

REVIEW PRACTICE GUIDANCE



Challenges in Reporting and Analysing the Provision of Financial, Technological and Capacity-Building Support to Developing Country Parties

Background paper for the 4th Lead Reviewers Meeting, 6-7 March 2017, Bonn, Germany

Contents

	<i>Page</i>
Acronyms and abbreviations	2
I Background.....	5
A. Reporting requirements for biennial reports and national communications	6
B. The financial, technological and capacity-building support landscape	7
C. Synthesis of reporting on finance, technology and capacity-building in the second biennial reports	8
II. Purpose and scope	9
III. Reporting on support provided	10
A. Differentiating support	10
B. Reporting on financial support.....	15
C. Reporting on technology transfer	22
D. Reporting on capacity-building.....	26
E. New and additional	26
F. Using the OECD DAC framework in reporting	28
References	31
Relevant decisions	32
Annexes	
I. Detailed comparison of reporting requirements for FTC in NCs and BRs	33
II. SCF Climate finance flows 2013–2014	37
III. CPI Global landscape of climate finance 2015.....	38
IV. OECD Climate Finance in 2013-14 and the USD 100 billion goal	39
V. Elements determining coverage of climate finance tracking	40
VI. Synthesis of reporting on finance, technology and capacity-building in the second biennial reports	41

Acronyms and abbreviations

Annex II Parties	Parties included in Annex II to the Convention
BRs	biennial reports
BR1s	first biennial reports
BR2s	second biennial reports
COP	Conference of the Parties
COP 15	fifteenth session of the Conference of the Parties
COP 17	seventeenth session of the Conference of the Parties
COP 22	twenty-second session of the Conference of the Parties
CPI	Climate Policy Initiative
CTCN	Climate Technology Centre and Network
CTF	common tabular format
ENVIRONET	OECD Development Assistance Committee Network on Environment and Development Co-operation
ERT	expert review team
FTC	finance, technology and capacity-building
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	greenhouse gas
IDA	International Development Association
IDFC	International Development Finance Club
IMF	International Monetary Fund
INDCs	intended nationally determined contributions
IPCC	Intergovernmental Panel on Climate Change
LDCF	Least Developed Countries Fund
LRs	lead reviewers
MDBs	multilateral development banks
MFIs	multilateral financial institutions
MRV	measurement, reporting and verification
NAPAs	national adaptation plans of action
NAPs	national adaptation plans
NC	national communication
NDCs	nationally determined contributions
non-Annex I Parties	Parties not included in Annex I to the Convention
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
RC	Research Collaborative on Tracking Private Climate Finance
SBI 46	forty-sixth session of the Subsidiary Body for Implementation
SCF	Standing Committee on Finance
SIDA	Swedish International Development Authority
TEC	Technology Executive Committee
TNAs	technology needs assessments
TRR/BR2	report of the technical review of the second biennial report
UNFCCC	United Nations Framework Convention on Climate Change
WP-STAT	OECD Development Assistance Committee Working Party on Development Finance Statistics

I. Background

A. Reporting requirements for biennial reports and national communications

1. The COP, by decision 1/CP.16, decided that developed country Parties should, building on existing reporting and review guidelines, processes and experiences, enhance the reporting in their NCs and submit BRs, which outline their progress made in achieving emission reductions, and provide information on their provision of financial, technological and capacity-building support to non-Annex I Parties.

2. The reporting and review of information on the provision of financial, technological and capacity-building support has proven to be particularly challenging. The guidelines are designed to accommodate a wide range of instruments and channels in order to allow reporting on many aspects of the complex international climate finance landscape.

3. The “UNFCCC biennial reporting guidelines for developed country Parties” (hereinafter referred to as the UNFCCC reporting guidelines on BRs), as per decision 2/CP.17, build on 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” (hereinafter referred to as the UNFCCC reporting guidelines on NCs) (UNFCCC, 2000). Decision 9/CP.21 introduced changes to the CTF tables, which are introduced below. The UNFCCC reporting guidelines on NCs¹ are currently being reviewed and updated (hereinafter referred to as the revised UNFCCC reporting guidelines on NCs) and will be further considered at SBI 46 (May 2017).

4. The UNFCCC reporting guidelines on BRs include the following elements:

(a) An approach to tracking, including information on indicators and delivery mechanisms used and allocation channels tracked;

(b) Information on underlying assumptions and methodologies;

(c) Insurance that the resources provided effectively address the needs of non-Annex I Parties;

(d) Reporting for the previous two calendar or financial years without overlapping with the previous reporting periods;

(e) Reporting in textual and tabular format;

(f) Information on the provision of financial, technological and capacity-building support to non-Annex I Parties as follows:

(i) Support disbursed and committed;

(ii) Summary information on allocation channels and annual contributions;

(iii) Detailed information on the amount, type, source, instrument and sector;

(iv) Private financial flows leveraged by bilateral climate finance;

(v) Policies and measures that promote the scaling up of private investment;

(vi) The types of instruments used;

(vii) Information on how support is new and additional;

(g) Information on measures taken to promote, facilitate and finance technology transfer;

¹ FCCC/CP/1999/7.

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

- (h) Support for the development and enhancement of endogenous capacities and technologies;
- (i) Information on success and failure stories;
- (j) Information on measures and activities related to technology transfer implemented or planned since the last national communication or biennial report;
- (k) Information on the recipient country, target area and sector;
- (l) Information distinguishing between activities undertaken by the public and private sectors;
- (m) Information on capacity-building support provided and how that responds to the existing and emerging capacity-building needs.

5. The revised UNFCCC reporting guidelines on NCs are largely harmonized with the UNFCCC reporting guidelines on BRs. For NCs, additional reporting requirements ask for information on support provided to developing country Parties that are particularly vulnerable, and on measures to encourage private-sector activities, which are not contained in the UNFCCC reporting guidelines on BRs. Information on success and failure stories in the provision of technology transfer support is a mandatory (“shall”) requirement for NCs and a voluntary (“may”) element for BRs. Otherwise the guidelines are identical. Annex I provides a detailed comparison of the UNFCCC reporting guidelines on BRs, the revised UNFCCC reporting guidelines on NCs and the UNFCCC reporting guidelines on NCs.

6. Decision 9/CP.21 introduced three changes to the CTF related to information on finance, capacity-building and technology transfer:

- (a) It changes the categories for the parameter “status” of support in tables 7, 7(a) and 7(b) from “pledged”, “committed” and “provided” to “committed” and “disbursed” in line with existing international methodologies;
- (b) It allows for finer granulation of the information by specifying “activity”, next to “recipient country/ region/project/programme”;
- (c) It introduces reporting fields for the provision of information on definitions or methodologies for the reporting parameters: “climate-specific” or “core/general”, “status”, “funding source”, “financial instrument”, “type of support” and “sector”.

B. The financial, technological and capacity-building support landscape

1. Finance

7. At COP 15 in Copenhagen, developed country Parties committed to jointly mobilize USD 100 billion dollars a year by 2020 to address the needs of developing countries (decision 2/CP.15).

8. The total investment cost to implement submitted INDCs/NDCs is estimated to require eight times as much, on average, from now to 2030, taking into account that these fall short of achieving the objectives of the Paris Agreement (International Energy Agency, 2015).

9. This highlights the need for the robust tracking of climate finance, (1) to ensure that finance commitments are met and (2) to allow governments to put in place the appropriate measures to trigger the required amount of private finance in order to achieve the envisaged goals.

10. Tracking climate finance is a complex and highly technical task. A wide range of estimates for climate finance can be found, depending on who is tracking what for which

purpose. Climate finance comes from a multitude of sources, using a large number of channels and instruments for a wide range of purposes. Information provided in BRs is an important source used by most analyses, including the SCF biennial assessment, particularly on bilateral, regional and other channels (CTF table 7(b)).

11. At the global level, the SCF in its biennial assessment 2016 estimates that climate finance reached USD 930 billion in 2014, up from USD 880 billion in 2013 (UNFCCC Standing Committee on Finance, 2016). For the same years, CPI estimates global climate finance flows of USD 392 billion for 2014 and USD 342 billion for 2013 (Mazza, Falzon and Buchner, 2016).

12. OECD in collaboration with CPI assessed the climate finance flows with respect to the USD 100 billion committed in Copenhagen (OECD, 2015a). Here the coverage is much narrower than the assessments made by CPI and SCF and the finance provided is estimated at USD 61.8 billion in 2014 and USD 52.2 billion in 2013. Detailed financial flows for all three climate finance analyses are provided in annexes II–IV, respectively.

13. Differences between estimates normally come from the use of different sources or variances in coverage. The coverage can vary with regard to the supply side of funding and is related to the destination of funds. Annex V summarizes some of the key elements that impact the results of different finance tracking activities. Additional differences arise if definitions of elements are not harmonized, for example on what constitutes “mitigation” or “adaptation” versus other objectives of funding or what constitutes “private” versus “public” funding.

2. Technology transfer

14. The Technology Mechanism, established by the Cancun Agreements in December 2010, consisting of the TEC and the CTCN, was established to support technology transfer to and technology development in developing countries. The TEC, as the policy component of the Technology Mechanism, facilitates the effective implementation of the Technology Mechanism and implements the technology transfer framework, with special attention given to supporting the important ongoing effort of developing country Parties.

15. The technology transfer framework covers the five following key technology themes:

- (a) Technology needs and needs assessments;
- (b) Technology information;
- (c) Enabling environments for technology transfer;
- (d) Capacity-building for technology transfer;
- (e) Mechanisms for technology transfer.

16. In 2007, countries added four sub-themes to the mechanisms theme: innovative financing; international cooperation; endogenous development of technologies; and collaborative research and development.

3. Capacity-building

17. Capacity-building support for developing countries is not included as a commitment in the context of Article 4 of the Convention. However, the development of capacity is included in Article 6, with the requirement to develop national capacities and cooperate at the international level. It can support technology development and deployment, but it can also target non-technology aspects, such as behavioural changes and practices. If such capacity-building activities in developing countries are funded by developed countries, they are part of the funding Party’s climate finance.

18. The frameworks for capacity-building established in Marrakech, Morocco, for developing countries (decision 2/CP.7) and countries with economies in transition (decision 3/CP.7) provide guidance on the support for the GEF, bilateral and multilateral agencies, and other intergovernmental organizations and institutions.

19. The **Durban Forum on capacity-building** was established at COP 17, as a place where representatives from Parties, United Nations organizations, intergovernmental and nongovernmental organizations, research organizations, academia and the private sector would share ideas, experiences, lessons learned and good practices on implementing capacity-building activities in developing countries (decision 2/CP.17).

20. The **Doha work programme on Article 6 of the Convention** aims to support capacity-building through training, education, public access to information, public participation, public awareness and international cooperation.

C. Synthesis of reporting on finance, technology and capacity-building in the second biennial reports

21. The secretariat prepared a synthesis of information reported in BR2s (UNFCCC, 2016b). Key messages from this report related to FTC are included in Annex VI for reference.

II. Purpose and scope

22. This background paper aims to enhance **understanding of the challenges identified in reviewing information provided related to the provision of FTC**.

23. The document builds on the previous background paper “Biennial Reports and National Communications: Review Challenges and Practice” presented at the 3rd lead reviewers’ meeting in 2016 (UNFCCC, 2016a), the conclusions from the 3rd lead reviewers’ meeting (UNFCCC, 2016d), the review practice guidance 2016 (UNFCCC, 2016e) and an analysis of recommendations and encouragements included in the TRR/BR2.

