STANDING COMMITTEE ON FINANCE

Climate Finance Decision Booklet

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Updated on 24 April 2026

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Decision 1/CP.30

(FCCC/CP/2025/12/Add.1)

Matters relating to the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention,

Also recalling decisions 12/CP.2, 12/CP.3, 1/CP.16, paragraph 112, 2/CP.17, paragraphs 120–121, 5/CP.18, 5/CP.19, 7/CP.19, 6/CP.20, 6/CP.21, 8/CP.22, 7/CP.23, 8/CP.23, 4/CP.24, 11/CP.25, 5/CP.26, 14/CP.27, 5/CP.28, 2/CP.29, 5/CMA.2, 10/CMA.3, 14/CMA.4, 9/CMA.5 and 8/CMA.6,

Taking note of decision 5/CMA.7,

1. *Expresses gratitude* to the Standing Committee on Finance and *notes* the work undertaken by the Committee in 2025;

2. *Also notes* the report of the Standing Committee on Finance for 2025,[1] *further notes* the workplan of the Committee for 2026[2] and *underlines* the importance of the Committee focusing its work on its current mandates;

3. *Notes with appreciation* the efforts of the Standing Committee on Finance to strengthen its engagement with stakeholders in the context of its workplan, including UNFCCC constituted bodies and private sector and other entities outside the UNFCCC process, and *encourages* the Committee to continue such efforts in 2026, including, as appropriate, by engaging with people and communities on the front line of climate change, such as Indigenous Peoples and local communities;

4. *Notes* the engagement of the Standing Committee on Finance with Parties and the secretariats of the operating entities of the Financial Mechanism in the context of its workplan and *notes with appreciation* the efforts it has made to improve its working modalities in preparing draft guidance for the operating entities;

5. *Notes* the 2025 Forum of the Standing Committee on Finance, held in Rome from 8 to 9 September 2025, on accelerating climate action and resilience through financing for sustainable food systems and agriculture, and *also notes* the summary report thereon;[3]

6. *Expresses gratitude* to the Food and Agriculture Organization of the United Nations for its generous hospitality and to the Government of Italy for its financial support in hosting the 2025 Forum of the Standing Committee on Finance;

7. *Underscores* that accelerating climate action and resilience through financing for sustainable food systems and agriculture is essential, including for protecting biodiversity and supporting vulnerable communities;

8. *Welcomes* the topic for the 2026 Forum of the Standing Committee on Finance, namely financing climate action for water systems and the ocean, and *reiterates* the importance of engaging all relevant Party and non-Party stakeholders in preparations for the Forum;

9. *Endorses* the general outlines of the technical report on the seventh Biennial Assessment and Overview of Climate Finance Flows[4] and of the third report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation;[5]

10. *Notes* the workplan, including indicative timeline and outreach activities, for preparing the seventh Biennial Assessment and Overview of Climate Finance Flows, without prejudging its content or outcomes;[6]

[1] FCCC/CP/2025/9–FCCC/PA/CMA/2025/13.
[2] Contained in document FCCC/CP/2025/9–FCCC/PA/CMA/2025/13, annex IV.
[3] FCCC/CP/2025/9/Add.4–FCCC/PA/CMA/2025/13/Add.4.
[4] Contained in document FCCC/CP/2025/9–FCCC/PA/CMA/2025/13, annex I.
[5] Contained in document FCCC/CP/2025/9–FCCC/PA/CMA/2025/13, annex II.
[6] Contained in document FCCC/CP/2025/9–FCCC/PA/CMA/2025/13, annex I.

11. *Recognizes* that the seventh Biennial Assessment and Overview of Climate Finance Flows will continue to consider the balance between mitigation and adaptation finance and the assessment of both public and private finance;

12. *Notes* the workplan for preparing the third report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation,[7] *also* notes that while progress continues to be made in the delivery of adaptation finance, the scale remains insufficient, and *recognizes* the need to dramatically scale up adaptation finance for developing countries;

13. *Invites* the Standing Committee on Finance to consider further expanding its sources of information, as appropriate, for the third report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and for the seventh Biennial Assessment and Overview of Climate Finance Flows;

14. *Expresses appreciation* to the Government of Japan for its financial contributions to the work of the Standing Committee on Finance in 2025;

15. *Appreciates* the efforts of the Standing Committee on Finance to maintain a high level of transparency and inclusiveness at its meetings;

16. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its thirty-first session (November 2026) on its progress in implementing its workplan for 2026;

17. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

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22 November 2025

[7] Contained in document FCCC/CP/2025/9–FCCC/PA/CMA/2025/13, annex II.

Decision 5/CMA.7

(FCCC/PA/CMA/2025/19/Add.1)

Matters relating to the Standing Committee on Finance

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling Article 2, paragraph 1(c), and Article 9 of the Paris Agreement,

Also recalling decisions 1/CP.21, paragraphs 53 and 63, 11/CP.25, 5/CP.26, 14/CMA.1, 5/CMA.2, 11/CMA.3, 14/CMA.4, 9/CMA.5, 1/CMA.6 and 8/CMA.6,

Further recalling decision 1/CMA.4, paragraph 42,

1. *Affirms* decision 1/CP.30;

2. *Acknowledges* the technical expert session on available information, data, sources and approaches for monitoring the new collective quantified goal on climate finance held at the 37th meeting of the Standing Committee on Finance, noting that the discussions at this session did not prejudge any future discussions or decisions regarding the first biennial report on the new collective quantified goal on climate finance;

3. *Requests* the Standing Committee on Finance to continue preparatory work in 2026 for the biennial report, commencing in 2028, on collective progress towards all elements of decision 1/CMA.6, on the basis of all relevant and available sources of information for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;[8]

4. *Also requests* the Standing Committee on Finance to prepare a report on the doubling of adaptation finance in line with paragraph 18 of decision 1/CMA.3 for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its tenth session (November 2028), taking into account information in relevant UNFCCC reports and other relevant reports by other sources, as appropriate;

5. *Further requests* the Standing Committee on Finance to report to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its eighth session (November 2026) on its progress in implementing its workplan for 2026;

6. *Requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;

7. *Takes note* of the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in paragraph 4 above;

8. *Requests* that the actions of the secretariat called for in this decision be undertaken subject to the availability of financial resources.

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22 November 2025

[8] See decision 1/CMA.6, para. 30.

Decision 2/CP.29

(FCCC/CP/2024/11/Add.1)

Matters relating to the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention,

Also recalling decisions 12/CP.2, 12/CP.3, 1/CP.16, paragraph 112, 2/CP.17, paragraphs 120–121, 5/CP.18, 5/CP.19, 7/CP.19, 6/CP.20, 6/CP.21, 8/CP.22, 7/CP.23, 8/CP.23, 4/CP.24, 11/CP.25, 5/CP.26, 14/CP.27, 5/CMA.2, 10/CMA.3, 14/CMA.4, 5/CP.28 and 9/CMA.5,

Taking note of decision 8/CMA.6,

1. *Expresses gratitude* to the Standing Committee on Finance and *welcomes* the work of the Committee in 2024;

2. *Also welcomes* the report of the Standing Committee on Finance for 2024[9] and *notes* the workplan of the Committee for 2025;[10]

3. *Also notes* the importance of allocating time for consideration of the work of the Standing Committee on Finance;

4. *Notes with appreciation* the sixth Biennial Assessment and Overview of Climate Finance Flows of the Standing Committee on Finance,[11] including the summary and recommendations thereof;[12]

5. *Notes* the Standing Committee on Finance's update to its operational definition of climate finance in the context of preparing the sixth Biennial Assessment and Overview of Climate Finance Flows;

6. *Also notes* that global climate finance flows were 63 per cent higher in 2021–2022 than in 2019–2020, reaching an annual average of USD 1.3 trillion, *acknowledges* that more than three quarters of those flows were in Eastern Asia, Northern and Western Europe and Northern America and *recognizes* the need to scale up climate finance flows in other regions;

7. *Notes with appreciation* the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement,[13] including the executive summary and recommendations thereof;[14]

8. *Notes* the key finding from the report referred to in paragraph 7 above that nationally determined contributions from 142 Parties contain a total of 5,760 needs, of which 48 per cent are costed needs reported by 98 Parties, amounting to a cumulative USD 5.012–6.852 trillion out to 2030, or USD 455–584 billion annually across different time frames ending by 2030;[15]

9. *Highlights* that information based on national reporting does not reflect the entirety of needs across developing country Parties and regions and is limited by significant data challenges and gaps, including differences and gaps in information on the processes and approaches used in determining needs; data being expressed for varying time frames, with the majority in a 2020–2030 time frame, and differences in methodologies and underlying assumptions used for identifying and costing needs, and *also highlights* that the number of needs and costed needs compiled from national reports should not be used to draw comparisons of actual needs across regions;

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[9] FCCC/CP/2024/6–FCCC/PA/CMA/2024/8.

[10] FCCC/CP/2024/6–FCCC/PA/CMA/2024/8, annex II.

[11] Standing Committee on Finance. 2024. *Sixth Biennial Assessment and Overview of Climate Finance Flows*. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows.

[12] FCCC/CP/2024/6/Add.1–FCCC/PA/CMA/2024/8/Add.1.

[13] Standing Committee on Finance. 2024. *Second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement*. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/workstreams/needs-report.

[14] FCCC/CP/2024/6/Add.2–FCCC/PA/CMA/2024/8/Add.2.

[15] As identified in the first needs determination report, the starting points for costed needs out to 2030 in nationally determined contributions vary significantly, with some indicating a 2015–2030 time frame and others 2020–2030.

10. *Invites* relevant stakeholders to make use of the information contained in the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement when supporting developing country Parties in identifying and costing needs, prioritizing the developing country Parties and regions that have not been able to identify and cost needs and that are significantly and proportionally underrepresented in the report;

11. *Notes with appreciation* the report on the common practices regarding climate finance definitions, reporting and accounting methods,[16] including the executive summary thereof;[17]

12. *Recognizes* the complexities associated with the diversity of definitions of climate finance in use by Parties and non-Party stakeholders in relation to ensuring clear, aggregated accounting and reporting of climate finance;

13. *Reaffirms* that the Standing Committee on Finance will continue its ongoing technical work on operational definitions of climate finance in its future biennial assessments and overviews of climate finance flows;[18]

14. *Welcomes* the 2024 Forum of the Standing Committee on Finance on accelerating climate action and resilience through gender-responsive finance and *notes with appreciation* the summary report thereon;[19]

15. *Expresses sincere gratitude* to the Government of the United Republic of Tanzania for its generous hospitality in hosting the 2024 Forum of the Standing Committee on Finance;

16. *Expresses gratitude* to the Governments of Australia, Austria and Canada for their financial support for the 2024 Forum of the Standing Committee on Finance;

17. *Notes* the continued importance of promoting gender-responsive climate action, including in the context of climate finance, and *highlights* the relevance of improving data and information on the gender-responsiveness of climate finance;

18. *Notes with appreciation* the efforts of the Standing Committee on Finance to strengthen its engagement with stakeholders in the context of its workplan, including UNFCCC constituted bodies and private sector and other entities outside the UNFCCC process, and *encourages* the Committee to continue such efforts in 2025, including, as appropriate, with people and communities on the front line of climate change, including Indigenous Peoples and local communities;

19. *Also encourages* the Standing Committee on Finance to continue enhancing its efforts to ensure gender-responsiveness in implementing its workplan and *requests* Parties to consider gender balance and geographical representation when nominating members to the Committee;

20. *Recalls* concerns about the working modalities of the Standing Committee on Finance for preparing the draft guidance for the operating entities of the Financial Mechanism in accordance with its mandate, and the request to Parties and other constituted bodies under the Convention and the Paris Agreement to provide elements for the draft guidance well in advance of future sessions of the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement to enable the Committee to fulfil its mandate in this regard;[20]

21. *Expresses appreciation* to the Governments of Australia, Austria, Canada and Japan for their financial contributions for the work of the Standing Committee on Finance in 2024;

22. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its thirtieth session (November 2025) on its progress in implementing its workplan for 2025;

23. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

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[16] Standing Committee on Finance. 2024. *Report on common practices regarding climate finance definitions, reporting and accounting methods*. Bonn: UNFCCC. Available at https://unfccc.int/sites/default/files/resource/Common_Practices_Technical_Report.pdf.

[17] FCCC/CP/2024/6/Add.4–FCCC/PA/CMA/2024/8/Add.4.

[18] In accordance with decision 3/CP.19, para. 11.

[19] FCCC/CP/2024/6/Add.5–FCCC/PA/CMA/2024/8/Add.5.

[20] See decisions 14/CP.27, para. 13, and 5/CP.28, para. 13.

Decision 8/CMA.6

(FCCC/PA/CMA/2024/17/Add.1)

Matters relating to the Standing Committee on Finance

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling Article 2, paragraph 1(c), and Article 9 of the Paris Agreement,

Also recalling decisions 1/CP.21, paragraphs 53 and 63, 11/CP.25, 5/CP.26, 14/CMA.1, 5/CMA.2, 11/CMA.3, 14/CMA.4 and 9/CMA.5,

Further recalling decision 1/CMA.4, paragraph 42,

1. *Affirms* decision 2/CP.29;

2. *Notes* the mapping of available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof, in the sixth Biennial Assessment and Overview of Climate Finance Flows;[21]

3. *Recognizes* the importance of making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development and that there is no common interpretation of the scope of Article 2, paragraph 1(c), of the Paris Agreement or the manner of its implementation and *encourages* Parties to continue constructive engagement on this issue, where relevant, including under the strengthened Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement;[22]

4. *Recalls* the request for the Standing Committee on Finance to include in its sixth Biennial Assessment and Overview of Climate Finance Flows information reported in biennial communications under Article 9, paragraph 5, of the Paris Agreement, as appropriate;[23]

5. *Also recalls* the request for the Standing Committee on Finance to consider Article 4, paragraph 5, of the Paris Agreement in implementing its relevant mandates and workplan;[24]

6. *Requests* the Standing Committee on Finance to report to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its seventh session (November 2025) on progress in implementing its workplan for 2025;[25]

7. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

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[21] Standing Committee on Finance. 2024. *Sixth Biennial Assessment and Overview of Climate Finance Flows*. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows.

[22] In accordance with decision 9/CMA.5, para. 8.

[23] Decision 9/CMA.5, para. 3.

[24] Decision 9/CMA.5, para. 18.

[25] FCCC/CP/2024/6–FCCC/PA/CMA/2024/8, annex II.

Decision 5/CP.28

(FCCC/CP/2023/11/Add.1)

Matters relating to the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention,

Also recalling decisions 12/CP.2, 12/CP.3, 1/CP.16, paragraph 112, 2/CP.17, paragraphs 120–121, 5/CP.18, 5/CP.19, 7/CP.19, 6/CP.20, 6/CP.21, 8/CP.22, 7/CP.23, 8/CP.23, 4/CP.24, 11/CP.25, 5/CP.26, 14/CP.27, 5/CMA.2, 10/CMA.3 and 14/CMA.4,

Taking note of decision 9/CMA.5,

8. *Welcomes with appreciation* the work of the Standing Committee on Finance in 2023;

2. *Notes* the 2023 report of the Standing Committee on Finance,[26] *endorses* the workplan of the Committee for 2024[27] and *underlines* the importance of the Committee focusing its work on its current mandates;

3. *Notes* the technical report by the Standing Committee on Finance on clustering types of climate finance definitions in use,[28] including the executive summary thereof,[29] and *also notes* the information therein on the clustering of elements aimed at assisting Parties in developing and applying definitions of climate finance and the discussions of the Standing Committee on Finance regarding a potential update to the operational definition of climate finance of the Committee;

4. *Further notes* the complexities, in relation to accounting of and reporting on climate finance at the aggregated level, associated with the application of the variety of definitions of climate finance in use by Parties and non-Party stakeholders;

5. *Welcomes* that the sixth Biennial Assessment and Overview of Climate Finance Flows will contain a section compiling the operational definitions of climate finance in use;

6. *Requests* the Standing Committee on Finance to consider updating, in the context of its sixth Biennial Assessment and Overview of Climate Finance Flows, its operational definition of climate finance, building on the non-exhaustive list of potential options identified in paragraph 44(a–c) of the executive summary referred to in paragraph 3 above;

7. *Also requests* the Standing Committee on Finance to prepare a report on common practices regarding climate finance definitions, reporting and accounting methods among Parties and climate finance providers, building on the information in the technical report and executive summary thereof referred to in paragraph 3 above, for consideration by the Conference of the Parties at its twenty-ninth session (November 2024);

8. *Endorses* the general outlines of the technical report of the sixth Biennial Assessment and Overview of Climate Finance Flows, of the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, and of the second report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation;[30]

9. *Notes* that the sixth Biennial Assessment and Overview of Climate Finance Flows will continue to consider the balance between mitigation and adaptation finance and public and private financial flows;

10. *Welcomes* the successful conduct of the 2023 Forum of the Standing Committee on Finance on financing just transitions and *notes* the summary thereof;[31]

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[26] FCCC/CP/2023/2–FCCC/PA/CMA/2023/8.

[27] FCCC/CP/2023/2–FCCC/PA/CMA/2023/8, annex II.

[28] Standing Committee on Finance. 2023. *Report on clustering types of climate finance definitions in use*. Bonn: UNFCCC. Available at https://unfccc.int/SCF.

[29] FCCC/CP/2023/2/Add.2–FCCC/PA/CMA/2023/8/Add.2.

[30] FCCC/CP/2023/2–FCCC/PA/CMA/2023/8, annexes III–V.

[31] FCCC/CP/2023/2/Add.4–FCCC/PA/CMA/2023/8/Add.4.

11. *Expresses gratitude* to the Governments of Australia and Thailand and the United Nations Economic and Social Commission for Asia and the Pacific for their financial, administrative and substantive support for the 2023 Forum of the Standing Committee on Finance;

12. *Welcomes* accelerating climate action and resilience through gender-responsive finance as the topic for the 2024 Forum of the Standing Committee on Finance and accelerating climate action and resilience through financing for sustainable food and agricultural systems as the topic for the 2025 Forum;

13. *Notes with concern* that the draft guidance for the operating entities of the Financial Mechanism prepared by the Standing Committee on Finance was not considered owing to a limited number of submissions and *requests* Parties and other constituted bodies under the Convention and the Paris Agreement to provide elements for the draft guidance well in advance of future sessions of the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement to enable the Committee to fulfil its mandate in this regard;

14. *Notes* the self-assessment report of the Standing Committee on Finance[32] and the technical paper by the secretariat on the second review of the functions of the Standing Committee on Finance[33] and *encourages* the Committee to consider the opportunities for improving its efficiency and effectiveness identified therein;

15. *Notes with appreciation* the efforts of the Standing Committee on Finance to strengthen its engagement with stakeholders in the context of its workplan, including the constituted bodies and private entities and other entities outside the UNFCCC process, and *encourages* the Committee to continue such efforts in 2024, including, as appropriate, with people and communities on the front line of climate change, including Indigenous Peoples and local communities;

16. *Also encourages* the Standing Committee on Finance to continue to enhance its efforts to ensure gender-responsiveness in implementing its workplan and *requests* Parties to consider gender balance and geographical representation when nominating members to the Committee;

17. *Expresses appreciation* to the European Union and the Governments of Japan and Switzerland for their financial contributions for the work of the Standing Committee on Finance and to the Governments of Austria, Switzerland and Thailand for hosting the meetings of the Committee in 2023;

18. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its twenty-ninth session on its progress in implementing its workplan for 2024;

19. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

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[32] FCCC/CP/2023/2/Add.5−FCCC/PA/CMA/2023/8/Add.5.

[33] FCCC/TP/2023/4.

Decision 9/CMA.5

(FCCC/PA/CMA/2023/16/Add.2)

Matters relating to the Standing Committee on Finance

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling Article 2, paragraph 1(c), and Article 9 of the Paris Agreement,

Also recalling decisions 1/CP.21, paragraphs 53 and 63, 11/CP.25, 5/CP.26, 14/CMA.1, 5/CMA.2, 11/CMA.3 and 14/CMA.4,

Further recalling decision 1/CMA.4, paragraph 42,

1. *Affirms* decision 5/CP.28;

2. *Welcomes* the establishment of the United Arab Emirates Framework for Global Climate Resilience referred to in decision 2/CMA.5 and *invites* the Standing Committee on Finance to consider including available data and information relevant for the implementation of the Framework in the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement;

3. *Requests* the Standing Committee on Finance to include in its sixth Biennial Assessment and Overview of Climate Finance Flows information reported in biennial communications under Article 9, paragraph 5, of the Paris Agreement, as appropriate;

4. *Also requests* the Standing Committee on Finance to report to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its sixth session (November 2024) on progress in implementing its workplan for 2024;[1]

5. *Further requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;

II. Article 2, paragraph 1(c), of the Paris Agreement

6. *Notes with appreciation* the synthesis of views regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement;[2]

7. *Also notes with appreciation* the report by the secretariat on the Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement[3] and *takes note* of the recommendations therein proposed by the Presidency of the twenty-seventh session of the Conference of the Parties;

8. *Decides* to continue and strengthen the Sharm el-Sheikh dialogue between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement referred to in decision 1/CMA.4, paragraph 68, including with regard to the operationalization and implementation of Article 2, paragraph 1(c), in 2024–2025, recognizing the significant scale of investment needed to keep the global average temperature rise to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, and to adapt to the adverse impacts of climate change and foster climate-resilient and low greenhouse gas emission development, including in the context of sustainable development and efforts to eradicate poverty;

9. *Also decides* that the dialogue referred to in paragraph 8 above is to be facilitated by two co-chairs, one from a developed country and one from a developing country, appointed, in consultation with the respective constituencies, by the President of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session;

[1] FCCC/CP/2023/2–FCCC/PA/CMA/2023/8, annex II.
[2] FCCC/CP/2023/2/Add.3–FCCC/PA/CMA/2023/8/Add.3.
[3] FCCC/PA/CMA/2023/7/Rev.1.

10. *Requests* the secretariat, under the guidance of the co-chairs of the dialogue, to organize at least two workshops per year with a view to engaging a broad range of relevant stakeholders and to prepare a report on each workshop;

11. *Invites* Parties, constituted bodies under the Convention and the Paris Agreement, the operating entities of the Financial Mechanism, climate finance institutions, observers and observer organizations, and other stakeholders, particularly from the private sector, to submit via the submission portal[4] by 31 March 2024 their views on the issues to be addressed during the workshops;

12. *Requests* the co-chairs of the dialogue, in convening the workshops, to take into consideration the submissions referred to in paragraph 11 above and the reports on the workshops referred to in paragraph 10 above, and to facilitate the participation of a broad range of relevant stakeholders;

13. *Also requests* the co-chairs of the dialogue to prepare a report on the deliberations under the Sharm el-Sheikh dialogue in 2024 and 2025 for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its sixth and seventh (November 2025) sessions respectively;

14. *Further requests* the co-chairs of the dialogue to prepare, as part of their report in 2025, a synthesis of all work undertaken under the Sharm el-Sheikh dialogue for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its seventh session with a view to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its seventh session deciding on a way forward with regard to its deliberations on this matter;

III. Adaptation finance

15. *Recognizes* the urgent need to scale up adaptation finance and *notes* the relevant information contained in the technical report on the doubling of adaptation finance;[5]

16. *Also notes* the executive summary of the report on the doubling of adaptation finance[6] and the recommendations therein and *encourages* Parties to consider implementing those recommendations, as appropriate;

17. *Invites* developed country Parties to continue to enhance transparency regarding their effort to double adaptation finance, including by, as appropriate, providing relevant information on a baseline for the doubling of adaptation finance;

IV. Article 4, paragraph 5, of the Paris Agreement

18. *Requests* the Standing Committee on Finance to consider Article 4, paragraph 5, of the Paris Agreement in implementing its relevant mandates and workplan;

19. *Takes note* of the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in paragraphs 8–14 above;

20. *Requests* that the actions of the secretariat called for in this decision be undertaken subject to the availability of financial resources.

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[4] https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx.

[5] Standing Committee on Finance. 2023. *Report on the doubling of adaptation finance.* Bonn: UNFCCC. Available at https://unfccc.int/SCF.

[6] FCCC/CP/2023/2/Add.1–FCCC/PA/CMA/2023/8/Add.1.

Decision 14/CP.27

(*FCCC/CP/2022/10/Add.2*)

Matters relating to the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention,

Also recalling decisions 12/CP.2, 12/CP.3, 1/CP.16, paragraph 112, 2/CP.17, paragraphs 120–121, 5/CP.18, 5/CP.19, 7/CP.19, 6/CP.20, 6/CP.21, 8/CP.22, 7/CP.23, 8/CP.23, 4/CP.24, 11/CP.25, 5/CP.26, 5/CMA.2 and 10/CMA.3,

Taking note of decision 14/CMA.4,

9. *Welcomes* the 2022 report of the Standing Committee on Finance;[1]

10. *Also welcomes* the fifth Biennial Assessment and Overview of Climate Finance Flows of the Standing Committee on Finance and the summary, and *takes note* of the recommendations contained in the annex;[2]

11. *Notes* that climate finance flows in 2019–2020 were 12 per cent *higher* than in 2017–2018, reaching an annual average of USD 803 billion, driven by investments in energy efficiency of buildings, sustainable transport and adaptation; the 2019–2020 annual average of public financial support reported by Parties included in Annex II to the Convention in their biennial reports (USD 40.1 billion) represents an increase of 6 per cent from the annual average reported for 2017–2018; the annual average of climate finance from multilateral development banks to developing countries and emerging economies[3] (USD 45.9 billion) represents a 17 per cent increase since 2017–2018; and UNFCCC funds and multilateral climate funds committed USD 2.9 billion and USD 3.5 billion for climate finance projects in 2019 and 2020 respectively;

12. *Notes with concern* that global climate finance flows are small relative to the overall needs of developing countries;

13. *Also notes with concern* that, despite the clear increasing trend in global climate *finance* flows, they remain at a relatively low level in the broader context of other finance flows, investment opportunities and costs;

14. *Encourages* Parties to the Convention to consider implementing the recommendations referred to in paragraph 2 above, as appropriate;

15. *Acknowledges* the improvement in quality, transparency and granularity of information in the fifth Biennial Assessment while recognizing that data limitations persist, particularly in relation to private climate finance, including private finance mobilized by developed country Parties through bilateral and multilateral channels, and finance in sectors other than energy and transport, and *requests* further work in this regard in the sixth Biennial Assessment, including in relation to data by region, private finance mobilized from public interventions and financing arrangements relevant to averting, minimizing and addressing loss and damage;

16. *Stresses* the *importance* of reporting on climate finance provided, mobilized, needed and received at both the activity and country level, and of enhancing methodologies for measuring and reporting on the results and impacts of climate finance;

17. *Notes* that the *work* of the Standing Committee on Finance on definitions of climate finance[4] shows the variety of definitions in use;

18. *Also notes* the complexities associated with the diversity of definitions of climate finance in use by Parties and non-Party stakeholders in relation to ensuring clear, aggregated accounting and reporting of climate finance;

19. *Requests* the Standing Committee on Finance to prepare a report for consideration by the Conference of the Parties at its twenty-eighth session (*November*–December 2023), building on the Committee's work on definitions of climate finance, on clustering types of climate finance definitions in use that could be considered within the UNFCCC process, including with a view to updating the Committee's operational definition of climate

[1] FCCC/CP/2022/8–FCCC/PA/CMA/2022/7.
[2] Also contained in document FCCC/CP/2022/8/Add.1–FCCC/PA/CMA/2022/7/Add.1.
[3] See footnote 2 in Standing Committee on Finance. 2022. *Fifth Biennial Assessment and Overview of Climate Finance Flows*. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows.
[4] See document FCCC/CP/2022/8/Add.2–FCCC/PA/CMA/2022/7/Add.2.

finance, as appropriate, and supporting Parties in their national reporting efforts and *invites* Parties and external stakeholders to make further submissions thereon via the *submission* portal[5] by 30 April 2023;

20. *Notes* the report prepared by the Standing Committee on Finance on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation;[6]

21. *Notes with concern* that the draft guidance for the operating entities of the Financial Mechanism prepared by the Standing Committee on Finance[7] was not utilized by the Conference of the Parties and in this regard *requests* the Committee to improve its working modalities for preparing the draft guidance for the operating entities of the Financial Mechanism;

22. *Expresses its sincere gratitude* to the Government of Australia for its support in ensuring the success of the second part of the Standing Committee on Finance Forum on finance for nature-based solutions and *notes with appreciation* the high-level summary thereof,[8] without prejudice to other multilateral processes, and *welcomes* the Forum's specific focus on indigenous peoples and knowledge;

23. *Also welcomes financing* just transitions as the topic for the Standing Committee on Finance Forum in 2023;

24. *Expresses its appreciation* to the Governments of Australia and Germany and to the European Commission for their financial contributions to support the work of the Standing Committee on Finance;

25. *Endorses* the workplan of the Standing Committee on Finance for 2023[9] and underlines the importance of the Committee focusing its work in 2023 on its current mandates;

26. *Welcomes* the efforts of the Standing Committee on Finance to continue to strengthen its engagement with stakeholders in the context of its workplan, including UNFCCC constituted bodies, private entities and other entities outside the UNFCCC, and *encourages* the Committee to continue such efforts in 2023;

27. *Also encourages* the Standing Committee on Finance to continue to enhance its efforts to ensure gender responsiveness in implementing its workplan and *requests* Parties to consider gender balance and geographical representation when nominating members to the Committee;

28. *Encourages* the Standing Committee on Finance to take further steps to accurately, adequately and equitably reflect the views of Parties in its future reports and ensure that those views are presented in a balanced manner that reflects their diversity;

29. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its twenty-eighth session on its progress in implementing its workplan for 2023;

30. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

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5 https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx.
6 FCCC/CP/2022/INF.2.
7 FCCC/CP/2022/8/Add.5–FCCC/PA/CMA/2022/7/Add.5.
8 FCCC/CP/2022/8/Add.6–FCCC/PA/CMA/2022/7/Add.6.
9 FCCC/CP/2022/8–FCCC/PA/CMA/2022/7, annex II.

Annex*

Summary and recommendations of the fifth Biennial Assessment and Overview of Climate Finance Flows

[English only]

I. Context and mandates

1. The fifth BA conducted by the SCF[1] provides an updated overview of climate finance flows up until 2020, highlighting the trends therein, and an assessment of the implications of these flows for international efforts to address climate change. The fifth BA includes:

(a) Information on recent developments in methodologies related to the tracking of climate finance at the international and domestic level, the operational definitions of climate finance in use and the indicators for measuring the impacts of climate finance, as well as emerging methodologies that support tracking the consistency of finance flows (see also the box below);

(b) An overview of climate finance flows from developed to developing countries, and available information on domestic climate finance, cooperation among developing countries[2] and other climate-related finance flows that constitute global climate finance;

(c) An assessment of the key features of climate finance flows, including their composition and purpose; an exploration of the effectiveness, accessibility and magnitude (in the context of broader flows) of climate finance flows; and insights into country ownership and alignment of climate finance flows with the needs and priorities of beneficiaries.

2. Since the first BA was conducted in 2014, the preparation of BAs has been guided by mandates from the COP and the CMA to the SCF.[3] The fifth BA comprises this summary, prepared by the SCF, and a technical report prepared by experts under the guidance of the SCF drawing on information and data from a range of sources. The report was subject to extensive stakeholder input and expert review, but remains a product of the external experts.

Challenges and limitations in collecting and aggregating data on climate finance

The challenges and limitations outlined below need to be taken into consideration when deriving conclusions and policy implications from the fifth BA:

(a) The fifth BA covers 2019–2020, a period during which the coronavirus disease 2019 pandemic may have affected the provision, mobilization and reporting of climate finance flows;

(b) In compiling the estimates of climate finance flows, efforts were made to ensure they are based on activities that are in line with the operational definition of climate finance adopted in the first BA in 2014 and to avoid double counting. Challenges were encountered in aggregating and analysing information from diverse sources with varying degrees of transparency;

(c) In 2019, COP 25 changed the due date for submission of the fifth biennial reports of Annex I Parties (including Annex II Parties), which were to include information on climate finance provided to non-Annex I Parties in 2019–2020, to no later than 31 December 2022.[4] Therefore, during preparation of the fifth BA, the SCF invited Annex II Parties to provide preliminary data on climate finance provided and mobilized for 2019 and 2020. These preliminary data may be subject to change once fifth biennial reports are submitted by Parties by the end of 2022;

* For the list of abbreviations and acronyms, see document FCCC/CP/2022/8/Add.1−FCCC/PA/CMA/2022/7/Add.1.

