via its national budgets to combat climate change, nationally and internationally.</td>
<td></td>
</tr>
</tbody>
</table>

**Report:** The financing report now integrated in the Biennial Reports, should serve as a basis for compiling data on resource flows under a scheme to harmonize the information and make it comparable in time. This report must come not only from developed countries but also from developing countries, which can give proof of the information presented, to integrate a comprehensive and reliable insight on the amount of resources flowing internationally and also
domestically. The information reported has to provide project level data, which will allow an analysis about the effectiveness of the climate finance.

It is suggested to build on the common tabular format submitted by SBSTA (Item 11 (a) Methodologies for the biannual report from developed countries) (9.10.2012) for measuring emissions of greenhouse gases, to adapt to finance flows report. It is also suggested to implement the integrated format for Biennial Report (Nov, 2012) Table 7 on Provision of financial support: contributions through multilateral channels (p.38), but complementing information as described below.

<table>
<thead>
<tr>
<th>Report elements for developed countries</th>
<th>Report elements for developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Report in a public, transparent and clear manner the flow of resources allocated as climate change and/or resources associated according to the analysis criteria defined in the methodology, in a friendly and public format that allows to know the details of financial contributions, including items such as:</td>
<td>- Report in a public, transparent and clear manner the flow of resources received as climate change and/or resources associated according to the analysis criteria defined in the methodology, that allows to know the details of financial contributions, received, including information such as:</td>
</tr>
<tr>
<td>- Project Name</td>
<td>- Project Name</td>
</tr>
<tr>
<td>- Amount (local currency and US dollars)</td>
<td>- Amount (local currency and USD)</td>
</tr>
<tr>
<td>- Origin (bilateral (specify German Cooperation Agency, French Cooperation Agency, etc.), multilateral (specify GEF, GCF, AF or other Financial mechanisms under the UNFCCC, World Bank, Inter-American Development Bank, etc.) and multi-donor, e.g. Climate Investment Fund which are several institutions providing it.</td>
<td>- Origin (bilateral (specify German Cooperation Agency, French Cooperation Agency, etc.), multilateral (specify GEF, GCF, AF or other Financial mechanisms under the UNFCCC, World Bank, Inter-American Development Bank, etc.) and multi-donor, e.g. Climate Investment Fund which are several institutions providing it.</td>
</tr>
<tr>
<td>- Intermediate (if applicable e.g. United Nations Program for the Environment UNEP, United Nations Program for Development, UNDP, or some National Development Bank, etc.)</td>
<td>- Intermediate (if applicable e.g. United Nations Program for the Environment UNEP, United Nations Program for Development, UNDP, or some National Development Bank, etc.)</td>
</tr>
<tr>
<td>- Destination (National, State or Provincial, social sector)</td>
<td>- Destination (National, State or Provincial, social sector)</td>
</tr>
<tr>
<td>- Project implemented by (institution and/or organization)</td>
<td>- Project implemented by (institution and/or organization)</td>
</tr>
<tr>
<td>- Implementation status of the resource (for pay, paid, concluded financing, current, etc.)</td>
<td>- Implementation status of the resource (for pay, paid, concluded financing, current, etc.)</td>
</tr>
<tr>
<td>- Type of funding (grant, loan, etc.).</td>
<td>- Type of funding (grant, loan, etc.).</td>
</tr>
<tr>
<td>- Funding timeframe</td>
<td>- Funding timeframe</td>
</tr>
<tr>
<td>- Period which includes the tracing in each country.</td>
<td>- Period which includes the tracing in each country.</td>
</tr>
</tbody>
</table>

Elements for national funding flows reports in developed countries.

- Report on a public and accessible system the amount of resources that developed countries allocate via their public budgets to activities to combat climate change.
- The report should be updated each year as per budget schedule and should present

Elements for national funding flows reports in developing countries.

- Report on a public and accessible system the amount of resources that developing countries allocate via their public budgets to activities to combat climate change.
- The report should be updated each year as per budget schedule and should present
information in a centralized manner, i.e. capture in a single space these contributions that may come from various ministries. Even in an Annex within the public budget. Information such as:

- Name of Program/Plan/Action
- Amount (local currency and US dollars) allocated annual or multi-annual
- Origin (if identified)
- Administrative Entity
- Implementing entity (ministry, institution and/or organization)
- Destination (National, state or provincial, social sector)
- Status of implementation of the resource

For a more detailed analysis is possible to classify the activities according to the relationship with climate change, in a low, medium and high relationship.

**Verification:** Verification seeks to ensure that the information presented is correct; however, for the verification to be complete, it is necessary that it comes from both developed and developing countries whose vision may vary. Verification must therefore close information gaps and expand transparency margins and then to ensure an analysis of effectiveness of the resource.