24. The previous background paper identified a number of challenges in reviewing the following information reported in BR1:

(a) Information on the national approach to tracking financial, technological and capacity-building support (decision 2/CP.17, annex I, para. 14);

(b) How the resources provided effectively address the needs of developing countries (decision 2/CP.17, annex I, para. 16);

(c) Information on measures taken to promote, facilitate and finance the transfer of, access to and the deployment of climate-friendly technologies for the benefit of non-Annex I Parties, and for the support of the development and enhancement of **endogenous capacities** and technologies of non-Annex I Parties (decision 2/CP.17, annex I, para. 21);

(d) Information on success and failure stories on the provision of technology transfer (decision 2/CP.17, annex I, para. 21);

(e) How capacity-building support responds to the capacity-building needs of developing countries (decision 2/CP.17, annex I, para. 23).

25. In 2016, LRs at their 3rd meeting requested that the secretariat² further analyse transparency issues experienced by ERTs when reviewing CTF table 7(a), specifically on the columns titled “Status”, “Financial instrument” and “Sector”.

² See Conclusions and Recommendations: Third Meeting of Lead Reviewers for the Review of Biennial Reports and National Communications. Available at

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

26. The secretariat further analysed the challenges raised by the ERTs, while reviewing FTC information reported in BR2s. It appears that Parties continue to face difficulties in reporting a number of issues and continue to receive recommendations to improve reporting on FTC. These issues include the following:

(a) Summary information on the annual financial support provided for the purpose of assisting non-Annex I Parties (amount, type, source, financial instrument, sector, new and additional financial support and **clarification on how it was determined as “new and additional”**);

(b) Information on measures taken to promote, facilitate and finance the transfer of, access to and the deployment of climate-friendly technologies for the benefit of non-Annex I Parties **since the last national communication or biennial report**, and for the support of the development and **enhancement of endogenous capacities and technologies** of non-Annex I Parties;

(c) Information, to the extent possible, on the provision of capacity-building support that **responds to the existing and emerging capacity-building needs** identified by non-Annex I Parties in the areas of mitigation, adaptation, and technology development and transfer.

27. The compilation and synthesis of BR2s further indicated issues such as overlap with reporting on climate finance and a lack of statistical markers for identifying technology transfer activities and difficulties in reporting on capacity-building as a stand-alone activity (UNFCCC, 2016b).

28. In response to these challenges, this document in chapter III discusses issues related to the reporting of FTC support provided. Chapter III.A introduces the challenges in differentiating support using different dimensions. It first provides a clarification on the differentiation of means that is finance, technology transfer and capacity-building. This is not directly linked to a specific reporting requirement, but provides the context for overall reporting on FTC and the challenges identified in the synthesis report. It then addresses issues around the differentiation of climate-specific versus other finance, type (adaptation/mitigation) and channel (public/private).

29. Next chapter III.B discusses the different parameters requested in the reporting guidelines, such as “Status”, “Funding source”, etc. Definitions for the different parameter values are provided and, where relevant, methodological choices or issues discussed. As the reporting requirement related to information on financial support provided is the most detailed and has raised the most issues, Chapter III.C and D provide a discussion of the challenges in reporting and reviewing and technology transfer and capacity-building.

30. Chapter III.E then outlines some of the challenges related to the reporting on methodologies, particularly on how “new and additional” support is determined. Lastly, chapter III.F provides a brief discussion of the OECD MRV framework for climate finance, which many developed countries use as a basis for their reporting.

31. Where available and relevant, examples for information reported and experiences from previous rounds of review are included in the different chapters.

<http://unfccc.int/files/national_reports/biennial_reports_and_iar/application/pdf/lr3_conclusions_edited_final_rev.pdf>.

III. Reporting on support provided

A. Differentiating support

1. Means of support

32. Paragraph 13 of the UNFCCC reporting guidelines on BRs calls for “**information on the provision of financial, technological and capacity-building support**”. Accordingly, the guidelines are structured to capture the three elements requested:

- (a) Finance;
- (b) Technology transfer;
- (c) Capacity-building.

33. In practice, the differentiation between the three categories is challenging as the areas are highly interlinked. The remaining section will provide guidance that can help to differentiate between the three categories. Overall, reporting on each of the three areas has a clear focus, which can guide the differentiation as follows:

(a) Finance: reporting on all financial resources committed or disbursed related to climate activities;

Focus on money: how much?

(b) Technology transfer: reporting on individual activities that relate to technology transfer and the support of endogenous capacity and technology;

Focus on measures and activities: for what?

(c) Capacity-building: reporting on individual activities that relate to capacity-building, including how the activity met the existing and expected needs of the recipient(s).

Focus on measures and activities: for what?

34. In order to help to understand the relationship, it is useful to go back to the Article 4, paragraph 3, of the Convention:

“The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1. They shall also provide such financial resources, **including for the transfer of technology**, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures...”

35. Paragraph 5 of the same article of the Convention further lays out that:

“The developed country Parties and other developed Parties included in Annex II shall take all practicable steps to **promote**, facilitate and **finance**, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention.”

36. This indicates that financial support for technology transfer is a subset of financial support, but that technology transfer can also take non-financial forms through promotion and facilitation. The capacity-building framework also considers the provision of financial resources as one of the elements in implementation. The technology and capacity frameworks suggest an integrated nature with finance. It can be argued that the non-financial support

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

elements of technology and capacity-building support usually also require financial resources and would thus form a subset of finance.

37. In the context of technology support, the differentiation between direct finance and promotion and facilitation can be interpreted in such a way that the latter aim to enhance the ‘classical’ forms of technology transfer through trade, licensing, etc., while finance focuses on a more direct support in building up and deploying technology in recipient countries (see also figure 3 below).

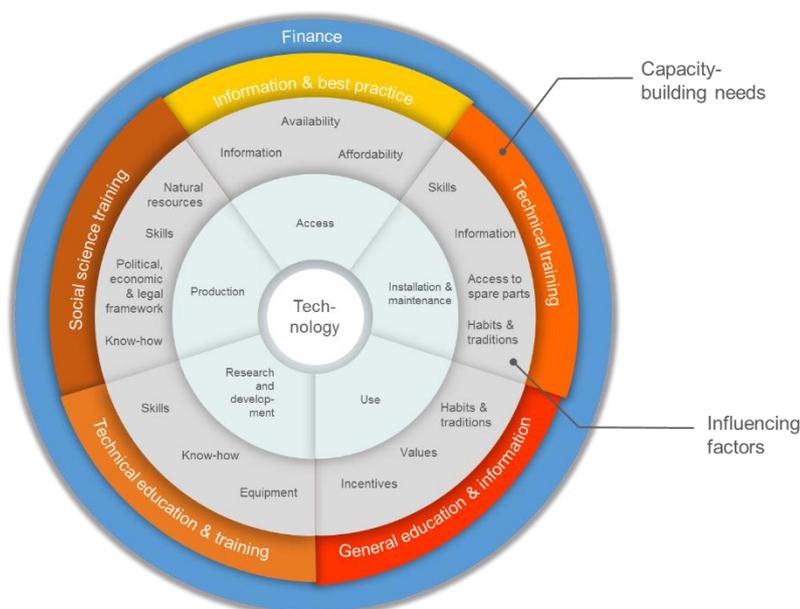
38. Technology and behaviour is at the core of climate action. The widespread deployment of low-carbon and climate resilient technology is the ultimate goal that will allow Parties to achieve agreed objectives. In order to enable this, technology needs to be developed, produced, accessed, installed, maintained and used, as illustrated in figure 2 below.

39. In order to achieve this, the relevant skills, know-how and information need to be available to the appropriate stakeholders for each element of the process. This can be supported by capacity-building activities. Additionally, finance is required at each step of the process, including for capacity-building activities. This finance can come from national budgets, national private sector, international private investment or international public support. The question as to which of these sources fall under the reporting requirements will be discussed in chapter III.A.3. and III.B.7 below.

40. Technology needs assessments highlighted barriers to the development and transfer of the prioritized mitigation technologies, in particular economic and financial ones. Most of the Parties identified inappropriate financial incentives and disincentives and system constraints and inadequate standards, codes and certification as the main barriers. With regard to adaptation, almost all Parties identified the lack of access or inadequate access to financial resources and an insufficient legal and regulatory framework as the most common barriers (UNFCCC, 2013).

Figure 2

Factors for successful technology deployment



41. Access, installation and maintenance and use of technology need to take place in all countries in order to ensure that climate commitments are met. Development and production of such technologies do not necessarily need to take place in each country, as long as access to the technology at affordable prices is guaranteed.

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

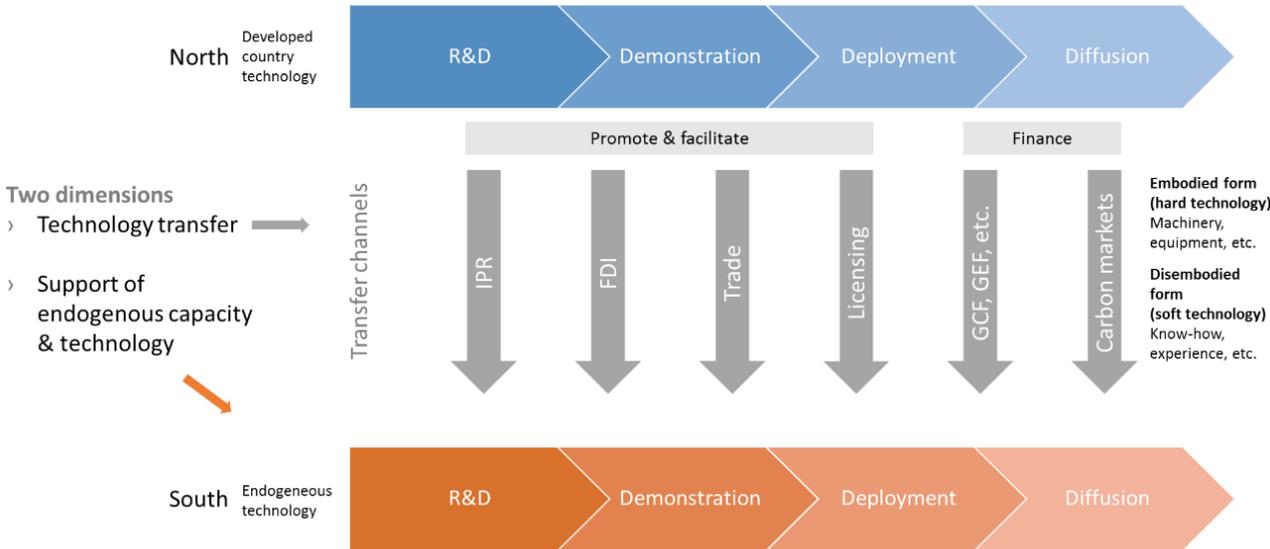
42. Historically, many low-carbon and climate resilient technologies have been developed in industrialized countries.³ The Convention therefore stresses the importance of the **transfer of, or provision of access to, technologies** from developed to developing countries. The IPCC special report “Methodological and Technological Issues in Technology Transfer” defines technology transfer as:

“The broad set of processes covering the exchange of knowledge, money and goods amongst different stakeholders that lead to the spreading of technology for adapting to or mitigating climate change. In an attempt to use the broadest and most inclusive concept possible, the Report uses the word ‘transfer’ to encompass both diffusion of technologies and cooperation across and within countries.” (IPCC, 2000)

43. However, Article 4, paragraph 5, of the Convention also includes the need to “support the development and enhancement of **endogenous capacities and technologies** of developing country Parties”. Endogenous capacities and technologies are understood to be capacities and technologies that originate from **within a system**, in this case from within non-Annex I Parties, as opposed to those that originate outside the system and are transferred into the country. Reporting on the support for endogenous capacities and technologies is further discussed in chapter III.C.1 below.