1 The SCF assists the COP in exercising its functions with respect to the Financial Mechanism, including in terms of measurement, reporting and verification of support provided to developing country Parties through activities such as the BA. The SCF also serves the Paris Agreement, in line with its functions and responsibilities established under the COP (as per decision 1/CP.21, para. 63), including through the BA.

2 For the purpose of the overview of climate finance in the BA, various data sources are used to illustrate flows from developed to developing countries, without prejudice to the meaning of those terms in the context of the Convention and the Paris Agreement, including but not limited to flows from Annex I Parties and Annex II Parties to non-Annex I Parties and MDBs; flows from OECD members to non-members; flows from OECD Development Assistance Committee members to countries eligible for OECD Development Assistance Committee official development assistance; and other relevant classifications.

3 Decisions 2/CP.17, para. 121(f), 1/CP.18, para. 71, 5/CP.18, para. 11, 3/CP.19, para. 11, 4/CP.24, paras. 4, 5 and 10, and 11/CP.25, paras. 9–10; and decision 5/CMA.2, paras. 9–10.

4 Decision 6/CP.25, para. 3.

(d) In the area of global climate finance, challenges remain in filling data gaps, particularly on private finance for adaptation activities and for mitigation activities in the AFOLU, the waste and the water and sanitation sectors. Methodologies for calculating climate finance based on total cost or incremental cost produce different estimates by activity. This potentially leads to limitations regarding the completeness of data and any interpretation of the relative shares of global climate finance going to different themes or sectors. Energy efficiency estimates do not include data broken down by public or private actor financial instrument, or at country level. Some data sources, such as those for renewable energy, provide activity-level data but may make country- and technology-level assumptions on finance flows to fill data gaps. In compiling data from various sources to aggregate global climate finance flows, approaches that ensure the avoidance of potential overlaps in coverage are taken;

(e) Regarding domestic climate finance, although more countries are developing climate finance reporting systems, time lags in implementation mean data are underreported for 2019–2020. Amounts in relation to public expenditure may refer to ex ante budget allocations or ex post actual expenditures. Furthermore, the climate relevance of activities reported may refer to weighted criteria per activity or to positive activity lists;

(f) Data on international climate finance flows are compiled using various methodologies and have varying interpretations. Flows from developed to developing countries – covering finance provided, mobilized and received – include a mix of data based on disbursements to projects and recipients in the given year or on financial commitments made in the reporting year to activities that may be implemented over several years. Information on South–South cooperation in climate finance flows remains relatively underreported. The classification of data such as by geographical region or by granularity is not uniform across data sources. **As for previous BAs, for the fifth BA, no aggregation of data from different sources for finance flows from developed countries to developing countries was carried out owing to these challenges and limitations.**

The SCF will continue to contribute, through its activities, to the progressive improvement of the measurement, reporting and verification of climate finance in future BAs, to help address these challenges and limitations.

II. Key findings

A. Methodological issues related to transparency of climate finance

3. **New reporting tables will improve the information on climate finance submitted by Parties.** CMA 3 adopted new tables for reporting by Parties under the Paris Agreement on climate finance provided to and mobilized for developing countries and climate finance needed and received by developing countries. The new tables will be used for reporting from the end of 2024 in biennial transparency reports. A number of improvements will facilitate enhancing the granularity of data reported on climate finance (including sectoral and subsectoral data) and on whether the financial support also contributes to capacity-building or technology transfer, and will provide an option to report on grant-equivalent amounts of climate finance provided and mobilized. In addition, CMA 3 requested the secretariat to establish an interactive web portal to facilitate the availability of information on climate finance reported by Parties.[5]

4. **The coverage and granularity of reporting on climate finance received by non-Annex I Parties is improving.** The proportion of BURs that include information on finance received rose from approximately 60 per cent in 2014 to over 97 per cent in 2021. A total of 70 Parties have provided quantitative information on climate finance received at the project or activity level in tabular format. More Parties are reporting details on financial instruments and implementing entities and on whether finance received is for mitigation or adaptation. Information that is reported the least includes that related to the use, impacts and results of climate finance. Limited capacities and resources to track climate finance received can pose challenges for non-Annex I Parties in reporting this information, and a lack of reporting on the year an activity received climate finance can make it difficult to compile and aggregate data.

5. **Systems to track domestic public climate finance are growing in both developed and developing countries.** Twenty-four jurisdictions have established tracking systems for national budgets, with a further 24 countries having methodologies for tracking climate-relevant budgets in development. Building on previous work carried out as part of the climate public expenditure and institutional reviews of the United Nations Development Programme, many countries are developing guidance on green budgeting frameworks that include climate-

[5] Decision 5/CMA.3.

relevant activities. Domestic public expenditures on climate change in 2019–2020 amounted to an estimated total of USD 134.2 billion (see chap. II.B below).

6. **Renewable energy, CCU/S, electrified transport, energy efficiency of buildings, and water management and supply are the most common mitigation activities listed across international, regional and national taxonomies or classifications**. An analysis of 12 classification lists or taxonomies related to climate change mitigation activities, including those of MDBs and of regional and national jurisdictions, revealed that mitigation activities that appear most commonly (in more than 75 per cent of lists) are renewable energy, electrified transport, energy efficiency of buildings, water management and supply, and abatement technologies (e.g. carbon dioxide capture and use or storage). Different eligibility criteria are in use for common activities relating to agriculture, waste, transport infrastructure and power generation (the latter including geothermal power, hydropower, bioenergy and efficiency improvements). Less common activities (in 25–75 per cent of lists) include gas-fired power generation, waste-to-energy processes, sustainable logging, and information and communication technology infrastructure. Of the uncommon activities (less than 25 per cent of lists), notable are nuclear power generation, aviation and mining. Of the 12 taxonomies of countries and institutions reviewed, 10 make use of exclusion lists across mitigation sectors. For adaptation, most taxonomies refer to process-based screening methods rather than an activity list owing to adaptation activities being specific to a given local environment or context. The evaluation baseline for adaptation screening processes is typically based on environmental and climate risk and vulnerability assessments or national, regional or global resilience and biodiversity standards and codes. In addition, 7 of the 12 analysed taxonomies apply the ‘do no significant harm’ principle (to other environmental objectives) when assessing the eligibility of activities.

7. **Climate finance providers are advancing more indicators and metrics to measure what climate finance is achieving on the ground.** Multilateral climate funds (including the operating entities of the Financial Mechanism), multilateral institutions and national development finance institutions are in the process of developing or have already developed frameworks for measuring outputs, outcomes and impacts of climate finance interventions, with the granularity of indicators and metrics increasing. Multilateral climate funds, in their results management frameworks, capture information on 141 indicators, 48 of which are core indicators, and most multilateral institutions, as well as bilateral contributors, use a similar set of mitigation and adaptation indicators. Common indicators identified for mitigation are greenhouse gas emissions reduced (in t CO_2 eq) and sector-specific metrics for the energy, transport and land-use sectors. For adaptation, common indicators in use are the number of beneficiaries; the hectares of land protected; and the number of policies, projects, plans, systems or assets that foster climate resilience. An ongoing challenge is defining and reporting on outcome and impact indicators that enable the long-term or indirect effects of climate finance interventions (e.g. job creation or the increased climate resilience of beneficiaries) to be captured as opposed to measuring direct project outputs (e.g. number of beneficiaries or number of early warning systems installed). Methodologies for outcome measurement are at earlier stages of development by climate finance providers than those for output measurement.

8. **Increasing efforts are being made to enhance the transparency and comparability of approaches for tracking consistency with low-emission and climate-resilient development pathways.** Methodological developments in this area, particularly from the private financial sector and supervisory authorities, are in a dynamic growth phase. The aim of these initiatives and efforts is to offer discussion of and guidance on appropriate choices of emission pathways and scenarios, emission metrics and measures, geographical and sector coverage, the role of carbon offsets, the formulation and implementation of transition plans and governance frameworks, and aggregate Paris Agreement alignment indicators. In the financial sector, a focus of current approaches on decarbonization and net zero targets, rather than on fostering climate change adaptation and resilience, continues to be observed. Since the fourth BA, initiatives that seek to increase the transparency and understanding of approaches for tracking consistency have emerged – notable among these are the United Nations High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities and the Expert Peer Review Group under the Race to Zero campaign. In addition, various private and public sector reports that assess approaches to alignment with the Paris Agreement continue to be published (see SCF documents on work under this area for further information).[6]

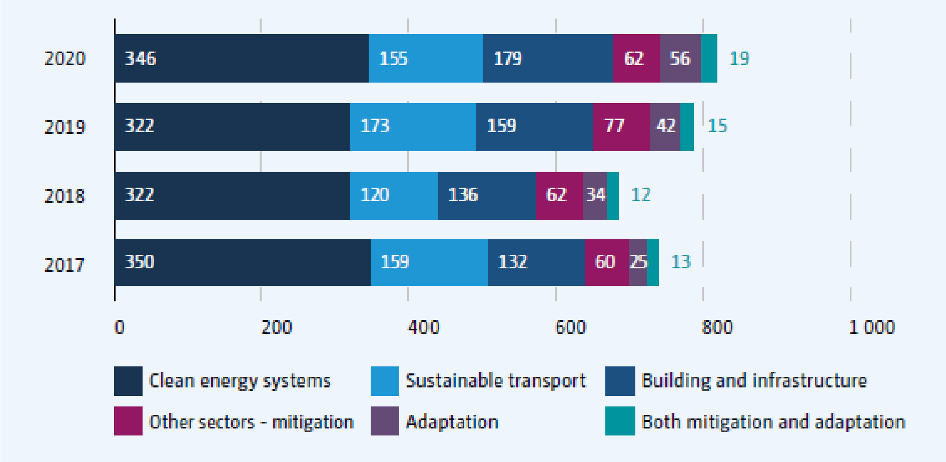
B. Overview of climate finance flows in 2019–2020

9. **Global climate finance flows were 12 per cent higher in 2019–2020 than in 2017–2018, reaching an annual average of USD 803 billion, with the trend being driven by an increasing number of mitigation actions in buildings and infrastructure and in sustainable transport, as well as by growth in adaptation finance.** The growth in finance flows in 2019–2020 was largely driven by increased investment in the energy efficiency of buildings (USD 34 billion increase), sustainable transport (USD 28 billion increase) and adaptation

[6] FCCC/CP/2022/8/Add.3−FCCC/PA/CMA/2022/7/Add.3 and FCCC/CP/2022/8/Add.4−FCCC/PA/CMA/2022/7/Add.4.

finance (USD 20 billion increase). While overall investment in clean energy systems remained stable, public energy investment increased its share of total finance flows. Adaptation finance increased by 65 per cent, from an annual average of USD 30 billion in 2017–2018 to USD 49 billion in 2019–2020, driven mainly by financing from bilateral and multilateral development finance institutions. Figure 1 provides a breakdown, by sector, of global climate finance flows in 2017–2020 and figure 2 provides an overview of global climate finance and finance flows from developed to developing countries in 2019–2020.

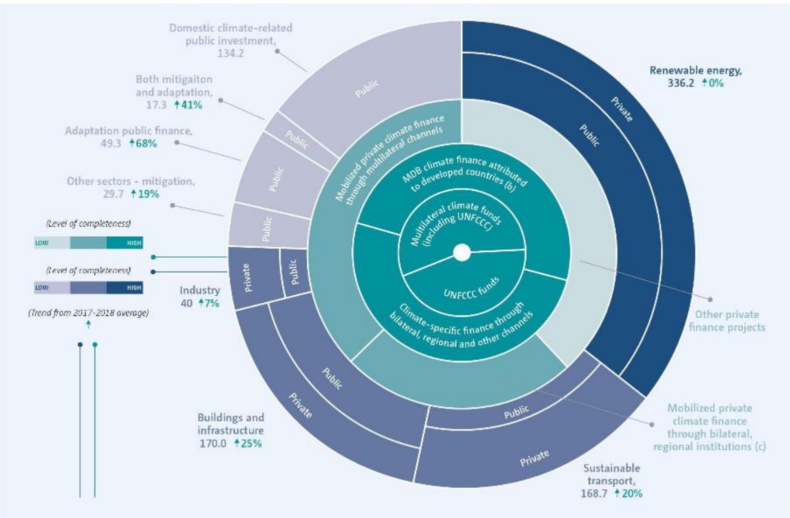
Figure 1 **Global climate finance flows in 2017–2020 by sector** (Billions of United States dollars)



10. The continued decline in renewable energy technology costs in 2019–2020 compared with those in 2017–2018 meant that renewable energy investments, despite the economic slowdown caused by the coronavirus disease 2019 pandemic, remained close to the record high in 2017. Technology cost decreases in 2019–2020 compared with 2018 for onshore wind (13 per cent), offshore wind (9 per cent) and solar photovoltaic (7 per cent) emphasized how greater impacts are now achieved for each new dollar invested. Aggregate investments in new renewable energy generation projects made up the largest segment of global climate finance. The declining costs of renewable energy alongside the maintenance of high levels of investment indicates that the overall deployment of renewable energy technologies has increased in real terms.

11. **Government pandemic recovery packages included up to USD 513 billion of spending allocated to green or climate-related measures (21 per cent of the total USD 2.5 trillion) up until the end of 2020.** Approximately 76 per cent (USD 392 billion) of climate-related recovery spending was announced by developed countries and the remainder by developing countries, particularly those in Asia. Data from climate budget tagging systems and other sources indicated domestic public climate finance amounted to USD 134 billion per year in 2019–2020, half of which was in 21 developing countries and the other half in 6 developed countries or jurisdictions.

Figure 2
Climate finance flows in 2019–2020
(Billions of United States dollars, annualized)



		2019	2020	Sources of data and relevant section
Global total flows	Renewable energy	325.1	347.3	Section 2.2.3 CPI 2022 based on multiple sources
	Public	108.2	115.7	
	Private	216.9	231.6	
	Sustainable transport	175.2	162.2	Section 2.2.4 IEA 2021b, CPI 2022 based on multiple sources
	Public	112.1	85.8	
	Private	63.1	76.4	
	Buildings and infrastructure	160.0	180.0	Section 2.2.5 IEA 2021b, CPI 2022 based on multiple sources
	Public	26.0	40.0	
	Private	134.0	140.0	
	Industry	45.0	35.0	Section 2.2.6 IEA 2021b, CPI 2022 based on multiple sources
	Public	9.0	4.9	
	Private	36.0	30.1	
	Other sectors - mitigation [a]	32.2	27.1	Section 2.2.7 and 2.2.8 CPI 2022 based on multiple sources
	Adaptation public finance	42.4	56.2	Section 2.2.9 CPI 2022 based on multple sources
	Both mitigaiton and adaptation	15.3	19.3	CPI 2022, based on multiple sources
	Domestic climate-relate public investment	134.2	134.2	Section 2.3 Country level reporting, BURs, CPEIRs, various government reports, CPI
Flows to non-Annex I Parties	UNFCCC funds	2.2	2.9	Section 2.5.2 Fund financial reports, CFU
	Multilateral climate funds (including UNFCCC)	2.9	3.5	
	Climate-specific finance through bilateral, regional and other channels	31.9	31.4	Section 2.5.1 Preliminary data from Annex II Parties, subject to change
	MDB climate finance attributed to developed countries [b]	30.5	33.2	Section 2.5.2 OECD 2022a
	Mobilized private climate finance through multilateral channels	8.6	8.0	Section 2.5.4 OECD 2022a
	Mobilized private climate finance through bilateral, regional institutions [c]	5.8	5.1	
	Other private finance projects [d]	7.3	9.6	Section 2.5.4 CPI 2022 based on multiple sources

Notes: (1) Figure note (a): other mitigation investments include industry, waste and wastewater, information and communications technology and other cross-sectoral investments; (2) Figure note (b): includes investments from amounts listed by sector above that are discounted when calculating the global aggregate to avoid double counting; (3) Figure note (c): flows are from developed to developing countries, see section 2.5.2 of the technical report of the fifth BA for further information; (4) Figure note (c): estimates include private finance mobilized through public interventions by developed countries; (5) Figure note (d): this includes private finance in addition to finance mobilized through bilateral and multilateral channels and institutions.

12. **Public climate finance flows from developed to developing countries increased by between 6 and 17 per cent, depending on the source, in 2019–2020 compared with 2017–2018**. Preliminary data from Annex II Parties on climate-specific finance provided for 2019–2020 showed that it increased by 6 per cent from 2017–2018 to USD 40.1 billion per year on average. Most of the climate-specific finance (79 per cent) was channelled

through bilateral, regional and other channels, with the remainder consisting of contributions or inflows to multilateral climate funds and multilateral financial institutions.

13. Mitigation finance constituted the largest share of climate-specific financial support through bilateral, regional and other channels, at 57 per cent (USD 17.9 billion). However, the share of adaptation finance continued to increase – from 20 per cent (USD 6.4 billion) in 2017–2018 to 28 per cent (USD 8.9 billion) in 2019–2020 – as it grew at a higher rate than mitigation finance. In 2019–2020, adaptation finance through bilateral, regional and other channels grew 40 per cent while mitigation finance decreased by 13 per cent. The share of cross-cutting finance, which serves both mitigation and adaptation purposes, stagnated at 14–15 per cent (USD 4.4 billion and USD 4.7 billion) in 2017–2018 and 2019–2020, respectively.

14. UNFCCC funds and multilateral climate funds approved a combined USD 2.9 billion and USD 3.5 billion for climate change projects in 2019 and 2020 respectively. The annual average for 2019–2020 (USD 3.2 billion) represents an increase of 21 per cent compared with the annual average for 2017–2018, attributable primarily to increases in project approvals by the GEF Council, the GCF Board and the Clean Technology Fund. In terms of inflows, the GEF raised USD 5.3 billion from 29 contributors under the GEF-8 replenishment in 2022 for the programming period 2022–2026, an increase of more than 30 per cent compared with the amount raised under GEF-7. Under GEF-8, USD 852 million was allocated to the climate change focal area for mitigation, an increase of 6 per cent compared with the amount allocated under GEF-7. The Adaptation Fund registered USD 356 million in new pledges from 16 donors at COP 26, which is more than triple the amount it raised in 2020 (USD 116 million).

15. MDBs provided USD 46 billion and USD 45 billion in climate finance to developing and emerging economies in 2019 and 2020 respectively. The annual average of USD 45.9 billion in 2019–2020 represents a 17 per cent increase compared with the 2017–2018 amount. The attribution of these flows from developed to developing countries is calculated at USD 29.3–30.5 billion in 2019 and USD 28.2–33.2 billion in 2020.

16. Data on private climate finance flows to developing countries remain challenging to compile and assess. There is a methodological difference between measuring private finance for climate action in general and measuring climate finance mobilized through public interventions. With existing methodologies and approaches, tracking private finance mobilized by technical assistance or policy interventions is difficult. Further, data sources often do not specify whether private funds are sourced from private sector entities in developed or developing countries and whether these funds are received by public or private sector entities from developed or developing countries. OECD estimates that private climate finance mobilized by developed countries through bilateral and multilateral channels amounted to USD 14.4 billion and USD 13.1 billion in 2019 and 2020 respectively. The annual average of USD 13.8 billion represents a 6 per cent decrease compared with the annual average of USD 14.6 billion in 2017–2018.

17. The increase in submissions of BURs from non-Annex I Parties resulted in a greater amount of information on finance being available for the fifth BA than for previous BAs. However, time lags in data availability for reporting made it difficult to compile updated, complete information on finance received in 2019–2020. Of the 79 Parties that had submitted BURs as at 30 June 2022, 28 included some information on climate finance received in 2019 or 2020 in their reports. In total, USD 10.0 billion was reported as received for projects starting in 2019 and USD 1.6 billion for projects starting in 2020. Approximately 81 per cent of the 2019 amount was specified as coming from bilateral institutions in developed countries or multilateral institutions and 15 per cent from institutions based in developing countries; the origin of the finance was unspecified for the remaining amount.

18. **Trends in South–South climate finance flows varied depending on the source of finance.** Finance commitments from International Development Finance Club members based in non-OECD countries to projects in other non-OECD countries amounted to USD 1.7 billion and USD 2.2 billion in 2019 and 2020 respectively, which represented a substantial decrease from the USD 4.1 billion committed in 2018. The Asian Infrastructure Investment Bank and the New Development Bank continued to increase finance flows, and MDB-attributed financing from non-Annex II Parties increased from around USD 9.1 billion in 2017–2018 to an annual average of USD 11.0 billion in 2019–2020. Investments in renewable energy and sustainable transport projects decreased from an annual average of USD 3.2 billion in 2017–2018 to USD 2.6 billion in 2019–2020. Overall, the availability of data on and the coverage of climate finance flows between developing countries remain limited.

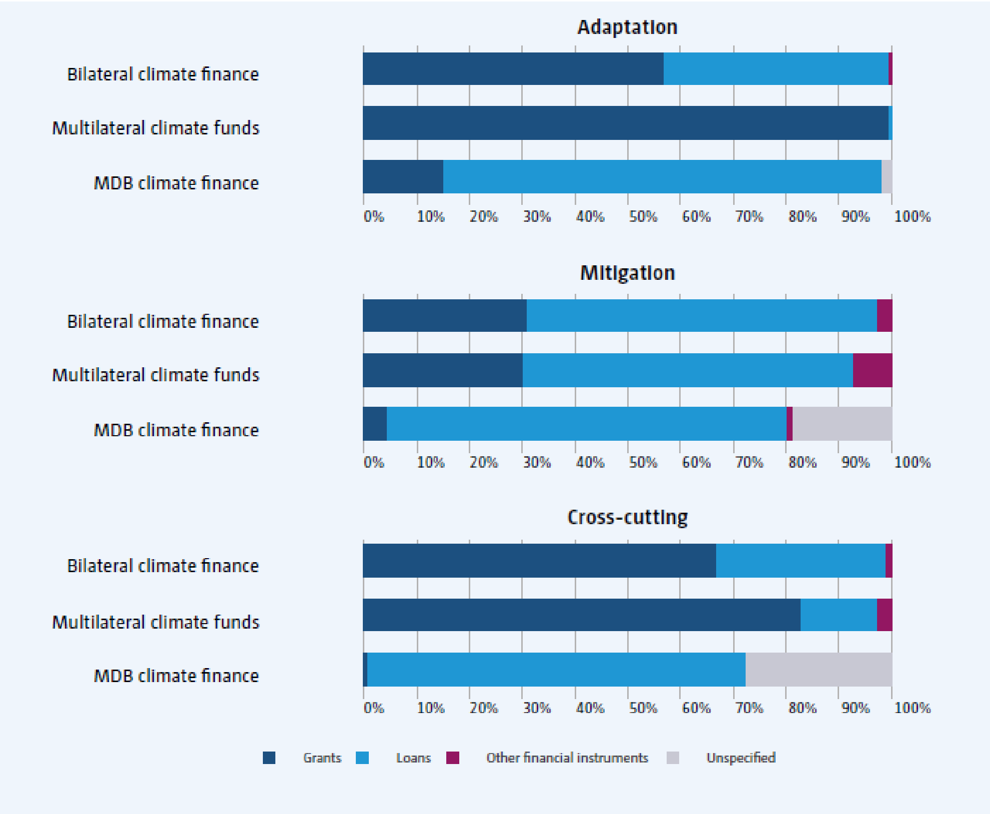
B. Assessment of climate finance flows

19. **The collective goal of jointly mobilizing USD 100 billion per year by 2020 to address the needs of developing countries in the context of meaningful mitigation action and transparency on** implementation **was not fully met in 2020**.[7]

20. **More public finance flows from developed to developing countries are for mitigation than for adaptation, yet adaptation finance has grown significantly through bilateral channels and MDBs.** In 2019–2020, on average, mitigation had a 57 per cent share (USD 17.9 billion) of bilateral climate finance, a 37 per cent share (USD 1.2 billion) of multilateral climate fund climate finance and a 62 per cent share (USD 23.6 billion) of MDB climate finance, while adaptation had corresponding shares of 28, 19 and 36 per cent (USD 9.0 billion, USD 605 million and USD 13.8 billion respectively). Since 2017–2018, adaptation finance from bilateral channels has grown by 39 per cent (USD 2.5 billion) and from MDBs by 48 per cent (USD 6 billion), while adaptation finance from multilateral climate funds has remained constant. The share of public climate finance flows contributing to both adaptation and mitigation from multilateral climate funds rose to 35 per cent (USD 1.1 billion) in 2019–2020 from 27 per cent (USD 785 million) in 2017–2018. When assessing the balance of finance between mitigation and adaptation, it is worth considering different approaches to measuring climate finance flows and considering whether data are adjusted by the financial instrument providing the resources. Information on face-value financial volume can be complemented with information on grant-based equivalent financial volume (as is done by the GCF to assess its mitigation and adaptation split). The number of interventions and information on how different institutions allocate finance can also help inform discussions on balance.

Public adaptation finance is predominantly delivered through grants while public mitigation finance predominantly takes the form of loans. In 2019–2020, grants accounted for 57 and 99 per cent (USD 8.5 billion and USD 1.2 billion) of the face value of bilateral adaptation finance and of adaptation finance from multilateral climate funds respectively, compared with 64 and 95 per cent (USD 5.9 billion and USD 1.1 billion) respectively in 2017–2018. In 2019–2020, 15 per cent of adaptation finance flowing through the MDBs was grant-based (USD 2.1 billion) (see figure 3). Mitigation finance remains less grant-based in nature, with 31 per cent of bilateral flows (USD 4.6 billion), 30 per cent of multilateral climate fund approvals (USD 865 million) and less than 5 per cent of MDB investments (USD 1.1 billion) taking the form of grants.

Figure 3
Public climate finance flows from developed to developing countries in 2019–2020, by theme, source and financial instrument



[7] For more information see document FCCC/CP/2022/8−FCCC/PA/CMA/2022/7.

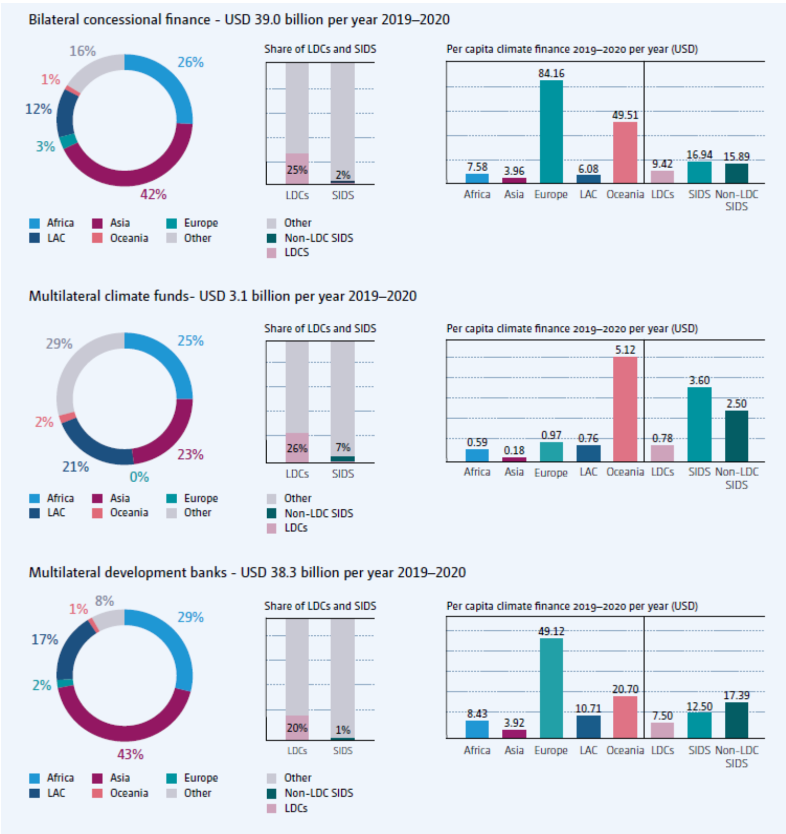
Source: Analysis of OECD Development Assistance Committee Creditor Reporting System statistics and Climate Funds Update.

21. **Reflecting their geographical and population sizes, Asia and Africa are the regions receiving the largest total amounts of public climate finance.** Asia received the most climate finance for adaptation and mitigation projects and programmes from bilateral channels, multilateral climate funds and MDBs, with an average of 36 per cent of the total climate finance provided. Asia was followed by Africa (average of 27 per cent) and Latin America and the Caribbean (average of 16 per cent). The remainder was shared among developing countries of Eastern and Southern Europe and Oceania.[8] On a per capita basis, the less populous developing country regions Oceania and Eastern and Southern Europe received the largest amounts of climate finance (USD 5.1–49.5 and USD 1.0–84.2 respectively), followed by Latin America and the Caribbean (USD 0.8–10.7), Africa (USD 0.6–8.4) and Asia (USD 0.2–4.0). These data do not, however, consider differing costs for climate change solutions in different regions, adjust for purchasing power or address the relative scale of climate vulnerabilities or emission reduction potential.

22. **Support provided to the LDCs and SIDS as a proportion of overall public climate finance flows remained relatively stable compared with previous years.** In 2019–2020, funding provided to the LDCs accounted for 25 per cent of bilateral flows, 26 per cent of approvals from multilateral climate funds and 20 per cent of MDB climate finance. While bilateral channels and MDBs increased their adaptation finance commitments to the LDCs from 2017–2018 to 2019–2020, multilateral climate funds decreased their adaptation finance while doubling their mitigation finance from 2017–2018 to 2019–2020.

23. In 2019–2020, funding provided to the SIDS accounted for 3 per cent of bilateral flows, 7 per cent of approvals from multilateral climate funds and 2 per cent of MDB climate finance. International public climate finance flows to SIDS are predominantly adaptation focused. Grant finance plays a strong role in SIDS, ranging from 43 to 89 per cent across the channels analysed. The LDCs and SIDS have specific vulnerabilities and needs, which are partially reflected in the climate finance provided to them on a per capita basis. Per capita climate finance reached USD 3.6–16.9 for SIDS and USD 0.8–9.4 for the LDCs in 2019–2020 (see figure 4).

Figure 4
Geographical distribution of climate finance by volume and on a per capita basis in 2019–2020



[8] The fifth BA, for the first time, presented a geographical breakdown of public bilateral sources, multilateral climate funds and MDBs with a unified regional classification in accordance with the standard country or area codes for statistical use (M49) of the United Nations Statistics Division. Only non-Annex I Parties were included in the country grouping analysis.

24. **Between 2016 and 2020, private climate finance mobilized by developed countries for developing countries through bilateral and multilateral channels totalled USD 66.8 billion.** Of this amount, 86 per cent was mobilized for mitigation actions, particularly in the energy sector (53 per cent of total mobilized finance in the five-year period). Private finance mobilized for adaptation actions targeted industry, mining and construction. Private climate finance was mobilized through number of mechanisms, dominated by direct investment in companies and special purpose vehicles, which together accounted for 44 per cent of the total. MDBs mobilized 57 per cent of total estimated private climate finance, followed by bilateral providers and multilateral climate funds. SIDS and the LDCs received 1 and 8 per cent respectively of total private finance mobilized.

25. **Accreditation to multilateral climate funds increased by 36 per cent in 2019–2020, driven by a rising number of national and regional institutions being accredited; however, while national and regional accredited entities now account for more than half of all accredited entities, they accounted for only 10 per cent of financial outflows in 2019–2020.** Climate finance readiness and project preparation initiatives play a key role in facilitating access to climate finance. The number of partners through which developing countries can access multilateral climate funds continues to grow rapidly, driven by GCF accreditation. Efforts are under way to enhance access beyond national and regional entities, by supporting access at the local level.