<table>
<thead>
<tr>
<th>Elements for Verification of international finance for developed countries</th>
<th>Elements for Verification of international finance for developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Check that the flow of allocated resources reach their final destination, through a system to monitor and evaluate the flows. This can be done through a public information platform that concentrates the information at national level.</td>
<td>- Check that the flow of funds are received and allocated towards the actions for which they were intended. This means a system to monitor and evaluate the destination of flows and allows to document the results of the actions financed. This can be done through a public platform concentrating the information at national level and which in turn can be operated by an international body such as the UNFCCC.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Elements for verification of public financing through national budgets for developed countries</th>
<th>Elements for verification of public financing through national budgets for developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Check that the resource allocated via public budgets meets the public policy objectives. - Establish a system for verification of information as it may be a website within the Ministry of Finance on assignments on climate change.</td>
<td>- Check that the resource allocated via public budgets meets the public policy objectives. - Establish a system for verification of information as it may be a website within the Ministry of Finance on assignments on climate change.</td>
</tr>
</tbody>
</table>
Further Recommendations for the SCF:

- It is recommended that the Finance Standing Committee integrates a measuring, reporting and verification methodology that applies to both developing and developed countries parties.
- It is recommended to use common tabular formats for reporting finance flows for developed and developing countries to be presented in their BRs and BURs respectively, in a way that the two sets of information can be directly comparable.
- It is recommended that reporting methodologies discussed under the SBSTA be extended to developing countries, underlining the importance of providing guidance to developing countries to facilitate the collection and analysis of climate finance data.
- It is recommended that the current Registry, Adopted at COP17, for matching mitigation measures such as NAMAs to financial support be also adjusted to include the recording of financial flows and be operated by a specific entity in each country.

Finally, we recommend that the SCF also consider the key elements of the methodology developed by GFLAC from the Perspective of Developing Countries presented in the following sections of this document. These inputs could contribute towards building a methodology under the UNFCCC that allows for qualitative and quantitative analysis of climate finance using clear and common criteria and following the recommendations presented in this section.

III. Proposals for institutional and policy elements to enhance MRV of finance at national level and particularly in developing countries.

The implementation of a national MRV system requires a process of institutional and policy strengthening. For this, it is suggested that MRV as a system promote at least five national actions:

1. **Transparency and accountability**: For the effective implementation of an MRV it is necessary to increase the levels of transparency and accountability in resource flows received internationally and allocated via public budgets, this is through the publication of updated information websites and documents accessible to the general public as to improve access to them.

2. **Definition of criteria for what is considered climate change related actions**: For the best monitoring and reporting it is necessary to have a system for the characterization and categorization of actions to be considered as related to climate change. To do this, GFLAC have adopted the criteria in section 5 of this document and have selected sectors and subsectors that fit these characteristics, in addition we sympathize with the majority of all listings integrated by the Multilateral Development Banks reports (2011, 2013). However, as GFLAC we also consider it is necessary to have exclusion clauses on those actions that will not be considered as climate change due to negative externalities that can be generated such as activities related to nuclear energy, large hydroelectric dams, extractive activities such as mining and carbon capture and storage, in addition to infrastructure activities increasing emissions and endanger the social development and environmental protection. These criteria should be applied both to international finance and the public budget allocated in a coherent manner allowing for comparability of data.

3. **Institutional arrangements**: A fully MRV functioning system requires strengthening of national capacities to make it operational. To do this, it is suggested that information on international financial flows is concentrated in one specific area at national level, which could be transfer to the UNFCCC public registry as well. Although the various agencies and actors have facts and figures, it is suggested that the task of carrying out such registration is conferred to a national entity, for example, it may be the national designated authority defined for the Green Climate Fund, or the national agencies in charge of cooperation. For
the public budget it is also suggested to have an entity in charge, which can be the finance ministry, who can generate a report of resources allocated to climate change by integrating budget annexes operating in a crosscutting manner.

It is suggested that both databases is transferred and reported to the UNFCCC either as part of the Biennial Reports and Biennial Updated Reports which can in turn be made available to all parties and observers.

4. **Social Participation**: One of the challenges of MRV system is giving way to a robust assessment of the impact of financing, so that the engagement of non-governmental actors is essential to participate in monitoring and evaluation of resources. The establishment of consultative bodies assisting entities in charge of monitoring is essential to ensure an integrated and comprehensive integration of international funding and budget allocation.

5. **Criteria for effectiveness in MRV**: The effectiveness of an MRV system depends on the integration of elements leading to an impact analysis of financial resource, this because the identification of the origin and destination is central to understanding the investment gaps, but an effectiveness analysis is the key to ensuring that funding is related to the transition to a low emission development. Criteria measuring emissions reductions, the number of people reached by adaptation policies and other criteria for moving towards a more effective architecture.

IV. **Key elements of the GFLAC methodology for assessment of international and national climate finance flows**

The Manual for assessment of climate related finance and budget expenditure developed by GFLAC proposes a methodology for analysis and diagnosis of public finances aimed at combating climate change in various countries of Latin America as well as identifying international financing flows that these countries have received for the same purpose. This in order to build a mechanism for measurement, reporting and verification, as well as monitoring and evaluation of funding directed to climate change.

This exercise in general has as its primary objective to ensure that climate funding is directed to the welfare of the population, respecting their human rights and encouraging a real transition towards a sustainable development and low carbon. In this sense, we not only want to answer the question where are the resources? But also, how effective have they been to achieve emissions reduction and vulnerability?