44. Mechanisms to support the development of such endogenous technologies are quite distinct from the transfer of technologies from one country to another. These two dimensions are also reflected in the UNFCCC reporting guidelines on BRs and the UNFCCC reporting guidelines on NCs (para. 21 above). Figure 3 below illustrates some of the channels used for technology transfer, which aim at making technology that was developed in industrialized countries (the ‘North’) available for deployment and diffusion in developing countries (the ‘South’). These include the provision of intellectual property rights, foreign direct investment, etc. Support for endogenous capacity and technology, on the other hand, aims to support the full chain of technology development, from research and development, demonstration, deployment and diffusion within developing countries, enabling them to develop their own technologies.

Figure 3
Dimensions of technology support



³ It must be noted that not all developed countries have the same level of technology know-how and availability, so technology transfer will also take place between industrialized countries.

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

Abbreviations: FDI = foreign direct investment, GCF = Green Climate Fund, GEF = Global Environment Facility; IPR = intellectual property rights, R&D = research and development.

Source: Adapted from Yu, Y, Abdessalem, R, Koakutsa, K and Tamura, K. 2014. *Finance for the International Transfer of Climate Change Mitigation Technologies*. Kanagawa: Institute for Global Environmental Strategies.

45. In line with this understanding of technology support, the different mechanisms under the Convention are closely linked. The COP has discussed linkages between the Technology Mechanism and the Financial Mechanism at various sessions (UNFCCC, 2016c). In order to better integrate activities, COP 22 welcomed ongoing efforts to coordinate activities and encouraged further cooperation, for example through the participation of the Chairs of the TEC and the Advisory Board of the CTCN in board meetings of the GCF. It also invites developing country Parties to submit technology-related projects to the GCF, including those assisted through the CTCN. These three entities and the GEF are invited to provide evidence in their annual reports of their efforts to strengthen linkages to the COP.

2. Type of support

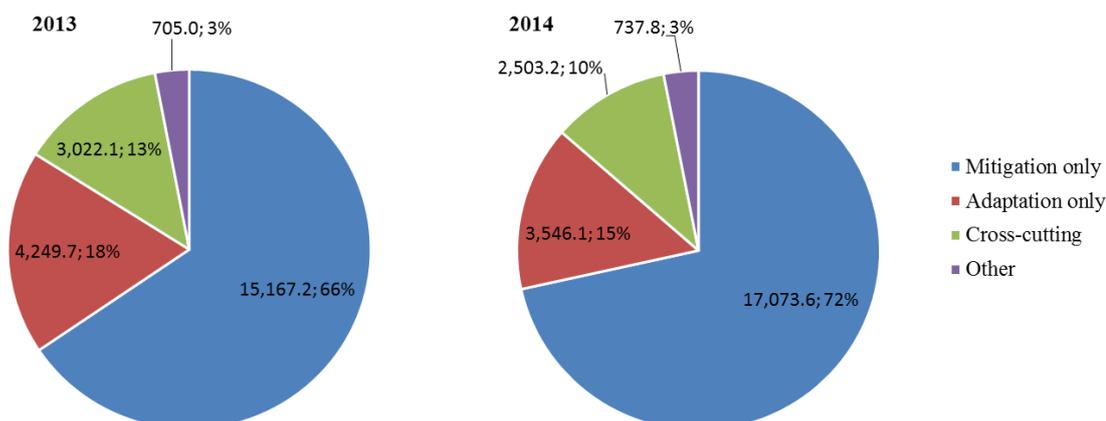
46. One of the fundamental distinctions made in the reporting of FTC is what the support is specifically for. The UNFCCC reporting guidelines on BRs, **paragraphs 13 and 18** of annex I to decision 2/CP.17, request a differentiation into adaptation and mitigation and CTF tables 7, 7(a) and 7(b) further specify the need to differentiate between:

- (a) Adaptation;
- (b) Mitigation;
- (c) Cross-cutting;
- (d) Other.

Figure 4

Contributions through bilateral, regional and other channels in 2013 and 2014, by type of support

(Millions of United States dollars)



47. The first challenge in reporting on these categories is to distinguish climate finance from the other support provided to developing countries as part of ongoing development aid or other cooperation.

48. In its 2016 biennial assessment, the SCF suggests that “Climate finance aims at reducing emissions, and enhancing sinks, of GHG and aims at reducing vulnerability, and maintaining and increasing the resilience, of human and ecological systems to negative climate change impacts” (UNFCCC Standing Committee on Finance, 2016). While this is a

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

robust definition, its implementation in practice remains challenging, because of differences in the operational definitions used by the data providers upon which Parties draw from for quantitative reporting under the Convention. This is particularly the case where climate change is not the main objective of activities.⁴ Core allocations, on the other hand, are defined as un-earmarked contributions where the support provider relinquishes the exclusive control of funds allocated to non-governmental or multilateral agencies (OECD, 2016a).

49. In the same assessment, the SCF further suggests developing a harmonized definition and approach to differentiating the type of support. In the absence of this, definitions used by international organizations can provide guidance (see table 1 below). These terms mainly focus on defining adaptation and mitigation. Most of the definitions come with additional guidelines, activity lists and criteria on how to attribute individual projects and to ensure there is no double counting of the support provided.

Table 1
Definitions for adaptation and mitigation used by international organizations

	<i>Adaptation</i>	<i>Mitigation</i>
OECD	An activity that intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them	It is mitigation if it contributes to the objective of stabilization of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration
IDFC and MDBs	An activity will be classified as related to climate change adaptation if it intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience	An activity will be classified as related to climate change mitigation if it promotes efforts to reduce or limit GHG emissions or enhance GHG sequestration
CPI	Adaptation finance is defined as resources directed to activities aimed at reducing the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience	Mitigation finance is defined as resources directed to activities contributing to reducing or avoiding GHG emissions, including gases regulated by the Montreal Protocol; or maintaining or enhancing GHG sinks and reservoirs
IPCC	The process of adjustment to actual or expected climate and its effects. In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities. In some natural systems, human intervention may facilitate adjustment to expected climate and its effects	A human intervention to reduce the sources or enhance the sinks of GHGs. This report also assesses human interventions to reduce the sources of other substances that may contribute directly or indirectly to limiting climate change

Abbreviations: CPI = Climate Policy Initiative, GHG = greenhouse gas, IDFC = International Development Finance Club, IPCC = International Panel on Climate Change. MDBs = multilateral development banks, OECD = Organisation for Economic Co-operation and Development.

Source: UNFCCC Standing Committee on Finance. 2016. *2016 Biennial Assessment and Overview of Climate Finance Flows Report*. Bonn: UNFCCC.

⁴ The 2016 biennial assessment of the SCF recognizes that some multilateral financial institutions address this challenge by reporting in an activity-based format, thus allowing climate-related activities within a larger set of activities within a project or programme to be singled out.

50. MDBs and IDFC have developed common principles for climate finance tracking for mitigation and adaptation. The mitigation principles include a positive list of eligible activities (MDBs and IDFC, 2011), while adaptation principles are more general and process oriented (MDBs and IDFC, 2015). The OECD Development Assistance Committee has developed a system to differentiate climate and development finance and at the same time mitigation and adaptation activities. Their Rio marker” system is described in chapter III.F below.

51. **Cross-cutting** relates to activities that address both adaptation and mitigation. The challenge is to define when to attribute an activity to cross-cutting and when to attribute to it to either mitigation or adaptation with a co-benefit. Previously, Parties were not required to specifically report on the definitions they used, but this will change with the new CTF tables that now include dedicated boxes for the provision of information related to the methods and definitions used to differentiate the type of support, which will improve transparency and allow consistency across Parties to be assessed.

52. **Other** relates to activities that fall in none of the above categories. This relates strongly to the definitions used for the above categories. Many Parties used definitions that represent all of their climate-related activities. Some have included specific areas under “Other”, such as forestry, technology transfer or research. If the type “Other” is selected, the Party needs to specify what is included.

53. While there is no agreed definition of terms under the Convention, according to **paragraph 15** of the UNFCCC reporting guidelines on BRs, Parties shall provide information on the methodologies used. This requirement is strengthened by the new supplementary reporting lines introduced in CTF table 7 (see chapter I.B above).

Box 1

Example of transparent reporting on definitions used for the type of support

Sweden:

Tracking uses Rio markers on climate change mitigation and adaptation. These markers were developed and defined within the OECD Development Assistance Committee and are commonly used by donor countries to track public climate finance. At SIDA, the responsible officer marks each contribution on a scale of 0–2, where 2 represents ‘primary objective’, 1 is ‘significant objective’ and 0 is ‘not targeted’.

In compiling the figures presented in table 5.2 (and in CTF Table 7(b)), Sweden has included 100 per cent of the funding for contributions with mitigation and/or adaptation as a ‘primary objective’, but only 40 per cent of the funding for contributions with mitigation and/or adaptation is a ‘significant objective’.

3. Channels of funding

54. **Paragraph 17** of the UNFCCC reporting guidelines on BRs requires (“shall”) reporting on “**allocation channels and annual contributions**” for:

- (a) The GEF, the LDCF, the Special Climate Change Fund, the Adaptation Fund, the GCF and the Trust Fund for Supplementary Activities;
- (b) Other multilateral climate change funds;
- (c) Multilateral financial institutions, including regional development banks;
- (d) Specialized United Nations bodies;
- (e) Contributions through bilateral, regional and other channels.

55. Reporting on contributions to MFIs poses challenges in reporting “climate-specific” finance versus “core/general” finance. This question is also relevant for bilateral, regional and other channels, but in the case of multilateral agencies, the donor country often does not have information at the project level that would allow it to attribute the climate-specific proportion of finance, based on activity lists or other methods.

56. Most MFIs actively engage in improving the information basis and provide information on the share of their climate-related activities, disaggregated for mitigation and adaptation. These shares can be applied to a donor country’s contribution to the institution, also called **imputed multilateral contribution** (Ockenden, 2015; OECD, 2015b). There are a number of issues related to these calculations, which lead to the results being only approximations of the real contribution.

57. Another issue with all multilateral institutions is the fact that they normally have multiple-year commitment periods. Replenishment takes place every few years, which means Parties’ contributions are not received on an annual basis. This is not, in itself, a problem, but leads to large **fluctuations in individual Parties’ climate finance contributions** that are not necessarily reflecting real changes in the level of funding. This is important when aggregating and interpreting reported information. It also impacts the attribution of climate-specific funding, as shares are calculated annually based on finance outflows.

58. Reporting on bilateral, regional and other channels can take place at different levels of aggregation. Parties are free to select the level of detail they provide, that is whether they report individual projects and programmes (e.g. Germany) or aggregated to the recipient country level (e.g. Australia). When reporting on bilateral finance provided, it is important to avoid double counting with contributions to MFIs that are earmarked for specific climate-related activities. Parties can report such earmarked contributions under the “bilateral” category, but need to ensure that this is not also covered in the respective “multilateral” category.

59. Challenges associated with the reporting of private funding leveraged will be discussed in chapter III.B.7.

Box 2

Examples of transparent reporting on climate-specific contributions to multilateral institutions

Japan

Transparent reporting on the reasons for not estimating climate-specific contributions to multilateral institutions: It is difficult to quantitatively specify the amount of contributions made for climate-specific purposes because judgment as to whether the funds provided to each institutions are used for climate change related sectors or not depends on each institution. Therefore, contributions for “climate-specific” purposes are reported as “NE” (not estimated).

Austria

Transparent reporting on methodology used for estimating climate-specific contributions to multilateral institutions: Imputed multilateral shares are reported based on Organisation for Economic Co-operation and Development Developed Assistance Committee reports.