26. **Interest in country platforms that facilitate country ownership of climate finance flows and their alignment with national priorities is emerging.** Country ownership is a fundamental factor in the delivery of effective finance but is also a broad concept encompassing active stakeholder engagement, links between climate policies and economic growth and development policies, and national spending and tracking systems for climate finance. Recent studies drawing on experience from development cooperation suggest that to be successful in stimulating climate action, country platforms need to secure and maintain political will, coordinate public finance from multiple channels and harness private investment. Also important is that country platforms are tailored to country needs and priorities.

27. **Reported expected and actual results from climate finance providers indicate an increase in portfolio-level emission reductions and number of beneficiaries reached.** Multilateral climate funds reported a combined 96.3 Mt CO_2 eq emission reductions achieved and 54.8 million beneficiaries reached through their interventions. Expected results from the portfolios of approved or currently implemented projects are orders of magnitude higher, for example, 1,980 Mt CO_2 eq emission reductions and 588 million direct and indirect beneficiaries in the GCF portfolio alone. While multilateral climate funds are increasing their transparency and reporting under their results frameworks more regularly, they face persistent challenges in impact measurement, namely, that direct project output indicators are easier to define that outcome indicators and that reporting on actual results is largely dependent on the reporting capacity of implementing entities. MDBs present mitigation and adaptation outcomes to varying degrees against their results and impact frameworks, often for their entire portfolios rather than on climate-specific support, while bilateral contributors have differing approaches to impact reporting. In general, it takes at least several years before being able to report on outcomes and impacts of approved and implemented projects supported by climate finance, and this time lag poses challenges for comprehensive portfolio impact reporting.

28. **The way in which gender issues are addressed under the governance and operational frameworks of the operating entities of the Financial Mechanism and multilateral climate funds has improved.** However, the development of systems for monitoring and reporting on gender-related outcomes at the project and portfolio level is still in progress, as is the building of capacity of the operating entities to implement gender-responsive policies. This suggests work remains to be done on strengthening gender mainstreaming efforts and the availability of gender-disaggregated and other gender-related data to evaluate outcomes.

29. **Global climate finance flows are small relative to the overall needs of developing countries.** Global climate finance in 2019–2020 was estimated to be USD 803 billion. This amount is 31–32 per cent of the annual investment needed for the global temperature rise to follow a well below 2 °C or a 1.5 °C pathway. This level of climate finance is also below what one would expect in the light of the investment opportunities identified and the cost of failure to meet climate stabilization targets.

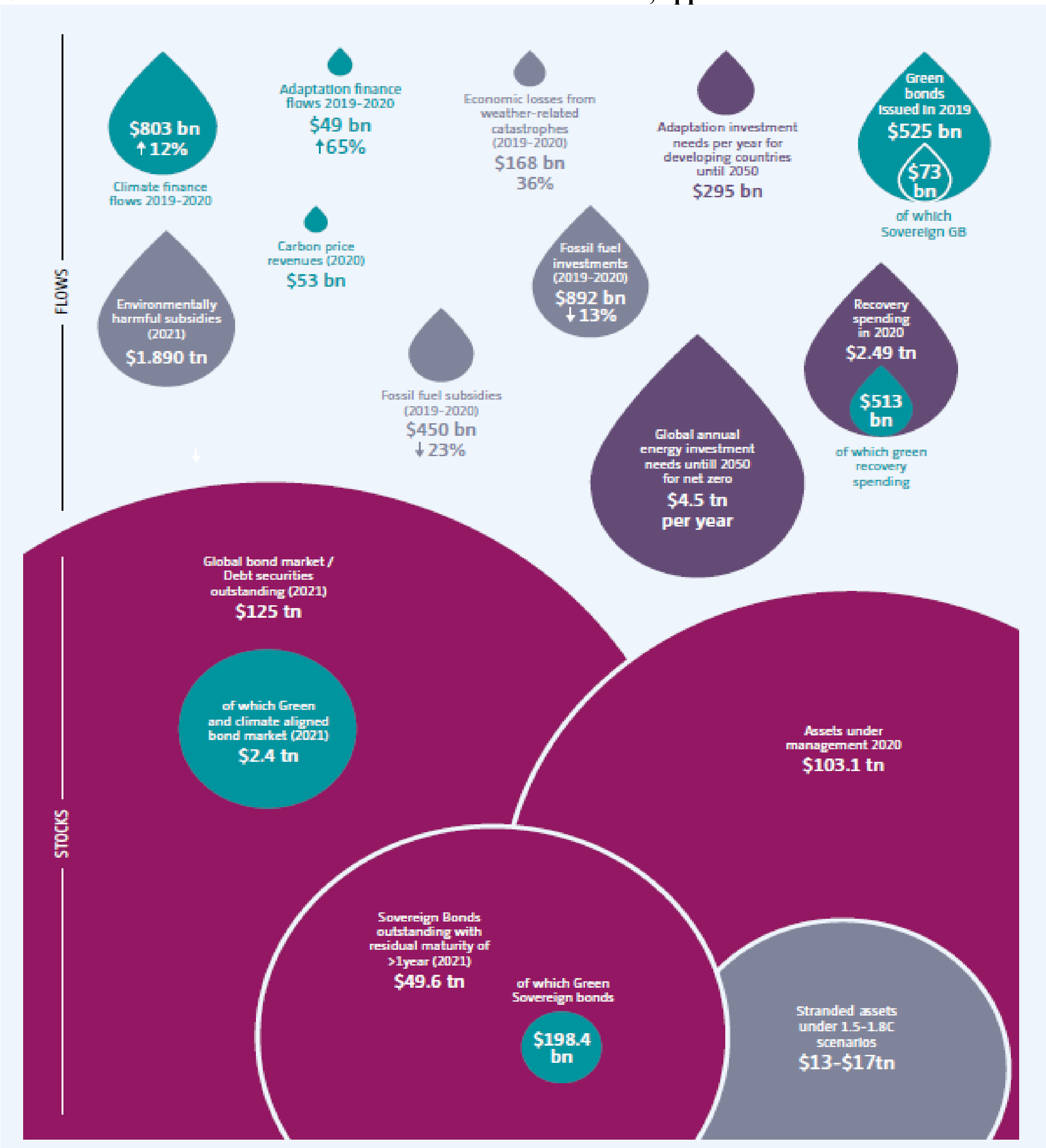
30. More can be done to ensure that finance flows are consistent with climate change objectives. Such efforts include the reform of fiscal policies, financial policies and regulations and the integration and management of climate risk for financial decision-making processes by private actors and the financial sector, with care taken in all circumstances to manage a just and equitable transition for all.

31. Given the scale and speed of effort needed to align finance flows with low-emission, climate-resilient development pathways, it is critical to consider climate finance flows within the context of broader finance flows (see figure 5). A sole focus on positive climate finance flows will be insufficient to meet the overarching purpose and goals of the Paris Agreement. This does not mean that broader finance flows must all have explicit beneficial

climate outcomes, but it does mean that they must integrate climate risks into decision-making and avoid increasing the likelihood of negative climate outcomes.

Figure 5

Global climate finance in the context of broader finance flows, opportunities and costs



Notes: (1) Data points are provided to place climate finance in context and do not represent an aggregate or systematic view; (2) All flows are global and annual averages for 2019–2020 unless otherwise stated; (3) The representation of stocks that overlap is not necessarily reflective of real-world overlaps. The flows are not representative of all flows contributing to the stocks; (4) Climate finance flows are those represented in section B of the summary and recommendations and chapter 2 of the fifth BA technical report; (5) For data sources, see chapter 3 of the fifth BA technical report.

32. Across the key areas of climate finance identified through the recommendations arising from previous BAs, the findings of the fifth BA reveal both progress and continuing challenges, as presented in the table below.

Following up on recommendations from previous BAs: progress and challenges

Area of recommendation[a]	*Progress*	*Challenges*
Improve transparency of reporting of climate finance provided and received (a), (b), (c), (d)	Improved reporting tables agreed for implementation in 2024 Increasing number of developing countries reporting on climate finance received	Limited capacities and resources to track climate finance received and report on the impacts and outcomes of climate finance
Improve data coverage, granularity and tracking of flows from all sources, including developing country Parties, international financial institutions and private finance data providers (e), (f), (g), (h)	Increasing data coverage for financing of electric vehicles, climate finance mobilized and domestic climate finance reporting	Scarcity of data on energy efficiency, the AFOLU sector, buildings, industrial sectors and adaptation, in particular from the private sector, as well as on South–South cooperation
Align climate finance with national needs, plans, climate change frameworks and priorities, enhancing country ownership (j), (l), (p)	Significantly increased number of direct access entities and national implementing entities and other accredited entities of multilateral climate funds Growing number of national investment plans and strategies to target climate finance Publication of needs determination report	Finance flows channelled through regional and national entities remain low Lack of support for local-level access beyond national or regional entities Methodological, capacity and data limitations in development of project pipelines
Balance funding for mitigation and adaptation (l)	Increase in adaptation finance of 39 and 48 per cent through bilateral channels and MDBs respectively since 2017–2018 Achievement by GCF of a 50:50 balance in mitigation and adaptation on a grant-equivalent basis Most adaptation finance from bilateral channels and multilateral climate funds now in the form of grant finance	Difficulties in costing adaptation needs to inform assessments of balance Different accounting approaches applied for mitigation and adaptation finance to inform assessment of balance
Encourage the uptake of available resources to strengthen institutional capacities for programming climate action and tracking climate finance (k), (l)	21 dedicated access, readiness and project preparation support modalities offered by multilateral climate funds 48 identified national climate funds in countries that are not OECD members 48 jurisdictions with domestic climate finance tracking systems, and 35 taxonomies formulated by 30 jurisdictions and 5 international or national organizations	Different funding requirements of diverse climate finance actors Time lag in reporting from nascent domestic climate finance tracking
Improve tracking and reporting of the impacts of climate finance, including the incorporation of ‘climate proofing’	Increased granularity of impact measurement frameworks (three multilateral climate funds have	Limited ex post results data in reporting chains

Area of recommendation[a]	*Progress*	*Challenges*
and climate resilience measures in line with new scientific information (n), (o)	adopted revised frameworks since 2018) Wide availability of expected results reporting Initial development of transformational change indicators	Limited availability of climate finance specific portfolio-level impact reporting from MDBs and bilateral sources Trade-offs between results measurement comparability and context-specific impact measurement (including at the country, local and sectoral level) Limited approaches for measuring transformational change
Improve tracking and reporting of gender-related aspects of climate finance (m)	Gender mainstreaming in governance and operational frameworks of climate finance contributors (all multilateral climate funds with revised frameworks or policies since 2018)	Limited implementing capacities and availability of gender-disaggregated data on outcomes and impacts
Update data sets and information relevant to Article 2, paragraph 1(c), of the Paris Agreement (i), (q)	Global proliferation of private and public sector actor approaches for aligning finance flows	Lack of data on implementation of Paris alignment approaches and on common standards in approaches to prevent greenwashing – this complicates evaluation of approaches

[a] Letters in parentheses denote the relevant recommendation from para. 51 of the summary and recommendations of the third (2018) BA (available at https://unfccc.int/BA-2018). No recommendations were included in the fourth (2020) BA.

V. Recommendations

33. The SCF invites the COP and the CMA to consider the recommendations presented in chapter III.A–C below. The three sets of recommendations relate to chapter II.A–C above.

a. Methodological issues related to climate finance flows

34. Recommendations on methodological issues related to climate finance flows are as follows:

35. *Encourage* Parties to report on climate finance provided, mobilized, needed and received in the new common tabular format for their first biennial transparency report to the highest level of granularity possible, taking into account the flexibility for those countries that need it in the light of their capacities, in accordance with the modalities, procedures and guidelines of the enhanced transparency framework under the Paris Agreement, in particular to report annual activity-level data;

36. *Encourage* Parties to adopt or follow green- and climate-budgeting approaches and improve or establish climate finance tracking systems at the domestic level to inform their implementation of nationally determined contributions and adaptation communications;

37. *Encourage* climate finance providers and recipients to report climate finance provided, mobilized, needed and received at both the activity- and the country-level;

38. *Encourage* climate finance and data providers to further improve the data and the methodologies necessary for tracking private finance mobilized by developed countries, and others in a position to do so, through technical assistance, policy support and other public interventions for climate action in developing countries;

39. *Encourage* Parties and climate finance providers to enhance their methodologies for measuring and reporting on climate finance results and impacts;

40. *Encourage* Parties and climate finance providers to enhance their reporting on the qualitative aspects of climate finance, including policies, approaches and other factors related to strong enabling environments and delivering results;

41. *Encourage* Parties, through the enhanced transparency framework and taking into account the work of the SCF on definitions of climate finance, to better track climate finance provided, mobilized, needed and received;

42. *Encourage* climate finance providers and data aggregators, in keeping with social inclusion and the potential value of information and data from the informal private sector and from local and indigenous communities, as well as noting the usefulness of proxy data, to incorporate into their systems the tracking of climate finance flows and impacts relating to these stakeholders;

43. *Encourage* climate finance providers to enhance their reporting on elements relevant to Article 2, paragraph 1(c), of the Paris Agreement, thus increasing the ability to advance work related to pathways for low-emission, climate-resilient development.

b. Overview of climate finance flows

44. Recommendations on the overview of climate finance flows are as follows:

45. *Encourage* climate finance providers, including multilateral and other financial institutions, relevant non-financial institutions and data providers, when reporting on climate finance, to enhance the availability of granular, country-level data on finance for adaptation and resilience as well as on finance for mitigation in the AFOLU and the water and sanitation sectors;

46. *Encourage* climate finance providers and recipients to further enhance the tracking of private climate finance, in particular for adaptation activities;

47. *Invite* private sector associations and financial institutions to build on the progress made on ways to improve data on climate finance and to engage with the SCF, including through their participation in the forums of the SCF with a view to enhancing the quality of the BA.

c. Assessment of climate finance flows

48. Recommendations on the assessment of climate finance flows are as follows:

49. *Encourage* climate finance providers to continue to enhance country ownership and consider policies to improve the balance between support for mitigation and adaptation at the global level, taking into account country-driven approaches and recipient country capacities and priorities;

50. *Encourage* climate finance providers to enhance access and increase climate finance for the LDCs and SIDS;

51. *Encourage* developed countries, other climate finance providers and recipients to continue to enhance access to climate finance, including by addressing the barriers to access arising from the complex architecture of multilateral climate funds, and to enhance country ownership through supporting modalities such as direct access entity and national implementing entity accreditation, readiness and project preparation facilities and subnational- and local-level access programmes;

52. *Encourage* development finance institutions, in particular MDBs, to continue their essential role in helping developing countries to deliver on their nationally determined contributions by expanding climate investment through either expanding the availability of development assistance or boosting climate-related investment directly;

53. *Encourage* developing countries to take advantage of available modalities and to advance in-country efforts to strengthen institutional capacities for climate change programming and for tracking its effectiveness and impacts;

54. *Encourage* climate finance providers and recipients to improve the tracking and reporting of portfolio-level results in terms of the impacts and outcomes of climate finance and advance the development of indicators for measuring the outcomes of climate finance interventions;

55. *Encourage* climate finance providers and recipients to improve the tracking, reporting and dissemination of best practices in relation to the gender-related aspects of climate finance, impacts of climate finance interventions and gender-responsive budgeting;

56. *Request* the SCF, in preparing the sixth BA, to follow up on the recommendations made in this and previous BAs.

10th plenary meeting
20 November 2022

Decision 15/CP.27

(FCCC/CP/2022/10/Add.2)

Terms of reference for the second review of the functions of the Standing Committee on Finance

The Conference of the Parties,

Recalling decisions 6/CP.20, 6/CP.21, 8/CP.22, 9/CP.22, 8/CP.23, 4/CP.24, 11/CP.25, 5/CP.26, 5/CMA.2 and 10/CMA.3,

1. *Adopts* the terms of reference for the second review of the functions[1] of the Standing Committee on Finance, contained in the annex;

2. *Takes note* of the 2022 report of the Standing Committee on Finance to the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,[2] in particular its annex II;

3. *Invites* members of the Standing Committee on Finance, Parties, UNFCCC constituted bodies and external stakeholders to submit via the submission portal,[3] by 30 April 2023, their views on the second review of the functions of the Standing Committee on Finance based on the terms of reference contained in the annex for consideration by the Subsidiary Body for Implementation at its fifty-eighth session (June 2023);

4. *Requests* the Subsidiary Body for Implementation, at its fifty-eighth session, to initiate the second review of the functions of the Standing Committee on Finance, in accordance with the terms of reference, taking into account the submissions referred to in paragraph 3 above;

5. *Also requests* the Subsidiary Body for Implementation to complete its work on the second review of the functions of the Standing Committee on Finance at its fifty-ninth session (November–December 2023) with a view to recommending draft decisions on the matter for consideration and adoption by the Conference of the Parties at its twenty-eighth session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November–December 2023);

6. *Further requests* the secretariat to prepare a technical paper on the second review of the functions of the Standing Committee on Finance, in accordance with the terms of reference, taking into account the deliberations and conclusions of the Subsidiary Body for Implementation at its fifty-eighth session and the submissions referred to in paragraph 3 above, for consideration by the Subsidiary Body for Implementation at its fifty-ninth session;

7. *Invites* the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement to affirm this decision, including the terms of reference, with respect to the review of the functions of the Standing Committee on Finance as it relates to the Paris Agreement;

[1] Pursuant to decision 11/CP.25, para. 17.
[2] FCCC/CP/2022/8–FCCC/PA/CMA/2022/7.
[3] https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx.

Annex

Terms of reference for the second review of the functions of the Standing Committee on Finance

I. Objective

1. The objective of the second review is to review the functions of the Standing Committee on Finance (SCF) with a view to:

   a. Strengthening the work of the SCF, as appropriate;

   b. Identifying opportunities for increased efficiency and effectiveness;

   c. Informing Parties on the extent to which the existing activities and working modalities of the SCF facilitate the fulfilment of its mandate to serve the Paris Agreement in line with decision 1/CP.21, paragraph 63;

   d. Taking into account interrelated review processes, such as the review of the Financial Mechanism.

II. Scope

2. The scope of the review will cover progress to date and lessons learned in the fulfilment of the mandate of the SCF to assist the Conference of the Parties (COP) and serve the Paris Agreement in the exercise of its functions with respect to the Financial Mechanism. In this context, the review should:

   a. Be based on the current mandate and functions of the SCF;

   b. Be informed by the work on climate finance conducted by other entities;

   c. Examine whether any gaps exist in the delivery of the work of the SCF and how they can be addressed, taking into consideration the capacity of the SCF to deliver its work.

3. The review should address the following elements:

   a. Assessment of the extent to which the SCF has effectively delivered on its four core functions and mandated activities[60] outlined in relevant decisions and, in this regard, take stock of past achievements of the SCF in terms of its concrete outputs and how they have been utilized;

   b. Identification of the potential need for reorientation or reprioritization of the existing functions of the SCF;

   c. Assessment of whether the working modalities of the SCF, including the participation of its members, are fit for purpose for carrying out its functions;

   d. Quality of outputs;

   e. Linkages with the constituted bodies under the Convention and the Paris Agreement;

   f. Relations with relevant external stakeholders.

III. Sources of information

4. The review shall draw upon, inter alia, the following sources of information:

   a. Submissions from members of the SCF, Parties to the Convention and the Paris Agreement, and the constituted bodies under the Convention and the Paris Agreement, as well as external stakeholders involved in the activities of the SCF;

   b. Annual reports of the SCF;

[60] As per decision 2/CP.17.

c. Relevant decisions of the COP and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) relating to the SCF;

d. Outputs delivered by the SCF;

e. The self-assessment report of the SCF and recommendations on improving its efficiency and effectiveness;

f. The technical paper, to be prepared by the secretariat, referred to in paragraph 6 of this decision.

IV. Criteria

5. The review shall take into account, inter alia, the following:

a. The effectiveness and efficiency of the SCF in the delivery of its functions;

b. The transparency of its decision-making processes;

c. The inclusiveness and geographical representation of the SCF;

d. The level and nature of its stakeholder engagement;

e. The quality and added value of the outputs of the SCF, including how they were received by the COP, the CMA and external stakeholders, and in particular how its recommendations have informed and advanced the work of the COP and the CMA;

f. The timeliness of the outputs of the SCF.

10th plenary meeting
20 November 2022

Decision 14/CMA.4

(*FCCC/PA/CMA/2022/10/Add.3*)

Matters relating to the Standing Committee on Finance

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling Article 9 of the Paris Agreement,

Also recalling decisions 1/CP.21, paragraphs 53 and 63, 11/CP.25, 5/CP.26, 14/CMA.1, 5/CMA.2 and 11/CMA.3,

1. *Affirms* decision 14/CP.27;

2. *Notes* the synthesis of views regarding ways to implement Article 2, paragraph 1(c), of the Paris Agreement;[1]

3. *Also notes* the work of the Standing Committee on Finance on mapping of available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof;[2]

4. *Requests* the Standing Committee on Finance to continue its work regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, in accordance with decision 10/CMA.3, paragraph 2, for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November–December 2023) and *invites* Parties and stakeholders in the financial sector to make further submissions 5. *Requests* the Standing Committee on Finance to report to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session on progress in implementing its workplan for 2023;[3]

6. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

10th plenary meeting
20 November 2022

[1] FCCC/CP/2022/8/Add.3–FCCC/PA/CMA/2022/7/Add.3.
[2] FCCC/CP/2022/8/Add.4–FCCC/PA/CMA/2022/7/Add.4.
[3] FCCC/CP/2022/8–FCCC/PA/CMA/2022/7, annex II.

Decision 15/CMA.4

(*FCCC/PA/CMA/2022/10/Add.3*)

Terms of reference for the second review of the functions of the Standing Committee on Finance

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling decisions 6/CP.20, 6/CP.21, 8/CP.22, 9/CP.22, 8/CP.23, 4/CP.24, 11/CP.25, 5/CP.26, 5/CMA.2 and 10/CMA.3,

Affirms decision 15/CP.27, which, inter alia, adopts the terms of reference for the second review of the functions[1] of the Standing Committee on Finance.

10th plenary meeting
20 November 2022

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[1] Pursuant to decision 5/CMA.2, para. 17.

Decision 5/CP.26

(FCCC/CP/2021/12/Add.1)

Matters relating to the Standing Committee on Finance

The Conference of the Parties,

Recalling *Articles* 4 and 11 of the Convention,

Also recalling decisions 12/CP.2, 12/CP.3, 1/CP.16, paragraph 112, and 2/CP.17, paragraphs 120–121, 5/CP.18, 5/CP.19, 7/CP.19, 6/CP.20, 6/CP.21, 8/CP.22, 7/CP.23, 8/CP.23, 4/CP.24, 11/CP.25 and 5/CMA.2,

Taking note of *decision* 10/CMA.3,

1. *Welcomes* the 2020 and 2021 reports of the Standing Committee on Finance;[1]

I. Fourth (2020) Biennial Assessment and Overview of Climate Finance Flows

2. *Welcomes* the fourth (2020) Biennial Assessment and Overview of Climate Finance Flows of the Standing Committee on Finance,[2] in particular the summary,[3] and *endorses* its key findings, as contained in annex I;

3. *Notes* that global climate finance flows were 16 per cent higher in 2017–2018 than in 2015–2016, reaching an annual average of USD 775 billion; the 2017–2018 annual average of public financial support reported by Parties included in Annex II to the Convention in their biennial reports[4] (USD 48.7 billion) represents an increase of 2.7 per cent from the annual average reported for 2015–2016; the annual average of climate finance from multilateral development banks' own resources to developing countries and emerging economies (USD 36.6 billion) represents a 50 per cent increase since 2015–2016; and UNFCCC funds and multilateral climate funds approved USD 2.2 billion and USD 3.1 billion for climate finance projects in 2017 and 2018, respectively;

4. *Welcomes* the improved granularity of data in the fourth (2020) Biennial Assessment and Overview of Climate Finance Flows and *encourages* developed country Parties and climate finance providers, as well as multilateral and financial institutions, private finance providers and other relevant institutions, to continue to enhance the availability of granular, country-level data on mitigation and adaptation finance;

5. *Calls upon* developed country Parties and other climate finance providers to continue to enhance the harmonization of methodologies for tracking and reporting climate finance provided and mobilized;

6. *Recognizes* the fact that there is no multilaterally agreed definition of climate finance, *notes* the submissions received in response to decisions 11/CP.25 and 5/CMA.2, which highlighted that some Parties noted how the lack of a common definition impacts the ability to track and assess climate finance, while other Parties mentioned that a single definition would not be useful, and *also notes* that the operational definitions in use generally reflect a common understanding of what is considered mitigation and adaptation finance;

7. *Requests* the Standing Committee on Finance to continue its work on definitions of climate finance, taking into account the submissions received from Parties on this matter, with a view to providing input for consideration by the Conference of the Parties at its twenty-seventh session (November 2022);

8. *Invites* the operating entities of the Financial Mechanism and other institutions providing climate finance to consider the operational definitions of climate finance of the Standing Committee on Finance with a view to ensuring that finance provided addresses the needs of developing country Parties, while respecting their existing policies;

9. *Welcomes* the mapping of the information relevant to Article 2, paragraph 1(c), of the Paris Agreement in the fourth (2020) Biennial Assessment and Overview of Climate Finance Flows and *takes note* of the key findings of the report, including that banks representing over USD 37 trillion in assets and institutional investors with USD 6.6 trillion in assets have pledged to align their lending and investments with net zero emissions by 2050;

10. *Encourages* Parties to ensure that just transition financing is incorporated into approaches to align climate action with the goals of the Paris Agreement;

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1 FCCC/CP/2020/4−FCCC/PA/CMA/2020/3 and FCCC/CP/2021/10–FCCC/PA/CMA/2021/7.

2 Standing Committee on Finance. 2021. *Fourth (2020) Biennial Assessment and Overview of Climate Finance Flows*. Bonn: UNFCCC. Available at https://unfccc.int/sites/default/files/resource/54307_1%20-%20UNFCCC%20BA%202020%20-%20Report%20-%20V4.pdf.

3 FCCC/CP/2021/10/Add.1–FCCC/PA/CMA/2021/7/Add.1.

4 Reports submitted as at October 2020.

II. First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

11. *Welcomes* the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement[5] of the Standing Committee on Finance, in particular the executive summary,[6] and *endorses* its key findings and recommendations, as contained in annex II;

12. *Notes* that nationally determined contributions from 153 Parties included 4,274 needs, with 1,782 costed needs identified across 78 nationally determined contributions, cumulatively amounting to USD 5.8–5.9 trillion up until 2030, and that, although developing country Parties identified more adaptation needs than mitigation needs, more costs were identified for the latter, which may not imply that mitigation needs are greater but rather that there is a lack of available data, tools and capacity for assessing adaptation needs;

13. *Also notes* that the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement is the first of its kind, with important areas that will need to be further developed;

14. *Further notes* that the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement does not fully cover the needs and costs of developing countries and all regions as a result of limited availability of information and *acknowledges* that financial and technical support will enhance developing countries' abilities to update the reporting of qualitative and quantitative information and data on their needs;

15. *Expresses its concern* that the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement does not have disaggregated data for small island developing States;

16. *Emphasizes* that there is a particular challenge in deriving cost estimates for climate adaptation and enhancing resilience needs and, in this context, deriving cost estimates for averting, minimizing and addressing loss and damage needs;

17. *Encourages* developing country Parties to consider the insights into methodologies identified in the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement when costing and determining needs;

18. *Invites* the operating entities of the Financial Mechanism, United Nations agencies, multilateral and bilateral financial institutions, and other relevant institutions to make use of the information contained in the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement when supporting developing country Parties in identifying and costing needs;

19. *Requests* the Standing Committee on Finance, in preparing future reports on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, to continue to reach out to developing country Parties and relevant developing country stakeholders when generating data and information on needs;

III. Report of the Standing Committee on Finance

20. *Expresses its appreciation* to the Governments of Belgium, Japan and Norway and to the European Commission for their financial contributions to support the work of the Standing Committee on Finance;

21. *Endorses* the workplan of the Standing Committee on Finance for 2022[7] and *underlines* the importance of the Standing Committee on Finance focusing its work in 2022 in accordance with its current mandates;

22. *Endorses* the outline of the technical report of the fifth Biennial Assessment and Overview of Climate Finance Flows of the Standing Committee on Finance and *underscores* that this report will continue to contribute to assessing the

[5] Standing Committee on Finance. 2021. *First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement*. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties/first-report-on-the-determination-of-the-needs-of-developing-country-parties-related-to-implementing.

[6] FCCC/CP/2021/10/Add.2–FCCC/PA/CMA/2021/7/Add.2.

[7] FCCC/CP/2021/10–FCCC/PA/CMA/2021/7, annex II.

achievement of the goal of mobilizing jointly USD 100 billion per year by 2020 in the context of meaningful mitigation action and transparency on implementation, in accordance with decision 1/CP.16;[8]

23. *Notes* the high-level summary report of the first part of the 2021 Forum of the Standing Committee on Finance on finance for nature-based solutions carried out in a hybrid format on 15 and 16 October 2021 and *requests* the Standing Committee on Finance to organize the second part of the Forum in 2022, subject to health and safety considerations arising from the coronavirus disease 2019 pandemic;

24. *Notes* that the Standing Committee on Finance was not able to produce draft guidance to the operating entities of the Financial Mechanism and that it has not agreed on recommendations from the fourth (2020) Biennial Assessment and Overview of Climate Finance Flows, and in this regard *requests* the Committee to improve its working modalities;

25. *Notes with appreciation* the efforts of the Standing Committee on Finance in enhancing engagement with stakeholders in the context of its workplan;

26. *Encourages* the Standing Committee on Finance to continue to enhance its efforts towards ensuring gender-responsiveness in implementing its workplan;

27. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its twenty-seventh session on its progress in implementing its 2022 workplan;

28. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

[8] FCCC/CP/2021/10/Add.5–FCCC/PA/CMA/2021/7/Add.5.

Annex I*

Summary by the Standing Committee on Finance of the fourth (2020) Biennial Assessment and Overview of Climate Finance Flows

[English only]

I. Context and mandates

1. The SCF assists the COP in exercising its functions with respect to the Financial Mechanism of the Convention, including in terms of measurement, reporting and verification of support provided to developing country Parties, through activities such as the BA. The SCF also serves the Paris Agreement in line with its functions and responsibilitie6s established under the COP, including the BA.[1]

2. Since the first BA in 2014, the preparation of subsequent BAs has been guided by mandates from the COP and the CMA to the SCF.[2]

3. **The fourth (2020) BA presents an updated overview and trends in climate finance flows up until 2018 and assesses their implications for international efforts to address climate change**. The fourth BA includes an overview of climate finance flows from developed to developing countries,[3] and available information on domestic climate finance, cooperation among developing countries and other climate-related flows that constitute global climate finance. It assesses the key features of climate finance flows, including their composition and purposes, and explores insights into their effectiveness, access to finance, country ownership, and alignment with the needs and priorities of beneficiaries, as well as their magnitude in the context of broader flows. In addition, it provides information on recent developments on methodological issues related to the tracking of climate finance at the international and domestic level, operational definitions of climate finance in use and new indicators for measuring the impact of climate finance.

4. **The fourth (2020) BA includes mapping of information relevant to the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement on making finance flows consistent with a pathway towards low GHG emission and climate-resilient development**. The fourth BA provides the first mapping exercise, to be conducted every four years, to identify the latest actions and activities of different actors related to making finance flows consistent with low GHG emission and climate-resilient development pathways, including national Governments, development finance institutions, central banks and regulators, multilateral finance institutions, and climate funds, as well as private sector actors such as corporations, banks and investors. Information produced by United Nations entities and initiatives, and under other multilateral processes, as well as the perspective of civil society organizations and the academic community, was also explored. Emerging methodologies, indicators and data sets to support tracking the consistency of finance flows are also discussed in respective chapters of the technical report (see para. 5 below).

5. The fourth BA comprises this summary, prepared by the SCF, and a technical report, prepared by experts under the guidance of the SCF drawing on information and data from a range of sources. It was subject to extensive stakeholder input and expert review, but remains a product of the external experts.

II. Challenges and limitations

6. The fourth BA provides an updated overview of climate finance flows in 2017–2018, along with data on trends in 2011–2016 compiled from previous BA reports where applicable. Due diligence has been undertaken to use the best information available from the most credible sources. In compiling estimates, efforts have been made to ensure that they are based on activities in line with the convergence of operational definitions of climate finance identified in the first BA and to avoid double counting by focusing on primary finance, which is finance for a new physical item or activity. Challenges were nevertheless encountered in collecting, aggregating and analysing information from diverse sources.