The manual consists of four pillars: 1) International Climate Policy Framework; 2) International Climate Finance Flow; 3) National Climate Policy Framework; 4) Analysis of National Climate Budget. The methodology includes a series of guiding questions to be answers under each pillar in order to facilitate mapping relevant issues as well as a set of criteria to facilitate the identification of those activities which can be counted under this tracking exercise. This comprehensive analysis will allow countries to:

i. Analyze flows of international finance for climate change received (bilateral and multilateral) and the actors related to its management and accountability;
ii. Analyze national budget expenditure for identification of resources directed to climate change and understand the mechanisms of transparency, accountability and social participation in the national budgeting process;
iii. Develop recommendations for the consolidation of a mechanism for measuring, reporting and verification of national and international climate finance.
This Manual fits existing methodologies and experience of the authors, in order to make it comparable among countries applying it. We summaries the key elements of the GFLAC methodology for the purposes of this submission, but the entire document can be found at www.gflac.org.

1) International Climate Policy Framework

**OBJECTIVE:** To identify the commitments that the country held in the context of the United Nations Framework Convention on Climate Change (UNFCCC) and the role it has played in framing policies implemented to address climate finance (e.g., Climate funds, Clean Development Mechanism Projects, etc.) as well as the mechanisms of transparency and accountability that these integrate. This allows for understanding of the level of involvement that countries have had and have in relation to the architecture of international climate finance and national arrangements derived thereof.

**Key issues:**
- What are the commitments that the country is subject to the UNFCCC framework?
- Are there mechanisms that the country has implemented to fulfill these commitments?
- Are there financial mechanisms implemented in the country to monitor the UNFCCC negotiations?
- Is there a policy framework endorsed by the country (treaties, declarations, conventions, etc.) to guarantee the transparency and access to public information on financing climate change?
- Is there any agency or institution that guarantees the right of access to information on climate finance?

2) International Climate Finance Flows

**OBJECTIVE:** To identify, measure and monitor the flow of resources that countries are receiving on climate change from both multilateral and bilateral international cooperation. This in order to identify areas for improvement in terms of transparency, information management and

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3 This methodology is Sandra Guzman own elaboration as GFLAC General Coordinator in collaboration with the technical group (AIDA, Fundar and Mexican Transparency), based on the authors experiences and other methodologies used by:
- Instituto Mexicano de la Competitividad en “Índice de presupuestos verdes: Análisis de presupuesto de egresos que incentive acciones ambientales en sectores estratégicos de competencia estatal”, USAID, 2012.
- Centro Mario Molina en “Análisis del presupuesto de la Federación en materia de cambio Climático”, 2013.
- Programa de Naciones Unidas para el Medio Ambiente, PNUMA en “Hacia una Economía verde, Guía para el desarrollo sustentable y la Erradicación de la pobreza”, 2011.
- Se consideran elementos de la metodología CPEIR para el análisis de gasto público.
- McKinsey Curva de Costos 2030
other elements allowing in the medium term the design of a system to measure, report and verify international funding designated for adaptation and mitigation of climate change as well as other projects related to climate change in each country, including capacity building and technology transfer.

This section seeks to create a list of projects identified and related to climate change from primary and secondary information that allows addressing questions such as those listed below.

**Key issues:**
- What is the amount of resources from international funding at national level?
- What is the origin of the funds coming from international funding?
- Which are the main agencies and / or funding agencies?
- What kind of resource is it? A loan, grant, concession or any other?
- Which entities are receiving resources?
- Which are the agencies implementing the resources?
- What is the period of implementation of the funding?
- Are there mechanisms for evaluation and monitoring of funds?
- What aspects of environmental and social safeguards for the use of resources are included?

The information collected on the resources allocated to climate change received through bilateral, multilateral cooperation and/or other sources is presented using the following common tabular format for reporting:

- a) Sector
- b) Subsector
- c) Name of project
- d) Amount (local currency and US dollars)
- e) Origin (bilateral {specify the name of the agency, e.g. German Cooperation Agency, French Cooperation Agency, etc.}, multilateral {specify name of the entity, e.g. Global Environment Fund, Adaptation Fund, other mechanisms of the UNFCCC, World Bank, Inter-American Development Bank, etc. }, and multisectoral, e.g. Climate Investment Fund where several institutions provide support.
- f) Intermediate (if applicable specify the name, e.g. United Nations Program for the Environment UNEP, United Nations Program for Development, UNDP, or some National Development Bank, etc.)
- g) Destination (National, state or provincial, social sector)
- h) Project implemented by (institution and / or organization)
- i) Status of implementation of the resource (for pay, paid, concluded financing, current, etc.)
- j) Type of funding (grant, loan, etc.).
- k) Duration of funding

**Table. Data screening on resources flow (Example)**

<table>
<thead>
<tr>
<th>No.</th>
<th>Sector</th>
<th>Subsector</th>
<th>Name of Project</th>
<th>Amount (USD)</th>
<th>Amount (Local Currency)</th>
<th>Origin</th>
<th>Intermediate</th>
<th>Destination</th>
<th>Implementing Institution</th>
<th>Status</th>
<th>Project Type</th>
<th>Timeframe</th>
<th>Source</th>
</tr>
</thead>
</table>

**Source:** Elaboration GFLAC
2.1 Identifying barriers for analysis: Transparency, Accountability and Citizen Participation.