B. Reporting on financial support

60. **Paragraph 13** of the UNFCCC reporting guidelines on BRs requires that Parties “shall provide information on the provision of financial, technological and capacity-building support to non-Annex I Parties... following common reporting formats”. Chapters III.B.1–5

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

discuss some of the parameters included in the CTF tables 7, 7(a) and 7(b) that have been developed to report on financial support provided.

61. Chapters III.B.6. and 7 then discuss challenges related to the requirements outlined in **paragraphs 16 and 19** of the UNFCCC reporting guidelines on BRs.

1. Status of financial support

62. Decision 9/CP.21 changed the categories for the parameter “status” in tables 7(a) and 7(b) from “pledged”, “committed” and “provided” to “**committed**” and “**disbursed**” in line with existing international methodologies, particularly those used by OECD to track development finance.

63. The definitions used for the different terms are not always clear, resulting in uncertainties in interpreting reporting information. While disbursed funds are in principle mostly interpreted as being de facto delivered to the recipients (see issues regarding multilateral institutions below), committed funds can be seen as less certain. Difficulties experienced with spending committed funds increases the uncertainty of actual delivery of the funds.

64. Table 2 below illustrates differences in the terminology used with corresponding definitions. For bilateral finance, existing definitions are clear and widely used, although individual Parties may use other definitions.

65. For contributions to multilateral institutions, “disbursed” can theoretically be interpreted in two different ways:

- (a) When resources are transferred from the provider to the accounts of the fund;
- (b) When resources are transferred from the fund to the recipient.

66. In most cases, Parties will report disbursed funds using the first of the two, as information on spending is often not attributable to individual Parties. Information on the Party’s interpretation of this should be included together with the definitions used as part of the new CTF reporting fields.

Table 2

Definitions of “status” from different organizations

<i>Climate Funds Update</i>	<i>Organisation for Economic Co-operation and Development</i>
Pledges: represent verbal or signed commitments from donors to provide financial support for a particular fund	Commitment: A commitment is a firm, written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency
Deposits: represent the funds that have been transferred from the donor into the account(s) of the fund. Also known as committed funds	
Approved: represents funds that have been officially approved and earmarked to a specific project or programme	
Disbursed: represents those funds that have been spent, either through administrative means or directly through an implementation programme or project, with proof of spend	
	Disbursement: The release of funds to or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the provider

Sources: Heirich Böll Stiftung and Overseas Development Institute. Climate Funds Update. Available at <<http://www.climatefundsupdate.org/about/data-figures-notes>>. OECD. 2016. Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities. Paris: OECD. Available at <http://www.oecd-ilibrary.org/development/development-co-operation-report_20747721>.

2. Funding source

67. CTF tables 7(a) and 7(b) require reporting on finance by funding source:

(a) **ODA:** flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 per cent (using a fixed 10 per cent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries (“bilateral ODA”) and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions. Lending by export credit agencies—with the pure purpose of export promotion—is excluded (IMF, 2003);

(b) **Other official flows:** transactions by the official sector with countries on the list of aid **recipients** which do not meet the conditions for eligibility as official development assistance or official aid, either because they are not primarily aimed at development, or because they have a grant element (see chapter III.B.3 below for a definition) of less than 25 per cent (OECD, 2009). This can also include lending by export credit agencies;

(c) **Other:** any other form of financial flows, which can for example include private sector loans or grants. In such cases the nature of flows reported needs to be further specified by the Party.

68. These are the most commonly used definitions for differentiating the different funding sources. Parties may, however, use other definitions. No challenge has been identified in reporting on the funding source in the first two rounds of review. However, Parties will be required to report specifically on the methodologies and definitions used to differentiate the funding source in the revised CTF tables.

3. Financial instruments

69. CTF tables 7(a) and 7(b) require reporting on finance by financial instrument. The main challenge in reporting on financial instruments is the lack of agreed definitions under the Convention. The following definitions can provide guidance and are widely used:

(a) **Grant:** transfers with no repayment required from recipients. This includes technical assistance, for example carrying out policy studies, providing advice, supporting project preparation and implementation, and assisting in technology transfer, normally delivered as a cost-free (grant) service;

(b) **Concessional loan:** loans provided on terms significantly more generous than market rates. OECD has a definition of concessionality based on the interest rate charged; tenor/maturity (time until repayment is due); and the grace period (interval of time before the first repayment is due) of a loan. Under OECD, loans are deemed eligible as official development assistance if they have a grant element of at least 25 per cent; however, there is a spectrum of concessionality from “hard” (near-market) loans to soft, up to “credit finance” which is offered at a zero interest rate;

(c) **Non-concessional loan:** loans offered near or at market rates;

(d) **Equity:** finance available on the basis of gaining a share in the receiving entity with the right to receive a portion of the profits and value gain of the business;

(e) **Other:** this includes all other instruments, such as guarantees.

70. The definitions provided above are based on those used by OECD and Climate Funds Update, an independent website that covers climate finance initiatives (Heirich Böll Stiftung and Overseas Development Institute, n.d.; OECD, 2016a). The World Bank’s International Development Association provides further guidance on what constitutes “concessionality” and how to determine the “grant element” of a concessional loan. The grant element is defined as the difference between the loan’s nominal value (face value) and the sum of the

discounted future debt-service payments to be made by the borrower (present value), expressed as a percentage of the loan's face value. Whenever the interest rate charged for a loan is lower than the discount rate, the present value of the debt is smaller than its face value, with the difference reflecting the (positive) grant element of the loan (IDA, n.d.).⁵

71. The grant element is not only important in determining the concessionality of a loan, it can also be used to report the value of non-grant instruments. Loans are repaid over time, including interest payments, and equity investments result in dividend payments and potential losses or gains, if divested. It can be argued that reporting the face value of loans and equity therefore over-reports climate finance against UNFCCC obligations (Carty, Kowalzig and Peterson, 2016).

72. Parties are free to provide their own definition or refer to definitions from international or national institutions.

Box 3

Example of transparent reporting on the value of loans reported

Germany

German climate finance reported in the CTF tables 7 relates to finance from budgetary sources (e.g. solely the grant underlying a concessional KfW loan).

4. Sector

73. CTF tables 7(a) and 7(b) require reporting on finance by sector. The CTF tables provide a list of possible sector values as:

- (a) Energy;
- (b) Transport;
- (c) Industry;
- (d) Agriculture;
- (e) Forestry;
- (f) Water and sanitation;
- (g) Cross-cutting;
- (h) Other;
- (i) Not applicable.

74. The UNFCCC reporting guidelines on BRs do not provide a definition of the sectors, which differ from the sectors used in the preparation of GHG inventories as defined in the *2006 IPCC Guidelines for National Greenhouse Gas Inventories*. The sectors defined in the tables are oriented more towards the implementation of activities and relate to both adaptation and mitigation.

75. A clear definition of what is included is particularly important where potential overlap is possible, for example in the sector "industry". Energy-related activities, for example energy-efficient boilers in the industrial sector, could be reported either under "energy" or "industry". The OECD Development Assistance Committee sector classification, for example, would report this activity under "energy" (OECD, 2016b).

76. Information reported can either include a detailed description of the sector definition or a reference to external documentation, providing the source, year, name and link to the

⁵ The IDA also offers an online Grant Element Calculator. Available at <<https://ida.worldbank.org/financing/grant-element-calculator>>.

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

documentation, if available. In cases where external documentation is not available in a United Nations language, a short summary of relevant information in the BR will enhance transparency.

77. In the BR2s, 11 per cent of support provided was reported under “cross-cutting”; 20 per cent was reported under “other” and not all funding reporting could be characterized by sector, as information was either not reported or multiple sectors were provided. This is an inherent problem for activities that address more than one sector. Such activities were reported mostly as “cross-cutting”, while sometimes all targeted sectors were reported. On occasion, both approaches were used within a single BR. CTF provides the option to report the relative importance of each targeted sector under “other”. This could increase the transparency of reported sectoral information. The classification “other (multisectoral)” was also used by one Party, which can lead to confusion as it seems to signify the same meaning as cross-sectoral.

78. “Other” was used by some Parties and specified for example as:

- (a) Capacity-building (Finland);
- (b) Infrastructure (Australia);
- (c) Governance (Belgium).

79. The value “not applicable” is relevant for all cases where finance is provided for multilateral institutions where no clear attribution to sectors can be made. The same can apply for contributions to regional funds.

5. Use of exchange rates in common tabular format tables

80. CTF table 7, 7(a) and 7(b) require reporting in the local currency and in United States dollars. Parties should also include an explanation on the methodology used for currency exchange for the information listed in table 7, 7(a) and 7(b) in the documentation box provided in CTF table 7.

81. There are no agreed methods for which exchange rate to use and choices relate to two elements:

(a) **Source of the exchange rate:** a wide range of sources provide exchange rate information. These include national financial institutions (e.g. central banks), international institutions (e.g. IMF) and private sector platforms (such as OANDA, etc.). Differences in exchange rates from various sources are usually small, but given the large sums involved, can have substantial influence on the sums reported.

(b) **Date of the exchange rate:** as currency exchange rates can fluctuate quite substantially, the date selected for the exchange rate can significantly change the sums reported. The main options for selecting the date are given in paragraph 87 below:

82. The main options for selecting the date used in an exchange rates are as follows:

- (a) Individual exchange rates for each payment:
 - (i) **Date of commitment:** using the rate applicable on the date of the formal commitment;
 - (ii) **Date of disbursement:** using the rate applicable for the date of the transfer of funds;
- (b) A harmonized exchange rate for all reported information:
 - (i) **Fixed date:** using the rate applicable at a defined date, usually one close to the reporting date;
 - (ii) **Averages:** using an annual or multi-year average exchange rate.

Box 4

Examples of how support delivered addresses the needs of non-Annex I Parties

Some Parties did transparently report on how the support they delivered addresses the needs of non-Annex I Parties (though the method of reporting was not the same), but most used the broader definition when reporting.

Japan

Through Japanese Embassies and the overseas offices of Japan International Cooperation Agency located in a number of developing countries, the Japanese Government has been developing projects in close consultation with the governments of developing countries and international organizations in response to the needs of recipient countries. Japan has been providing assistance through various channels, including grant aid, concessional loans and technical assistance, taking into account local economic situations and the content of projects.

Sweden

The principles contained in the Paris Declaration of 2005, the Accra Agenda of 2008 and the Busan Partnership of 2011 are of key significance to Swedish development cooperation, and are relevant and applicable to all climate finance.

6. Needs of the recipient

83. **Paragraph 16** of the UNFCCC reporting guidelines on BRs requires that each Annex II Party “shall describe, to the extent possible, how it seeks to ensure that the resources it provides **effectively** address the needs of non-Annex I Parties with regard to climate change adaptation and mitigation”.

84. The challenge in reporting on this - and reviewing reported information - is how to define “effectively” in the context of addressing the financing needs for adaptation and mitigation. As there is no agreed definition, it is up to Parties to define what is meant.

85. Mostly Parties report on the principles underlying their support activities. Another option to address the challenge is to refer to existing needs analysis conducted by non-Annex I Parties, such as TNAs, NAPAs, NAPs, etc. Both options can be seen as a broad interpretation of the reporting requirement. For a narrower definition of the term a description of how institutions and processes ensure that the principles are actually applied and respected in decision-making would be required.

7. Private financial flows leveraged

86. **Paragraph 19** of the UNFCCC reporting guidelines on BRs asks Parties (“should”) to report, “to the extent possible, on private financial flows leveraged by bilateral climate finance... and... on policies and measures that promote the scaling up of private investment in mitigation and adaptation activities in developing country Parties”.

87. The paragraph constitutes two separate reporting requirements as follows:

- (a) Reporting on financial flows leveraged by bilateral climate finance;
- (b) Reporting on measures that promote the scaling up of private investment.