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* For a list of acronyms and abbreviations, see document FCCC/CP/2021/10/Add.1−FCCC/PA/CMA/2021/7/Add.1.

[1] Decisions 2/CP.17, para. 121(f); and 1/CP.21, para. 63.

[2] Decisions 1/CP.18, para. 71; 5/CP.18, para. 11; 3/CP.19, para. 11; 8/CP.22, annex, para. 37(f); 4/CP.24, paras. 4, 5, and 10; and 19/CMA.1, para. 3 (d).

[3] For the purpose of the overview of climate finance in the BA, various data sources are used to illustrate flows from developed to developing countries, without prejudice to the meaning of those terms in the context of the Convention and the Paris Agreement, including but not limited to Annex II/Annex I Parties, non-Annex I Parties and MDBs; OECD members and non-OECD members; OECD DAC members and countries eligible for OECD DAC official development assistance; and other relevant classifications.

7. **Data uncertainty**: Most of the uncertainties associated with each source of data which have different underlying causes identified in the previous BAs persist, although there have been some improvements. Uncertainties relating to the data on domestic public investments result from the lack of geographical coverage and differences in the way tracking methods are applied, as well as significant changes in the methods used for estimating investment in energy efficiency and sustainable transport over time. Uncertainties also arise from the lack of transparency of data for determining private climate finance; the methods used for estimating adaptation finance; differences in the assumptions used in underlying formulas for attributing finance from MDBs to developed countries; the classification of sustainable or green finance; and the incomplete data on non-concessional finance flows.

8. **Data gaps**: Significant gaps in the coverage of sectors and sources of climate finance remain, particularly with regard to private investment, and adaptation and resilience. While estimates of incremental investment in energy efficiency have improved, understanding of the public and private sources of finance and the financial instruments used remains inadequate. For data on sustainable transport, efforts have been made to improve coverage of public and private investment in electric vehicles and charging infrastructure. However, high-quality data on private investments in sustainable agriculture, forestry and land use, water, waste, and adaptation and resilience are particularly lacking. Specifically, adaptation finance estimates, which are context-specific and incremental, are difficult to compare with mitigation finance estimates, and more work is needed on estimating climate-resilient investments.

9. In relation to mapping information relevant to Article 2, paragraph 1(c), of the Paris Agreement, the lack of a common interpretation of or guidelines on what information qualifies as relevant presents a challenge in adequately capturing the scope and depth of related action. For the fourth BA an actor-specific mapping approach was adopted, as opposed to focusing on particular financial instruments, asset classes, or categories of action, in order to capture what financial sector actors consider to be relevant information on activities to be consistent with or align with the goals of the Paris Agreement. Such mapping may be non-exhaustive and limited in terms of representation across geographic areas and sectors. It may also obscure the role of actors that work across multiple categories. Given that a significant amount of information considered relevant is to be derived from multiple-member initiatives and coalitions, due to potential benefits of network effects, focusing on these groups may limit the mapping of information from individual cases that may be considered best practice or leading examples. Furthermore, there is a limited track record and limited in-depth information related to implementing activities consistent with or that align with the Paris Agreement that might enable a thorough assessment of their effectiveness, and therefore their relevance, in achieving the goal outlined in Article 2, paragraph 1(c).

10. The limitations outlined above need to be taken into consideration when deriving conclusions and policy implications from the fourth BA. The SCF will continue to contribute, through its activities, to the progressive improvement of the measurement, reporting and verification of climate finance in future BAs, to help address these challenges.

III. Key findings

A. Methodological issues related to transparency of climate finance

11. **Improvements in the consistency of reporting on climate finance under the Convention are observed**. Progress regarding the consistency of climate finance reporting was observed in the BR4 common tabular format submissions from Annex II Parties and the provision of qualitative information in the documentation boxes of those tables or in the BRs. One improvement relates to the reporting by type of support, with Parties reporting only on mitigation, adaptation and cross-cutting categories, without including other types of support. Nevertheless, improvements in aggregating geographic or sector-based information remains limited owing to differences in the approaches used by Parties and the functionality of the reporting system to allow differences in reporting. Several Parties referred to ongoing work to resolve challenges related to reporting on private finance mobilized by public interventions.

12. Data coverage and granularity of reporting on climate finance received in the BURs of non-Annex I Parties has improved since the previous BA. Nineteen Parties have submitted a BUR for the first time since the previous BA, in addition to a further 27 Parties submitting second or third BURs. The proportion of BURs that include information on finance received rose from approximately 60 per cent in 2014 to over 90 per cent in 2019–2020. A total of 41 Parties have provided quantitative information on climate finance received at the project or activity level in tabular format. Many differences remain in the approaches Parties used for reporting, including time periods of reported data and information on types of support, sectors and financial instruments. Several Parties included additional information in their second and third BURs on whether a project is linked to capacity-building, technology development and transfer, or technical assistance.

13. **Availability of domestic public climate finance data is increasing, with more countries establishing climate budget tagging systems**. Notable improvements were observed in the tracking of domestic climate-related public or private finance flows, with the issuance of green sovereign bonds incentivizing the establishment of regular tracking systems in both developed and developing countries, building on previous work through CPEIRs. Thirteen countries have established tracking

systems for national budgets, with a further five countries developing tracking methodologies. In total, estimates of domestic public expenditures on climate change in 2017–2018 amount to approximately USD 86.6 billion (see chap. III.B below).

14. **Operational definitions of climate finance in use generally reflect a common understanding of what is considered mitigation or adaptation finance, but differ on the details of sector-specific activities, certain financial instruments and approaches to public and private finance flows**. Operational definitions of climate finance in use have evolved over time. The MDB list of activities eligible for classification as mitigation finance includes charging stations for electric vehicles and hydrogen or biofuel fuelling since 2017 and resource efficiency in aquaculture since 2018, while OECD DAC integrated adjustments to adaptation finance eligibility criteria in 2016 to harmonize with a stepwise approach developed by MDBs.

15. The lists of climate mitigation activities developed by MDBs have served in part to inform green or climate-aligned taxonomies in recent years to support the development of the green bond market and/or regulatory efforts in the field of sustainable finance to combat greenwashing and promote the standardization of financial products. Approaches to defining mitigation and adaptation activities are broadly consistent across various international organizations and regulatory initiatives, although inclusion and exclusion lists and approaches to the criteria used to define such activities can vary.

16. Parties' submissions on operational definitions of climate finance in use highlighted a range of views on the need for, and on the form and scope of, a common definition of climate finance. Some Parties noted that a single definition would not be useful, or should be broad enough to cater for the dynamic and evolving nature of climate finance due to a variety of factors, including NDCs and implementation of the enhanced transparency framework over time, ways of tracking progress related to Article 2, paragraph 1(c), of the Paris Agreement, and changes in methodologies and definitions for mitigation and adaptation due to data availability or improvements in processes and knowledge.

17. Some Parties pointed to the use of a classification system or taxonomy rather than a single definition and referred to the development of taxonomies or classifications outside the UNFCCC process or within national sustainable finance frameworks.

18. Other Parties noted how the lack of a common definition affects the ability to track and assess the fulfilment of the obligations of Annex II Parties under the Convention and those of developed country Parties under the Paris Agreement. A common definition could support the preparation of the BA and the overall transparency and effectiveness of the UNFCCC process by highlighting the link between the level of action of developing countries and the level of support provided and, ultimately, the achievement of the objectives of the Convention and the Paris Agreement. In this context, two submissions included a proposal for an operational definition of climate finance, while other submissions included a proposal for an operational approach to achieving greater convergence among definitions over time, based either on common principles or responses to a common set of questions to provide granular information.

19. **More methodologies on measuring outcomes of financing for climate resilience have emerged in recent years**. Many multilateral institutions are in the process of developing or have already developed frameworks for measuring impacts, with an increasing focus on adaptation and resilience, such as the Resilience Rating System by the World Bank Group and the Climate Resilience Metrics Framework by MDBs and IDFC. Although approaches to measuring impacts of climate finance vary, most multilateral institutions, as well as bilateral contributors, use a similar set of mitigation and adaptation indicators.

20. **There are four common** decision **points identified in emerging methodologies and metrics in use for tracking consistency with low GHG emission and climate-resilient development pathways**. As with tracking climate finance, emerging methodologies relevant to tracking consistency with the long-term goal under Article 2, paragraph 1(c), of the Paris Agreement also need to overcome issues related to definitions, the scope or boundary of tracking, data availability and comparability.

21. Methods differ as to the type of finance flows, stocks and services tracked (primary or secondary markets) and the ways of measuring consistency (e.g. on the basis of GHG emissions, emissions intensity metrics or technology choices). However, the four common decision points are:

(a) Identifying a given pathway to low GHG emission and climate-resilient development against which the consistency of actions will be measured. Different pathways may be chosen relative to their consistency with low GHG emission development and mitigation goals, and to their consistency with climate-resilient development and adaptation or resilience goals. Pathways may result in compatible activity lists or performance metrics against which to measure action. In addition, the timescale used to measure consistency is important. This could be, for example, within 5 or 10 years, or by a given year, such as 2050;

(b) Reviewing the activities and actions to be tracked (e.g. investments, economic activities such as production and sales or purchasing of goods and services, policymaking, legislation and voluntary standards) that the stakeholder undertakes, which is relevant to whether the pathway will be achieved;

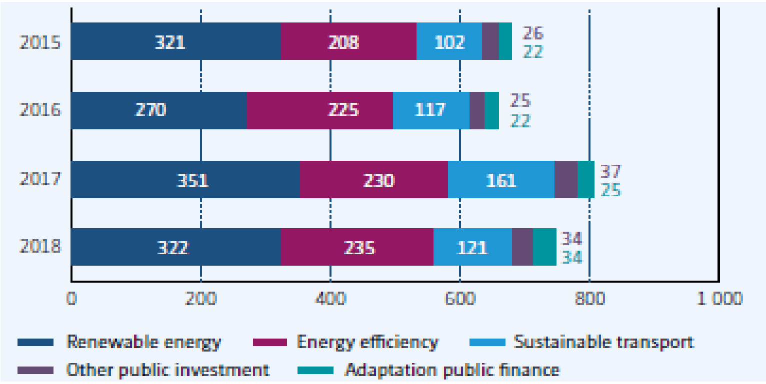
(c) Understanding which finance flows that go towards realizing the activities and actions should be tracked by the stakeholder;

(d) Identifying which key metrics to use to assess whether finance flows and related processes result in activities and actions that are consistent with the given pathway identified during the review.

B. Overview of climate finance flows in 2017–2018

22. **Global climate finance flows were 16 per cent higher in 2017–2018 than in 2015–2016, reaching an annual average of USD 775 billion and achieving significantly higher results, particularly in renewable energies**. High-bound climate finance estimates increased from USD 692 billion in 2016 to USD 804 billion in 2017 and USD 746 billion in 2018, for an annual average of USD 775 billion in 2017–2018. The growth in 2017 was driven largely by an increase in new private investment in renewable energy as a result of decreasing technology costs, while the decline in 2018 was due primarily to a slowdown in wind and solar investment in major markets. Figure 1 provides a breakdown of global climate finance flows in 2015–2018 by sector, and figure 2 provides an overview of global climate finance and finance flows in 2017–2018 from developed to developing countries.

Figure 1
Global climate finance flows in 2015–2018
(Billions of United States dollars)



23. **Continued decreases in renewable energy technology costs mean new investment goes further**. Renewable energy technology costs continued to decline in 2017–2018 compared with those in 2015–2016, with a 29 per cent decrease for solar photovoltaics, an 18 per cent decrease for offshore wind and a 10 per cent decrease for onshore wind, emphasizing how greater impacts are achieved for each new dollar of investment. In 2018, 100 per cent more renewable energy capacity was commissioned than in 2012 with only a 22 per cent increase in investment.

24. For the fourth BA, several new data sources have been used to track climate finance in areas that were not previously included, such as electric vehicle charging infrastructure, transport, water, waste and municipal investments. Where possible, the data have been integrated in the time series retroactively to allow for trend comparisons.

25. **Climate finance from developed to developing countries increased through various channels**. Total public financial support reported by Annex II Parties in their BRs submitted (as at October 2020) amounted to USD 45.4 billion in 2017 and USD 51.8 billion in 2018. The annual average (USD 48.7 billion) represents an increase of 2.7 per cent from the annual average reported for 2015–2016. Climate-specific financial support, which accounts for up to three fourths of the financial support reported in the BRs, increased by 13 per cent on a comparable basis to an annual average of USD 36.3 billion. Most climate-specific financial support was reported through bilateral, regional and other channels, with USD 28.1 billion in 2017 and USD 31.8 billion in 2018.

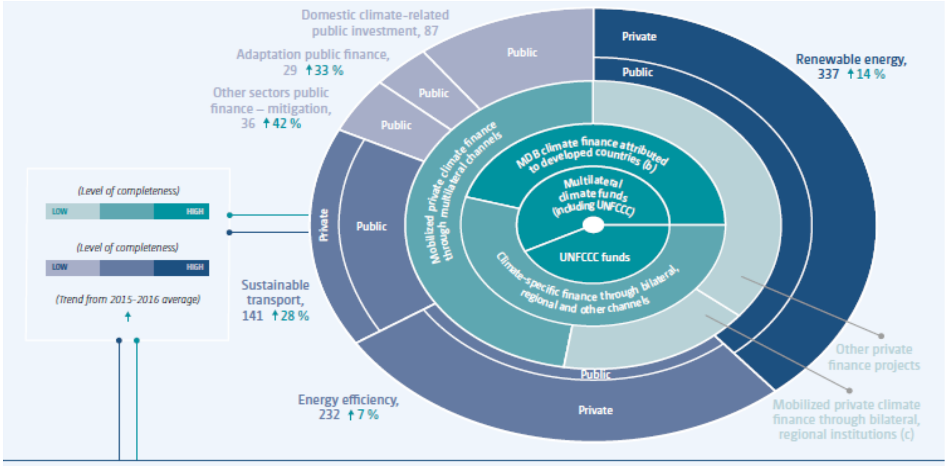
26. Mitigation finance constitutes the largest share of climate-specific financial support through bilateral channels at 64 per cent. However, the share of adaptation finance increased from 15 per cent in 2015–2016 to 21 per cent in 2017–2018 as it grew at a higher rate than mitigation finance.

27. UNFCCC funds and multilateral climate funds approved USD 2.2 billion and USD 3.1 billion for climate finance projects in 2017 and 2018, respectively. The annual average for 2017–2018 (USD 2.7 billion) represents an increase of approximately 39 per cent compared with those in 2015–2016, owing primarily to increases in project approvals by the GCF Board and the GEF Council. In terms of inflows to the operating entities of the Financial Mechanism, the seventh replenishment of the GEF resulted in USD 4.1 billion in pledges and USD 802 million allocated to the climate change focal area, compared with USD 4.4 billion in total pledges and USD 1.26 billion allocated to the climate change focal area in the sixth replenishment. The first replenishment of the GCF pledging conference in 2019 amounted to USD 9.8 billion, compared with USD 10.2 billion from the initial resource mobilization pledging conference in 2014.

IV. Figure 2

Climate finance flows in 2017–2018

(Billions of United States dollars, annualized)



			2017	2018	Sources of data and relevant section of technical report
Global total flows	Renewable energy		351.4	322.4	Section 2.2.2 CPI 2020 based on multiple sources
		Public	66.5	51.4	
		Private	284.9	271.0	
	Energy efficiency		229.9	234.6	Section 2.2.3 IEA Energy Efficiency Market Reports/CPI
		Public	35.7	32.3	
		Private (a)	194.2	202.3	
	Sustainable transport		160.5	120.5	Section 2.2.4 IEA World Energy Investment Reports/ CPI 2020 based on multiple sources
		Public	118.1	70.9	
		Private	42.4	49.7	
	Other sectors public finance – mitigation		37.4	34.4	Section 2.2.5 (see notes) CPI 2020 based on multiple sources
	Adaptation public finance		24.7	34.1	Section 2.2.6 CPI 2020 based on multiple sources
	Domestic climate-relate public investment		86.7	86.7	Section 2.3 BURs, CPEIRs, I4CE, IDB, UNDP, various government reports
Flows to non-Annex I Parties	UNFCCC funds		1.5	2.4	Section 2.5.2 Fund financial reports, CFU
	Multilateral climate funds (including UNFCCC)		2.2	3.1	
	Climate-specific finance through bilateral, regional and other channels		28.1	31.8	Section 2.5.1 Annex II Party BRs
	MDB climate finance attributed to developed countries (b)		24.1	25.8	Section 2.5.2 OECD 2020a
	Mobilized private climate finance through multilateral channels		10.8	10.8	Section 2.5.4 OECD 2020a
	Mobilized private climate finance through bilateral, regional institutions (c)		3.7	3.8	
	Other private finance projects		5.3	11.0	Section 2.5.4 CPI 2020 based on multiple sources

Notes: (1) Value discounts transport energy efficiency estimates by 8.5 per cent to account for overlap with electric vehicle estimates, same as in previous years. (2) From Annex II to non-Annex I Parties. Values derived from calculating attributed shares of Annex II Parties per MDB multiplied by the climate finance provided to non-Annex I Parties from MDBs' own resources. (3) Estimates include private finance mobilized through public interventions from developed countries.

28. MDBs provided USD 34 billion and USD 42 billion in climate finance from their own resources to developing and emerging economies in 2017 and 2018, respectively. The annual average (USD 36.6 billion) represents a 50 per cent increase since 2015–2016. The attribution of these flows to developed countries is calculated at between USD 23.3 billion to USD 24.1 billion in 2017 and USD 25.8 billion to 28.0 billion in 2018.

29. The uncertainty of the data on the geographic sources and destinations of private finance flows to developing countries remains significant. OECD estimates that private climate finance mobilized by developed countries through bilateral and multilateral channels amounted to USD 14.5 billion in 2017 and USD 14.6 billion in 2018.

30. Information on the recipients of climate finance remains limited. The increase in BUR submissions from non-Annex I Parties has resulted in a greater amount of information on finance received than for previous BAs. However, time lags in data availability for reporting make it difficult to provide updated or complete information on finance received in 2017–2018. Of the 63 Parties that had submitted BURs as at December 2020, 28 included some information on climate finance received in 2017 or 2018. In total, USD 7.8 billion was reported as received for projects starting in 2017 and USD 2 billion for projects starting in 2018. A total of 23 Annex II Parties included information on recipients of finance at either the country or project level in their BR4s.

31. **South–South climate finance flows have increased, but data availability and coverage remain limited**. While data availability and coverage of climate finance flows between developing countries remain limited, it is a growing area of global climate finance flows. Several countries voluntarily report to standardized reporting systems such as OECD DAC. Up to 20 development finance institutions that are IDFC members are based in non-OECD countries, and MDBs led by developing countries such as the Asian Infrastructure Development Bank and the New Development Bank continue to increase finance flows. Estimates of South–South climate finance flows amounted to USD 17.8 billion to USD 18.0 billion in 2017 and USD 18.0 billion to USD 18.2 billion in 2018.

C. Assessment of climate finance flows

32. Trends in public concessional climate finance, including bilateral flows, multilateral climate funds and funds from MDBs, point to increasing flows towards developing countries from multilateral sources, while bilateral climate finance flows have stagnated.

33. **Support for mitigation remains greater than support for adaptation**. Adaptation finance has remained at between 20 and 25 per cent of committed concessional finance across all sources (noting measurement differences), showing little movement since the previous BA (see the table below). However, the continued rise in public climate finance flows contributing towards both adaptation and mitigation complicates this assessment. The rise is most obvious in flows from multilateral climate funds and through bilateral channels. While the GCF allocates climate finance for projects in this cross-cutting category to adaptation or mitigation, not all institutions do so in their programming or reporting. This makes it more difficult to track progress in scaling up adaptation finance and ultimately achieving balance between finance for adaptation and mitigation objectives.

34. **Grants continue to be a key instrument for adaptation finance**. In 2017–2018 grants accounted for 64 and 94 per cent of the face value of bilateral adaptation finance reported to OECD and of adaptation finance from multilateral climate funds, respectively (see the table below). During the same period, 9 per cent of adaptation finance flowing through MDBs was grant-based. These figures indicate no change since 2015–2016. Mitigation finance remains less concessional in nature, with 30 per cent of bilateral flows, 29 per cent of multilateral climate fund approvals and 3 per cent of MDB investments taking the form of grants. These figures, however, may not fully capture the added value brought by combining different types of financial instruments, or technical assistance with capital flows, which can often lead to greater innovation or more sustainable implementation.

Characteristics of international public climate finance flows in 2017–2018

	Annual average (USD billion)	Area of support				Financial instrument		
		Adaptation	Mitigation	REDD+[a]	Cross-cutting	Grants	Concessional loans	Other
Multilateral climate funds[b]	2.7	20%	48%	5%	27%	53%	40%	8%
Bilateral climate finance[c]	29.9	21%	65%	–	15%	64%	36%	<1%
MDB climate finance[d]	39.2	25%	75%	–	–	5%	75%	20%

Note: All values based on approvals and commitments.

[a] In decision 1/CP.16, para. 70, the Conference of the Parties encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

[b] Including: Adaptation for Smallholder Agriculture Programme, Adaptation Fund, Bio Carbon Fund, Clean Technology Fund, Forest Carbon Partnership Facility, Forest Investment Program, Global Climate Change Alliance, GCF, GEF Trust Fund, Least Developed Countries Fund, Partnership for Market Readiness, Pilot Programme for Climate Resilience, Scaling Up Renewable Energy Program, Special Climate Change Fund and United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries.

[c] Bilateral climate finance data are sourced from Annex II Parties' BRs (that further include regional and other channels) for the annual average and thematic split. The financial instrument data are taken from data from OECD DAC, referring only to concessional flows of climate-related development assistance reported by OECD DAC members. In section C of the summary and chap. III of the technical report, "bilateral finance" refers only to concessional flows of climate-related development assistance reported by OECD DAC members.

[d] The annual average and thematic split of MDBs includes their own resources only, while the financial instrument data include data from MDBs and from external resources, owing to the lack of data disaggregation.

35. With regard to the geographic distribution of public concessional climate finance, Asia remains the principal beneficiary region. In 2017–2018 the region received on average 30 per cent of funding commitments from bilateral flows, multilateral climate funds and MDBs. Sub-Saharan Africa received an average of 24 per cent of commitments across the sources in the same period, followed by Latin America and the Caribbean with 17 per cent and the remainder going to the Middle East and North Africa; Central, Eastern and South-Eastern Europe; the South Caucasus; and Central Asia.

36. The LDCs and SIDS are particularly vulnerable to the adverse effects of climate change. Article 9 of the Paris Agreement emphasizes the importance of the provision of scaled-up financial resources to these countries. In 2017–2018 funding committed to projects in the LDCs represented 22 per cent of bilateral flows and 24 per cent of finance approved through multilateral climate funds. Funding committed to SIDS represented 2 per cent of bilateral finance and 10 per cent of finance approved through multilateral climate funds. Of the finance provided to the LDCs and SIDS, the amount targeting adaptation fell slightly in 2017–2018, although the shares remained stable overall. MDBs channelled 11 per cent of their climate finance to the LDCs and 3 per cent to SIDS. As in previous years, adaptation finance as a share of all climate finance to these countries was significantly higher than that of the overall climate finance spending by MDBs.

37. **In 2017–2018, there continued to be a push to diversify modalities of access to climate finance**. In a 2019 survey of 105 respondents from 45 developing countries, 73 per cent identified finance from multilateral climate funds as the most challenging source of finance to access compared with private finance (62 per cent), MDBs and development finance institutions (30 per cent) and bilateral sources (17 per cent). Institutions in developing countries are increasingly able to meet fiduciary and environmental and social safeguards requirements for accessing funds. Data show a continued increase in the number of national implementing entities of multilateral climate funds as well as an increase in the accreditation of civil society and private entities, with both trends largely driven by the GCF. Significant shares of climate finance approvals from multilateral climate funds are programmed through multilateral accredited and implementing entities.

38. The management of climate finance, as well as the development and implementation of projects that it supports, necessarily entails costs. Often recovered through mechanisms such as administrative budgets and implementing agency fees, the degree of such costs varies across institutions by nature of their different approaches and delivery models. In 2017–2018, major multilateral climate funds spent USD 217 million on administration costs, while implementing entity fees amounted to USD 231 million. In general, the administration costs of climate finance management have tended to decrease over time. The alignment of administrative functions between funds (e.g. the GEF administration of the Least Developed Countries Fund and the Special Climate Change Fund) can streamline management and disbursement mechanisms. This is essential in order to retain the trust that contributors and beneficiaries place in the funds. However, it must be balanced by the above-mentioned rise in implementing entities and associated costs.

39. The capacity of institutions to make strategic choices to use climate finance has long been recognized as important. Both the Adaptation Fund and the GCF have developed readiness programmes, supporting countries to plan for, access and

deliver climate finance. Together these funds have approved over USD 285 million in readiness support. The GEF has instead incorporated capacity-building objectives into existing project funding through “enabling activities”. Reviews of these programmes have endorsed the use of readiness support to build all aspects of the capacity required to mobilize finance for climate action, rather than a focus on supporting access to multilateral climate funds.

40. **Ownership over the end use of climate finance flows remains a critical factor in its effectiveness**. The broad concept of ownership encompasses the consistency of climate finance with national priorities, the degree to which national systems are used for both spending and tracking, and the engagement of a wide range of stakeholders. Financial needs are being increasingly articulated, but to date lack sufficient comparability of methods, including for costs, time frames and assumptions, in order to make an accurate assessment of the alignment of climate finance provision with such needs. Ministries of finance and planning are strengthening their commitments to engage in climate change planning, with national-level institutions playing a greater role through domestic tracking, monitoring and verification of climate finance.

41. **Impact reporting systems and practices for climate finance are maturing**. Mechanisms for monitoring the impact of climate finance may be relevant for the implementation of the enhanced transparency framework. While the reporting of results is slowly improving under multilateral climate funds, MDBs do not include information on mitigation and adaptation outcomes in their joint reports and bilateral contributors have varied approaches to reporting on impacts. Emission reduction remains the primary impact metric for climate change mitigation, while adaptation impact continues to be measured primarily in terms of the number and type of people that benefit from projects. It remains difficult to accurately assess the quality of the impacts (i.e. outcomes) achieved, given that they are being presented in a multitude of formats and over varying timescales and are hard to verify.

42. **A number of decisions have strengthened the way in which gender issues are addressed in the UNFCCC process**. Gender-responsive public finance is likely to be more effective and efficient. Multilateral climate funds have been front runners in mainstreaming gender considerations in governance and operations. Those under the Financial Mechanism now have a mandate to include information on gender considerations in their annual reports to the COP. While advances are being made, there is scarce information on gender-responsive budgeting, suggesting that work remains to be done in integrating gender considerations on the ground.

43. **The drivers of climate finance flows can consist of both demand- and** supply**-side actions but may differ in terms of mitigation or adaptation objectives**. For mitigation finance, policy targets and support mechanisms have played a major role in driving climate finance flows, such as in the role of long-term fixed prices in supporting renewable energy deployment and more recently purchasing incentives for electric vehicles and bans on the sale of new combustion engine vehicles in the long term. Cross-cutting features of enabling environments, such as currency stability of exchange rates, stability of policies and enforcement of contracts, particularly in driving finance towards sustainable land use, and maintenance of political will and support, have also proven to be significant drivers.

44. For adaptation finance, the role of national plans, standards and institutions takes on more importance in driving finance flows than may be the case in mitigation finance, owing to the importance of local, context-specific conditions. Building codes, design standards and disaster risk management guidelines play a role in furthering climate resilience within infrastructure and development investments. Furthermore, local and context-specific vulnerabilities require local-level data and information systems on risks to drive investment, particularly in agricultural adaptation activities.

45. **Although climate finance flows are increasing, they remain relatively small in the broader context of other finance flows, investment opportunities and costs**. Climate finance accounts for just a small proportion of overall finance flows, as shown in figure 3. The level of climate finance is considerably below what would be expected in view of the investment opportunities and needs that have been identified. However, although climate finance flows must obviously be scaled up, it is also important to ensure the consistency of finance flows as a whole (and of capital stock) with the long-term goals of the Paris Agreement, specifically those set out in its Article 2.

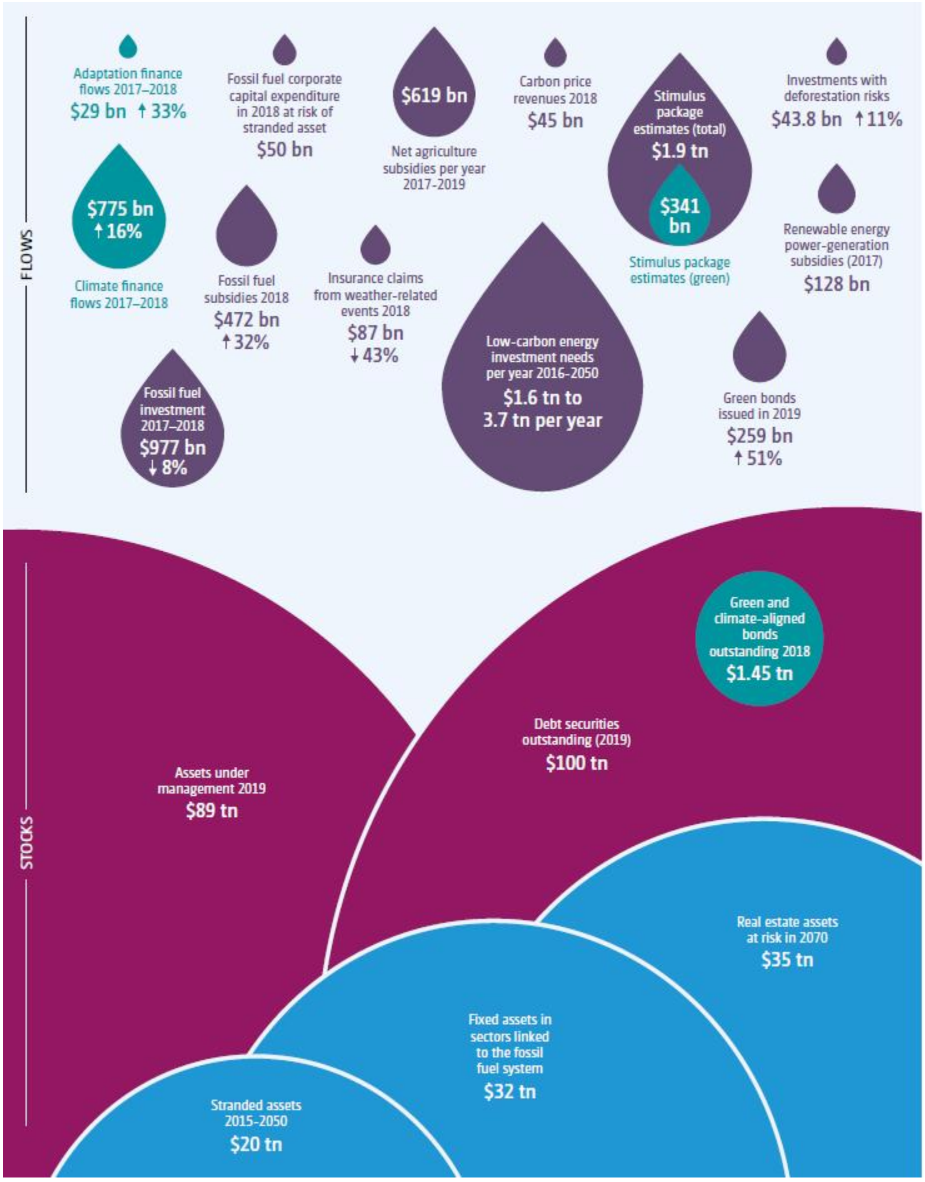
46. **Financial flows and stocks in GHG-intensive activities remain concerningly high**. Fossil fuel investments amounted globally to USD 977 billion in 2017–2018, while fossil fuel subsidies amounted to USD 472 billion in 2018. Fossil fuel corporate capital expenditure at risk of becoming stranded amounted to USD 50 billion in 2018, while investments with deforestation risks amounted to USD 43.8 billion in 2017–2018, and net agriculture subsidies amounted to USD 619 billion per year on average from 2017 to 2019. Fixed assets in sectors linked to fossil fuel systems amounted to USD 32 trillion, real estate assets at risk in 2070 amounted to USD 35 trillion, and stranded assets worth USD 20 trillion are at risk out to 2050.

