



Standing Committee on Finance

18 September 2019

**Twenty-first meeting of the Standing Committee on Finance
Bonn, Germany, 3–5 October 2019**

Background paper on the 2020 Biennial Assessment and Overview of Climate Finance Flows

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to advance its work for the preparation of the 2020 Biennial Assessment and Overview of Climate Finance Flows (BA), including:

- a) Agree on the outline of the 2020 BA;
- b) Initiate preparation of the 2020 BA technical report;
- c) Consider strategic outreach to assist preparation of the 2020 BA, including collaboration with external initiatives

I. Possible actions for consideration by the Standing Committee on Finance

1. **Outline of 2020 BA:** The SCF may wish to conclude its deliberations on the outline of the 2020 BA. The SCF may wish to consider the draft preliminary outline developed at the previous SCF meeting and the notes from a group call with SCF members held on 29 May 2019 included in annex I and II to this background paper. In finalizing the outline, the SCF may wish to take into account the following:

- (a) The encouragement by the COP to the SCF to take into account the best available science¹;
- (b) The request by the COP to SCF to use the established terminology in the provisions of the Convention and the Paris Agreement in relation to climate finance, where applicable²;
- (c) The request by the COP to the SCF to map available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof.³; and
- (d) The recommendations included in the summary and recommendations by the SCF on the 2018 BA, as contained in the annex to decision 4/CP.24.

2. **Preparation of 2020 BA technical report:** The SCF may wish to consider initiating the preparation of the technical report early on. In this regard, the SCF may wish to request the co-facilitators, with the support of the secretariat and the BA team, with a view to making available the zero order draft in advance of its 22nd meeting. Key milestones, activities, and indicative timeline are included in annex III.

3. **Strategic Outreach:** Outreach is an important component of the BA preparation process, particularly for the data collection and review as well as for increasing the visibility of the SCF's work and key findings and recommendations. The SCF may wish to consider the following next steps on strategic outreach:

- (a) Initiate, under the guidance of the co-facilitators and with the support of the secretariat, outreach to climate finance data producers and aggregators. Following on the past practice, the SCF, as first step, may wish to issue an open call for evidence to provide the opportunity to a wide range of stakeholders to input into the preparation of the 2020 BA. The call for evidence could be issued in the 4th quarter 2019, and extended to first quarter of 2020, if necessary.

¹ Decision 4/CP.24, paragraph 4.

² Decision 4/CP.24, paragraph 5.

³ Decision 4/CP.24, paragraph 10.

(b) Under the guidance of the co-facilitators and with the support of the secretariat, identify collaboration opportunities with stakeholders to explore global, regional and national level activities and outcomes that would support the mapping of available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof. In this regard, the SCF may wish to request the co-facilitators, with the support of the secretariat, to prepare intersessionally an outreach plan on possible collaboration opportunities in 2020 that would support work on this matter.

(c) Initiate the organisation of a technical experts meeting in the sidelines of SCF22, under the guidance of the co-facilitators and with the support of the secretariat, that would explore the underlying technical issues related to the preparation of the 2020 technical report.

II. Background

4. COP 17 decided that the SCF shall assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention in terms of measurement, reporting and verification (MRV) of support provided to developing countries, inter alia, through preparing Biennial Assessments (BAs). The BAs are to include information on the geographical and thematic balance of flows drawing from available sources of information, including, inter alia, from biennial reports and biennial update reports. Further guidance is contained in decisions 1/CP.18, paragraph 71, 5/CP.18, paragraph 11, 3/CP.19, paragraph 11, 9/CP.21, paragraph 13, and paragraph 37 (f) in the annex to decision 8/CP.22.

5. COP 24 welcomed with appreciation the 2018 BA of the SCF, in particular its key findings and recommendations highlighting the increase in climate finance flows from developed country Parties to developing country Parties.⁴ It encouraged the SCF to take into account the best available science in future biennial assessment and overview of climate finance flows.⁵ COP 24 also requested the SCF to use in the BA the established terminology in the provisions of the Convention and the Paris Agreement in relation to climate finance, where applicable⁶ and to map, every four years, as part of its BA, the available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof.⁷

6. COP 24 also decided that the sources of input for the global stocktake will consider information at a collective level on the finance flows, including the information referred to in Article 2, paragraph 1(c), and means of implementation and support and mobilization and provision of support, including the information referred to in Article 9, paragraphs 4 and 6, Article 10, paragraph 6, Article 11, paragraph 3, and Article 13, in particular paragraphs 9 and 10, of the Paris Agreement. This should include information from the latest BA of the SCF.⁸

7. Under the guidance of the co-facilitators of the BA, a conference call was held with SCF members on 29 May 2019 to discuss the development of the outline of the 2020 BA. A summary of the conference is contained in Annex II. In addition, in the margins of the 50th session of the Subsidiary Bodies (June 2019) an SCF Collaborators meeting was held to engage on technical topics related to the 2020 BA and exchange on collaboration opportunities.