Flows leveraged

88. The main challenge related to this reporting requirement is that no agreed definition exists within the UNFCCC on how to define “leverage”⁶ and calculate the amount of finance leveraged. In its 2016 biennial report, the SCF encourages “relevant institutions and experts,

⁶ The terms “mobilized” and “leveraged” are often used interchangeably.

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

including from the private sector, to devise practical options for estimating and collecting data on private climate finance, taking into consideration ongoing work by the OECD Research Collaborative on Tracking Private Climate Finance and by MDBs” (UNFCCC Standing Committee on Finance, 2016).

89. A definition that seems largely in line with the formulation of the reporting requirement sees leveraging as “the process by which private sector capital is mobilized as a consequence of the use of public sector finance and financial instruments” (Brown and Jacobs 2011).

90. For many, the term also implies that a particular source of public climate finance was a critical element in a project finance structure, needed to “get the project off the ground”. The implication is that without these special funds the project/programme would not have come about at all or would not have reached financial closure (Climate Investment Funds, 2014).

91. Public finance can leverage other public and private finance. In the context of the reporting requirement, only private investment mobilized is relevant. Leverage can be reported as the total amounts leveraged or as a “leverage ratio”, which represents the relationship between private investment and other sources. Here it is important to be clear which of the following ratios is used:

- (a) Private investment as share of reporting donor investment (in same activities);
- (b) Private investment as share of total public investment (including reporting donor and other public sources);
- (c) Private investment as share of total activity cost (including reporting donor, other public and private sources).

92. The latter two can lead to double counting of effects.

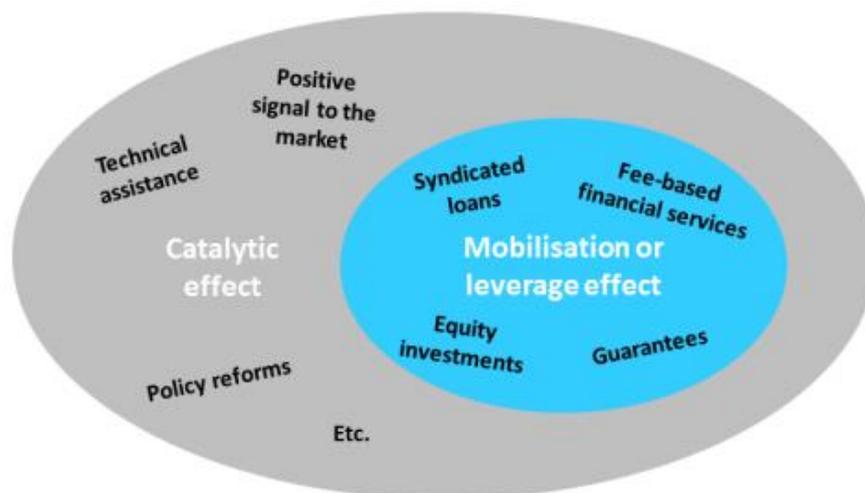
93. It is important to note that the reporting requirements only request reporting on finance leveraged through bilateral and not multilateral support. Reporting by Parties on private finance leveraged by multilateral institutions will face similar methodological issues as discussed in chapter III.A.3 above.

Measures to promote private investment

94. Related to this reporting requirement the main challenge is to identify what kinds of measures qualify for reporting under paragraph 19 of the UNFCCC reporting guidelines on BRs. In addition to the direct effect through the mobilization of finance from the private sector, public finance can have larger, indirect effects that are even more difficult to quantify. These effects can be termed “catalytic effects”. They relate to the support of enabling frameworks that will finally trigger private sector investment. As illustrated in figure 4 below, such support can be financial (providing a positive signal to the market) or non-monetary (knowledge transfer, introduction of policies, etc.).

95. In a wider sense, many climate-related activities will have an element that will potentially trigger private investment. It is therefore challenging to report on this requirement. Initiatives that clearly target the involvement of the private sector can for example include public–private partnerships, cooperation with the private sector and the establishment of joint public–private funds. Parties may also choose to report on areas of activities or concrete projects and programmes that directly target the engagement of the private sector.

Figure 4
Catalytic and leverage effects



Source: Benn, J., Sangaré, C., Hos, T. and Semeraro, G. M. 2016. Amounts Mobilised from the Private Sector by Official Development Finance Interventions: Guarantees, Syndicated Loans and Shares in Collective Investment Vehicles. Paris: Organisation for Economic Co-operation and Development (OECD).

Box 5

Examples of reporting private financial flows leveraged

Finland

(Clearly reports the source containing the methodology description and limitations of the analysis). In 2013, a very rough estimation was made, based upon which Finland could mobilize about USD 0.5–1.8 billion annually in private climate finance to developing countries. This estimation was made using the analyses by Stadelmann and Michaelowa (2011) and should be taken only as an initial estimation, which may not be comparable to other estimations

France

(Clearly reports key methodological choices in an annex to the biennial report, here only an example is provided). The following definitions were used:

- (a) The categorization of actors based on >50 per cent public ownership according to the Organisation for Economic Co-operation and Development Development Assistance Committee definition, with a filter extracting out French state-owned enterprises acting as “prudent investors”;
- (b) 100% of finance deployed by these institutions are considered public finance;
- (c) No apportioning – 100 per cent of the finance provided by the entity is recorded either as public or as private (applying the first point).

C. Reporting on technology transfer

1. Endogenous capacities and technologies

96. **Paragraph 21** of the UNFCCC reporting guidelines on BRs requires (“shall”) amongst other things that Parties report on “support of the development and enhancement of **endogenous capacities and technologies** of non-Annex I Parties”. As illustrated in chapter

III.A.1 above this refers to any activities that promote the development of technologies within developing countries.

97. While technology transfer aims to provide access to technologies developed in other countries (mostly Annex I Parties), activities here target the development of technologies and capacities within the country, based on local knowledge and circumstances.

98. Support activities can include training, education and capacity-building, the setting up of research facilities, the provision of research equipment, and support for piloting projects or activities to support in-country production of such technologies. A good example of endogenous technology is efficient cookstoves. The appropriate design for maximum acceptance and deployment depends strongly on the local context, available materials and cultural habits. Support for the development of technology on the ground is likely to be more effective than the transfer of solutions from other countries.

Box 6

Example of transparent reporting on support to enhance endogenous capacities and technologies

Australia

Australia is home to some of the world's leading renewable energy research institutions, including the Australian Centre for Advanced Photovoltaics, based at the University of New South Wales, Sydney, which has held the world record for silicon solar cell efficiency for 30 of the last 32 years. During the reporting period, Australia provided around AUD 9 million for students from developing countries to undertake renewable energy research at these institutions. This training is helping developing countries to build their endogenous clean technology capacity, by ensuring they have the human resources necessary to support domestic clean technology innovation and development.

2. Activities implemented or planned since the last reporting

99. **Paragraph 22** of the UNFCCC reporting guidelines on BRs requires (“shall”) that Parties report on “information on measures and activities related to technology transfer implemented or planned since its last national communication or biennial report”.

100. The requirement indicates that only such information should be reported that is new compared to the last official report submitted to the secretariat, not a full list of ongoing or planned activities. This can include measures and activities where:

(a) Planning has started since the last report, resulting in new measures with the status “Planned”;

(b) A change in status from “Planned” to “Implemented” has occurred since the last reporting period;

(c) Implementation has started since the last reporting period without the measure having been reported before.

101. Reporting of measures and activities implemented or planned since the last reporting period can for example be challenging for multi-year projects or programmes with multiple components that may start implementation at different points in time. One option is to report on different components with different starting years as individual activities. Alternatively, the additional information provided in table 8 could clearly identify which components have only started since the last reporting.

Box 7

Example of transparent reporting on activities implemented or planned since the last reporting period

Sweden

Sweden has included the start year for planning or implementation in the “Additional information” column and includes only activities that have started in 2013 or 2014 (see table 8 from Sweden’s second biennial report reproduced below).

Table 8

SWE_BR2_v1.0

Provision of technology development and transfer support^{a,b}

<i>Recipient country and/or region</i>	<i>Targeted area</i>	<i>Measures and activities related to technology transfer</i>	<i>Sector^c</i>	<i>Source of the funding for technology transfer</i>	<i>Activities undertaken by</i>	<i>Status</i>	<i>Additional information^d</i>
Zambia	Mitigation	Through "Innovations Against Poverty" Sida supports HiNation AB provide rural populations in Zambia with solar lighting and solar mobile phone charging.	Other (Business and other services)	Public	Private	Implemented	2013. Only 20% of Zambia's population have access to electricity and users have to travel and pay to charge their phones at kiosks or shops, usually from a car battery or generator. This contribution will benefit end users, for whom the cost of mobile phone charging and lighting will be significantly reduced; rental entrepreneurs, who can rent the HiLight to local users for a fee; and local entrepreneurs, who will pick up post-sale repair and support work.
Ghana	Adaptation	Through "Innovations Against Poverty" Sida supports Ignitia to deliver daily weather forecasts and warnings to farmers in Ghana.	Other (Business and other services)	Public	Private	Implemented	2013. The lack of weather information, compounded by an increasing frequency and intensity of severe weather events, is making traditional farming practices and indigenous knowledge insufficient. With the aid of meteorological information, important decisions regarding use of limited resources such as water, fertilizers and pesticides, can be made by farmers. This has an impact on food security, income and the environment.
India	Mitigation	Through "Innovations Against Poverty" Sida supports Nuru Energy to develop its manufacturing and distribution of Portable lights and PowerCycle recharging mechanisms to India to provide a sustainable and safe alternative to kerosene lighting.	Other (Business and other services)	Public	Private	Implemented	2013. Over 90% of the off-grid households in rural India rely on kerosene for lighting, which is expensive and damaging to both the environment and respiratory health. Nuru Energy will manufacture and distribute affordable, clean, safe and sustainable lighting and energy solutions to rural households that have limited access to the electricity grid.

D. Reporting on capacity-building

102. **Paragraph 23** of the UNFCCC reporting guidelines on BRs requires (“shall”) that Parties report on their capacity-building activities “to the extent possible”. The critical elements in reporting on capacity-building are as follows:

(a) **The fact that most climate-related activities have a capacity-building component.** It is often difficult or impossible to extract the capacity-building elements of all activities and present them in a consistent and comprehensible manner. This can lead Parties to report only a selection of their capacity-building activities, for example those whose main focus is capacity-building. The cross-cutting nature of capacity-building activities and the lack of specific markers within the OECD Development Assistance Committee reporting pose a substantial challenge to reporting;

(b) **How activities respond to the existing and emerging capacity-building needs identified by non-Annex I Parties.** The challenges are similar to those for reporting on how finance meets the needs of non-Annex I Parties. However, paragraph 23 does not require Annex II Parties to identify how activities “effectively” address identified needs. Reporting on country-driven approaches and the reference to needs assessments conducted by non-Annex I Parties can be sufficient to fulfil this requirement.

Box 8

Examples of reporting on how activities respond to identified needs

Portugal

The PPA supported by the Portuguese Cooperation usually has a strong technical assistance component with strong focus on the development of national capacities. Portugal tries to pay special attention to the efficiency and aid principles formally assumed in the Declaration of Paris and developed in Accra and, especially: (1) through leadership and control by beneficiaries so they can strategically earmark their resources; (2) by enhancing existing capabilities as a starting point, avoiding the creation of parallel structures and systematically using the national systems for aid implementation; and (3) through technical driven cooperation for the demand of partners.

E. New and additional

103. **Paragraph 13** of the UNFCCC reporting guidelines on BRs requires (“shall”) reporting on the provision of FTC support, “including information to show how this support is new and additional”.