Report under this section what were the main difficulties in conducting the analysis, including lack of information, different sources, non-harmonized data, etc.

Transparency: It measures the level of transparency of information as a means to ensure that data related to climate finance become more public and accessible, because it is high value information for the welfare of the population.

Key issues:
- Is there a national body dedicated to monitoring the international cooperation (national cooperation agencies)?
- Does the public body linked to international cooperation have a public record about what the country receives for different development items/climate Change?
- Do you have all the information in a public and clear way about the origin, destination and implementation of international cooperation funds?

Accountability: It seeks to measure accountability as a means to ensure that the actors involved in receiving funding flows have mechanisms to report their wide use and implementation.

Key issues:
- Are there mechanisms to monitor flows throughout their assignment/implementation?
- Is the agency implementing a resource and the activities with it subject to audit?
- Is there clarity on accountability chains of the recipient country towards the financing agent?
- Is there clarity on accountability chains of the recipient country towards the citizenship?
- Are there mechanisms to respond to citizen consultations on decision-making on actions or projects?
- In implementation of a resource, are there mechanisms to protect whistleblowers detecting irregularities in the implementation?
- Are there any independent mechanisms to record, investigate and follow up citizen reports and complaints?
- Are there clear policies and procedures for the penalty in the event of fraud or resources misuse?

Citizen Participation: It seeks to include citizen participation as a means to ensure monitoring of flows and in particular to encourage monitoring of the effectiveness of the resource by including stakeholders who may be experiencing problems and/or implementing mitigation and adaptation actions.

Key issues:
- Are there mechanisms for participation and involvement in decision making on the project or action to be taken with some resource?
- Are there participation and monitoring processes during the implementation of a project intended for climate finance?
- Are the recipients required to undertake consultation processes with partners interested? In such case, are the consultations carried out properly and the results considered in the process?

Sustainability: It seeks to measure the level of sustainability of the actions financed, since from the GFLAC we have analyzed that part of the funds transferred are related to actions that can generate negative externalities on the environment, so we decided to set up an exclusion list on the actions that will not be counted as means to combat climate change, including: Investments in nuclear energy, large hydroelectric dams, carbon capture and sequestration, extractive activities.
Key issues:
- Are there mechanisms to measure socio-environmental impacts of resources derived from international finance?
- Are estimated allocations as climate change distinguished in some of the activities listed as exclusive?

2.2 Identification of areas of national capacity related to international climate finance.
Report based on the analysis of resource flows, areas in which countries can improve to a more transparent management of international climate finance and allowing a study of the impact of financing. The recommendations may be institutional, political, informational, and methodological, among others that are detected.

Key issues:
- How could institutional structures, the system of transparency, accountability and participation be strengthened around the reception and management of international resources?

3) National Climate Policy Framework

OBJECTIVE: To analyze the public policy frameworks and institutional arrangements on climate change and transparency, and identify whether policies of citizen participation and human rights associated with climate change exist in each of the countries, to integrate an initial diagnosis by country.

The methodology of GFLAC has been applied in-country on a sectoral basis for understanding how the issue of climate change has permeated the sectoral level; this according to those sectors which are more strategic for the particular country, either on mitigation potential and their adaptation potential.

3.1 General characteristics of population, economy and territory.
Integrate relevant population data disaggregated by sex; economy, highlighting the main productive sectors and their contribution in terms of greenhouse gases; and territorial disaggregated by major ecosystems to identify the vulnerability of the country.

3.2 Legal Framework
Identify laws and/or regulations relating to and/or associated with climate change, transparency and accountability, human rights framework to understand the level of commitment/obligation that the country has in relation to these issues and their relationship to the public budget oriented to climate change.

Key issues:
- Is there a national regulatory framework on climate change? Report the most important instruments and their relationship to climate financing.
- Is there a regulatory framework to ensure transparency and public access to information on climate financing?
- Is there a body with an obligation to deliver public information on public budget for climate change?

3.3 Institutional Arrangements
Identify key governmental actors working on climate change and transparency, including special commissions, executive and/or legislative bodies. Just as important aspects of sub-national level in
order to identify the level of participation of these actors and their relationship to the issue of climate finance.

**Key issues:**
- Are there institutions whose mandate and powers are directly linked to climate change?
- Is there any Interagency Committee to monitor and strengthen the policy on climate change? Is it governed by the principles of human rights and environmental sustainability?
- Is there an institution responsible for the management and reporting of financial and public budget for climate change?

### 3.4 Public Policy

Identify programs, plans and/or climate change policies and/or associated, in order to identify whether there are actions and/or strategies in place, particularly those related to the fields of study and climate change. In the same way, it will be analyzed whether these take into account principles for the protection of human rights, transparency, and access to information, accountability and citizen participation and its relationship to funding and public budget for climate change.