47. Given the scale and speed needed for the transformation to low GHG emission and climate-resilient development pathways, it is critical to consider climate finance flows within the context of broader finance flows. A sole focus on positive climate finance flows will be insufficient to meet the overarching objectives of the Paris Agreement. This does not mean that broader finance flows must all have explicit beneficial climate outcomes, but it does mean that they must integrate climate risks into decision-making and avoid increasing the likelihood of negative climate outcomes. Without this, the effectiveness of climate finance flows can be called into question or even negated.

D. Mapping information relevant to Article 2, paragraph 1(c), of the Paris Agreement

48. Article 2 of the Paris Agreement sets out three interlinked goals aimed at strengthening the global response to climate change in the context of sustainable development and efforts to eradicate poverty: (1) limiting the increase in global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the increase to 1.5 °C above pre-industrial levels; (2) increasing the ability to adapt to and foster resilience against the adverse impacts of climate change; and (3) in Article 2, paragraph 1(c), making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Article 2 states that the Paris Agreement will be implemented to reflect equity, and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.

Figure 3
Global climate finance in the context of broader finance flows, opportunities and costs



49. Although there is no dedicated process for responding to the goal set out in Article 2, paragraph 1(c), some Parties have articulated polices and measures in their long-term strategies or domestic policy frameworks that speak to the goal. Furthermore, both public and private sector institutions in the financial sector have articulated in their strategies efforts to align with the Paris Agreement and the goal in Article 2, paragraph 1(c). In the absence of a common vision among Parties on what information may be relevant, the aim of the mapping exercise was to capture how their actions meet the goal in Article 2, paragraph 1(c), and therefore what they consider relevant from their perspective, and it provided a number of key insights.

50. **Significant growth in relevant initiatives has been apparent since the Paris Agreement entered into force, particularly in coalitions fostering collective commitments on climate action**. Activities relevant to Article 2, paragraph

1(c), in many instances, are found in practices, coalitions and initiatives that predate the Paris Agreement. Policy and regulatory measures on green finance have been recorded since 1980, although there has been a marked increase in such measures since the adoption of the Paris Agreement (see figure 4). This historical context is relevant as it provides evidence that even prior to adoption of the Paris Agreement, actors were developing sustainability- and climate-related financial instruments and regulations which represent foundations for action relevant to Article 2, paragraph 1(c), that is also integrated with national development goals. For example:

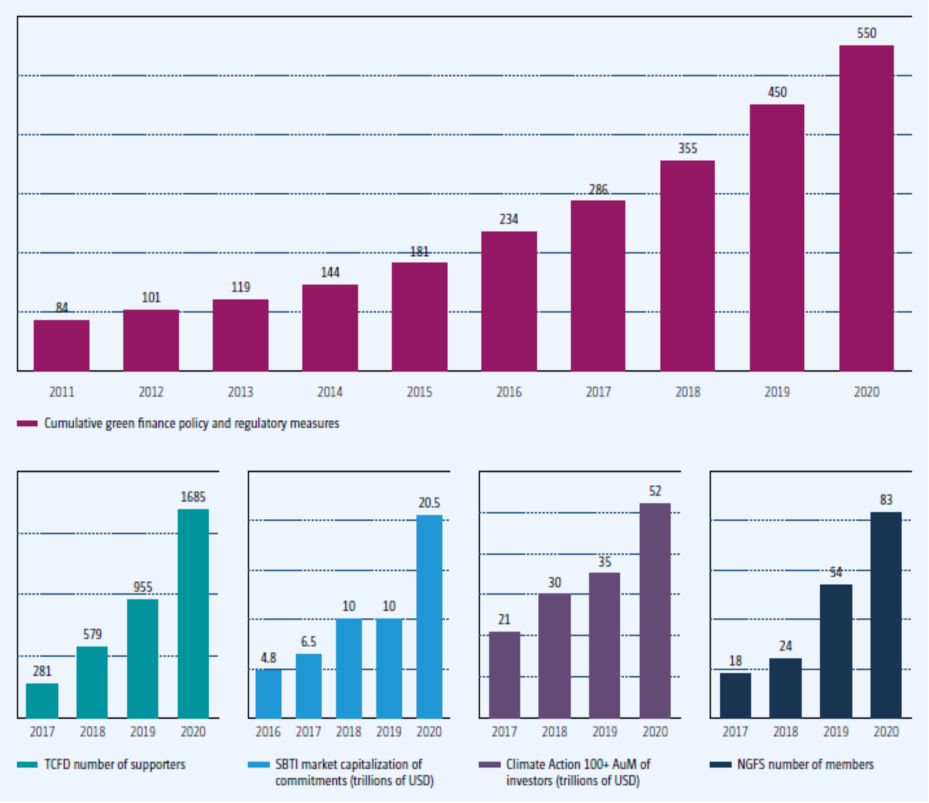
(a) 34 of 103 stock exchanges have sustainable bond-listing processes;

(b) Investors managing USD 90 trillion have signed on to the Principles for Responsible Investment;

(c) 53 banks, representing over USD 37 trillion in assets, which represent one fourth of global banking assets, have pledged to align their lending and investment portfolios with net zero emissions by 2050, as part of the Net Zero Banking Alliance;

(d) Over 40 institutional investors with USD 6.6 trillion in assets have pledged to align portfolios with net zero emissions by 2050, as part of the Net-Zero Asset Owner Alliance.

Figure 4
Number of green finance policy and regulatory measures, and growth of selected initiatives since the adoption of the Paris Agreement



51. However, the Paris Agreement triggered a focusing of action whereby existing sustainability and climate-related finance initiatives sought to adopt objectives or activities that matched those of the Paris Agreement goals. At least 115 sustainability- or climate-related financial initiatives exist that claim to be either directly or indirectly associated with contributing to the goals of the Paris Agreement. The majority relate to promoting new financial instruments that address funding needs for sustainable development and climate change. A smaller pool of approximately 31 initiatives are focused on greening financial systems – for example, the TCFD, the European Union High Level Expert Group on Sustainable Finance and the NGFS.

52. Many activities across the stakeholder mapping exercise that explicitly refer to achieving the goals of the Paris Agreement and Article 2, paragraph 1(c), in particular are executed through collective initiatives and organizations. This highlights the importance of network effects, knowledge-sharing and common goal setting. In contrast, relatively few relevant actions by national Governments are framed in the context of Article 2, paragraph 1(c). Particularly in developing countries, the ability to access international climate finance in the context of Article 9 is mentioned, as is directing domestic finance flows towards achieving NDC goals.

53. **Assessing the real-economy impact and the risk of greenwashing remains a challenge**. Efforts relevant to Article 2, paragraph 1(c), are widespread across all actors within the financial sector, with actions concentrated on defining their exposure to climate risks and the economic opportunities linked to climate response measures. However, achieving the goal in Article 2, paragraph 1(c), related to low GHG emission and climate-resilient development, set in the context of Article 2, depends on real-economy actions that reduce emissions in line with temperature goals and help to develop climate resilience. Many actors in the financial sector operate at a number of steps removed from real-economy activities, through stock or bond trading, portfolio allocations, or micro-prudential supervision, which has little direct effect on real-economy investment decisions relative to banks lending to projects, corporations approving capital expenditure plans or governments announcing support incentives. Therefore, measuring the effective role of financial actors in the context of Article 2, paragraph 1(c), is a notable topic of debate among initiatives, including which metrics are most important as indicators of success.

54. Several researchers highlight the absence of any independent critique of the motives and impacts of the numerous finance-related initiatives that have emerged since the adoption of the Paris Agreement. Such critical engagement will assist in assessing the real-economy contributions of these initiatives towards achieving consistency of finance flows and combating greenwashing in this context. Further, a plethora of initiatives offers the potential for incoherence and different levels of ambition in articulating how the goal in Article 2, paragraph 1(c), may be met.

55. The most recent initiatives include efforts of respective stakeholders to align with net zero emissions or 1.5 °C temperature rise pathways, with a focus on commitments for target setting and reporting, in contrast to earlier initiatives that focused on advocacy and high-level commitments.

56. **Trend towards activities with more stringent minimum requirements or mandatory regulations over voluntary activities**. Actors are largely adopting approaches in line with their institutional mandates, geographical reach and interpretation of how climate risks and opportunities affect and benefit their operations. To date, initiatives with the widest coverage and scope among financial actors are voluntary in nature, often with non-prescriptive commitments to principles. More recently, some initiatives include mandatory implementation requirements against common timelines. Furthermore, some Governments have already signalled that mandatory exclusions or obligations are being placed on institutions, although these remain limited in number and geographical scope.

57. **More work needed to promote inclusivity and geographical representation**. A number of initiatives relevant to Article 2, paragraph 1(c), include representation from different regions and both developed and developing countries. For private finance actors, such representation is important, and it reveals how different relative starting points, capacity and skills gaps exist within coalitions that make common commitments. Further, although a significant number of initiatives were identified, many have yet to combine networks to achieve greater effect. Of the 115 partnerships identified of relevance to supporting the goals of the Paris Agreement, with up to 5,181 constituent members, the vast majority (75 per cent) are connected to only one partnership.

58. Inclusive and broad geographic representation is even more critical among relevant initiatives targeted at public finance actors, regulators and other country-focused actors such as financial centres. In these forums, it is important to reflect the perspectives of different regions, financial systems and country priorities in how common goals are articulated, particularly as the activities of these actors support and facilitate the achievement of the goal in Article 2, paragraph 1(c), as well as their country NDCs.

59. **Pursuing consistency requires consideration of how finance targeted at GHG-intensive activities can support pathways**. A focus on individual financing or investment decisions that are consistent with a pathway towards low GHG emission and climate-resilient development is not straightforward owing to the significant potential range of what pathways may be followed for achieving the broader goals in Article 2. The trend towards developing climate, green or sustainable finance taxonomies, as seen across multiple public actor initiatives, can support the identification of activities that are consistent with such pathways, but may risk excluding necessary investment in high-emission sectors or activities that can support the overall transition to such pathways. These may be in areas where activities that are consistent are not yet available at scale owing to technological innovation (e.g. steel and/or cement processes), where activities are needed to enable the transition (e.g. financing of mining activities, road building), or where financing is needed to wind down or responsibly manage the retiring of high-emission activities and transition communities away from their reliance (e.g. coal phase-out policies and subsidies).

60. Transition finance taxonomies and transition bonds are being developed for private finance actors to finance, for example, transitional activities in the context of financing just transitions, which implies projects that meet certain conditions, such as displacing more carbon-intensive options compared with industry norms; and enabling wider application or integration of less-carbon-intensive options.

61. **Further consideration of climate-resilient development pathways is necessary to complement existing approaches**. The mapped approaches include a strong focus on actions linked to achieving the goal in Article 2, paragraph 1(a), of the Paris Agreement, namely financing investments related to low GHG emissions, and to mitigating the physical and transition-related risks of shifting from high- to low-emission development trajectories. There appears to be limited evidence

of the degree to which financial actors are aligning their investment mandates with climate resilience goals linked to Article 2, paragraph 1(b), of the Paris Agreement. There is a view that focusing on proper climate-related risk disclosure should result in better, more resilient investment and financing decisions as an end in and of itself, while other views have recognized the existing gaps in guidance and understanding on how to proactively engage on this element.

62. **Stakeholders may take action across a number of areas to support advancing efforts in relation to the goal in Article 2, paragraph 1(c)**. These include:

(a) In public policy and finance, promoting opportunities to make sustainable recovery packages consistent with the goals of the Paris Agreement in the short term and setting in place financial policies and regulations for achieving net zero commitments in the long term;

(b) Ensuring that just transition financing is incorporated into approaches to align action with the goals of the Paris Agreement or into classifications of consistency with those goals, including in supporting vulnerable developing countries at risk of climate impacts in gaining access to capital to support their climate-resilient development, and in supporting the shift of trade flows away from economic activities that are inconsistent with those goals;

(c) Further clarifying the differences or complementarities between climate finance related to Article 9 of the Paris Agreement and the long-term goal under Article 2, paragraph 1(c).

Annex II*

Executive summary of the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

[English only]

I. Introduction

1. The first NDR[1] provides an overview of qualitative and quantitative information based on available data and evidence from reports at the national, regional and global level. As such, the first NDR does not constitute an assessment of the needs of developing country Parties: the numbers of reported and costed needs are higher in the reports of some countries than of others. This does not imply that the latter have no or fewer needs; rather, this may be due to the lack of available data, tools and capacity for determining and costing needs.

II. Context and mandate

2. COP 24 requested the SCF to prepare, every four years, an NDR for consideration by the COP, starting at COP 26, and the CMA, starting at CMA 3. The COP also requested the SCF to collaborate, as appropriate, with the operating entities of the Financial Mechanism, the subsidiary and constituted bodies, multilateral and bilateral channels, and observer organizations.[2]

3. COP 25 and CMA 2 encouraged the SCF to present, to the extent possible, disaggregated information in relation to, inter alia, mapping data availability and gaps by sector, assessing climate finance flows and presenting information on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement.[3] COP 25 and CMA 2 also encouraged the SCF, in implementing its strategic outreach plan, to build on existing efforts to reach out to developing country Parties and relevant developing country stakeholders when generating data and information for the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement.[4]

III. Scope and approach

A. Scope

4. The first NDR presents quantitative information (hereinafter referred to as costed needs) and qualitative information (hereinafter referred to as needs) on the needs of developing country Parties. Quantitative information was compiled from costed needs at the project level and those derived from economic modelling in reports at the national, regional and global level and other sources. Qualitative information was derived from descriptions of planned activities, strategic directions, national priorities and action plans in the same sources.

5. To the extent possible and on the basis of the available information, the first NDR contains an analysis and presentation of the needs of developing country Parties by time frame, geographical region, thematic area, means of implementation, and sector and subsector (chap. 2). The report reflects information and data on needs as mentioned in the national, regional and global reports. The needs are dynamically changing and may depend on different factors, such as temperature scenarios, mitigation pathways and adaptive capacity, extreme weather events, adverse effects of trade and economic barriers, and social factors such as poverty.

6. Further, the first NDR illustrates processes and approaches for determining needs (chap. 3). It also maps out available tools and methodologies for determining and prioritizing needs, including sector-specific methodologies

* For a list of acronyms and abbreviations, see document FCCC/CP/2021/10/Add.2−FCCC/PA/CMA/2021/7/Add.2.

1 Available at https://unfccc.int/documents/307595.

2 Decision 4/CP.24, paras. 13–14.

3 Decisions 11/CP.25, para. 9; and 5/CMA.2, para. 9.

4 Decisions 11/CP.25, para. 12; and 5/CMA.2, para. 12.

and tools, and advantages of and challenges in applying them (chap. 4). Finally, the report highlights opportunities, challenges and gaps in relation to determining needs (chap. 5).

7. The first NDR comprises an executive summary and a technical report. The executive summary was prepared by the SCF, whereas the technical report was prepared by experts under the guidance of the SCF but remains a product of the external experts. The technical report has benefited from extensive inputs from Parties and stakeholders.

B. Sources of information

8. The first NDR has been compiled from reports prepared by developing country Parties, specifically those submitted to the UNFCCC, and reports developed by regional and global institutions. Such national reports include ACs, BURs, LEDS, NAPs, NAPAs, NCs, NDCs, TAPs and TNAs.

9. Further sources of information are the submissions received from Parties and non-Party stakeholders in response to the call for evidence issued by the SCF.[5]

C. Approach

10. The technical work comprised a review of literature and sources of available information and data, and quantitative and qualitative data collection and analysis, complemented by outreach activities. Data and information were systematically collected by the technical team under the guidance of the SCF co-facilitators for the first NDR.

11. The SCF periodically considered the outputs of the technical team and the input derived from regional meetings, and provided guidance on the development of the first NDR, including during conference calls and in-person meetings.

12. In preparing the first NDR, the technical team noted data inconsistencies, gaps and interpretation challenges, as referred to in paragraph 59 below. Efforts were made to overcome these challenges, such as identifying reporting overlaps on the basis of the reporting guidelines and avoiding double counting in aggregating and presenting the data.

IV. Key findings

A. Overview of the needs of developing country Parties

1. Information and data from national reports

13. National reports submitted by developing country Parties as part of the UNFCCC process contain information on their needs related to implementing the Convention and the Paris Agreement. There are nine types of national report, which serve different purposes under the Convention and the Paris Agreement, with reported needs varying in terms of thematic and sectoral coverage, time frame and granularity of detail. In total, 563 documents were included in the analysis for the first NDR.[6]

14. Figure 1 provides an overview of the articulation of the needs of developing country Parties, including overall costed needs, across the nine types of national report submitted by developing country Parties to the UNFCCC.[7] The overall costed needs by type of report are based on the information on activities with associated costs included in the corresponding individual national reports. The needs included in national reports are identified

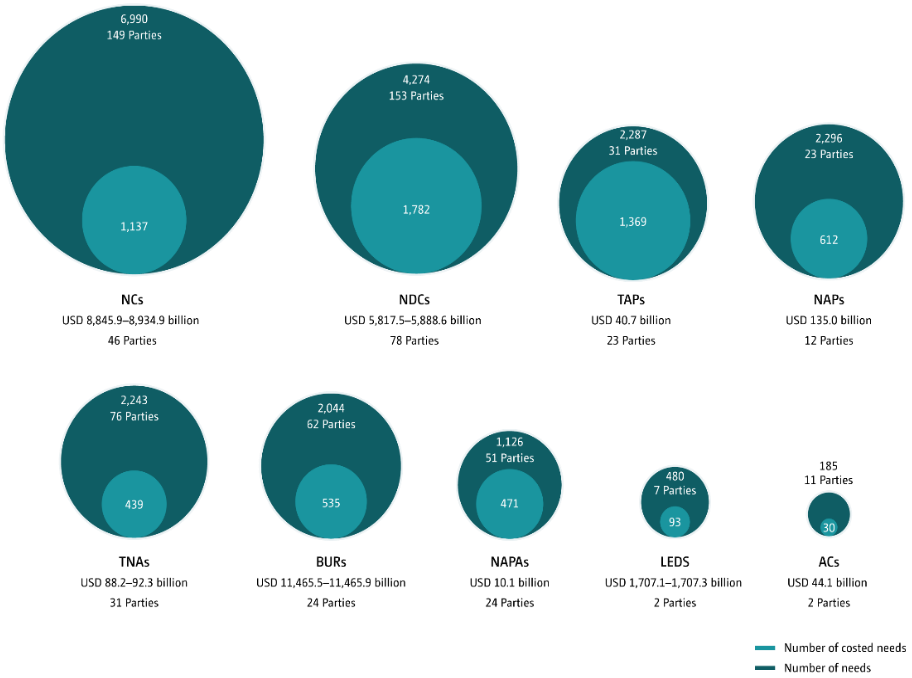
[5] See https://unfccc.int/documents/231567. The deadline of the call for evidence was extended to 30 October 2020, by which 34 submissions had been received. All submissions are available at https://unfccc.int/topics/climate-finance/workstreams/needs-report/repository-of-information-on-the-needs-of-developing-country-parties.

[6] Only the most recent submissions to the UNFCCC were used in the analysis as Parties regularly update information on their needs to reflect changing circumstances. To avoid double counting where Parties may have provided the same information in different reports (e.g. BURs and NDCs), each type of report is treated separately, without aggregation across them.

[7] Needs are catalogued in the analysis at the most granular level at which information was provided (i.e. a project or activity expressed as a need by a developing country is counted as a single activity; if activity-level information was not provided, needs are counted at the sector level; if sector-level information was not provided, needs are counted at the thematic level, etc.). Depending on the nature of the report, it is possible that the priorities and programmes consist of multiple projects and action items. See chap. 1 of the first NDR for details on the scope of the quantitative and qualitative information collected from national reports.

using a top-down approach (i.e. needs that are typically estimated using economy-wide or sectoral modelling techniques) or a bottom-up approach (i.e. needs that are typically identified from a project pipeline). Developing country Parties periodically update their national reports submitted to the UNFCCC, reflecting changing circumstances and improvements in their data-collection processes and analysis. Therefore, data and information on needs may not be exhaustive as the needs are dynamically changing.

Figure 1
Overview of articulation of needs, including costed needs, by type of national report submitted to the UNFCCC



[a] *Note*: Ranges of costs included where available.

(a) Insights from quantitative data on needs

15. The needs identified and articulated by developing country Parties across the nine types of national report encompass a wide range of financial, technology development and transfer, and capacity-building needs. The level of detail in the information provided varies in terms of the description of needs and their associated costs, if specified. While some Parties express costed needs for adaptation or mitigation purposes, other communicate needs at the activity or sector level.

16. As at 31 May 2021, NDCs from 153 Parties included 4,274 needs, with 1,782 costed needs identified across 78 NDCs, cumulatively amounting to USD 5.8–5.9 trillion up until 2030. Of this amount, USD 502 billion is identified as needs requiring international sources of finance and USD 112 billion as sourced from domestic finance. For 89 per cent of the costed needs, information was not provided on possible sources of finance. Among the national reports, NCs from 149 Parties present the highest number (6,990) of identified needs, of which 1,137 costed needs cumulatively amount to USD 8.8–8.9 trillion, with 5 per cent of the costed needs distributed across 45 NCs and 95 per cent in 1 NC. BURs from 62 Parties indicated 2,044 needs, of which 535 needs are costed, cumulatively amounting to USD 11.5 trillion, with 5 per cent distributed across 60 BURs and 95 per cent across 2 BURs, thereby representing the highest amount of costed needs identified across the nine types of national report. These figures should be viewed in the light of the size and nature of developing country Parties' economies and the scale of climate impacts.

(i) Thematic distribution of costed needs

17. As shown in table 1, cumulatively, identified costed mitigation needs tend to be larger than costed adaptation needs across the reports that cover all thematic areas such as BURs, NCs and NDCs. The overall amount of costed adaptation needs is comparable to the overall amount of costed mitigation needs expressed in NCs (43 and 56–57 per cent, respectively). In the case of NDCs, the overall identified costed mitigation and adaptation needs (50 per cent) are comparable to the amount of costed cross-cutting needs (50 per cent), noting that the costed needs expressed as cross-cutting are largely a reflection of one NDC. Although some developing countries provided information on costed needs for mitigation and adaptation by sector and subsector, this information was not

provided across all reports. Therefore, it was not possible to provide a comprehensive and accurate overall amount of costed needs by sector and subsector in the first NDR.

18. Table 1

Overview of sources of reported costed needs of developing countries by type of national report submitted to the UNFCCC

	Costed needs (USD billion)				
Report	*Total*	*Mitigation*	*Adaptation*	*Cross-cutting*	*Other*
AC	44.10 (100%)	–	44.10 (100%)	–	–
BUR	11 465.53–11 465.90 (100%)	5 286.94–5 287.31 (46%)	3 628.81 (32%)	2 550.01 (22%)	–
LEDS	1 707.15–1 707.35 (100%)	1 407.15–1 407.34 (82%)	300.00 (18%)	–	–
NAP	135.02–135.03 (100%)	–	135.02 (100%)	–	–
NAPA	10.05 (100%)	–	10.05 (100%)	–	–
NC	8 845.85–8 934.94 (100%)	5 019.30–5 033.83 (56–57%)	3 812.06–3 882.07 (43%)	2.23 (>0%)	12.25–16.81 (>0%)
NDC	5 817.48–5 888.56 (100%)	2 156.05–2 156.13 (37%)	764.24–835.24 (13–14%)	2 893.39 (49–50%)	3.81 (>0%)
TAP	40.74 (100%)	21.97 (54%)	18.76 (46%)	–	0.01 (>0%)
TNA	88.24–92.33 (100%)	30.33–34.33 (34–37%)	57.9–57.98 (63–68%)	0.01 (>0%)	–

[b] *Notes*: (1) Ranges of costs included where available. (2) The percentages given are the percentages of the type of costed need for each report type.

19. Although developing country Parties identified more adaptation than mitigation needs, more costs were identified for the latter. This may not imply that mitigation needs are greater, but rather be due to lack of available data, tools and capacity for assessing adaptation needs (see the information on challenges and gaps in paras. 61–66 below).

20. Available information related to costed needs varies across regions (see table 2). African countries included 1,529 needs in their NDCs, of which 874 were costed, amounting to USD 2.5 trillion. NDCs of countries in the Asia-Pacific region included 1,677 needs, of which 630 needs were costed, cumulatively amounting to USD 3.2–3.3 trillion. Of the 771 needs expressed in the NDCs of countries in the Latin America and Caribbean region, 166 NDCs included costed needs, cumulatively amounting to USD 168.2–168.3 billion, of which almost 60 per cent was in one NDC. NDCs of developing countries from the Eastern European region included 282 needs, of which 112 were costed, cumulatively amounting to USD 9.36 billion.

(ii) Regional distribution of costed needs

Table 2
Number and cost of needs expressed in nationally determined contributions by region

Region	*Number of expressed needs*	*Number of expressed needs with financial information (i.e. costed needs)*	*Costed needs based on available financial information (USD billion)*
African States	1 529	874	2 459.56–2 460.56

Region	*Number of expressed needs*	*Number of expressed needs with financial information (i.e. costed needs)*	*Costed needs based on available financial information (USD billion)*
Asia-Pacific States	1 677	630	3 180.39–3 250.39
Eastern European States	282	112	9.36
Latin American and Caribbean States	771	166	168.18–168.26
Western European and other States	15	–	–

[c] *Note*: Ranges of costs included where available.

21. Some Parties reported information on potential needs related to averting, minimizing and addressing loss and damage, either through specific adaptation activities that include objectives related to averting, minimizing and addressing loss and damage; referenced damage incurred owing to recent climate-related events such as droughts and severe weather; or modelled potential future impacts of climate on GDP or economic losses in a given year (e.g. 2030 or 2050). The information was also reported in the context of national circumstances, climate impacts and/or needs depending on the reporting Party.

22. As noted in paragraph 5 above, needs expressed in national reports are dynamically changing and, therefore, data and information thereon may not be exhaustive. While the number of needs and costed needs communicated in national reports is lower for some regions than others, this does not mean that those regions have no or fewer needs. Rather, this may be due to lack of available data, tools and capacity for determining and costing needs. Therefore, the number of needs and costed needs compiled from national reports available at the time of preparation of the first NDR should not be used to draw comparisons of the actual needs across regions.

(b) Insights from qualitative data on needs

Figure 2
Needs expressed by developing countries in national reports by theme, region and means of implementation

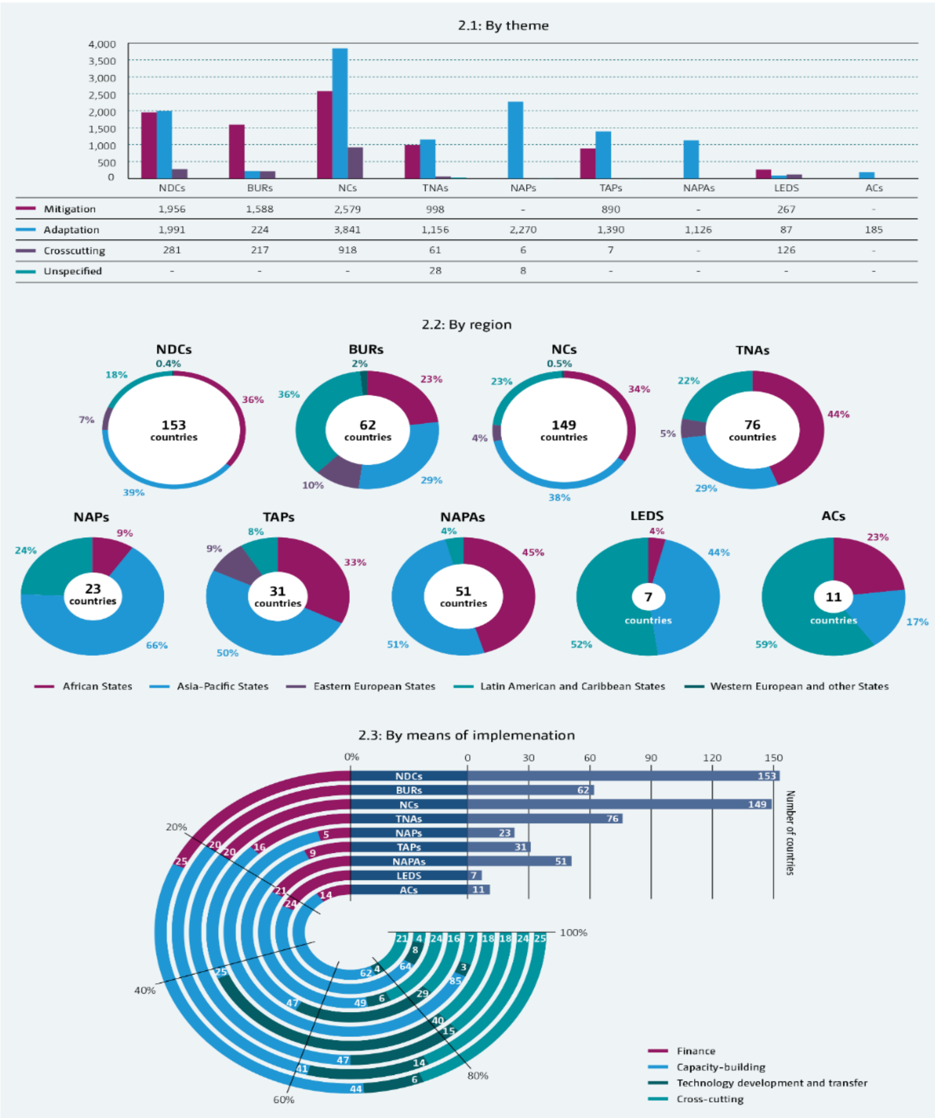
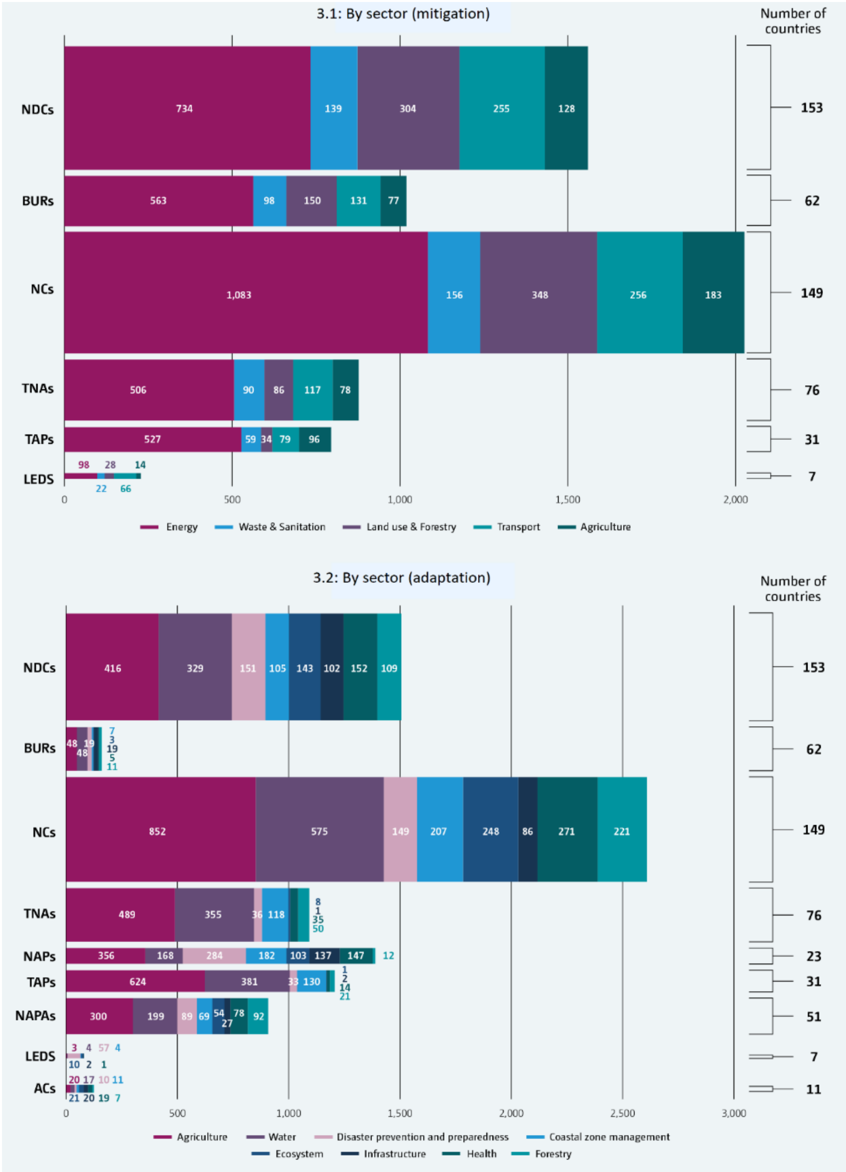


Figure 3
Needs expressed by developing countries in national reports by sector



(i) Thematic distribution

23. Overall, needs related to adaptation are mentioned more often than those related to mitigation in all report types except BURs and LEDS, indicating greater attention to supporting developing countries' expressed adaptation needs. For example, as shown in figure 2, NDCs included 1,991 needs for adaptation and 1,956 for mitigation.