104. Article 4, paragraph 3, of the Convention already states that financial resources to support climate actions should be “new and additional”. Subsequent COP decisions to scale up finance have also made reference to funding being “new and additional”.

105. However, there is no agreed definition on what constitutes “new and additional”. The SCF biennial assessment report 2016 provides a wide range of definitions from literature. They can be grouped by the main focus of the definition:

- (a) Related to the source or channel:
 - (i) Only funds mobilized from new sources, such as a levy on emissions trading;
 - (ii) Only funds delivered through new channels, such as the GCF;

- (iii) Mobilizing new sources of financing that would not otherwise be forthcoming or available.
- (b) Based on the relationship to official development assistance:
 - (i) Only funds in excess of a 0.7 per cent gross national income contribution to ODA;
 - (ii) Only funds in excess of current ODA;
 - (iii) Only funds in excess of ODA levels from a specified baseline year;
 - (iv) Only funds in excess of the projected ODA calculated using a specified formula;
 - (v) Only a specified share of the increase in ODA;
 - (vi) Only climate finance that is not reported as ODA.
- (c) Based on characteristics of funded activities:
 - (i) Funds for projects and programmes that would not have come about without the climate finance investment;
 - (ii) Funds for projects that have been initiated since a particular baseline year;
 - (iii) Projects in action areas that were not otherwise covered or financed adequately by other sources.
- (d) Other:
 - (i) Only funds in excess of current climate finance.

106. Some of these definitions require further specification to be meaningful. “Funds in excess of current” spending (whether climate or ODA), for example, requires a clarification of what is understood by “current”.

107. The main concern embedded in these definitions is that existing levels of funding for development are decreased and redirected to climate-specific activities, or are relabelled, and thus do not constitute new finance as activities and would also be carried out without the finance commitments under the Convention. The differentiation between development and climate is difficult, as activities often have components of both. The OECD Rio markers, as discussed in the next chapter, aim to provide some guidance on how to address this challenge. However, the question of additionality requires a baseline or base year to be defined, which most of the above definitions have tried to achieve explicitly or implicitly.

Box 9

Examples of reporting on “new and additional”

Some Parties have chosen to apply one of the definitions provided in the UNFCCC Standing Committee on Finance biennial assessment report 2016 (e.g. Sweden: < 1 per cent of current official development assistance; United Kingdom of Great Britain and Northern Ireland: in addition to historic levels of official development assistance), others have defined “new and additional” in their own way, not all of which address known concerns.

Some Parties use alternative definitions:

Australia: new and additional aid budget appropriations passed by parliament on an annual basis;

Germany/Japan: newly committed or disbursed climate finance during the reporting period/financial year(s);

Belgium: a separate budget line created after the Conference of the Parties in Copenhagen for multilateral climate finance;

Canada: above what was planned prior to the Copenhagen Accord;

Netherlands: a larger share of the development budget;

Norway: a growing aid programme;

Finland: 2009 as a baseline year. The baseline figure for overall Finnish climate funding (grant) in 2009 was approximately EUR 26.8 million.

F. Using the Organisation for Economic Co-operation and Development Development Assistance Committee framework in reporting

108. **Paragraph 15** of the UNFCCC reporting guidelines on BRs requires (“shall”) Parties to report on the methodologies and underlying assumptions used to produce reported information.

109. The OECD Development Assistance Committee aims to support the effectiveness of development aid. One element of the OECD Development Assistance Committee to do this is by providing robust information on development finance delivered. OECD Development Assistance Committee members include all Annex II Parties plus most economies in transition and a few non-Annex I Parties (Chile, Israel, Mexico, Republic of Korea). Most Parties therefore use and reference OECD Development Assistance Committee methods and definitions in their reporting, as also highlighted in the compilation and synthesis report for BR2s. Understanding the OECD Development Assistance Committee framework and the differences to the UNFCCC reporting framework will support the understanding of the information provided.

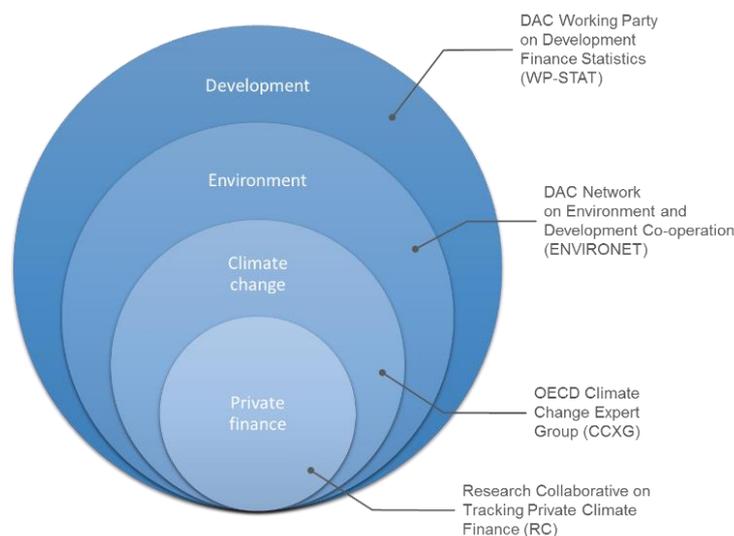
1. Elements and responsibilities

110. As illustrated in figure 5 below, the OECD Development Assistance Committee tracks overall development finance through WP-STAT. A subset of this is targeted toward environmental issues. ENVIRONET aims to enable members to differentiate these finance flows. To this end, ‘policy markers’ were introduced that indicate whether or not each development cooperation activity reported to the OECD targets environmental objectives.

111. The first policy marker was the general ‘environment’ marker. Based on the Rio Conventions, four additional markers were added: biodiversity, desertification, climate

change mitigation and climate change adaptation. Climate change thus represents a subset of total development finance with an environmental focus. Since 2013, the RC provides additional methodological guidance on the tracking of private climate finance, particularly for estimating publicly-mobilized private climate finance. Additionally, OECD is exchanging with international finance institutions in order to enhance reporting and harmonize definitions and methodologies (Iro, 2014).

Figure 5
Responsibilities within the Organisation for Economic Co-operation and Development Development Assistance Committee system



Source: Adapted from Iro, A. 2014. *Measuring, Reporting and Verifying Climate Finance: International State of Play and Future Perspectives*. Bonn and Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

112. The Rio markers use a scoring system of three values (OECD, n.d.)⁷:

(a) **Principal:** when the objective (climate change mitigation or adaptation) is explicitly stated as fundamental in the design of, or the motivation for, the activity (score “2”);

(b) **Significant:** when the objective (climate change mitigation or adaptation) is explicitly stated but it is not the fundamental driver or motivation for undertaking it (score “1”);

(c) “0”: indicates the activity was examined but was found not to target the objective (climate change mitigation or adaptation) in any significant way.

113. The set-up of the marker system allows development finance to be differentiated from climate finance and mitigation from adaptation activities (see chapter III.A.2). The qualitative nature of the markers does not, however, provide a clear quantification. Activities principally targeted at mitigation may for example still have adaptation benefits, which are not captured by the scoring system.

114. Another question is how to quantify the adaptation or mitigation share of activities where these elements are only rated “significant”. OECD solves this by providing an upper and lower boundary for their estimates. The upper boundary represents the full amount of

⁷ OECD Development Assistance Committee. *OECD DAC Rio Markers for Climate: Handbook*. Available at <https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf>.

activities with adaptation and/or mitigation rated as principal **and** significant. The lower boundary represents the full amount of activities rated as principal only.

115. In the UNFCCC process, reporting Parties make different choices as to how to address these issues. Many select to only report a share of finance marked as “significant”, using a coefficient between 0 per cent and 100 per cent. Some also apply a coefficient to “principal” activities to reflect the nature of the portfolio and other benefits from activities (Ockenden, 2015). These differences in assessing the value of activities impact the total finance reported and the comparability of reported information across years and across Parties, as differences may come from the application of different coefficients or changes in coefficients over time. For Parties using the OECD Development Assistance Committee system, it is important to understand how they have applied this system concretely for their reporting under the Convention.

116. Apart from the policy markers, the DAC statistical system provides definitions for all relevant elements (see many of these definitions provided in chapter III) and methodologies for addressing challenges in reporting (see for example chapter III.A.4 on the treatment of financial flows to multilateral channels).

Box 10

Example of transparent reporting on the approach taken to operationalize the Organisation for Economic Co-operation and Development Development Assistance Committee Rio markers

European Union

The European Union has adopted the following approach to “translate” the Rio marked data into estimated climate finance flows:

- If an activity is marked as principal for mitigation or adaptation, 100 per cent of the support is considered and reported as climate finance;
- If an aid activity is marked as significant for mitigation or adaptation, then only 40 per cent of the support is considered and reported as climate finance;
- In order to avoid double counting, any activity can only count as 100 per cent, 40 per cent or 0 per cent. If an activity is marked for both mitigation and adaptation, only the highest marking will count when calculating the total climate relevant financial contributing of the activity.

2. Differences in Organisation for Economic Co-operation and Development data compared to UNFCCC reporting

117. The OECD statistical framework is a complex and well-established system used by all OECD Development Assistance Committee member States. In order to maximize the efficiency of reporting, most countries will use their OECD data set as the basis for reporting to the secretariat. Nevertheless, differences in reported data can arise, based on:

- (a) The methodology applied how to report on “significant” activities;
- (b) The definitions used, for example variations in the definition of “committed” funds;
- (c) The approach taken on reporting amounts of different financial instruments, for example reporting on grant elements.

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Relevant decisions

Decision 3/CP.7. Capacity building in countries with countries in transition.

Decision 2/CP.15. Copenhagen Accord.

Decision 2/CP.17. Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention.

Decision 9/CP.21. Methodologies for the reporting of financial information by Parties included in Annex I to the Convention.

Annex I

Detailed comparison of reporting requirements for FTC in NCs and BRs

The revised guidelines for national communications are largely harmonized with the guidelines for biennial reports, with only a few differences, which are indicated in the table below and constitutes an expansion in requirements from the current guidelines. Empty cells in the table indicate that no corresponding requirement is included in the respective guidelines.

Biennial report			National communication					
[Decision 2/CP.17]			Revised [draft]			Current [FCCC/CP/1999/7]		
Element	Status	Paragraph	Differences to BR	Status	Paragraph	Differences revised NC	Status	Paragraph
Information on the provision of financial, technological and capacity-building support to non-Annex I Parties	“shall”	Para. 13	none	“shall”	Para. 48		“shall”	Para. 51
Information how support is new and additional	“shall”	Para. 13, Para. 18	none	“shall”	Para. 48, Para. 52		“shall”	Para. 51
Distinguish between mitigation and adaptation	“should,” to the extent possible	Para. 13	none	“should,” to the extent possible	Para. 48			
Approach for tracking	“shall”	Para. 14	none	“shall”	Para. 49			
Information on indicators and delivery mechanisms used and allocation channels tracked	“shall”	Para. 14	none	“shall”	Para. 49			
Use of methodology to be developed under the Convention	“shall”	Para. 15	none	“shall”	Para. 50			
Describe the methodology used	“shall”	Para. 15	none	“shall”	Para. 50			

Biennial report			National communication					
[Decision 2/CP.17]			Revised [draft]			Current [FCCC/CP/1999/7]		
Element	Status	Paragraph	Differences to BR	Status	Paragraph	Differences revised NC	Status	Paragraph
Report in a rigorous, robust and transparent manner the underlying assumptions and methodologies	“shall”	Para. 15	none	“shall”	Para. 50			
			Assistance provided to developing country Parties that are particularly vulnerable	“shall”	Para. 54	none	“shall”	Para. 52
Finance								
Ensure resources provided effectively address the needs of non-Annex I Parties	“shall,” to the extent possible	Para. 16	none	“shall,” to the extent possible	Para. 51			
Support disbursed and committed ^a	“shall”	Para. 17	none	“shall”	Para. 52			
Summary information on allocation channels and annual contributions	“shall”	Para. 17	none	“shall”	Para. 52		“shall”	Para. 52
Reporting for the previous two calendar or financial years without overlapping with the previous reporting periods	“shall”	Para. 17	none	“shall”	Para. 52			
Reporting in textual and tabular format	“shall”	Para. 17	none	“shall”	Para. 52	Change in stringency	“should”	Para. 52
Detailed information on amount, type, source, instrument, sector	“shall”	Para. 18	none	“shall”	Para. 53			

^a Categorization changed from “pledged/committed/provided” by decision 9/CP.21, paragraph 6.