**Key issues:**
- What are the main programs on climate change either transverse and/or applicable to the sector(s) to be analyzed?
- Do they have mechanisms of social bonding?
- Does the fiscal entity mechanism have mandate to ensure compliance?
- Do these policy instruments integrate climate financing mechanisms and/or are there exclusive programs for financing and public budget for climate change?

### 3.5 Nongovernmental participation arrangements: civil society, private sector, international organizations and academia.

Identify whether there are mechanisms for the participation of non-governmental actors in decision-making for climate policy.

**Key issues:**
- How do the various non-governmental actors participate in the diagnosis, planning, budgeting, implementation, monitoring and evaluation of climate policy and budget? Are there national consultation processes for designing national instruments defining the national strategy and policy to address climate change?
- If these spaces exist, what level of citizen's participation do these mechanisms offer (informational, advisory, binding/significant)?
- When is participation allowed? Or what are the opportunities for citizen’s participation (pre, during, post)?
- Are there mechanisms for reporting and returning citizen participation?

### 3.6 Identification of institutional and/or policy gaps.

Recap on the main findings, to identify gaps that countries face, whether by omission, lack, misapplication and/or lack of information on the status of laws, regulations, policies, among other aspects related to climate policy.

### 4) National Climate Budget

**OBJECTIVE:** Analysis of the status of the budget allocation on climate change and/or associated by sector and existing transparency mechanisms on public expenditure on climate change (the analysis of strategic sectors to be defined will be prioritized in each country, such as the
environment, forestry, energy, agriculture, transportation, disaster prevention and vulnerable sectors or others), articulating with frameworks on human rights guarantee as possible.

4.1 Description of the budget cycle and its operation
Describe the operation of the budget cycle, stakeholders involved and existing mechanisms for budget transparency. It is noteworthy that the analysis will initially only on the budget of the central or federal government in each country, but it is suggested to perform a subnational-level budget analysis because of who played much of the action on climate change.

Key issues:
- How does the budget cycle work? Who are the actors involved in the budget process and what are the key moments in the budget cycle?
- What are the skills that each power has with respect to the budget cycle?
- What time limits are there for each power and/or actor involved?

4.2 Identification of budget items for climate change projects and/or associated with them.
For search of budget information related to climate change the following questions are raised:

a) What is the total amount of the budget allocation at national level?
b) What are the sectors of interest to analyze for each country and why? The number of sectors analyzed depends on the interest of each country.
c) What is the sector’s contribution to GHG emissions? or What is the importance of the sector in adaptation?
d) What is the total budget for the analysis sector?
e) Is it possible to know the total amount allocated for the attention of climate change in this sector? What is it?
f) Is it possible to differentially know the total amount of resources allocated specifically to actions for mitigation and adaptation to climate change?
g) What are the activities, programs, or plans for each sector associated with climate change? And what was the amount allocated by program or plan?
h) What are the activities that receive higher budget contributions? Are these contrary to the struggle against climate change? Do they have negative social or environmental impacts?
i) Are measures observably articulated to the human rights framework?

4.3 Development of recommendations for the design and allocation of budget and to strengthen the mechanisms of transparency and accountability of resources allocated to combating climate change.
Report based on the analysis performed, recommendations for budgeting (as measures to transversalize climate change) and on the allocation (as programs and/or activities associated with climate change to which resources must be allocated or those involving a deepening of this issue). For example, setting budgetary labeling systems to characterize the issue of climate change across the board, as some budget annexed work on gender and childhood.

4.4 Identifying barriers for analysis.
Report what information gaps or barriers were found to carry on the analysis, such as the lack of a label for climate change or lack of disaggregated budget information or lack of comparable and consistent data.

Furthermore, and based on the analysis performed, specific recommendations will be made regarding the mechanisms of transparency and access to budget information on climate change (such as the development of cross annexes which show the allocation and use of resources).
Key issues:

Transparency and Access to Information:
- Is there information available on the budget allocations for financing climate change?
- How is the accessibility of budget information?
- What is the level of quality and disaggregation of this budget information?

Accountability:
- Are there mechanisms for accountability in the national budget for climate change? Which ones?
- Are there clear policies and procedures for the penalty in the event of fraud or misuse of resources?

Citizen Participation:
- Are there opportunities for citizen participation during programming, development, approval, implementation and/or evaluation of the budget allocated to climate change?
- If so, what level of citizen’s participation do these spaces offer (informational, advisory, significant binding)?
- What are the opportunities for citizen participation (pre, during, post)?
- Are there mechanisms for reporting and reimbursement of that citizen participation?

Sustainability:
- Is there an increase in the generation of negative externalities of projects/plans or programs funded by national resources for climate change?
- Are actions identified in the budget analysis that can generate negative impacts and/or contribute to climate change, either by their contributions in greenhouse gases emissions and increasing vulnerability?
- Can these resources mean an impact on human rights?

4.5 Development of general recommendations
Report, based on the analysis, a series of recommendations to improve analysis or to improve the management of information; recommendations can be institutional, policy, legal framework and even operating by the analyst group.