(ii) Regional distribution

24. When the number of expressed needs across the nine national report types is considered, developing country Parties in the Africa and Asia-Pacific regions identified comparable numbers of needs across the national reports with broad thematic and sectoral coverage such as BURs, NCs and NDCs, comparable with the Latin America and Caribbean region only in the case of BURs (see figure 2, section 2.2). Developing country Parties in the Asia-Pacific region used NAPs and TAPs to further specify adaptation needs, as more than half of the needs identified in NAPs and TAPs were from this region. Developing country Parties in the Latin America and Caribbean, and Eastern European regions expressed more needs in their NCs than in other national reports. Latin American and Caribbean Parties expressed a considerable number of adaptation needs in adaptation-specific national reports (e.g. ACs and NAPs) when compared with the overall number of needs expressed in their BURs and NDCs. Developing country Parties in the African region expressed more needs through TNAs compared with other regions, reporting 993 needs compared with the 642 needs identified by Parties in the Asia-Pacific region.

(iii) Distribution by means of implementation

25. Qualitative data show a significant prevalence of capacity-building and technology development and transfer needs, which may in part be due to the resources developing countries can access to support the identification of these needs. The number of capacity-building needs is higher than finance needs and technology development and transfer needs identified in the nine national report types except for TNAs (see figure 2, section 2.3). Capacity-building needs expressed across the national reports typically cover areas such as research, training and education, awareness-raising, institutional strengthening and coordination, and policy development.

(iv) Sectoral and subsectoral distribution

26. On the basis of the number of mitigation needs expressed across the nine national report types, energy is the lead sector for climate change mitigation actions, followed by land use and forestry, transport, agriculture, and waste and sanitation (see figure 3, section 3.1).

27. When considering mitigation needs by sector and subsector, the nine types of national report show that most needs in the **energy sector** relate to requests for support for the energy efficiency and renewable energy subsectors, albeit with some variation between them. In NDCs, needs for renewable energy development were identified almost twice as frequently as those for energy efficiency (399 and 261, respectively) but the total nominal value of energy efficiency projects was 1.5 times larger than that of renewable energy projects (USD 377.22 billion and USD 198.08 billion, respectively). In BURs and NCs, more needs related to renewable energy than to energy efficiency were identified. TNAs included a larger variation among energy subsectors, including the development of natural gas, the phasing-out of inefficient subsidies, the exploration of carbon capture and storage, and the development of the efficient use of coal.

28. The majority of expressed mitigation needs in the **land-use and forestry sector** represented a few densely forested countries, such as Bhutan, Brazil, the Congo, Costa Rica, Ghana, Guyana, the Lao People's Democratic Republic, Malaysia, Papua New Guinea, Suriname, the United Republic of Tanzania and Viet Nam. This sector covers key activities such as reforestation, forest fire prevention, social forestry development, sustainable forest management, development of sustainable supply chains for forest commodities, spatial planning forestry research and some land-use activities, such as management of livestock. Data in NCs and NDCs showed that, within this sector, needs related to reforestation are the largest needs expressed in financial terms.

29. On the basis of the number of adaptation-related needs expressed across the nine national report types, agriculture and water are the two lead sectors for climate change adaptation actions, followed by disaster prevention and preparedness, coastal zone management and health (see figure 3, section 3.2).

30. Adaptation needs in the **agriculture sector** cover a wide variety of land uses that overlap with other key sectors. Needs related to agroforestry and irrigation, for example, also touch on areas or land managed under the forestry and water sectors. Needs related to the agriculture sector relate to crop diversification, development of resistant crops, land and soil management, livestock management, and fisheries and aquaculture.

31. Adaptation needs in the **water sector** are dominated by the need for water distribution infrastructure, water harvesting and irrigation. Other types of need in this sector vary widely and cover water resource management, water storage and water sanitation. In NDCs, about 38 per cent of expressed needs in the water sector include financial information. Water distribution infrastructure, including wastewater treatment, was the largest need in financial terms across all types of report.

(c) Other areas of needs

32. Developing country Parties also communicate other areas of needs that involve issues such as gender, indigenous peoples and vulnerable groups. However, across the nine national report types, less than 10 per cent of needed activities referred to gender or specific communities. Where these topics are included in national reports, information tends to relate to commitments, policies and/or strategies.

33. Some reports that expressed needs for policy development were linked to the SDGs and the Addis Ababa Action Agenda. In general, the implementation of climate actions is mainstreamed in SDG-related actions. However, a few reports expressed needs focusing on institution-building and policy development, aiming to link climate commitments with the SDGs; for example, Jordan's need to align its intended nationally determined contribution with the SDGs, and Morocco's needs (expressed in its NCs) to strengthen the National Institutional Framework of Climate Change through a regulatory system based on the Framework Law on the National Charter for Environment and Sustainable Development.

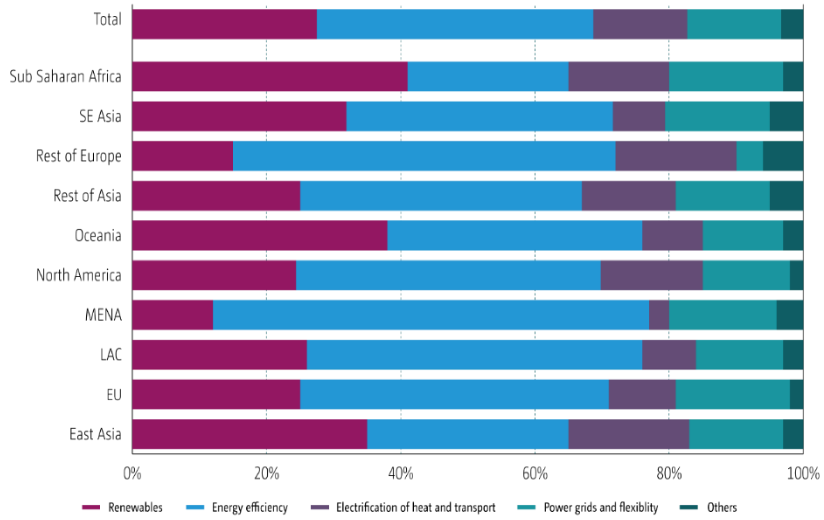
2. Information and data from reports by regional and global actors

34. Information and data on the needs of developing countries are also available from regional and global reports. For the mitigation needs of developing countries, these reports use a mix of climate economic modelling

for scenarios of below 2 °C, ranging from USD 2.4 trillion to USD 4.7 trillion in annual energy-related investment needs globally;[8] investment opportunities based on stated national plans and targets including and beyond NDCs, ranging from USD 23.8–29.4 trillion for emerging markets from 2016 to 2030;[9] and investment estimates for achieving conditional NDC targets using carbon prices, for example USD 715 billion in Africa[10] (see figure 4 for an example of energy investment needs identified by the International Renewable Energy Agency[11]).

Figure 4

Shares of annual average clean energy investments in the International Renewable Energy Agency transforming energy scenario, by region, 2016–2050



Source: International Renewable Energy Agency. 2019. *Transforming the energy system – and holding the line on rising global temperatures*. Abu Dhabi: International Renewable Energy Agency. Available at www.irena.org/publications/2019/Sep/Transforming-the-energy-system.

35. Reports based on energy–economy models note that developing country regions have the largest investment gaps compared with historical trends to achieving climate scenarios in line with the Paris Agreement. Three to fourfold increases of investment are necessary in both renewable energy and energy efficiency across many regions that include developing countries.

36. Regional and global reports also provide estimates related to adaptation and resilience. Costs based on bottom-up national and sector-based studies (ranging from USD 140 billion to USD 300 billion annually by 2030) measuring impacts to GDP (for example, ranging from USD 289.2 billion to USD 440.5 billion up to 2030 in Africa) and the incremental investment needed to upgrade or retrofit infrastructure stock (ranging from USD 11 billion to USD 670 billion in annual incremental costs) are most prevalent.

37. To make current and future infrastructure climate-resilient, annual costs as a percentage of GDP are at least double in countries with emerging market economies, low-income countries and small States compared with the costs in high-income countries, that is 1.1–1.49 per cent compared with 0.45 per cent. Investment needs expressed as a percentage of GDP for upgrading new infrastructure and coastal protection are proportionally greater in lower-income countries and small States, while retrofitting existing infrastructure is the major cost component in countries with emerging market economies. However, the reports also noted that specific knowledge on the degree of

[8] See Collum DL, Zhou W, Bertram C, et al. 2018. Energy investment needs for fulfilling the Paris Agreement and achieving the Sustainable Development Goals. *Nature Energy*. 3(7): pp.589–599. International Energy Agency. 2020. *World Energy Model Documentation*. Paris: IEA. Available at https://iea.blob.core.windows.net/assets/bc4936dc-73f1-47c3-8064-0784ae6f85a3/WEM_Documentation_WEO2020.pdf; and International Renewable Energy Agency. 2020. *Global Renewables Outlook. Energy transformation 2050*. Abu Dhabi: International Renewable Energy Agency. Available at https://www.irena.org/publications/2020/Apr/Global-Renewables-Outlook-2020.

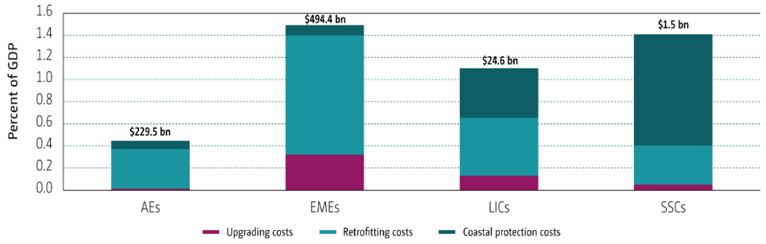
[9] International Finance Corporation. 2017. *Climate Investment Opportunities in South Asia. An IFC Analysis*. Washington, D.C.: International Finance Corporation. Available at https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/climate+business/resources/final+climate+investment+opportunities+in+south+asia+-+an+ifc+analysis.

[10] African Development Bank. 2021. *Needs of African Countries Related to Implementing the UN Framework Convention on Climate Change and the Paris Agreement*. Available at https://unfccc.int /sites/default/files/resource/Needs%20Report_African%20counties_AfDB_FINAL.pdf.

[11] For the purpose of the first NDR, various data sources were used to illustrate needs of developing country Parties, without prejudice to the meaning of this term in the context of the Convention and the Paris Agreement, including but not limited to Parties not included in Annex I to the Convention and other classifications used in regional and global reports.

exposure of infrastructure to natural hazards, related to their location, intensity and level of risk, could affect the incremental cost of making infrastructure climate-resilient (e.g. 3 per cent of total investment as opposed to 8–45 per cent) (see figure 5).[12]

Figure 5
Public investment needs for resilience of physical infrastructure, by country grouping (gross domestic product weighted average)



Source: International Monetary Fund. 2020. *Fiscal Monitor. Policies for the Recovery*. Washington, D.C.: International Monetary Fund.

38. The information and data generated from the national, regional and global reports cannot be compared with each other as the reports have different time frames, objectives and scopes. However, all of the reports may be viewed as complementary in offering different insights, granularity and processes and approaches for identifying needs.

B. Processes and approaches for determination of needs of developing country Parties

1. National institutional arrangements

39. Developing country Parties have varied institutional arrangements for identifying climate change needs, which are described in most of their national reports submitted to the UNFCCC. Most countries have established specialized institutions within their ministries and departments whose mandate is to spearhead climate change actions. These institutions have various names such as climate change directorate, climate change unit, interministerial climate change coordination committee, climate change technical working group and climate research centre.

40. Good practice in ensuring buy-in and effective coordination of the needs identification process is the engagement of high-level decision-making government offices at the initial stage of the climate change needs identification process. In addition, the engagement of other stakeholders and the assignment of specific roles and responsibilities to participants representing various sectors and interest groups at both the national and subnational level was noted in the reports of the majority of developing countries.

41. Institutional arrangements for needs determination vary widely across countries. However, in most countries the ministry responsible for environmental affairs coordinates the process through a focal point or a committee.

42. The focal point leads the needs identification process and can adopt varying arrangements for stakeholder consultation. The stakeholder consultation process leads to determining the institutional arrangements for the needs identification process. Some of the most common institutional arrangements include focal point only, focal point with other ministries and an interministerial committee. Among these, the interministerial committee is the most inclusive and likely to provide more detailed information on needs across sectors.

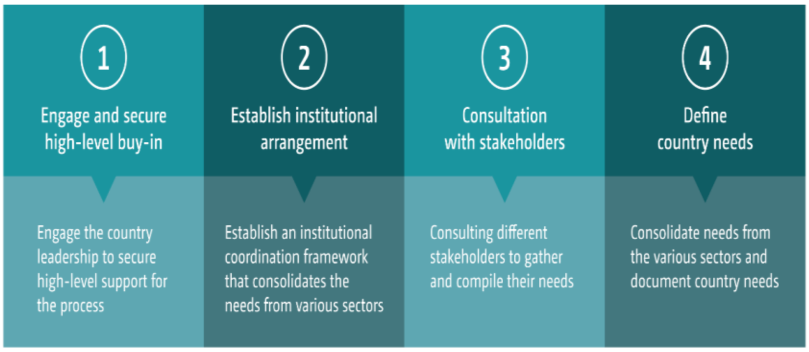
2. Needs identification process

43. The needs identification process of most countries starts with consultations between the lead ministry and the country's leadership. This ensures country ownership and top-level support in the needs identification process (see figure 6).

[12] As footnote 11 above.

Figure 6

Common steps adopted by countries' committees or units for identifying climate change needs



44. Stakeholder consultations are an integral part of the needs identification process. During the initial phase, background information is collected and assessments are carried out to help scope the needs. The stakeholders consulted are mainly from government line ministries, though in some instances they include non-governmental organizations and the private sector. Local communities are the least consulted stakeholders during the process.

45. In most of the national reports, the description of the needs identification process does not explicitly mention inclusivity aspects. Needs related to gender and local communities are captured in some reports emanating from those processes. However, where the needs identification process has projects and programmes as part of its output, gender and other inclusivity aspects of various stakeholders were mostly elaborated in the project or programme documents.

3. Processes and approaches used by other actors, namely multilateral climate funds, multilateral development banks and United Nations agencies

46. MDBs and United Nations agencies play a critical role in supporting developing countries in their needs identification process. In most cases, these agencies use experts during country-driven needs identification consultation forums to provide insights and share data that may help developing countries better identify and report their needs.

47. In other instances, MDBs and United Nations agencies provide financial and technical support for developing countries in the needs identification process. This support is used to carry out in-depth sectoral analysis to identify pathways within these sectors where considerable effort is needed and where greater impacts can be achieved. For countries that have benefited from this support for their second NDCs, their reports provide more granular information on needs, including by sector, compared with their first NDCs.

48. The multilateral climate funds established under the Convention, namely the GEF, including the special climate funds managed by the GEF (the Special Climate Change Fund and the Least Developed Countries Fund), the Green Climate Fund and the Adaptation Fund, also play a critical role in providing financial support for countries in facilitating their climate change needs identification process. This is particularly evident in the case of the Green Climate Fund and Adaptation Fund readiness support and the GEF Capacity-building Initiative for Transparency Trust Fund, which enable countries to identify and prioritize their climate change needs.

C. Methodologies and underlying assumptions used in determining the needs of developing country Parties

1. Methodologies used at the national level by developing countries in national reports

49. Developing country Parties identify adaptation and mitigation needs in preparing their national reports, following UNFCCC reporting guidelines and guidance and, in some cases, other methodologies adapted to their national context. The approaches taken vary depending on institutional and human capacities, cost, geography, time frame and data availability.

50. Although recent national reports include more information about methodologies used to determine adaptation needs, overall, there is still more information about the methodologies used to determine mitigation needs than for adaptation needs. The types of methodology applied vary. Most methodologies used to identify mitigation needs are quantitative, while a lower number of qualitative methodologies are used to identify adaptation needs. However, in recent reports, some countries have used methodologies to identify both mitigation and adaptation needs.

51. Countries in the Africa, Asia-Pacific, and Latin America and Caribbean regions present region-level information about methodologies applied to determine mitigation needs. Countries in the Africa and Asia-Pacific regions also present information about methodologies used to determine adaptation needs.

52. UNFCCC reporting guidelines and guidance, such as those provided for TNA preparation, have facilitated identification of needs for technology transfer and capacity-building related to mitigation and adaptation actions through methodologies such as the TNA methodology and the guidance for preparing a TAP.[13] However, the existing reporting guidelines and guidance do not include specific provisions on how to assess these needs at the local level. As such, countries assess their needs on the basis of methodologies developed for application at the national or international level.

53. Methodologies used by developing countries to determine mitigation needs include both top-down and bottom-up models for the energy and non-energy sectors. Bottom-up models are suited for studying options that have specific sectoral and technological implications. Top-down models are useful for studying broad macroeconomic and fiscal policies for mitigation, such as carbon or other environmental taxes. Methodologies applied to identify mitigation needs mainly focus on the cross-cutting, energy, greenhouse gas inventory preparation, waste, transport, agriculture, forestry, building and industry sectors.

54. Methodologies used by developing countries to determine adaptation needs mostly include vulnerability assessments that determine the levels of risk and vulnerability for each sector. These methodologies mainly focus on the agriculture, ecosystem and biodiversity, water and cross-cutting sectors.

2. Methodologies used at the regional and global level

55. For international and regional reports, top-down methodologies have been developed and applied to identify finance, technology development and transfer, and capacity-building needs. Such reports have provided alternative methodologies to developing countries that have been adapted to national circumstances and contexts and used to determine national needs.

D. Challenges, opportunities and gaps in determining the needs of developing country Parties

1. Opportunities

56. There are several regional and global specialized institutions that can support countries in their needs identification process by providing expertise and data. Some of these institutions are United Nations agencies, to which countries have quick and easy access and which can be engaged with during the needs identification process to provide the required support.

57. A number of platforms have been established by various institutions, including United Nations agencies and MDBs. These platforms offer a good opportunity for developing countries to share their experience and good practices in the needs identification process. Most developing countries are already using these platforms to share their experience.

58. Several initiatives have been established that can help in the needs identification process. These initiatives include the establishment of emissions inventories, which provide some of the data and information that can facilitate the prioritization of sectors and activities as part of the country’s climate change needs identification process.

2. Challenges

(a) Challenges experienced in the preparation of the report

59. In compiling the needs of developing country Parties from the various sources, efforts were made by the technical team to overcome challenges such as identifying reporting overlaps so as to avoid double counting in aggregating and presenting the data.

60. Nevertheless, the following challenges were encountered in collecting, categorizing, aggregating and presenting the data on needs:

(a) **Data inconsistencies**: the classification of sectors and subsectors is not uniform across data sources, including in different sources of information and reports submitted by the same Party. This increases the risk of double counting, as cost estimates may be given in one report by sector and in another report by activity, so

[13] Technology Executive Committee. 2020. *Enhancing implementation of the results of technology needs assessments*. Bonn: UNFCCC. Available at https://unfccc.int/ttclear/tec/brief13.html.

the same activity may be captured and hence accounted for under the costs by sector. Issues related to the definitions of needs also introduce inconsistencies because needs are referred to as qualitative needs, investment needs or costs;

(b) **Data gaps**: gaps in the coverage of information on costed needs by sector or subsector pose a significant challenge. These gaps are particularly evident for adaptation needs, which, compared with cost estimates for mitigation, remain limited. Significant data gaps related to capacity-building needs remain; these are predominantly characterized in qualitative terms. Further, information on methodologies used in producing and communicating information on needs in national reports is, in many cases, not included in the reports. In addition, methodological assumptions, which in most cases are not stated, may impact the interpretation of the data. The needs are dynamically changing and may depend on different factors such as temperature scenarios, mitigation pathways and adaptive capacity, extreme weather events, adverse effects of trade and economic barriers, and social factors such as poverty. Most reports, however, provide a snapshot of a Party's needs. It should also be noted that not all Parties have submitted reports;

(c) **Data interpretation**: when collecting, analysing and aggregating data and information on the needs of developing country Parties, best efforts have been made to ensure accuracy. When collecting and analysing the amounts of needs reported by developing country Parties in their national reports, different Parties apply their respective definitions and interpretations of needs. Needs may be reported as needs or activities needed to take climate action. Furthermore, costed needs may be determined in one national report but not in the subsequent report, without stating whether the same amounts of costed needs apply.

61. The following steps were undertaken to analyse, aggregate and present the data:

(a) Analysis of data gaps and identification of areas for improvement;

(b) Harmonization of data sets used for estimating the global total needs in order to minimize misalignment between information and data according to thematic areas, regions, sectors and time frames;

(c) Presentation of quantified data in ranges of estimates where possible, instead of aggregating the amounts, to avoid possible data overlaps;

(d) Use of case studies to highlight good practices and lessons learned in determining needs.

(b) Challenges experienced by developing countries

62. Institutional coordination was highlighted as a major challenge in the needs determination process. The coordination challenge affected needs identification between sectors and between levels of governance, namely the local and national level. Two of the identified drivers of limited coordination were the lack of specialized institutions within ministries with the mandate to spearhead climate change actions, and the involvement of ministries other than the environment ministry in climate change planning in the needs identification process.

63. While most countries have used methodologies to identify and report their needs both qualitatively and quantitatively, costing these needs has been a major challenge and therefore most of these needs do not have accompanying cost estimates. This challenge is particularly evident in deriving cost estimates for climate adaptation and enhancing resilience needs, and, in this context, deriving cost estimates for averting, minimizing and addressing loss and damage needs, since developing countries' adaptation actions cannot always be included in short-term projects, but rather require long-term interventions that are difficult to estimate in monetary terms.

3. Gaps

64. Developing countries have taken significant steps to improve their needs determination process but capacity gaps within lead institutions continue to hinder progress. These capacity gaps vary widely across countries and include the lack of qualified personnel to spearhead the needs identification process and the lack of institutional-level capacity.

65. Limited availability of granular data at the sector and subsector level constitutes one of the major gaps identified by developing countries. As a result, many developing countries provide cost estimates for overall needs rather than disaggregated by theme or sector.

66. The lack of specialized national institutions to spearhead the means of implementation under the Convention, such as technology development and transfer, and capacity-building, limits the ability of some developing countries to track needs continuously and identify additional and emerging needs.

67. Limited detailed guidance on the structure and content of reports submitted to the UNFCCC resulted in needs with varying levels of detail across countries. Where such guidance was available, for instance for TNAs, the needs were identified at a higher level of detail compared with needs communicated in other national reports.

4. Insights into determining needs using available resources: country case studies and experience

68. Country case studies have shown that the needs identification process provides an opportunity for countries to translate their needs into investment opportunities and climate actions, including by using existing support mechanisms to prioritize and cost identified needs and turn needs into project ideas for support. For example, through the TNA process, some countries identified technology support needs and submitted a request for technology assistance to formulate project ideas related to technology development and transfer.

69. Costing adaptation and mitigation needs for action is becoming a crucial area of work at the national level in order to better identify gaps where financial support is needed and ways to leverage public and private resources.

5. Co-benefits related to addressing the needs of developing country Parties, such as in relation to the Sustainable Development Goals, disaster risk reduction and the Addis Ababa Action Agenda

70. For most countries, climate change needs are aligned with the targets set out in the 2030 Agenda for Sustainable Development. As the SDGs are ideally indivisible, all developing country Parties covered in this report are taking action to address SDG 13 that relates to taking action to address climate change, and SDG 13 affects all the other SDGs. Overall, the needs identified by developing countries touch on all SDGs, with 75 per cent of NDCs having linkages to SDGs 2, 6, 7, 8, 9, 11, 12, 13, 15 and 17.

71. In their national reports, some developing country Parties refer to the Addis Ababa Action Agenda provision for mobilizing and aligning local resources for climate action. This is particularly evident in countries that capture their climate action budgets under the national budgeting process.

V. Recommendations

72. The SCF invites the COP and the CMA to consider the following recommendations:

(a) *Encourage* developing country Parties and climate finance providers, as well as multilateral and financial institutions, private finance data providers and other relevant institutions, to enhance the availability of granular, country-level data on needs related to the implementation of the Convention and the Paris Agreement with a view to addressing existing data gaps;

(b) *Encourage* developing country Parties to share best practices on determining needs, including regarding the institutional capacity conducive to determining needs;

(c) *Encourage* developing country Parties to provide, where possible, information on needs related to:

(i) Gender-responsive climate action and the needs of indigenous peoples and vulnerable groups;

(ii) Preparation of national reports to the UNFCCC, including reporting on the activities contained therein;

(iii) Addressing and mitigating risks, including physical and transitional risks;

(iv) Energy poverty as it relates to sustainable development;

(v) Methodologies employed in the determination of the needs in their national reports to the UNFCCC, including, in accordance with reporting guidelines and where available, quantified data on needs;

(d) *Request* the SCF, in preparing future NDRs, to present available data and information on needs related to the recommendations referred to in paragraph 71(c) above;

(e) *Invite* the operating entities of the Financial Mechanism, United Nations agencies, multilateral and bilateral financial institutions and other relevant institutions to make use of the information contained in the first NDR when supporting developing country Parties in identifying and costing needs;

(f) *Invite* the operating entities of the Financial Mechanism to revise templates and guidance for developing countries when supporting their processes in identifying their needs with a view to enhancing availability of granular information on qualitative and quantitative needs;

(g) *Encourage* the operating entities of the Financial Mechanism, United Nations agencies, multilateral and bilateral financial institutions and other relevant institutions to make available further information on methodologies related to determining and costing needs, especially for adaptation needs and incremental costs;

(h) *Encourage* developing country Parties to consider the insights on methodologies identified in the first NDR when costing and determining needs;

(i) *Encourage* developing country Parties to take advantage of available resources through the operating entities of the Financial Mechanism, as well as other multilateral and bilateral actors, to strengthen institutional capacity for identifying and costing their needs in relation to implementing the Convention and the Paris Agreement;

(j) *Request* the SCF to engage with public and private financial institutions and to disseminate the findings of the first NDR;

(k) *Invite* UNFCCC constituted bodies, in particular the Paris Committee on Capacity-building and the Adaptation Committee, to consider the insights identified in the first NDR when implementing their respective workplans;

(l) *Encourage* Parties, multilateral and financial institutions, academia, methodology developers, research institutions and other relevant actors to continue to develop methodologies for the determination of adaptation and resilience enhancement needs and, in this context, needs related to averting, minimizing and addressing loss and damage;

(m) *Encourage* the operating entities of the Financial Mechanism, United Nations agencies, multilateral and bilateral financial institutions and other relevant institutions to provide financial and technical support to developing countries for updating the reporting of their qualitative and quantitative information and data on needs to be considered in subsequent NDRs, as appropriate;

(n) *Encourage* all actors, when determining needs for implementing the Convention and the Paris Agreement, to highlight linkages to the implementation of the 2030 Agenda for Sustainable Development and application of the Addis Ababa Action Agenda.

12th plenary meeting
13 November 2021

Decision 10/CMA.3

(FCCC/PA/CMA/2021/10/Add.3)

Matters relating to the Standing Committee on Finance

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling Article 9 of the Paris Agreement,

Also recalling decisions 1/CP.21, paragraphs 53 and 63, 11/CP.25, 14/CMA.1 and 5/CMA.2,

1. *Affirms* decision 5/CP.26, which, inter alia, welcomes the reports of the Standing Committee on Finance and endorsed the findings and recommendations contained therein;

2. *Invites* Parties, the operating entities of the Financial Mechanism, international financial institutions and other stakeholders in the financial sector to submit via the submission portal[1] their views regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, by 30 April 2022 and *requests* the Standing Committee on Finance to submit a synthesis for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session (November 2022);

3. *Also requests* the Standing Committee on Finance to continue its work on definitions of climate finance, taking into account the submissions received from Parties on this matter,[2] with a view to providing input for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session;

4. *Further requests* the Standing Committee on Finance to report to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session on progress in implementing its 2022 workplan;[3]

5. *Requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

12th plenary meeting
13 November 2021

[1] https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx.
[2] In response to decision 5/CMA.2, para. 10.
[3] FCCC/CP/2021/10–FCCC/PA/CMA/2021/7, annex II.

Decision 11/CP.25

(FCCC/CP/2019/13/Add.2)

Matters relating to the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention,

Also recalling decisions 12/CP.2, 1/CP.16, paragraph 112, and 2/CP.17, paragraphs 120–121, as well as decisions 5/CP.18, 5/CP.19, 7/CP.19, 6/CP.20, 6/CP.21, 8/CP.22, 7/CP.23, 8/CP.23, 4/CP.24 and 5/CMA.2,

1. *Takes note* of the report of the Standing Committee on Finance to the Conference of the Parties at its twenty-fifth session and the recommendations contained therein[92];

2. *Endorses* the workplan[93] of the Standing Committee on Finance for 2020 and *underlines* the importance of the Standing Committee on Finance focusing its work in 2020 in accordance with its current mandates;

3. *Notes* the outcomes of the discussions of the Standing Committee on Finance on the 2020 Biennial Assessment and Overview of Climate Finance Flows and the report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement as well as the respective workplans, outreach activities and indicative timelines for preparation;[94]

4. *Expresses its appreciation* to the Governments of Australia, Belgium, Germany, Norway, the Philippines and Switzerland for their financial contributions to support the work of the Standing Committee on Finance;

5. *Welcomes* the 2019 Forum of the Standing Committee on Finance, on the topic of climate finance and sustainable cities, with a focus on enhancing understanding of how to accelerate the mobilization and delivery of climate finance for the development of sustainable cities, and *takes note* of the summary report[95] on the Forum;

6. *Expresses its gratitude* to the Governments of Australia, Lebanon and Norway, as well as to the United Nations Economic and Social Commission for Western Asia, the Union for the Mediterranean, and the Islamic Development Bank, for their financial, administrative and substantive support, which contributed to the success of the 2019 Forum of the Standing Committee on Finance;

7. *Welcomes* the decision of the Standing Committee on Finance on the topic of its 2020 Forum, which will be financing nature-based solutions;

8. *Notes* the inputs of the Standing Committee on Finance to the technical paper on the elaboration of the sources of and modalities for accessing financial support for addressing loss and damage;[96]

9. *Encourages* the Standing Committee on Finance to present, to the extent possible, disaggregated information in relation to, inter alia, mapping data availability and gaps by sector, assessing climate finance flows and presenting information on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement;

10. *Underscores* the important contribution of the Standing Committee on Finance in relation to the operational definitions of climate finance, and *invites* Parties to submit via

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[92] FCCC/CP/2019/10−FCCC/PA/CMA/2019/3.

[93] FCCC/CP/2019/10−FCCC/PA/CMA/2019/3, annex V.

[94] FCCC/CP/2019/10−FCCC/PA/CMA/2019/3, annexes II and III, respectively.