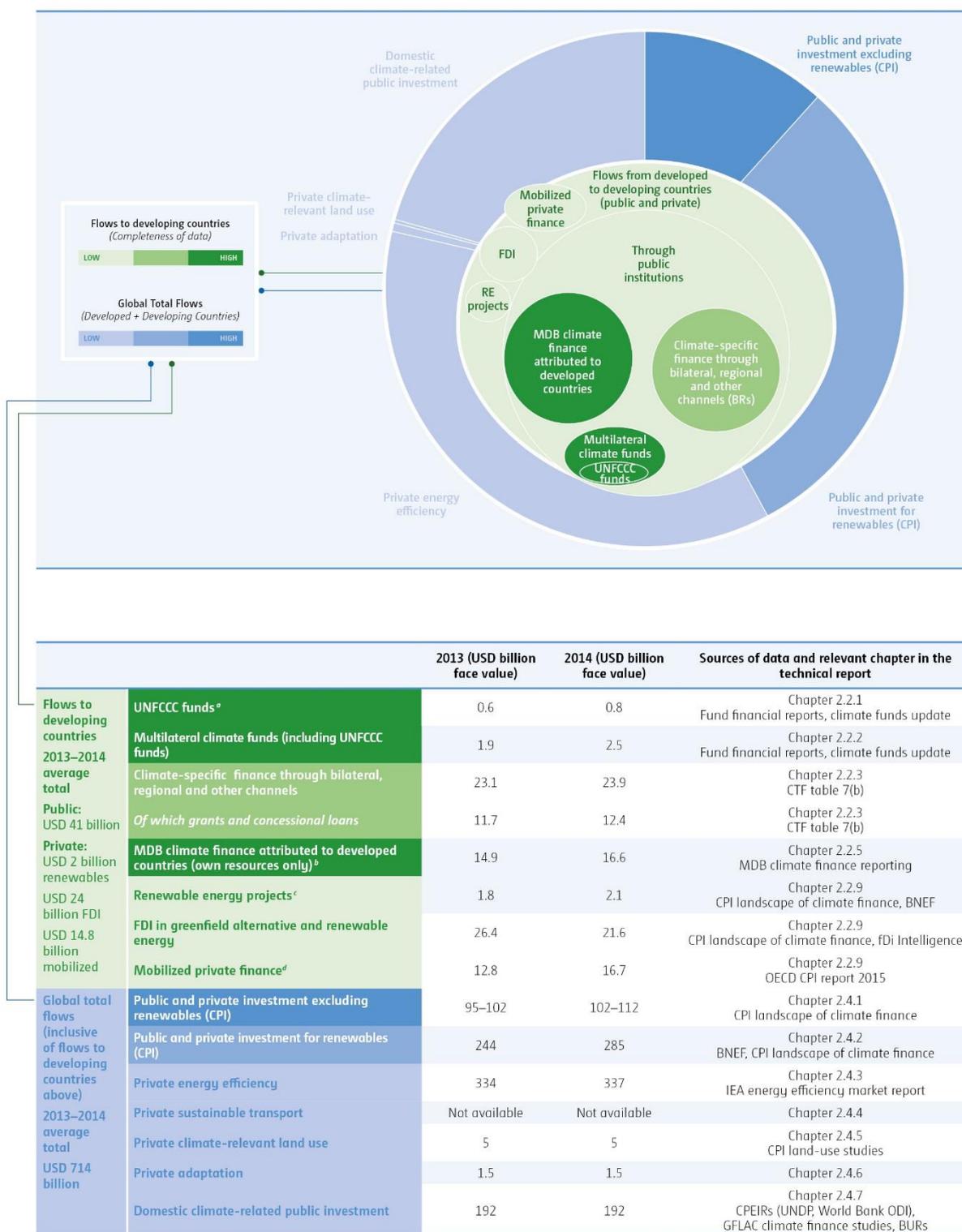
Biennial report			National communication					
[Decision 2/CP.17]			Revised [draft]			Current [FCCC/CP/1999/7]		
Element	Status	Paragraph	Differences to BR	Status	Paragraph	Differences revised NC	Status	Paragraph
Private financial flows leveraged by bilateral climate finance	“should”	Para. 19	none	“should”	Para. 54			
Policies and measures that promote the scaling up of private investment	“should”	Para. 19	none	“should”	Para. 55			
Specify the types of instruments used	“should”	Para. 20	none	“should”	Para. 56			
Technology development and transfer								
Information on measures taken to promote, facilitate and finance technology transfer	“shall”	Para. 21	none	“shall”	Para. 57	none	“shall”	Para. 56
Support of the development and enhancement of endogenous capacities and technologies	“shall”	Para. 21	none	“shall”	Para. 57	none	“shall”	Para. 56
Information on success and failure stories	“may”	Para. 21	Change in stringency	“shall,” where feasible	Para. 57	none	“shall,” where feasible	Para. 55
						“Hard” and “soft” technologies	“shall”	Para. 55
Information on measures and activities related to technology transfer implemented or planned since its last national communication or biennial report	“shall”	Para. 22	none	“shall”	Para. 58			

Biennial report			National communication					
[Decision 2/CP.17]			Revised [draft]			Current [FCCC/CP/1999/7]		
Element	Status	Paragraph	Differences to BR	Status	Paragraph	Differences revised NC	Status	Paragraph
Information on recipient country, target area, sector	“shall,” to the extent possible	Para. 22	none	“shall,” to the extent possible	Para. 58			
Distinguish between activities undertaken by the public and private sectors	“shall”	Para. 22	none	“shall”	Para. 58	none	“shall”	Para. 54
			Measures to encourage private-sector activities	“may”	Para. 58	none	“may”	Para. 54
Capacity-building								
Information on capacity-building support provided	“shall,” to the extent possible	Para. 23	none	“shall,” to the extent possible	Para. 59			
Information how that responds to the existing and emerging capacity-building needs	“shall,” to the extent possible	Para. 23	none	“shall,” to the extent possible	Para. 59			
Reporting in textual and tabular format	“should”	Para. 23	none	“should”	Para. 59			

Annex II

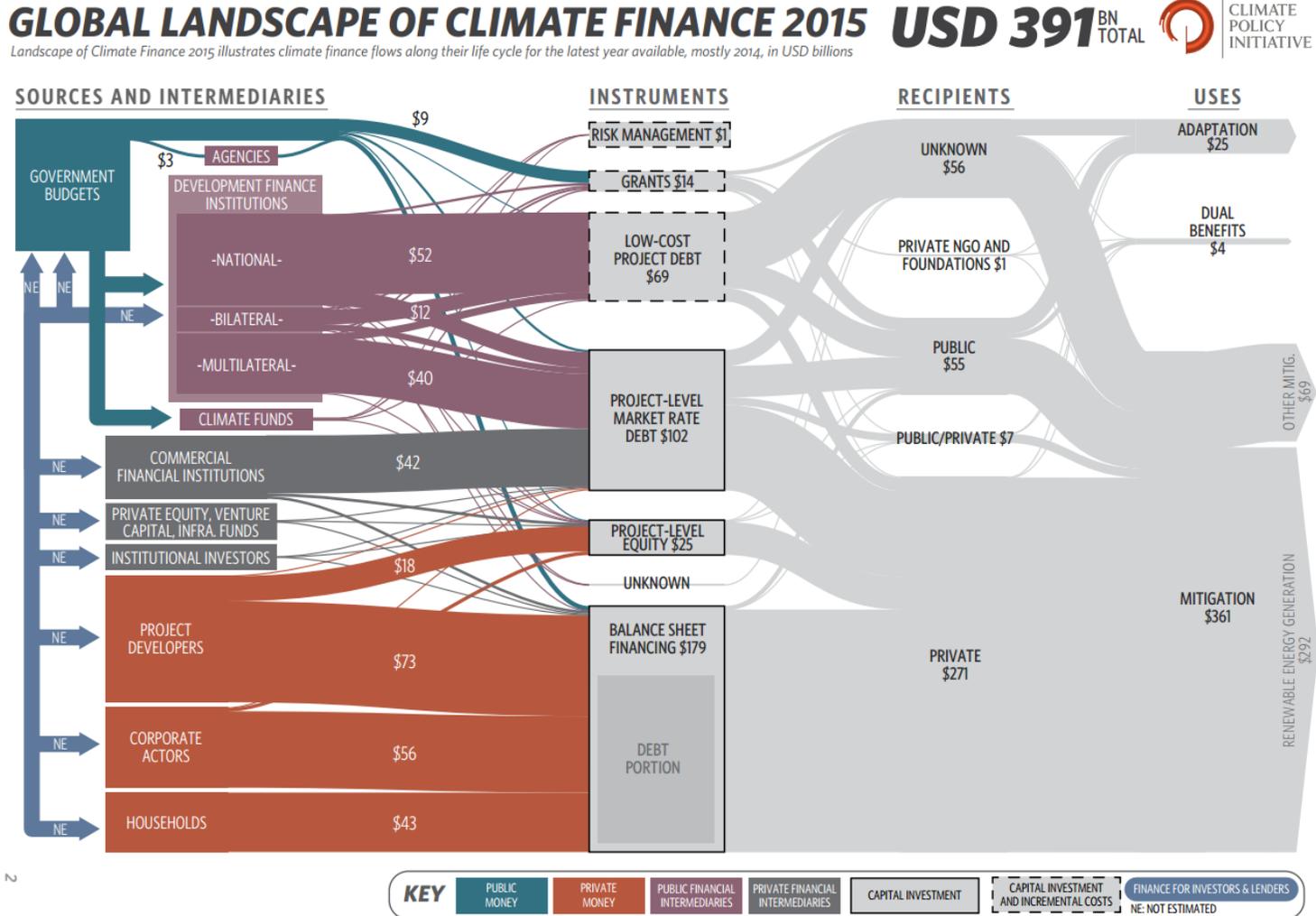
SCF Climate finance flows 2013–2014

Figure 1: Climate finance flows in 2013–2014 (USD billion and annualized)



Source: (UNFCCC Standing Committee on Finance, 2016).

CPI Global landscape of climate finance 2015



2

Source: (Buchner, BK, Trabacchi, C, Mazza, F, Abramskuehn, D, Wang, D and Frenk, CA. 2015. *Global Landscape of Climate Finance 2015*. Climate Policy Initiative (CPI)).