Important: Applying Deflator
As part of a comparative analysis of budget, it is important to apply the deflator in the investigation. That is, it is necessary to consider the inflation rate in order to meet changes in real purchasing power of a certain amount of money from one year to another. This consideration will allow to determine whether the budget allocation has actually increased or adjusted only as a result of the market index.

5) Definition of criteria for analysis of climate related actions
The effective implementation of a monitoring system requires the definition of analysis criteria, by disaggregating and characterizing the actions that will be considered as mitigation and adaptation or even having potential in both areas. For this purpose, five indicators have been used by GFLAC:

Criteria 1: Actions specifically assigned and/or labeled to climate change: these actions are those created exclusively for addressing climate change, i.e. they are additional to the actions that were being done before. Example: Climate change programs, climate change commissions, or any action whose specific purpose is to combat climate change and/or is entitled as such.
Key issues:
Are there resources specifically allocated for policies/programs/projects/activities to climate change?

Criteria 2: Actions reducing emissions of greenhouse gas according to issuing sectors from each country (mitigation) (actions stipulated by the Intergovernmental Panel on Climate Change (IPCC) are taken into account as a baseline). Those resources associated to activities reducing emissions as described in Table 1 Annex A of this document will be considered.

Key issues:
Are there any resources associated with the emission reduction/mitigation agenda? Is it possible to associate the allocation and emissions reduction? Are there specific process, outcome and impact indicators to measure emissions reductions?

Criteria 3: Actions reducing vulnerability and promoting adaptation to climate change (based on the actions promoted by the IPCC). Those resources associated with activities reducing vulnerability as those described in Table 1 Annex A will be considered.

Key issues:
Are there any resources associated with the reduction of vulnerability or adaptation to the impacts of climate change? Is there a clear relationship between the assigned resource and adaptation to climate change? Are there specific process, outcome and impact indicators to measure the reduction of vulnerability or increased resilience?

Criteria 4: Actions having both impacts: the potential emission reduction and the potential for reducing vulnerability and increase of resilience.

Criteria 5: Exclusion criteria, since the GFLAC promotes the investment in the low carbon and clean development it was included an exclusion criteria, which means that there are activities that will be analyze but wont be measure as climate change, such as: Nuclear energy, big dams, carbon capture and storage and extractive activities, primarily.
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All the documents and information about the GFLAC is available in: www.gflac.org

GFLAC Focal Points:
a. Argentina:
   i. Fundación Ambiente y Recursos Naturales (FARN) http://farn.org.ar/
   iii. Fundación para el Desarrollo de Políticas Sustentables (FUNDEPS)
        http://www.fundeps.org/
b. Chile:
   i. Centro de Ciencia y del Clima y la Resiliencia de Universidad de Chile (CR2)
       http://ingenieria.uchile.cl/investigacion/centros-y-programas/88506/centro-de-ciencia-del-clima-y-la-resiliencia
   ii. Chile Transparente
       http://www.chiletransparente.cl/
   iii. SustentaRSE
       http://sustentarse.cl/
c. Ecuador:
   i. Centro Ecuatoriano de Derecho Ambiental (CEDA) http://www.ceda.org.ec/
   ii. Fundación para el Avance de las Reformas y las Oportunidades (Grupo Faro)
       http://www.grupofaro.org/
d. Perú:
   i. Sociedad Peruana de Derecho Ambiental (SPDA) http://www.spda.org.pe/
e. Guatemala:
   i. Fundación Solar
       http://www.fundacionsolar.org.gt/
   ii. Fundación Economía para el Desarrollo (FEDES)
       http://www.fedes.org/
f. Nicaragua:
   i. Centro Alexander Von Humboldt
       http://www.humboldt.org.ni/
   ii. Centro para la Autonomía y Desarrollo de los Pueblos Indígenas (CADPI)
       http://www.cadpi.org/
g. México
   i. Fundar, Centro de Investigación y Análisis, www.fundar.org.mx
   iii. Asociación Interamericana para la Defensa del Ambiente (AIDA), www.aida.org
h. Honduras:
   i. La Asociación Coordinadora Indígena y Campesina de Agroforestería Comunitaria (ACICAFOC)
i. Bolivia:
   i. Liga de Defensa del Medio Ambiente (LIDEMA)
      http://www.lidema.org.bo/
Annex A: Sectors and activities to be considered in tracking resources as climate change.

The measures written here are indicative and not exhaustive, so that other activities could be related to climate change and may be considered in the analysis. The measures have been selected because of their relation to reducing emissions and reducing vulnerability.

**Definitions**

| Mitigation: | It is understood as those activities that contribute to the objective of stabilizing greenhouse gas (GHG) in the atmosphere at a level that would prevent harmful interference of human activities on the climate system as established by the UNFCCC and promotes efforts or emission limitation or promotes sequestration of greenhouse gases (OECD). |
| Adaptation: | It is understood as those activities that promote the reduction of human and natural vulnerability to the impacts of climate change and risks associated with this phenomenon, in addition to those activities promoting, maintaining or increasing adaptive and resilient capacity (OECD, 2011) |

Sectors: energy, transport, forests, water, agriculture, health, tourism, etc.