[95] FCCC/CP/2019/10/Add.1−FCCC/PA/CMA/2019/3/Add.1.

[96] FCCC/TP/2019/1.

the submission portal,[97] by 30 April 2020, their views on the operational definitions of climate finance for consideration by the Standing Committee on Finance in order to enhance its technical work on this matter in the context of preparing its 2020 Biennial Assessment and Overview of Climate Finance Flows;

11. *Takes note* of the strategic outreach plan[98] of the Standing Committee on Finance on enhancing stakeholder engagement;

12. *Encourages* the Standing Committee on Finance, in implementing its strategic outreach plan, to build on existing efforts to reach out to developing country Parties and relevant developing country stakeholders when generating data and information for the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement;

13. *Looks forward* to the inputs that may be provided by the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts to the work of the Standing Committee on Finance for its consideration in preparing elements of draft guidance for the operating entities;

14. *Encourages* the Standing Committee on Finance to continue to enhance its efforts towards ensuring gender-responsiveness in implementing its workplan;

15. *Emphasizes* the importance of the transparency of the proceedings and decision-making processes of the Standing Committee on Finance;

16. *Takes note* of the appointment of Standing Committee on Finance focal points to liaise with the other constituted bodies under the Convention and the Paris Agreement;

17. *Decides* to initiate the review of the functions[99] of the Standing Committee on Finance at the twenty-seventh session of the Conference of the Parties (November 2021), noting decision 5/CMA.2, with a view to concluding it at its twenty-eighth session (November 2022);

18. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its twenty-sixth session (November 2020) on progress in implementing its workplan;

19. *Also requests* that the actions of the Standing Committee on Finance called for in this decision be undertaken subject to the availability of financial resources.

8th plenary meeting
15 December 2019

[97] https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx.
[98] FCCC/CP/2019/10−FCCC/PA/CMA/2019/3, annex IV.
[99] Pursuant to decision 2/CP.17, annex VI, para. 10.

Decision 5/CMA.2

(FCCC/PA/CMA/2019/6/Add.1)

Matters relating to the Standing Committee on Finance

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling Article 9 of the Paris Agreement,

Also recalling decisions 1/CP.21, paragraphs 53 and 63, 14/CMA.1 and 11/CP.25,

1. *Takes note* of the report of the Standing Committee on Finance to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its second session and the recommendations contained therein;[100]

2. *Endorses* the workplan[101] of the Standing Committee on Finance for 2020 and *underlines* the importance of the Standing Committee on Finance focusing its work in 2020 in accordance with its current mandates;

3. *Notes* the outcomes of the discussions of the Standing Committee on Finance on the 2020 Biennial Assessment and Overview of Climate Finance Flows and the report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement as well as the respective workplans, outreach activities and indicative timelines for preparation;[102]

4. *Expresses its appreciation* to the Governments of Australia, Belgium, Germany, Norway, the Philippines and Switzerland for their financial contributions to support the work of the Standing Committee on Finance;

5. *Welcomes* the 2019 Forum of the Standing Committee on Finance, on the topic of climate finance and sustainable cities, with a focus on enhancing understanding of how to accelerate the mobilization and delivery of climate finance for the development of sustainable cities, and *takes note* of the summary report[103] on the Forum;

6. *Expresses its gratitude* to the Governments of Australia, Lebanon and Norway, as well as to the United Nations Economic and Social Commission for Western Asia, the Union for the Mediterranean, and the Islamic Development Bank, for their financial, administrative and substantive support, which contributed to the success of the 2019 Forum of the Standing Committee on Finance;

7. *Welcomes* the decision of the Standing Committee on Finance on the topic of its 2020 Forum, which will be financing nature-based solutions;

8. *Notes* the inputs of the Standing Committee on Finance to the technical paper on the elaboration of the sources of and modalities for accessing financial support for addressing loss and damage;[104]

9. *Encourages* the Standing Committee on Finance to present, to the extent possible, disaggregated information in relation to, inter alia, mapping data availability and gaps by sector, assessing climate finance flows and presenting information on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement;

10. *Underscores* the important contribution of the Standing Committee on Finance in relation to the operational definitions of climate finance, and *invites* Parties to submit via the submission portal,[105] by 30 April 2020, their views on the operational definitions of climate

[100] FCCC/CP/2019/10−FCCC/PA/CMA/2019/3.
[101] FCCC/CP/2019/10−FCCC/PA/CMA/2019/3, annex V.
[102] FCCC/CP/2019/10−FCCC/PA/CMA/2019/3, annexes II and III, respectively.
[103] FCCC/CP/2019/10/Add.1−FCCC/PA/CMA/2019/3/Add.1.
[104] FCCC/TP/2019/1.
[105] https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx.

finance for consideration by the Standing Committee on Finance in order to enhance its technical work on this matter in the context of preparing its 2020 Biennial Assessment and Overview of Climate Finance Flows;

11. *Takes note* of the strategic outreach plan[106] of the Standing Committee on Finance on enhancing stakeholder engagement;

12. *Encourages* the Standing Committee on Finance, in implementing its strategic outreach plan, to build on existing efforts to reach out to developing country Parties and relevant developing country stakeholders when generating data and information for the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement;

13. *Looks forward* to the inputs that may be provided by the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts to the work of the Standing Committee on Finance for its consideration in preparing elements of draft guidance for the operating entities;

14. *Encourages* the Standing Committee on Finance to continue to enhance its efforts towards ensuring gender-responsiveness in implementing its workplan;

15. *Emphasizes* the importance of the transparency of the proceedings and decision-making processes of the Standing Committee on Finance;

16. *Takes note* of the appointment of Standing Committee on Finance focal points to liaise with the other constituted bodies under the Convention and the Paris Agreement;

17. *Decides* to initiate the review of the functions[107] of the Standing Committee on Finance relating to the Paris Agreement, as part of the review referred to in decision 11/CP.25 with a view to concluding it at its fifth session (November 2022);

18. *Requests* the Standing Committee on Finance to report to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (November 2020) on progress in implementing its workplan;

19. *Also requests* that the actions of the Standing Committee on Finance called for in this decision be undertaken subject to the availability of financial resources.

8th plenary meeting
15 December 2019

[106] FCCC/CP/2019/10–FCCC/PA/CMA/2019/3, annex IV.
[107] Pursuant to decision 2/CP.17, annex VI, para. 10.

Decision 4/CP.24

(FCCC/2018/10/Add.1)

Report of the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention*,*

Also recalling decisions 1/CP.16, paragraph 112, and 2/CP.17, paragraphs 120 and 121, as well as decisions 5/CP.18, 7/CP.19, 6/CP.20, 6/CP.21 and 8/CP.22 and 7/CP.23,

1. *Welcomes with appreciation* the report of the Standing Committee on Finance to the Conference of the Parties at its twenty-fourth session, taking note of the recommendations contained therein;[1]

2. *Endorses* the workplan of the Standing Committee on Finance for 2019;[2]

3. *Welcomes with appreciation* the 2018 Biennial Assessment and Overview of Climate Finance Flows of the Standing Committee on Finance, in particular the summary and recommendations[3] as contained in the annex;

4. *Encourages* the Standing Committee on Finance to take into account the best available science in future biennial assessment and overviews of climate finance flows;

5. *Requests* the Standing Committee on Finance to use in the biennial assessment an overview of climate finance flows the established terminology in the provisions of the Convention and the Paris Agreement in relation to climate finance, where applicable;

6. *Expresses its appreciation* for the financial contributions provided by the Governments of Belgium, Germany, Norway, the Republic of Korea, Switzerland and the United Kingdom of Great Britain and Northern Ireland, as well as by the European Commission to support the work of the Standing Committee on Finance;

7. *Welcomes* the 2018 Forum of the Standing Committee on Finance on the topic of climate finance architecture with a focus on enhancing collaboration and seizing opportunities, and takes note of the summary report[4] on the Forum;

8. *Expresses its gratitude* to the Governments of the Netherlands, Norway and the Republic of Korea for their support in ensuring the success of the 2018 Forum of the Standing Committee on Finance;

9. *Welcomes* the decision of the Standing Committee on Finance on the topic of its 2019 Forum, which will be climate finance and sustainable cities;

10. *Requests* the Standing Committee on Finance to map, every four years, as part of its biennial assessment and overview of climate finance flows, the available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof;

11. *Encourages* the Standing Committee on Finance to provide input to the technical paper of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts on the sources of financial support;[5]

12. *Confirms* the mandates in Article 11, paragraph 3(d), of the Convention, and decisions 12/CP.2, 12/CP.3, 5/CP.19 and 1/CP.21;

13. *Requests* the Standing Committee on Finance to prepare, every four years, a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, for consideration by the Conference of Parties, starting at its twenty-sixth session (November 2020), and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, starting at its third session (November 2020);

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[1] FCCC/CP/2018/8.
[2] FCCC/CP/2018/8, annex VI.
[3] <https://unfccc.int/sites/default/files/resource/2018%20BA%20Technical%20Report%20Final.pdf>.
[4] FCCC/CP/2018/8, annex III.
[5] FCCC/CP/2018/8, paragraph 14(g).

14. *Also requests* the Standing Committee on Finance, in preparing the report referred to in paragraph 13 above, to collaborate, as appropriate, with the operating entities of the Financial Mechanism, the subsidiary and constituted bodies, multilateral and bilateral channels, and observer organizations;

15. *Further requests* that the actions of the Standing Committee on Finance called for in this decision be undertaken subject to the availability of financial resources;

16. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its twenty-fifth session (November 2019) on progress in implementing its workplan.

17. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

Annex

Summary and recommendations by the Standing Committee on Finance on the 2018 biennial assessment and overview of climate finance flows

[English only]

II. Context and mandates

18. The Standing Committee on Finance (SCF) assists the Conference of the Parties (COP) in exercising its functions with respect to the Financial Mechanism of the Convention, inter alia, in terms of measurement, reporting and verification of support provided to developing country Parties, through activities such as the biennial assessment and overview of climate finance flows.[113]

19. Subsequent to the 2014 BA, the COP requested the SCF to consider: the relevant work of other bodies and entities on measurement, reporting and verification of support and the tracking of climate finance;[114] ways of strengthening methodologies for reporting climate finance;[115] and ongoing technical work on operational definitions of climate finance, including private finance mobilized by public interventions, to assess how adaptation and mitigation needs can most effectively be met by climate finance.[116] It also requested the Ad Hoc Working Group on the Paris Agreement, when developing the modalities, procedures and guidelines for the transparency framework for action and support, to consider, inter alia, information in the BA and other reports of the SCF and other relevant bodies under the Convention.

20. The COP welcomed the summary and recommendations by the SCF on the 2016 BA, which, inter alia, encourages Parties and relevant international institutions to enhance the availability of information that will be necessary for tracking global progress on the goals outlined in Article 2 of the Paris Agreement. The COP requested the SCF, in preparing future BAs, to assess available information on investment needs and plans related to Parties' nationally determined contributions (NDCs) and national adaptation plans.

21. The 2018 BA provides an updated overview of climate finance flows in 2015 and 2016 from provider to beneficiary countries, available information on domestic climate finance and cooperation among Parties not included in Annex I to the Convention (non-Annex I Parties), and the other climate-related flows that constitute global total climate finance flows. It also includes information on trends since the 2014 BA. The 2018 BA then considers the implications of these flows and assesses their relevance to international efforts to address climate change. It explores the key features of climate finance flows, including composition and purposes. It also explores emerging insights into their effectiveness, finance access, and ownership and alignment of climate finance with beneficiary country needs and priorities related to climate change. It also provides information on recent developments in the measurement, reporting and verification of climate finance flows at the international and domestic level, and insights into impact reporting practices.

22. The 2018 BA includes, for the first time, information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including methods and metrics, and data sets on flows, stocks and considerations for integration. It also discusses climate finance flows in the broader context.

23. The 2018 BA comprises this summary and recommendations, and a technical report. The summary and recommendations was prepared by the SCF. The technical report was

[113] Decision 2/CP.17, paragraph 121(f).
[114] Decision 1/CP.18, paragraph 71.
[115] Decision 5/CP.18, paragraph 11.
[116] Decision 3/CP.19, paragraph 11.

prepared by experts under the guidance of the SCF and draws on information and data from a range of sources. It was subject to extensive stakeholder input and expert review, but remains a product of the external experts.

III. Challenges and limitations

24. The 2018 BA provides an updated overview of current climate finance flows over the years 2015 and 2016, along with data on trends from 2011 to 2014 collated in previous BA reports. Due diligence has been undertaken to utilize the best information available from the most credible sources. In compiling estimates, efforts have been made to avoid double counting through a focus on primary finance, which is finance for a new physical item or activity. Challenges were nevertheless encountered in collecting, aggregating and analysing information from diverse sources. The lack of clarity with regard to the use of different definitions of climate finance limits the comparability of data.

25. **Data uncertainty.** There are uncertainties associated with each source of data which have different underlying causes. Uncertainties are related to the data on domestic public investments, resulting from the lack of geographic coverage, differences in the way methods are applied, significant changes in the methods for estimating energy efficiency over the years, and the lack of available data on sustainable transport and other key sectors. Uncertainties also arise from the lack of procedures and data to determine private climate finance; methods for estimating adaptation finance; differences in the assumptions of underlying formulas to attribute finance from multilateral development banks (MDBs) to members of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), minus the Republic of Korea; the classification of data as ‘green finance’; and incomplete data on non-concessional flows.

26. **Data gaps.** Gaps in the coverage of sectors and sources of climate finance remain significant, particularly with regard to private investment. Although estimates of incremental investments in energy efficiency have improved, there is still an inadequate understanding of the public and private sources of finance and the financial instruments behind those investments. For sustainable transport, efforts have been made to improve public and private investment in electric vehicles. However, information on sources and instruments for finance in public mass transit remains unreported in many countries. High-quality data on private investments in mitigation and finance in sectors such as agriculture, forests, water and waste management are particularly lacking. In particular, adaptation finance estimates are difficult to compare with mitigation finance estimates due to the former being context-specific and incremental, and more work is needed on estimating climate-resilient investments.

27. The limitations outlined in paragraphs 8 and 9 above need to be taken into consideration when deriving conclusions and policy implications from the 2018 BA. The SCF will contribute, through its activities, to the progressive improvement of the measurement, reporting and verification of climate finance information in future BAs to help address these challenges.

IV. Key findings

A. Methodological issues relating to measurement, reporting and verification of public and private climate finance

1. Developments in the period 2015–2016

28. Following the recommendations made by the SCF in the 2016 BA, the 2018 BA identifies the improvements listed in paragraphs 12–16 below in the tracking and reporting of information on climate finance.

(a) Annex II Parties

29. Revision of the biennial report (BR) common tabular format (CTF) tables 7, 7(a) and 7(b) has facilitated the provision of more qualitative information on the definitions and underlying methodologies used by Parties included in Annex II to the Convention (Annex II Parties) in the documentation boxes in the BR3 CTF tables. The BR3 CTF tables submitted as at October 2018 suggest some increase in the provision of quantitative information, including information on public financial support in CTF table 7(b) and climate-related private finance in the BRs.

(b) International organizations

30. Making data available on private shares of climate co-finance associated with MDB finance and reporting on amounts mobilized through public interventions deployed by other development finance institutions (DFIs) included in the regular OECD-DAC data collection process.

31. Facilitating the increased transparency of information through biennial surveys to collect information from OECD-DAC members on the measurement basis for reporting (i.e. committed, disbursed or "other"), and on the shares of the activity reported as mitigation, adaptation or cross-cutting to the UNFCCC.

32. Institutionalizing the mitigation and adaptation finance tracking and reporting, and ongoing efforts aimed at better tracking and reporting on projects that have mitigation and adaptation co-benefits (i.e. cross-cutting) among MDBs.

33. Measuring and reporting on impact is now common practice among multilateral climate funds, and there is now growing interest in this field by MDBs and the International Development Finance Club (IDFC), which are also undertaking work on methodologies for impact measuring in the light of the Paris Agreement. The ongoing efforts of MDBs to develop additional metrics that demonstrate how MDB financing supports climate-resilient development pathways are an important step in this direction.

(c) Insights into reporting by Annex II Parties and non-Annex I Parties

34. Notwithstanding the improvements in methodologies for reporting climate finance via the BR3 CTF tables 7, 7(a) and 7(b), some reporting issues persist that complicate the aggregation, comparison and analysis of the data. The current "UNFCCC biennial reporting guidelines for developed country Parties"[117] were designed to accommodate reporting on a wide range of climate finance instruments and activities. This required a reporting architecture that was flexible enough to accommodate a diversity of reporting approaches. In some cases, limited clarity with regard to the diversity of reporting approaches limits comparability in climate finance reporting.

35. The current "UNFCCC biennial update reporting guidelines for Parties not included in Annex I to the Convention"[118] for reporting by non-Annex I Parties on financial, technical and capacity-building needs and support received do not require information on underlying assumptions, definitions and methodologies used in generating the information. Nevertheless, the provision of such information is useful.

(d) Insights into broader reporting aspects

36. Notwithstanding ongoing efforts to make information on domestic climate-related finance available through biennial update reports (BURs), published climate public expenditure and institutional reviews, and other tools, collecting and reporting domestic climate-related finance is often not undertaken systematically, thereby limiting the availability of information.

37. There are significant data gaps on climate finance flows in the context of cooperation among non-Annex I Parties.

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[117] Decision 2/CP.17, annex I.

[118] Decision 2/CP.17, annex III.

2. Information relevant to Article 2, paragraph 1 (c), of the Paris Agreement: methods and metrics

38. Ongoing voluntary efforts to develop approaches for tracking and reporting on consistency of public and private sector finance with the Paris Agreement are important for enhancing the collective understanding of the consistency of the broader finance and investment flows with Article 2, paragraph 1(c), of the Paris Agreement.

39. Some financial actors, such as MDBs and bilateral DFIs, have started to develop approaches for tracking the integration of climate change considerations into their operations. However, there was no publicly available information on the progress made on this matter at the time of preparation of the 2018 BA. Ongoing work for developing climate-resilience metrics is important for enhancing understanding of the consistency of multilateral and bilateral development finance with the Paris Agreement.

B. Overview of current climate finance flows in 2015–2016

1. Global finance flows

40. On a comparable basis, climate finance flows increased by 17 per cent in the period 2015–2016 compared with the period 2013–2014. High-bound climate finance estimates increased from USD 584 billion in 2014 to USD 680 billion in 2015 and to USD 681 billion in 2016 (see figure 1). The growth seen in 2015 was largely driven by high levels of new private investment in renewable energy, which is the largest segment of the global total. Despite decreasing technology costs (particularly in solar photovoltaic and wind power generation), which means that every dollar invested finances more renewable energy than it previously did, a significant number of new projects were financed in 2015. In 2016, a decrease in renewable energy investment occurred, which was driven by both the continued decline in renewable technology costs and the lower generation capacity of new projects financed.[119] However, the decrease in renewable energy investment in 2016 was offset by an 8 per cent increase in investment in energy efficiency technologies across the building, industry and transport sectors.

41. The quality and completeness of data on climate finance has improved since the 2016 BA. Methodological improvements in estimating finance flows have changed the comparative basis against previous estimates. In particular, 2014 estimates for energy efficiency have been revised downward owing to a more accurate bottom-up assessment model being employed by the International Energy Agency. This has resulted in a revised estimate of USD 584 billion from USD 741 billion for total global climate finance in 2014. In addition, data coverage in sustainable transport has improved, with estimates for public and private investment in electric vehicle sales in 2015 and 2016.

(e) Flows from Annex II Parties to non-Annex 1 Parties as reported in biennial reports

42. Climate-specific finance reported in BRs submitted by Annex II Parties has increased in terms of both volume and rate of growth since the previous BA. Whereas the total finance reported increased by just 5 per cent from 2013 to 2014, it increased by 24 per cent from 2014 to 2015 (to USD 33 billion), and subsequently by 14 per cent from 2015 to 2016 (to USD 38 billion). Out of these total amounts, USD 30 billion in 2015 and USD 34 billion in 2016 were reported as climate-specific finance channelled through bilateral, regional and other channels; the remainder flowed through multilateral channels. From 2014 to 2016, both mitigation and adaptation finance grew in more or less equal proportions, namely by 41 and 45 per cent, respectively.

[119] Approximately 52 per cent of the decrease in 2016 was due to reduced technology costs in solar photovoltaic and wind energy.

(f) **Multilateral climate funds**

43. Total amounts channelled through UNFCCC funds and multilateral climate funds in 2015 and 2016 were USD 1.4 billion and USD 2.4 billion, respectively. The significant increase from 2015 to 2016 was a result of the Green Climate Fund (GCF) ramping up operations. On the whole, this represents a decrease of approximately 13 per cent compared with the 2013–2014 biennium and can be accounted for by a reduction in the commitments made by the Climate Investment Funds, in line with changes in the climate finance landscape as the GCF only started to scale up operations in 2016.

(g) **Climate finance from multilateral development banks**

44. MDBs provided USD 23.4 billion and USD 25.5 billion in climate finance from their own resources to eligible recipient countries in 2015 and 2016, respectively. On average, this represents a 3.4 per cent increase from the 2013–2014 period.

45. The attribution of MDB finance flows to members of OECD-DAC, minus the Republic of Korea, is calculated at up to USD 17.4 billion in 2015 and USD 19.7 billion in 2016 to recipients eligible for OECD-DAC official development assistance.

(h) **Private climate finance**

46. The most significant source of uncertainty relates to the geographic attribution of private finance data. Although efforts have been made by MDBs and OECD since the 2016 BA to estimate private climate finance mobilized through multilateral and bilateral institutions, data on private finance sources and destinations remain lacking.

47. MDBs reported private finance mobilization in 2015 was USD 10.9 billion and increased by 43 per cent the following year to USD 15.7 billion. OECD estimated USD 21.7 billion in climate-related private finance mobilized during the period 2012–2015 by bilateral and multilateral institutions, which included USD 14 billion from multilateral providers and USD 7.7 billion from bilateral finance institutions. It is estimated that, in 2015, USD 2.3 billion was mobilized through bilateral institutions. The Climate Policy Initiative estimated renewable energy flows for new projects ranged from USD 2.4 billion in 2015 to USD 1.5 billion in 2016; this was, however, a significant underestimation given the underlying reporting approaches.

(i) **Recipients**

48. A total of 34 Parties included in Annex I to the Convention provided information on recipients in the BR3s, while 16 out of 40 BURs submitted as first or second BURs as at October 2018 include, to varying degrees, quantitative information on climate finance received in the 2015–2016 period. Therefore, at the time of the preparation of the 2018 BA, it is not possible to present a clear picture of climate finance received on the basis of the information included in national reports submitted to the secretariat.

49. Other sources of information provide insights on recipients. For example, of the bilateral finance reported to OECD-DAC, national and local governments received 51 and 61 per cent of bilateral climate-related assistance in 2015 and 2016, up from 43 and 42 per cent in 2013 and 2014, respectively. The remainder was received by international organizations, non-governmental organizations and public and private sector organizations from the support-providing countries. No information is available on the channels of delivery for 91–97 per cent of the other official flows of a non-concessional nature in the period 2015–2016. Of the total climate finance committed by MDBs from their own resources, 72 per cent was channelled to public sector recipients in 2015, and 74 per cent in 2016. Adaptation finance, in particular, went predominantly to public sector institutions: 90 per cent in 2015 and 97 per cent in 2016.

2. Domestic climate finance

50. Domestic climate expenditures by national and subnational governments are a potentially growing source of global climate finance, particularly as, in some cases, NDC

submissions are translated into specific investment plans and domestic efforts to monitor and track the domestic climate expenditures are stepped up. However, comprehensive data on domestic climate expenditure are not readily available, as these data are not collected regularly or with a consistent methodology over time within or across countries. Of the 30 countries that reported data on climate expenditures included in the 2016 BA, 19 countries provided such data in 2015 or 2016, with the 2015 data for 5 countries being included in the 2016 BA. Four countries reported expenditure of USD 0.335 billion in their BURs, while seven countries published climate public expenditure and institutional reviews amounting to USD 16.5 billion.[120] In two other countries, updated data are available amounting to USD 49 billion. In total, this brings domestic public climate finance estimates for the period 2015–2016 to USD 67 billion.

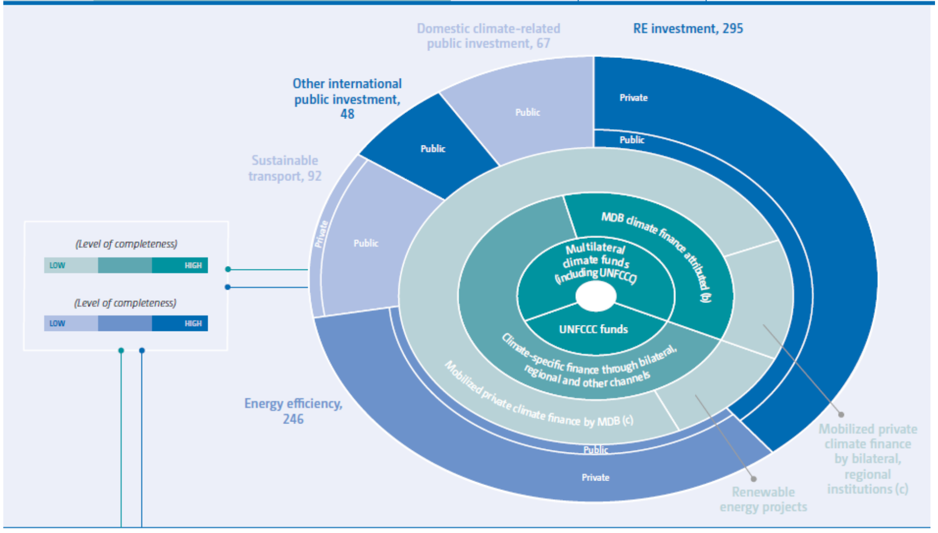
3. Flows among countries that are not members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, recipients eligible for official development assistance and Parties not included in Annex I

51. Information on climate finance flows among non-Annex I Parties is not systematically tracked, relying on voluntary reporting by countries through the OECD-DAC Creditor Reporting System and DFIs through IDFC that are based in countries that are not members of the Organisation for Economic Co-operation and Development (non-OECD). Total estimates of such flows amounted to USD 12.2–13.9 billion in 2015 and USD 11.3–13.7 billion in 2016. This represents an increase of approximately 33 per cent on average from the 2013–2014 period, driven primarily by non-OECD member institutions of IDFC increasing finance significantly to other non-OECD members. New multilateral institutions include the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank. Together, they provided USD 911 million to renewable energy projects in 2016. The AIIB portion of this amount included outflows that may be attributable to OECD-DAC members that are shareholders in AIIB.

[120] This includes Hebei Province in China, reporting an expenditure of USD 6.1 billion in 2015.

Figure 1
Climate finance flows in the period 2015-2016
(Billions of United States dollars, annualized)

		2015 (USD billion face value)	2016 (USD billion face value)	Sources of data and relevant chapter
Global total flows	Renewable energy investments	320.9	269.5	Chapter 2.2.1
	Public investment	61.7	52.3	CPI based on multiple sources
	Private investment	259.2	217.1	
	Energy efficiency investments	233.9	257.8	Chapter 2.2.2
	Public investment	25.7	32.9	IEA Energy Efficiency Market Reports/CPI
	Private investment (a)	208.2	224.9	
	Sustainable transport	78.0	105.8	Chapter 2.2.3
	Public investment	69.7	92.5	IEA World Energy Investment Report/CPI
	Private investment	8.3	13.3	
	Other sectors public investment	47.3	47.5	Chapter 2.2.2 – 2.2.5 CPI based on multiple sources
	Domestic climate-related public investment	67.0	67.0	Chapter 2.3 BURs, CPEIRs (UNDP), I4CE
Flows to non-Annex I Parties	UNFCCC funds	0.6	1.6	Chapter 2.5.2 Fund financial reports, CFU
	Multilateral climate funds (including UNFCCC)	1.4	2.4	Chapter 2.5.2 Fund financial reports, CFU
	Climate-specific finance through bilateral, regional and other channels	29.9	33.6	Chapter 2.5.1 Annex II Party Biennial Reports
	MDB climate finance attributed (b)	17.4	19.7	Chapter 2.5.2
	Renewable energy projects	2.4	1.5	Chapter 2.5.4 CPI based on multiple sources
	Mobilized private climate finance by MDB (c)	10.9	15.7	Chapter 2.5.4 MDB Joint Reports
	Mobilized private climate finance by bilateral, regional institutions (c)	2.3		Chapter 2.5.4 OECD



Abbreviations: BEV = battery electric vehicle, BUR = biennial update report, CPEIR = climate public expenditure and institutional reviews, CPI = Climate Policy Initiative, IEA = International Energy Agency, I4CE = Institute for Climate Economics, MDB = multilateral development bank, ECD = Organisation for Economic Co-operation and Development, UNDP = United Nations Development Programme.

[a] Value discounts transport energy efficiency estimates by 8.5 per cent to account for overlap with electric vehicle estimates.

[b]. From members of the OECD Development Assistance Committee (DAC), minus the Republic of Korea, to OECD-DAC recipients eligible for official development assistance. Refer to chapter 2.5.2 of the 2018 Biennial Assessment and Overview of Climate Finance Flows technical report for further explanation.

[c]. Estimates include private co-financing with MDB finance.

4. Information relevant to Article 2, paragraph 1(c), of the Paris Agreement: data sets on flows, stocks and integration

52. The 2018 BA includes information on available data sets that integrate climate change considerations into insurance, lending and investment decision-making processes and that include information that may be relevant to tracking consistency with Article 2, paragraph 1(c), of the Paris Agreement.

53. Across the financial sector, both the reporting of data on financial flows and stocks consistent with low greenhouse gas (GHG) emissions and climate-resilient pathways, and the integration of climate considerations into decision-making are at a nascent stage. The data sets available on bond markets are the most advanced, with regular and reliable data published based on green bond labelling and analysis of bonds that may be aligned with climate themes. Less information is available on bonds that may be inconsistent with low GHG emissions and climate-resilient pathways. Other market segments lack completeness of coverage and reporting quality across peer institutions. With regard to integrating climate change considerations into investment decision-making, some market segments such as listed corporations and institutional investors are participating in emerging reporting initiatives, including through target-setting processes, that will likely improve the availability of data over time. Other market segments such as insurance companies participate in comprehensive and regular survey reporting on climate integration into governance and risk-management processes. Other market segments, particularly in banking, insurance and financial services, lack breadth of coverage in reporting or are at an early stage of considering how to report data.

C. Assessment of climate finance flows

54. An assessment of the data underlying the overview of climate finance flows presented offers insights into crucial questions of interest in the context of the objective of the Convention and the goals outlined in the Paris Agreement. Development banks, DFIs and multilateral climate funds play a vital role in helping countries to deliver on their NDCs. The key features of a subset of these different channels of public climate finance for beneficiary countries are summarized in the figure below, including the areas of support (adaptation, mitigation or cross-cutting) and the instruments used to deliver climate finance.

Figure 2
Characteristics of international public climate finance flows in the period 2015–2016

	Annual average USD billion	Area of support				Financial instrument		
		Adaptation	Mitigation	REDD-plus[a]	Cross-cutting	Grants	Concessional loans	Other
Multilateral climate funds[b]	1.9	25%	53%	5%	17%	51%	44%	5%
Bilateral climate finance[c]	31.7	29%	50%	–	21%	47%	52%	<1%
MDB climate finance[d]	24.4	21%	79%	–	–	9%	74%	17%

Note : All values are based on approvals and commitments.

Abbreviations: MDB = multilateral development bank.

[a] ; In decision 1/CP.16, paragraph 70, the Conference of the Parties encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

[b] ; Including Adaptation for Smallholder Agriculture Programme, Adaptation Fund, Bio Carbon Fund, Clean Technology Fund, Forest Carbon Partnership Facility, Forest Investment Program, Global Climate Change Alliance, Global Environment Facility Trust Fund, Green Climate Fund, Least Developed Countries Fund, Partnership for Market Readiness, Pilot Programme for Climate Resilience, Scaling Up Renewable Energy Program, Special Climate Change Fund and United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries.