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

Annex IV

OECD Climate Finance in 2013-14 and the USD 100 billion goal

Climate Finance Source		2013	2014	Average 2013-14	Coverage of data	Consistency of data
Public	Bilateral finance	22.5	23.1	22.8	28 Parties, ODA and OOF	Party-own reporting to UNFCCC
	Multilateral climate change funds (outflows, attributed)	2.2	2.0	2.1	GEF and 5 main funds	Reporting to OECD DAC CRS
	Multilateral Development Banks (climate finance outflows, attributed)	13.0	18.0	15.5	6 main MDBs, concessional and non-concessional	Joint MDB approach reported to OECD DAC CRS
	Specialised United Nations Bodies and other multilateral organisations (climate-specific inflows)	0.3	0.4	0.4	Range of funds, limited climate-specific data	Party-own reporting to UNFCCC and OECD DAC Statistics
Export Credits	Officially supported export credits	1.3	1.5	1.4	Renewables only	OECD Export Credits Individual Transactions Database
	Supplementary Party reporting	0.3	0.1	0.2	Information from 3 parties	Party-own reporting
Private	Mobilised through bilateral channels	6.5	8.1	7.3	21 bilateral finance institutions and providers; varying instrument coverage	Initial joint-DFI and DAC methodologies
	Mobilised by MDBs, attributed to developed countries	6.2	8.6	7.4	6 main MDBs, MIGA, CIFs, GEF; limited instrument coverage	Initial MDB methodology for estimating co-financing
Aggregate of Climate Finance		52.2	61.8	57.0		

Source: OECD analysis based on i) responses to OECD survey of Parties' expected UNFCCC reporting ii) OECD DAC statistics on reporting from the Adaptation Fund, Climate Investment Funds (CIFs), Global Environment Facility (GEF), Nordic Development Fund and six main MDBs and inflows for the IPCC, Montreal Protocol and UNFCCC, iii) OECD Export Credits Individual Transactions Database, iv) provision by countries, DFIs, MDBs, the CIFs and the GEF of private co-financing data, v) country, DFI and MDB responses to OECD surveys on amounts of private finance mobilised. Note: Figures in this table may not sum to the totals due to rounding. See Part III and Annexes C-E for further information.

Spectrum of data coverage (providers and instruments)

Complete	Comprehensive	Partial	Very Partial	Unavailable
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Spectrum of data consistency

Consistent	Broad convergence	Partial convergence	Variety of approaches	Unclear
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Source: (OECD, 2015a).

Annex V

Elements determining coverage of climate finance tracking

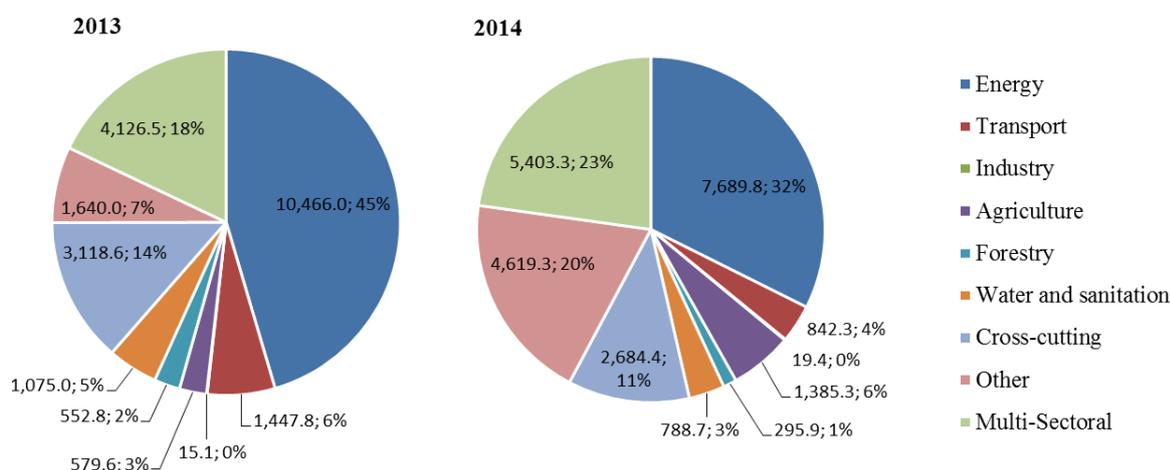
<i>Sources of finance</i>		<i>Destination of finance</i>	
<i>Element</i>	<i>Examples</i>	<i>Element</i>	<i>Examples</i>
Which countries?	All Developed Annex I Parties Annex II Parties South–South	Which countries?	All Developing Vulnerable
Which funds?	All Only specific climate funds	Which sectors?	All Energy Transport
Which instruments?	All Only concessional Only market-based	Which area?	Mitigation Adaptation Cross-cutting
Public and/or private?		Which activities?	Efficiency Renewables REDD-plus
		Domestic and/or international?	

Annex VI

Synthesis of reporting on finance, technology and capacity-building in the second biennial reports

118. **Financial support has grown.** Annex II Parties provided more information on methodological issues in reporting on financial support and private finance. Despite the challenges in comparing financial data sets reported for the periods 2011–2012 and 2013–2014, it is clear that Annex II Parties provided significantly more financial support to developing countries in the latest reporting period. Overall, financial allocation patterns remain similar to those identified in the BR1s. However, the larger portion of the total amount of support reported was identified as being climate-specific as opposed to core/general financial support. Within country-specific support, the larger portion was devoted to mitigation. In terms of sectoral distribution, the information provided suggests that the largest amount of funding was provided to the energy sector, followed by cross-cutting, transport, agriculture, water and sanitation, and forestry.

Figure 1
Contributions through bilateral, regional and other channels in 2013 and 2014, by sector
(Millions of United States dollars)

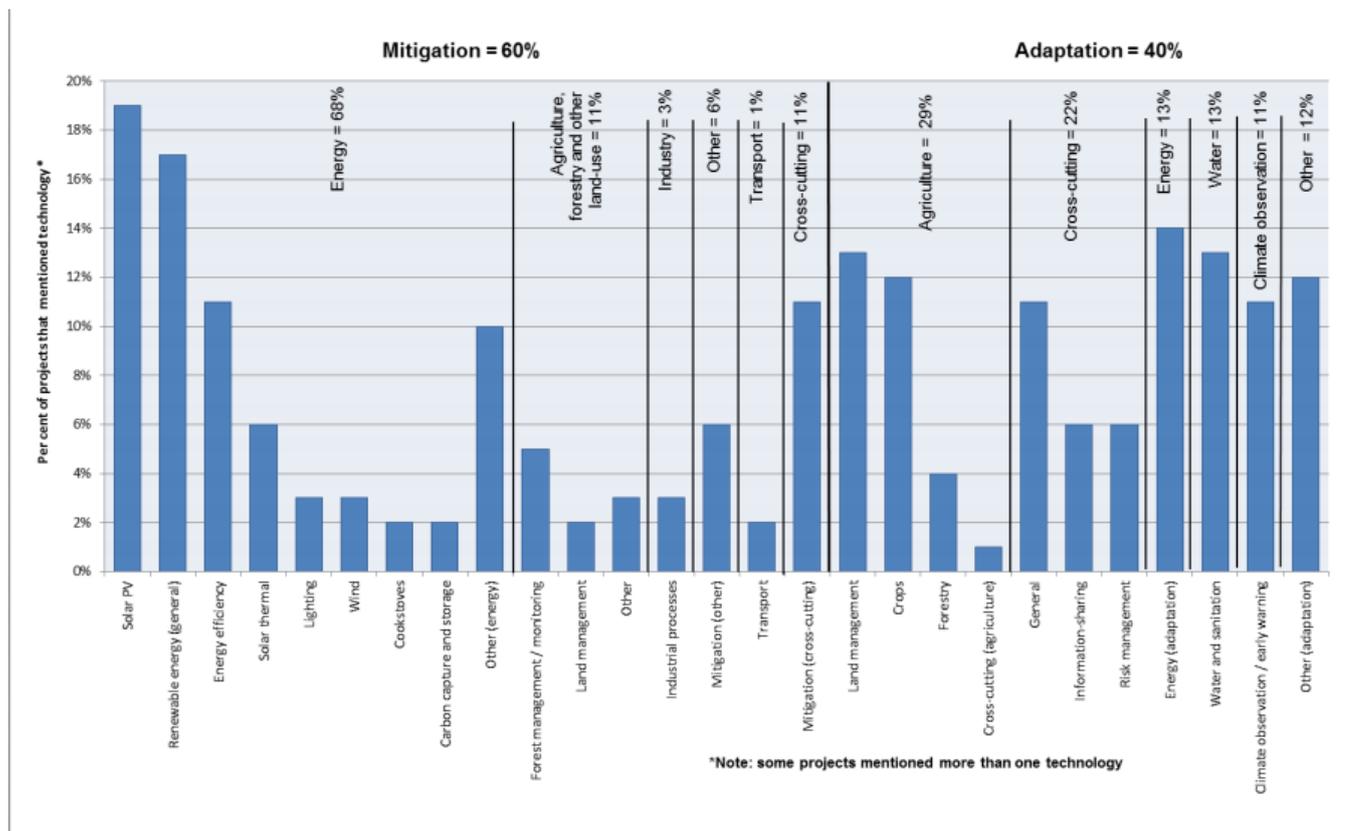


Source: UNFCCC. 2016. Compilation and synthesis of second biennial reports. FCCC/SBI/2016/INF.10 and Add.1 and Add.1/Corr.1.

119. **Technological support provided for adaptation and to Africa has been augmented.** Annex II Parties reported more activities for the provision of technological support to developing countries. Support for adaptation technology activities has grown substantially since the period 2011–2012; with such activities accounting for 40 per cent of all reported activities in the BR2s. Africa has become the predominant recipient of technology transfer. Most activities continued to be focused on the energy sector and were predominantly related to the transfer or deployment of mature climate technologies.

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

Figure 2
Distribution by sector and technology of reported technology transfer activities



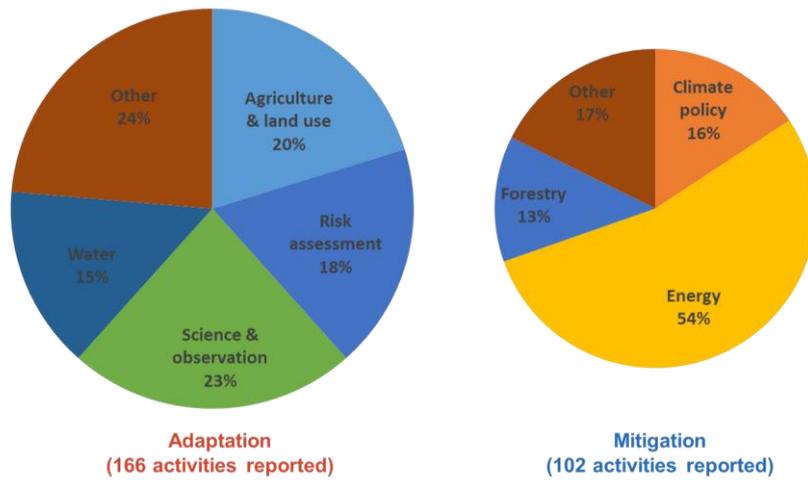
Source: UNFCCC. 2016. Compilation and synthesis of second biennial reports. FCCC/SBI/2016/INF.10 and Add.1 and Add.1/Corr.1.

Abbreviation: PV = photovoltaic.

120. **Capacity-building support has increased.** Parties reported 37 per cent more capacity-building projects in their BR2s compared with their BR1s. Particularly, the number of capacity-building activities has increased in the Asia-Pacific region, Latin America and the Caribbean, and Africa. Annex II Parties provided more capacity-building support to adaptation activities and reported in their BR2s slightly fewer projects aimed at building capacity for mitigation and technology transfer.

Challenges in reporting and analysing the provision of financial, technological and capacity-building support to developing country Parties

Figure 3
Distribution by type of support and activities of reported capacity-building activities in 2014



Source: UNFCCC. 2016. *A Launch Pad for Higher Ambitions: Annex I Parties' Actions towards their 2020 Targets and Support*. Bonn: UNFCCC.