**CROSS ACTIVITIES**

(These may be associated with environmental sector)

Those activities in the environmental sector related to the management and promotion of policies on climate change (mitigation and adaptation), as well as institutional and legal arrangements stipulated for such effects are considered. Similarly, all actions considered within the environmental sector are defined for the creation and capacity strengthening, as well as technology transfer and financing mechanisms related to the care of the climate problem and whose starting point is the environmental sector, which in most of the countries lead the process of public policy on the matter.

- Policy and regulation of climate change
- Plans, policies and institutions for mitigation and adaptation
- Reduction policy of sectoral emissions
- Monitoring, reporting and verification system of emission reductions
- Funding systems and mechanisms
- Reduction of perverse subsidies (subsidies for fossil fuels)
- Programs of education, training and capacity creation on climate change.
- Audits on climate policy
- Taxes programs or tax and financial incentives for action on climate change.
- Research, Science and Technology on climate change and its contribution to low-carbon energy

**ACTIVITIES OF THE ENERGY SECTOR**

All activities considered in the energy sector having the potential to reduce emissions, either through use and energy saving, as well as the technological improvement, or those rules and policies promoting and encouraging a change in the energy matrix of fossil fuels towards low-carbon and renewable technologies. In this sector activities allowing the adaptation of the energy system to impacts of climate change are also included.

**Mitigation**

**Generation and reduction of energy losses**

- Replacement of fossil fuels (oil, gas and coal) by renewable sources:
  - Wind
  - Solar photovoltaic and solar thermal
  - Geothermal
Use of energy / energy efficiency

Public, Residential, Commercial and Industrial Sector
- Improved energy efficiency in lighting, appliances and equipment.
- Change luminaire (LEDS)
- Replacement of heating and cooling equipment in the construction of buildings.
- Conversion of buildings and/or sustainable construction programs.
- Use of waste for construction.
- More robust construction standards and improved application practices (*)
- Thermal Insulation
- Energy efficiency in buildings and public lighting
- Improved heating and air conditioning systems (rehabilitation and re-conversion)
- Mechanisms and incentives for energy savings
- Policy and institutional arrangements to promote energy efficiency, including rules and tax incentives.
- Industrial Cogeneration

Agriculture
- Energy efficiency in agricultural processes.
- Cogeneration plants

Efficiency in fossil fuel plants in order to reduce emissions
- Efficiency Program in the processes of extraction and production of fossil fuels
- Cogeneration

Adaptation
- Construction of resilient infrastructure to the impacts from climate change.
- Strengthening of transmission lines and existing infrastructure to address the impacts of climate change

ACTIVITIES OF THE FOREST SECTOR

All activities promoting the protection and conservation of forests, or reservoirs of greenhouse gases, either through the sustainable management of forests, reforestation mechanisms, and conservation of forest areas are considered. Also activities avoiding deforestation and soil degradation are taken into account, as well as activities promoting resilience of the sector to the impacts of climate change. In forestry many measures having impact on both mitigation and adaptation to climate change will be specified by context.

Reforestation
- Reforestation and afforestation programs.

Protection of forest cover
- Protection of forest areas (ANPs) and biodiversity
- Reduction and prevention of deforestation or degradation of forest ecosystems
- Biosphere conservation projects (including payment for environmental services)
- Programs to reduce emissions from deforestation and soil degradation.

Sustained Forest Management
- Sustainable forest management programs to increase forest cover and carbon storage.
- Forest management projects with local communities.

**Ecosystems protection**
- Identification of protected areas and establishing migration corridors (*)

**ACTIVITIES OF AGRICULTURE SECTOR**
Activities promoting the reduction of emissions through management of fertilizers or better in the production system in agriculture sector are considered. Likewise, all activities having influence in the improvement and diversification of production, food security, the resistance of the activity to the impacts of drought and all the impacts of climate change are also taken into account. Similarly, agricultural activities have a double impact for its potential to reduce emissions and their potential vulnerability reduction, signaled as appropriate and context.

**Sustainable intensification of production**
- The use, storage and exchange of a genetically diverse set of improved crop varieties, as well as landraces and native seeds, which are suitable for multiple agro ecosystem and agricultural practices and resilient to climate change.
- The use of accurate, smarter irrigation technology systems, and farming practices using ecosystem approaches to conserve water.
- Use of minerals and no chemical fertilizers.
- Use of practices such as minimum tillage and soil cover.
- Integrated Pest and Disease Management in Little Agriculture.
- Sustainable management of family livestock and agroforestry systems, aquaculture and agro-silvopastoral.
- Production activity with neutral carbon.
- Development of urban and periurban agriculture
- Promotion of traditional, organic and organic production, respecting local knowledge and practices and technological innovation based on the types of family, community, voluntary and cooperative production.

**Development/Reorientation of institutions for family farms**
- Developing and strengthening agricultural extension models with self-management approaches for community development (family agriculture).
- Strengthening local, regional and national capacities for the adoption of strategies and policies towards family farming, and the design and implementation of programs and projects, following a management approach based on results.
- Institutional strengthening for implementation of the ecosystem approach in planning the development of Family Agriculture.