⁴ Decision 4/CP.24, paragraph 3.

⁵ Decision 4/CP.24, paragraph 4.

⁶ Decision 4/CP.24, paragraph 5.

⁷ Decision 4/CP.24, paragraph 10.

⁸ Decision 19/CMA.1, paragraph 36(d).

Annex I

General outline of the technical report of the 2020 Biennial Assessment and Overview of Climate Finance Flows

Work in progress by co-facilitators

I. ACKNOWLEDGEMENT

1. Summary and recommendations by the Standing Committee on Finance on the 2020 Biennial Assessment and Overview of Climate Finance Flows, including tracking, follow-up and review of recommendations from 2014, 2016 and 2018 BAs.

II. INTRODUCTION

1. Background and objectives: set the scene – context of decisions of the Conference of the Parties, including decision 4/CP.24 – paragraphs 4 (taking into account best available science) and 5 (use of established terminology in provisions of Convention and Paris Agreement in relation to climate finance, where applicable).

2. Scope: explicit explanation of what the 2020 BA will do (i.e. metadata analysis and overview/summary of existing publicly available information; mapping available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof).

3. Challenges and limitations (e.g. practical difficulties in estimating domestic flows, private flows and other unreported or underreported flows with any certainty, follow up on gaps and challenges identified in previous BA).

4. Approaches used in preparing the 2020 BA:

(a) Clearly outline what the BA is: describe where the data have been sourced from, time period, data coverage and how the data were aggregated (e.g. how the different types of sub-flows are categorized in the onion diagram, how “pledged” vs “committed” vs “disbursed” are treated, etc.);

(b) Clearly describe where the data on “geographical” and “thematic balance” come from and how they are aggregated and categorized.

III. CHAPTER I – Methodological issues related to transparency of climate finance

BOXES/CASE STUDIES

1. Key messages, new developments and trends.

2. Brief summary/update on ongoing technical work related to transparency of climate finance, including operational definitions:

(a) Compilation of definitions of climate finance and criteria used by various institutions, and compilation of information on how Parties define mitigation and adaptation in their national communications, biennial reports, biennial update reports, nationally determined contributions, national adaptation plans and nationally appropriate mitigation actions;

(b) Comparison of approaches used in reporting climate finance, including sector-based methodologies, methodologies for estimating mobilized private finance, and domestic climate finance tracking systems.

3. Information on emerging methodologies for measuring mitigations and adaptation finance outcomes.

4. Information on emerging methodologies relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.

5. Review recommendations from the 2014, 2016 and 2018 BAs.

IV. CHAPTER II – Overview of current climate finance flows in 2017–2018

BOXES/CASE STUDIES

1. Key messages, new developments and trends.
2. Mapping of data availability and gaps by sector, geographic area, thematic distribution and financial instrument/asset class.
3. Updated onion diagram, including information on trends since the 2014 BA with respect to flows, thematic and geographical distribution and financial instruments used and taking into account lessons learned from 2018 BA (e.g. sectors):
 - (a) Estimates of global total climate finance flows, including international and domestic flows;
 - (b) Climate finance flows from developed to developing countries;
 - (c) UNFCCC funds;
 - (d) South-South cooperation on climate finance;
 - (e) Information on financial instruments used.
4. Evaluation of the quality of data, including clear identification of the uncertainties associated with each source of data and description of how the quality of measurement and reporting is assessed, and the completeness of data (e.g. clearly outline the sources of data uncertainty, clearly describe the assessment of the quality of data as “relatively certain”, “medium certain” or “relatively uncertain”, and clearly present the scale of completeness of data from ‘low’ to high’).
5. Update of available datasets that integrate climate change consideration into insurance, lending and investment decision-making processes and that include information relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.
6. Reflection of perspectives of recipient countries.
7. Identification of emerging sources of data (e.g. cities).

V. CHAPTER III – Assessment of climate finance flows

BOXES/CASE STUDIES

1. Key messages, new developments and trends.
2. Introduction.
3. Thematic objectives and geographical distribution of climate finance flows to developing countries:
 - (a) Thematic objectives of climate finance;
 - (b) Geographical distribution of climate finance;
 - (c) Additionality of climate finance provided to developing countries.
4. Effectiveness of climate finance: ownership, needs and impacts:
 - (a) Access to climate finance (e.g. challenges, lessons learned and improvements since 2018 BA);
 - (b) Pledges, approvals, commitments and disbursement of climate finance;
 - (c) Ownership;
 - (d) Alignment of climate finance with investment needs and plans, including inter alia in the context of nationally determined contributions and national adaptation plans;
 - (e) Reported results and impacts of climate finance: selected insights and experience;
 - (f) Leverage and mobilization.
5. Global total climate finance, and developing country flows in context:
 - (a) Investment in high-carbon energy;

- (b) Estimates of subsidies;
 - (c) Subsidies and financing measures affecting forests and land-use change;
 - (d) Global finance at risk from climate change.
6. Drivers of climate finance flows.
 7. Consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.
 8. Special topics/issues, such as gender and climate finance, forest finance, financial instruments to address loss and damage, technology investment and climate-resilient infrastructure.

VI. CHAPTER IV – Mapping information relevant to Article 2, paragraph 1(c) of the Paris Agreement, including its reference to Article 9 thereof

BOXES/CASE STUDIES

1. Key messages.
2. Introduction.
3. Scope.
4. Challenges and limitations.
5. Ongoing activities related to alignment of financial flows with Article 2, paragraph 1(c) of the Paris Agreement, including its reference to Article 9 thereof.
6. Additional information and data sets (e.g. metrics, approaches, methodologies, etc.).
7. Impact of real transformation.

ANNEXES

FAQs

GLOSSARY

REFERENCES

LIST OF ABBREVIATIONS

BOXES/CASE STUDIES (in relevant chapters)

- Possible examples:
 - (a) Metrics for assessing progress in the alignment of portfolios of international financial institutions, institutional investors, etc.;
 - (b) Systems and tools used for integrating climate change considerations into investment strategies and decision-making processes in the mainstream investment, lending and insurance sectors;
 - (c) Available information relevant to Article 2 of the Paris Agreement;
 - (d) SIDS perspective on climate finance flows.

Annex II

Conference call on the draft outline of the 2020 BA

29 May 2019
14:00-15:00 (CEST)

Summary of the conference call

- Overall agreement on outline of the 2020 BA, based on the template of previous BAs;
- Follow-up on recommendations of previous BAs and their implementation;
- *Introduction*: make the key findings more prominent to make it more attractive to the readers;
- *Boxes/case studies*: see if it's possible for each chapter, and/or to be pulled into summary and recommendations; highlight good/best practices, important developments, etc.;
- *Chapter I*: proposal to delete "transparency" in the title; important to mirror the information contained in the 2018 BA and important to explain the different processes and developments on building up methodologies;
- *Outreach*: ensure transparency to interested Parties/observers by publishing the outline once it's finalized and inform them about the timeline of the BA development;
- Request to deal with country categorization (learn from last year);
- Request to analyze the knowledge and information gaps;
- Request for clarity on certain topics, such as:
 - additionality of climate finance provided (*chapter III-3c*),
 - ownership (*chapter III-4c*), and
 - global finance at risk from climate change (*chapter III-5d*);
- Request to reach a common understanding on the drivers of climate finance flows (*chapter III-6*);
- Request to discuss a definition on climate finance and on finance flows;
- Additional chapter on PA – Art. 2.1(c) to deal with the additional mandate from COP 24.

Annex III

Possible milestones and an indicative timeline, including outreach activities

Outreach is an important component of the BA preparation process, particularly for the data collection and review, as well as work in the context of decision 4/CP.24, paragraph 10. This could be primarily achieved via the following outreach activities:

- **Technical meetings** organised as standalone technical expert workshop in collaboration with partners and/or in conjunction with the SCF. An initial collaborators meeting was held in the margins of the SB50 in June 2019. A first technical expert workshop could be held in conjunction with SCF22 in Q1 2020. The second technical meetings could be held in Q2/Q3 2020, with the themes of the meetings to be confirmed.
- **Call for evidence.** In issuing the call for evidence the SCF may wish to consider the recommendation (o) of the 2018 BA, which states “Encourage all relevant United Nations agencies and international, regional and national financial institutions to provide information to Parties through the secretariat on how their development assistance and climate finance programmes incorporate climate-proofing and climate-resilience measures, in line with new available scientific information”.
- **Data collection** from national reports under the Convention, other reports, statistical systems, as well as data collection from institutions that provide climate finance through surveys and desktop research.

Possible milestones and an indicative timeline (Updated at 16 August 2019)								
Activities and deliverables	2019–2020							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase I: Developing and finalizing the outline								
Scope, structure and annotated outline								
Phase II: Research and drafting								
Literature review								
Engagement with data providers, producers and aggregators		Collaborators meeting			1 st Tech meeting (theme, tbc)	2 nd Tech meeting (theme, tbc)		
Open Call for Evidence period								
Phase III: Development of the BA								
Development of 1 st , 2 nd and 3 rd order drafts of the technical report				1 st order draft	2 nd order draft	3 rd order draft		
Working group discussions on findings and insights, based on draft chapters of the technical report								
Drafting and finalization of the Summary and Recommendations						1 st order draft	2 nd order draft	
Consolidating the final draft of the technical report								
Phase IV: Publication								
Layout, design and production								
Development of web-based content								
Phase V: Outreach and dissemination								
Communication and promotion of the technical report and the summary and recommendations								
Webinars and launch event at twenty-sixth session of the Conference of the Parties								