**Food security**
- Institutional strengthening of small producers
- Development and strengthening of social feeding and food security programs.

**ACTIVITIES OF TRANSPORTATION SECTOR**
All activities promoting the improvement of the vehicle fleet are considered, including efficiency measures, improved fuels, as well as activities related to the mobility shift towards non-motorized systems, in addition to the improvement of the public transport system and reducing the demand for private vehicles. In this sector are also considered urban development policies prioritizing pedestrians and cyclists' mobilization and supportive infrastructure created. Policies encouraging risk management infrastructure to climate change impacts are also included.

**National Transportation**
- Freight improvement and technological efficiency
- Promotion of freight and passenger trains
- Improved air and maritime transport fuel
- Technological improvement of air and maritime transport

**Efficient public transportation**
- Improved energy efficiency (International Standards)
- Clean Technology in mass transport
- Improved mass transport fuels (sulfur reduction)
- Expansion of lines and mass transit systems (confined lane buses and subways)
- Promotion, policy and regulatory systems to promote efficient and sustainable transportation.

Non-motorized mobility
- Creation and maintenance of infrastructure for the use of non-motorized mobility
- Promotion, regulation and policies for non-motorized mobility

Clean fuels
- Improved fuel (reduction of Sulphur in diesel)
- Alternative fuels (hydrogen and other alternative)
- Promotion of biofuels in comprehensive, social and environmental conditions
- Electrification of Transportation (review conditions in each country)
- Promotion of hybrid vehicles

Comprehensive urban development
- Urban planning and development promoting the recovery of public spaces, and improving the massive and efficient public transport.
- Promotion of intermodal transport systems

**ACTIVITIES OF WASTE SECTOR**
Consider activities promoting the management and sustainable handling of both urban and industrial waste, including recycling and reuse measures, as well as reduced production and use of waste for other activities such as power generation and other uses.

- Sustainable Waste Management.
  - Recycling
  - Use of biogas

**INDUSTRIAL SECTOR ACTIVITIES**
All activities improving the production system in the industrial sector by promoting efficiency and technological change are considered.

- Reducing emissions in industrial processes (cement, chemicals, etc.)
- Energy efficiency in industrial processes
- Capture of fugitive emissions
- Carbon capture and storage
- Reducing leakage of methane and other gases

**ACTIVITIES OF THE WATER AND SANITATION SECTOR**
Activities that promote sustainable use and improved management of water resources are contemplated.

- Improved water management systems
- Savings and water efficiency

**ACTIVITIES OF HEALTH AND TOURISM SECTORS**
Those health and tourism sector activities promoting resilience and reducing risk of disease and adverse spillover effects from climate change are considered.
Table I. Sectors and activities to be considered in tracking resources as climate change.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Subsector (Examples)</th>
<th>Mitigation/Adaptation or both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Policies and institutional arrangements for climate change care</td>
<td>A</td>
</tr>
<tr>
<td>Energy</td>
<td>Power generation with low-carbon sources</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>Use of power</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>Reduction of energy posses</td>
<td>M</td>
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<tr>
<td>Transportation</td>
<td>Public transportation</td>
<td>M</td>
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<td></td>
<td>Non-motorized mobility</td>
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<tr>
<td></td>
<td>Transport efficiency</td>
<td>M</td>
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<tr>
<td></td>
<td>Comprehensive urban development</td>
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<tr>
<td></td>
<td>Infrastructure for sustainable mobility</td>
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<tr>
<td>Forest development</td>
<td>Reforestation</td>
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<td></td>
<td>Forest cover protection</td>
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<td></td>
<td>Sustainable forest management</td>
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<td></td>
<td>Ecosystems protection</td>
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<td></td>
<td>REDD</td>
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<td></td>
<td>Community development</td>
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<tr>
<td>Agriculture and livestock</td>
<td>Projects reducing the use of fertilizers</td>
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<tr>
<td></td>
<td>Diversification of crops</td>
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<td></td>
<td>Education</td>
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<tr>
<td></td>
<td>Improvement of livestock practices</td>
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<td></td>
<td>Family agriculture</td>
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<td>Waste</td>
<td>Treatment</td>
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<td></td>
<td>Recycling</td>
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<tr>
<td>Industry</td>
<td>Efficient industrial processes</td>
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<td>Water</td>
<td>Conservation</td>
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<td></td>
<td>Sewage treatment</td>
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<td></td>
<td>Education</td>
<td>A</td>
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<td></td>
<td>Water catchment</td>
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<td>Reduction of risk</td>
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<td>Natural disasters</td>
<td>Prevention and planning</td>
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<td>Reduction of risk</td>
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<td>Transversal activities</td>
<td>Policies and regulation</td>
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<td>Monitoring systems</td>
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<td>Education</td>
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<td>Creation of capacities, analysis and reports</td>
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<td>Funding mechanisms</td>
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<td>Health</td>
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<td></td>
<td>Tourism</td>
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</table>

Source: Own implementation by integrating data used by UNEP, IMCO and the “Joint MDB Report on Mitigation Finance” and the “Joint MDB Report in Adaptation Finance” presented in 2011 and 2013 by different Multilateral Development Banks.