[c] ; Bilateral climate finance data are sourced from biennial reports from Parties included in Annex II to the Convention (that further include regional and other channels) for the annual average. Information related to the United States of America is drawn from preliminary data provided by the United States. The thematic split and the financial instrument data are taken from data from the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), referring only to concessional flows of climate-related development assistance reported by OECD-DAC members. Section C of the summary and recommendations and chapter III of the technical report uses ‘bilateral finance’ to refer only to concessional flows of climate-related development assistance reported by OECD-DAC members.

[d] ; The annual average and thematic split of MDBs includes their own resources only, while the financial instrument data include data from MDBs and from external resources, due to the lack of data disaggregation.

55. Overall, trends in climate finance point to increasing flows towards beneficiary countries. Bilateral climate finance flows, and those channelled through MDBs, have increased since the 2016 BA, whereas flows from the multilateral climate funds have fluctuated, having decreased in 2015 before rebounding in 2016, although the average remains lower than in the 2013–2014 period, which reflects changes in the climate finance landscape.

56. When considering these flows in aggregate, support for mitigation remains greater than support for adaptation across all sources (noting, however, measurement differences). Bilateral finance flows from OECD-DAC providers had the greatest proportion intended for adaptation (29 per cent) in the period 2015–2016, followed by multilateral climate funds (25 per cent) and MDBs (21 per cent). However, the 2018 BA finds an increase in public climate finance flows that contributes towards both adaptation and mitigation from both bilateral contributors and multilateral climate funds. This makes it more difficult to track the progress made in ramping up adaptation finance. When, however, considering flows based on other groupings, there are variations in the composition of the types of support.

57. Grants continue to be a key instrument for the provision of adaptation finance. In the period 2015–2016 grants accounted for 62 and 94 per cent of the face value of bilateral adaptation finance reported to OECD and of adaptation finance from the multilateral climate funds, respectively. During the same period, 9 per cent of adaptation finance flowing through MDBs was grant-based. Mitigation finance remains less concessional in nature, with 25 per cent of bilateral flows, 31 per cent of multilateral climate fund approvals and 4 per cent of MDB investments taking the form of grants. These figures, however, may not fully capture the added value brought by combining different types of financial instruments, or technical assistance with capital flows, which can often lead to greater innovation or more sustainable implementation.

58. With regard to geographic distribution, Asia remains the principal recipient region of public climate finance flows. In the period 2015–2016, the region received 31 per cent of funding from multilateral climate funds, 42 per cent of bilateral finance reported to OECD and 41 per cent of MDB flows (including to the Pacific region). The Latin America and Caribbean region and sub-Saharan Africa each secured 22 per cent of approvals from the multilateral climate funds in the same period. Latin America and the Caribbean received 17 per cent of MDB financing and 10 per cent of bilateral finance reported to OECD, whereas sub-Saharan Africa received just 9 per cent of MDB financing but 30 per cent of bilateral finance reported to OECD.

59. With regard to flows to the least developed countries (LDCs) and small island developing States (SIDS) in the period 2015–2016, funding directed at the LDCs represented 24 per cent of bilateral flows, whereas that directed at SIDS accounted for 2 per cent of such flows. Of the bilateral finance provided to the LDCs and SIDS, around half was earmarked for adaptation. Similarly, 21 per cent of finance approved by multilateral climate funds went to the LDCs and 13 per cent to SIDS, and more than half of this finance was focused on adaptation. MDBs channelled 15 per cent of their climate finance to the LDCs and SIDS. The percentage of adaptation spending to these countries (41 per cent) is twice their climate finance spending overall.

60. The management of climate finance, as well as the development and implementation of the projects that it supports, necessarily entails costs. The degree of such costs, which are often recovered through mechanisms such as administrative budgets and implementing agency fees, varies across institutions. Among the major multilateral climate change funds, fees account for between 1 and 9 per cent of total fund value, ranging from USD 65,000 to USD 1.2 million per project. Although these costs tend to decrease over time as management and disbursement mechanisms become more streamlined, there is evidence to suggest that the alignment of administrative functions between funds (e.g. the Global Environment Facility administration of the Least Developed Countries Fund and Special Climate Change

Fund) offers the best opportunity to keep administrative costs down. This is essential in order to retain the trust that providers and recipients place in the funds.

61. The push to diversify modalities of access to climate finance continues. Institutions in beneficiary countries are increasingly able to meet fiduciary and environmental and social safeguard requirements for accessing funds. There has been a notable increase in the number of regional and national implementing entities to the multilateral climate funds, despite large amounts remaining programmed through multilateral entities.

62. Ownership remains a critical factor in the delivery of effective climate finance. A broad concept of ownership encompasses the consistency of climate finance with national priorities, the degree to which national systems are used for both spending and tracking, and the engagement of a wide range of stakeholders. There have been a number of efforts to build capacity to access and make strategic choices about how to use finance and oversee implementation. With regard to the role of governments, while there has been greater commitment by ministries of finance and planning to integrate climate finance into national budgetary planning, this is often not done fully. National-level institutions in beneficiary countries are playing a greater role in managing climate finance, particularly through domestic tracking systems. NDCs for which further financial resources need to be found are emerging as a platform that governments can use to stimulate engagement and strengthen national ownership of climate finance.

63. Mechanisms for monitoring the impact of climate finance have improved, albeit not uniformly. Thus, although the reporting of results (in terms of outputs) has increased, it is difficult to assess properly the quality of the impacts achieved (i.e. outcomes). These impacts are, moreover, presented in a multitude of formats. The reduction of GHG emissions remains the primary impact metric for climate change mitigation. Core mitigation-related multilateral funds are expected to reduce GHG emissions by over 11 billion tonnes of carbon dioxide equivalent (t CO_2 eq), with reported reductions already approaching 37 million t CO_2 eq. GHG reduction results are complemented by other quantitative data, such as the number of beneficiaries and the renewable energy capacity installed. The metrics, benchmarks and frameworks for monitoring the impact of mitigation projects continue to evolve, thereby helping to inform investment decisions.

64. Discussion on impact measurement of adaptation projects continues to be focused on the number and type of people that benefit from them, although the nature and extent of their beneficial effects are still difficult to quantify, both directly and indirectly. Adaptation finance channelled through core multilateral climate funds has so far reached over 20 million direct beneficiaries. The target for the combined number of direct and indirect beneficiaries is 290 million. Further work is necessary to develop adaptation and resilience metrics that can capture the whole spectrum of sectors receiving support and the many different approaches used, while allowing for aggregation of data and comparability between projects and funds.

65. The extent of co-financing remains important for the mobilization of private finance, but is challenged in terms of the availability of data, definitions and methods. Research suggests that multilateral climate funds can perform on a par with DFIs with regard to private co-financing ratios. The degree to which such finance can be mobilized, however, is often heavily influenced by the investment conditions in a country, which are in turn created by the policy and regulatory frameworks in place.

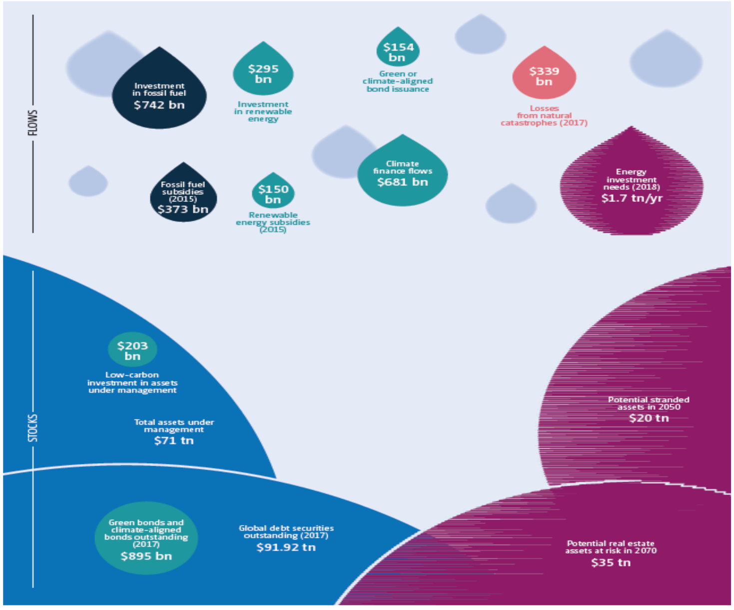
Information relevant to Article 2, paragraph 1(c), of the Paris Agreement: climate finance in context

66. Climate finance continues to account for just a small proportion of overall finance flows (see figure 3); the level of climate finance is considerably below what one would expect given the investment opportunities and needs that have been identified. However, although climate finance flows must obviously be scaled up, it is also important to ensure the consistency of finance flows as a whole (and of capital stock) pursuant to Article 2, paragraph 1(c), of the Paris Agreement. This does not mean that all finance flows have to achieve explicitly beneficial climate outcomes, but that they must reduce the likelihood of negative

climate outcomes. Although commitments are being made to ensure that finance flows from DFIs are climate consistent, more can be done to understand public finance flows and ensure that they are all are consistent with countries' climate change and sustainable development objectives.

67. Awareness of climate risk in the financial sector has increased over the past few years. Positive developments are being seen in the sector, particularly with regard to the investment and lending policies of both public and private sector actors, and with regard to regulatory and fiscal policies and the information resources that guide decision-making.

Figure 3
Climate finance in context



Note: All flows are global and annual for 2016 unless stated otherwise. Energy investment needs are modelled under a 2 °C scenario. The representation of stocks that overlap is not necessarily reflective of real-world overlaps. The flows represented are not representative of all flows contributing to the stocks presented. Data points are provided to place climate finance in context and do not represent an aggregate or systematic view. Climate finance flows are those represented in section B of the Summary and Recommendations and as reported in chapter 2 of the 2018 Biennial Assessment and Overview of Climate Finance Flows technical report. Investment in renewable energy overlaps with this estimate of climate finance flows.

Source : See figure 3.9 in the 2018 Biennial Assessment and Overview of Climate Finance Flows technical report.

V. Recommendations

68. The SCF invites the COP to consider the following recommendations:

<u>Chapter I (methodologies)</u>

(a) *Request* developed country Parties and *encourage* developing country Parties, building on progress made so far and ongoing work, to continue enhancing the transparency, consistency and comparability of data on climate finance provided and mobilized through public interventions, and taking into consideration developments in relevant organizations and institutions;

(b) Encourage Parties providing climate finance to enhance their reporting of climate finance provided to developing country Parties;

(c) *Invite* Parties, through their board memberships in international financial institutions, to encourage continued efforts in the harmonization of methodologies for tracking and reporting climate finance among international organizations;

(d) *Encourage* developing country Parties, building on progress made so far and ongoing work, to consider, as appropriate, enhancing their reporting on the underlying assumptions, definitions and methodologies used in generating information on financial, technical and capacity-building needs and support received;

Chapter II (overview)

(f) *Encourage* developing country Parties that provide support to report information on climate finance provided to other developing country Parties;

(g) *Encourage* developed countries and climate finance providers, as well as multilateral and financial institutions, private finance data providers and other relevant institutions, to enhance the availability of granular, country-level data on mitigation and adaptation finance, inter alia, transport, agriculture, forests, water and waste;

(h) *Invite* private sector associations and financial institutions to build on the progress made on ways to improve data on climate finance and to engage with the SCF, including through their participation in the forums of the SCF with a view to enhancing the quality of the BA;

(i) *Request* the SCF to continue its work in the mapping of available data sets that integrate climate change considerations into insurance, lending and investment decision-making processes, and to include information relevant to Article 2, paragraph 1(c), of the Paris Agreement in future BAs;

Chapter III (assessment)

(j) *Invite* Parties to strive for complementarity between climate finance and sustainable development by, inter alia, aligning climate finance with national climate change frameworks and priorities, as well as broader economic development policies and national budgetary planning;

(k) *Encourage* developing countries to take advantage of available resources through the operating entities of the Financial Mechanism to strengthen institutional capacity for programming their priority climate action, as well as tracking climate finance, effectiveness and impacts;

(l) *Encourage* developed countries and climate finance providers to continue to enhance country ownership and consider policies to balance funding for adaptation and mitigation, taking into account beneficiary country strategies, and, in line with the mandates, building on experiences, policies and practices of the operating entities of the Financial Mechanism, particularly the GCF;

(m) *Encourage* climate finance providers to improve tracking and reporting on gender-related aspects of climate finance, impact measuring and mainstreaming;

(n) *Invite*, as in the 2016 BA, multilateral climate funds, MDBs, other financial institutions and relevant international organizations to continue to advance work on tracking and reporting on impacts of mitigation and adaptation finance;

(o) *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;

(p) *Request* the SCF, in preparing future BAs, to continue assessing available information on the alignment of climate finance with investment needs and plans related to Parties' NDCs and national adaptation plans;

(q) *Request* the SCF, in preparing the 2020 BA, to take into consideration available information relevant to Article 2 of the Paris Agreement.

10th plenary meeting
15 December 2018

Decision 7/CP.23

(FCCC/CP/2017/11/Add.1)

Report of the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention*,*

Also recalling decisions 1/CP.16, paragraph 112, and 2/CP.17, paragraphs 120 and 121, as well as decisions 5/CP.18, 7/CP.19, 6/CP.20, 6/CP.21 and 8/CP.22,

1. *Welcomes with appreciation* the report of the Standing Committee on Finance to the Conference of the Parties at its twenty-third session,[1] taking note of the recommendations contained therein;

2. *Endorses* the updated workplan of the Standing Committee on Finance for 2018;[2]

3. *Expresses its appreciation* to the Governments of Finland and Norway and the European Commission for the financial contributions to support the work of the Standing Committee on Finance;

4. *Welcomes* the 2017 forum of the Standing Committee on Finance on the topic of mobilizing finance for climate-resilient infrastructure, *takes note* of the summary report on the 2017 forum, including the recommendations and follow-up activities of the Standing Committee on Finance,[3] *invites* the Standing Committee on Finance to follow up on the recommendations in its 2018 workplan, and *invites* Parties and relevant organizations to incorporate the recommendations into their work as appropriate;

5. *Expresses its gratitude* to the Governments of Morocco and the Netherlands, the Union for the Mediterranean and the European Bank for Reconstruction and Development for their support in ensuring the success of the 2017 forum;

6. *Notes* the outcome of discussions on the 2018 biennial assessment and overview of climate finance flows, including the outline of the technical report and the summary and recommendations on the 2018 biennial assessment and overview of climate finance flows, as well as an indicative timeline;[4]

7. *Also notes* that the Standing Committee on Finance extended the two-year workplan on the measurement, reporting and verification of support beyond the biennial assessment, and *requests* the Standing Committee on Finance to enhance its work on the measurement, reporting and verification of support beyond the biennial assessment, acknowledging the progress made by the Standing Committee on Finance and noting the need to avoid duplication of ongoing work under the Subsidiary Body for Scientific and Technological Advice and the Ad Hoc Working Group on the Paris Agreement;

8. *Requests* the Standing Committee on Finance, in fulfilling its function with regard to the measurement, reporting and verification of support, and in the context of its extended workplan, to continue its cooperation with relevant stakeholders and experts;

9. *Invites* the Standing Committee on Finance to conclude its deliberations on the topic of its next forum at the latest at its first meeting in 2018;

10. *Welcomes* the offer by the Republic of Korea to host a 2018 forum of the Standing Committee on Finance;

11. *Also welcomes* the appointment of focal points of the Standing Committee on Finance to liaise with the other constituted bodies under the Convention, and requests the Standing Committee on Finance to continue to provide information on the appointment in its annual reports to the Conference of the Parties;

12. *Reiterates* that the Standing Committee on Finance will integrate financing for forest-related considerations into its 2018 workplan, where appropriate, and continue work on this matter in the context of the overall issue of improving coherence and coordination in the delivery of climate change financing, taking into account all relevant decisions on forests;[5]

13. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its twenty-fourth session (December 2018) on the progress made in the implementation of its workplan;

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[1] FCCC/CP/2017/9.
[2] FCCC/CP/2017/9, annex VIII.
[3] FCCC/CP/2017/9, annex V.
[4] FCCC/CP/2017/9, annex VI.
[5] FCCC/CP/2017/9, annex VIII, page 69.

14. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

12th plenary meeting
17 November 2017

Decision 7/CP.23

Decision 8/CP.23

(FCCC/CP/2017/11/Add.1)

Review of the functions of the Standing Committee on Finance

The Conference of the Parties,

Recalling decisions 1/CP.16, paragraph 112, and 9/CP.22,

1. *Welcomes* with appreciation the input to the review of the functions of the Standing Committee on Finance, including information provided by Parties, the Standing Committee on Finance, constituted bodies under the Convention and external stakeholders involved in the activities of the Standing Committee on Finance;

2. *Takes note* with appreciation of the updated and expanded overview of the mandates provided by the Conference of the Parties to the Standing Committee on Finance,[126] and the progress made to date by the Standing Committee on Finance in fulfilling these mandates, as well as the self-assessment report of the Standing Committee on Finance and the recommendations contained therein;[127]

3. *Encourages* Parties and the Standing Committee on Finance to consider the recommendations referred to in paragraph 2 above;

4. *Takes note* of the technical paper on the review of the functions of the Standing Committee on Finance;[128]

5. *Acknowledges* the contributions and positive performance of the Standing Committee on Finance in assisting, informing and advancing the work of the Conference of the Parties in exercising its function in relation to the Financial Mechanism;

6. *Requests* the Standing Committee on Finance to continue to provide and enhance the dissemination and utilization of specific and targeted outputs and recommendations in order to effectively advance the work of the Conference of the Parties;

7. *Invites* Parties and relevant stakeholders to utilize the outputs of the Standing Committee on Finance;

8. *Encourages* the Standing Committee on Finance to prioritize specific areas of work in the light of its workload in a given year and *emphasizes* the need to continue to enhance all the functions of the Standing Committee on Finance, including to take into consideration its mandate to serve the Paris Agreement in line with decision 1/CP.21, paragraph 63;

9. *Also encourages* Parties and other constituted bodies under the Convention to continue to provide submissions for the preparation of draft decisions on guidance to the operating entities of the Financial Mechanism, based on the reports of the operating entities, in a timely manner to the Standing Committee on Finance;

10. *Recognizes* the need to avoid duplication of climate finance related work across the different subsidiary and constituted bodies, while respecting the mandates and competencies of the different bodies;

[126] See http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/39_304_131359396103493098-SCF%20submission%20SBI%2046.pdf.
[127] FCCC/CP/2017/9, annex VII.
[128] FCCC/TP/2017/4.

11. *Requests* the Standing Committee on Finance to further refine its approach to maintaining linkages with the subsidiary and constituted bodies according to resources available and in the context of its existing working modalities;

12. *Also requests* the Standing Committee on Finance to ensure the value added of its forum when deciding on the topic of each forum, to provide clear recommendations to the Conference of the Parties, as appropriate, regarding follow-up actions on the forum, and to enhance the dissemination, use and ownership of the accumulated knowledge and expertise gathered at the forum, and *invites* other bodies and external organizations to take into consideration the outputs of the forum;

13. *Acknowledges* the transparency of the proceedings and decision-making processes of the Standing Committee on Finance, including through the webcasting of its meetings and the timely publication of its reports to the Conference of the Parties;

14. *Requests* the Standing Committee on Finance to further strengthen its stakeholder engagement;

15. *Decides* to continue its deliberations on ways to enhance the participation of members of the Standing Committee on Finance, acknowledging the need to ensure the full participation and contribution of all constituencies in the meetings of the Standing Committee on Finance and the continuity of the work of the Standing Committee on Finance;

16. *Requests* the Standing Committee on Finance to provide options for the enhancement of the participation of members and to report back to the Conference of the Parties at its twenty-fourth session (December 2018);

17. *Recognizes* that there is a need for the Standing Committee on Finance to improve some of its in-session and intersessional working modalities with the aim of further enhancing its efficiency and effectiveness, ensuring the inclusiveness and transparency of its proceedings;

18. *Also recognizes* the need to consider the existing workplan of the Standing Committee on Finance, and in particular its workload, when providing strategic guidance to the Standing Committee on Finance;

19. *Decides* to agree on the timeline for the second review of the functions of the Standing Committee on Finance at its twenty-fifth session (November 2019) at the latest.

14th plenary meeting
18 November 2017

Decision 8/CP.22

(FCCC/CP/2016/10/Add.1)

Report of the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention*,*

Also recalling decisions 1/CP.16, paragraph 112, and 2/CP.17, paragraphs 120 and 121, as well as decisions 5/CP.18, 7/CP.19, 6/CP.20 and 6/CP.21,

1. *Welcomes with appreciation* the report of the Standing Committee on Finance to the Conference of the Parties at its twenty-second session, taking note of the recommendations contained therein;[1]

2. *Endorses* the workplan of the Standing Committee on Finance for 2017;[2]

3. *Notes* the 2016 biennial assessment and overview of climate finance flows while particularly welcoming the summary and recommendations by the Standing Committee on Finance as contained in the annex;[3]

4. *Expresses its appreciation for* the financial contributions provided by the Governments of Belgium, Norway, Sweden and Switzerland as well as the European Commission to support the work of the Standing Committee on Finance;

5. *Requests* the Standing Committee on Finance, in fulfilling its function on the measurement, reporting and verification of support, and in the context of its existing workplan, to cooperate with relevant stakeholders and experts and to consider ongoing work under the Convention and further action envisaged under the Paris Agreement;

6. *Welcomes* the 2016 forum of the Standing Committee on Finance on the topic of financial instruments that address the risks of loss and damage associated with the adverse effects of climate change;

7. *Takes note of* the summary report on the 2016 forum, including the recommendations and follow-up activities of the Standing Committee on Finance and invites the Standing Committee on Finance to follow up on the recommendations in its 2017 workplan;[4]

8. *Expresses its gratitude* to the Government of the Philippines and the Asian Development Bank for their support in ensuring the success of the 2016 forum of the Standing Committee on Finance;

9. *Invites* the Standing Committee on Finance to continue its deliberations on the topic of its 2017 forum at its first meeting in 2017;

10. *Reiterates* that the Standing Committee on Finance will integrate financing for forests-related considerations into its 2017 workplan, where appropriate, and continue work on this matter in the context of the overall issue of improving coherence and coordination in the delivery of climate change financing, taking into account all relevant decisions on forests;

11. *Requests* the Standing Committee on Finance to report to the Conference of the Parties at its twenty-third session (November 2017) on the progress made in the implementation of its workplan;

12. *Also requests* the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

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[1] FCCC/CP/2016/8.

[2] As contained in document FCCC/CP/2016/8, annex VIII.

[3] See <http://unfccc.int/8034.php>.

[4] See document FCCC/CP/2016/8, annex III, paragraphs 68 and 69.

Annex

Summary and recommendations by the Standing Committee on Finance on the 2016 biennial assessment and overview of climate finance flows

[English only]

A. Context and mandates

1. The Standing Committee on Finance (SCF) assists the Conference of the Parties (COP) in exercising its functions with respect to the Financial Mechanism of the Convention, including, inter alia, in terms of measurement, reporting and verification of support provided to developing country Parties, through activities such as the biennial assessment and overview of climate finance flows.[1]

2. Subsequent to the 2014 biennial assessment and overview of climate finance flows, the COP requested the SCF to consider: the relevant work of other bodies and entities on measurement, reporting and verification of support and the tracking of climate finance;[2] ways of strengthening methodologies for reporting climate finance;[3] and ongoing technical work on operational definitions of climate finance, including private finance mobilized by public interventions, to assess how adaptation and mitigation needs can most effectively be met by climate finance.[4] It also requested the Ad Hoc Working Group on the Paris Agreement, when developing the modalities, procedures and guidelines for the transparency framework for action and support, to consider, inter alia, information in the biennial assessment and overview of climate finance flows and other reports of the SCF and other relevant bodies under the Convention.

3. The 2016 biennial assessment and overview of climate finance flows outlines improvements made and identifies areas for further improvements in the UNFCCC reporting guidelines and formats for developed and developing countries and for improvements in climate finance tracking and reporting of data producers and aggregators. The biennial assessment and overview of climate finance flows presents estimates of flows from developed to developing countries, available information on domestic climate finance and South–South cooperation, as well as the other climate-related flows that constitute global total climate finance flows. It then considers the implications of these flows, including composition, purpose and emergent trends relevant to the UNFCCC objectives, including the new goals set out in the Paris Agreement.

4. The 2016 biennial assessment and overview of climate finance flows comprises this summary and recommendations, and a technical report. The summary and recommendations was prepared by the SCF. The technical report was prepared by experts under the guidance of the SCF, and draws on information and data from a range of sources. It was subject to extensive stakeholder input and expert review, but remains a product of the external experts.

B. Challenges and limitations

5. The 2016 biennial assessment and overview of climate finance flows presents a picture of climate finance to the extent possible. Due diligence has been undertaken to utilize the best information available from the most credible sources. Challenges were nevertheless encountered in collecting, aggregating and analysing information from diverse sources. The limited clarity with regard to the use of different definitions of climate finance limits comparability of data.

6. There are uncertainties associated with each source of data, and these have different underlying causes. Uncertainties are related to the data on domestic public investments, resulting from the lack of geographic coverage and differences in the way methods are applied, significant changes in the methods for estimating energy efficiency every few years and the lack of available data on sustainable private transport and other key sectors. Uncertainties also arise from the lack of procedures and data to determine private climate finance, methods for estimating adaptation finance, differences in the assumptions of underlying formulas to attribute

[1] Decision 2/CP.17, paragraph 121(f).
[2] Decision 1/CP.18, paragraph 71.
[3] Decision 5/CP.18, paragraph 11.
[4] Decision 3/CP.19, paragraph 11.

finance from multilateral development banks (MDBs) to developed countries, the classification of data as 'green finance' and incomplete data on non-concessional flows.

7. The limitations outlined above need to be taken into consideration when deriving conclusions and policy implications from this biennial assessment and overview of climate finance flows. The SCF will contribute, through its activities, to the progressive improvement of the measurement, reporting and verification of climate finance information in future biennial assessments and overviews of climate finance flows, to help address these challenges.

C. Key findings

1. Methodological issues relating to measurement, reporting and verification of public and private climate finance

Improvements made in tracking and reporting of climate finance since the 2014 biennial assessment and overview of climate finance flows

8. Following the recommendations made by the SCF in the 2014 biennial assessment and overview of climate finance flows, the 2016 biennial assessment and overview of climate finance flows identifies the improvements listed below in the tracking and reporting of information on climate finance:

Developed countries

(a) Enabling Parties to provide additional information on their underlying definitions, methodologies and assumptions used, including on how they have identified finance as being "climate-specific", as well as making these data more accessible to the public and recipient Parties, thereby enhancing consistency and transparency;

(b) Improving guidance on application of the Rio Markers for adaptation and mitigation and adjustments to the Rio Marker definitions for adaptation;

International organizations

(c) Making available MDB and multilateral climate fund activity-level data through the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD);

(d) Applying common principles for tracking mitigation and adaptation finance by MDBs and International Development Finance Club (IDFC) members;

(e) Making available data on climate co-financing flows through utilization of a joint methodology for tracking public and private climate co-finance by a consortium of seven MDBs.

Insights into reporting by developed countries and developing countries

9. The current biennial report (BR) guidelines[5] were designed to accommodate reporting on a wide range of climate finance instruments and activities. This required a reporting architecture that was flexible enough to accommodate a diversity of reporting approaches. In some cases, limited clarity with regard to the diversity in reporting approaches limits comparability in climate finance reporting. Further improvements in reporting guidelines and formats are needed to enhance transparency on the approaches used by individual Parties and to enable greater comparability across reporting by Parties.

10. Current biennial update report (BUR) guidelines[6] for reporting by developing countries on financial, technical and capacity-building needs and support received do not require information on the underlying assumptions, definitions and methodologies used in generating the information. Limited institutional capacity to track climate finance received, as well as the lack of data, can pose challenges in developing country reporting.

Insights into broader reporting aspects

[5] Decision 2/CP.17.
[6] Decision 2/CP.17.

11. Information on domestic climate-related finance is available including through a few BURs, Climate Public Expenditure and Institutional Reviews (CPEIRs) and other independent studies. However, such information is difficult to compare.

12. There is a lack of systematic collection of data on climate-related private finance flows globally, due to difficulties in identifying climate-related finance, restrictions based on confidentiality, and conceptual and accounting issues. The primary sources cover mainly renewable energy and draw upon industry and sector databases, relying on voluntary disclosures. Efforts to develop methodologies for estimating mobilized private finance by public interventions are under way by the OECD DAC and the Research Collaborative on Tracking Private Climate Finance.

13. Ongoing efforts at the international and national levels aimed at improving climate-related financial risk disclosures are important for improving the transparency and promoting the alignment of finance and investment flows in accordance with Article 2.1(c) of the Paris Agreement.

Insights related to review of climate finance information

14. Practices exist within the UNFCCC to review the information on support provided by Parties, including the international assessment and review of BRs and the international consultation and analysis of BURs. However, there are no internationally agreed methods for reconciling financial support provided against support received. Also, MDBs and IDFC do not have a standard procedure to review their climate finance data. In addition, BRs are not reviewed in time for aggregating data for the biennial assessment and overview of climate finance flows.

2. Overview of current climate finance flows in 2013–2014

Flows from developed to developing countries as reported in biennial reports

15. USD 25.4 billion in 2013 and USD 26.6 billion in 2014 of climate-specific finance was reported in BRs, of which USD 23.1 billion in 2013 and USD 23.9 billion in 2014 was channelled through bilateral, regional and other channels (see figure 1). This represents an increase of about 50 per cent from public finance reported through the same channels in 2011–2012.

Multilateral climate funds

16. USD 1.9 billion in 2013 and USD 2.5 billion in 2014 was channelled through the UNFCCC funds and multilateral climate funds on the basis of their financial reports. Although this is a small share of the total climate finance, information on their activities is mostly complete.

Climate finance from multilateral development banks

17. Climate finance provided by MDBs to developing countries from their own resources was reported as USD 20.8 billion in 2013 and USD 25.7 billion in 2014. The methodology used in the 2014 biennial assessment and overview of climate finance flows to attribute MDB finance from developed countries to developing countries suggests that USD 11.4 billion in 2013 and USD 12.7 billion in 2014 was delivered by developed countries. A more advanced methodology, which captures better the mobilization effect through the MDBs, suggests that USD 14.9 billion in 2013 and USD 16.6 billion in 2014 can be attributed to developed countries.

Private climate finance

18. The major source of uncertainty regarding flows to developing countries relates to the amount of private climate finance provided. Initial partial estimates of direct and mobilized private finance are available. Based on project-level data, renewable energy finance by developed country companies in developing countries is estimated at USD 1.8 billion in 2013 and USD 2.1 billion in 2014. Foreign direct investment in greenfield alternative and renewable energy in developing countries was estimated at USD 26.4 billion in 2013 and USD 21.6 billion in 2014. Both estimates are likely to be conservative. OECD and the Climate Policy Initiative (CPI) compiled an initial partial estimate of private finance mobilized by developed countries and identified USD 12.8 billion in 2013 and USD 16.7 billion in 2014 of private co-finance. These figures include private finance mobilized from international sources in addition to private finance mobilized domestically in developing countries. These partial estimates of direct private finance and mobilized finance are distinct, and cannot simply be aggregated.

Instruments

19. The mix of instruments used to channel support differs by funding source (see figure 2). About 35 per cent of the bilateral, regional and other finance reported to the UNFCCC in BRs is spent as grants, 20 per cent as concessional loans, 10 per cent as non-concessional loans, and the remainder through equity and other instruments. About 38 per cent of the reported finance is channelled through multilateral institutions, many of whom are MDBs that utilize capital contributions and commitments from member countries to raise low-cost capital from other sources of funding, including for donor contributions. This enables MDBs to offer a range of instruments and financial products, including grants (9 per cent), loans, including concessional loans, (83 per cent), equity (2 per cent) and other instruments (6 per cent). About 53 per cent of funding from multilateral climate funds is provided as grants, and the remainder is largely concessional loans, which have increased as a share of approved funding over time. Forty-nine per cent of bilateral climate finance reported to the OECD is provided as grants, and 47 per cent as concessional loans.

Recipients

20. Climate finance goes to a wide range of governmental, private and non-governmental entities in recipient countries. However, reporting on recipient institutions is incomplete. For example, recipient data are available for about 50 per cent of the bilateral finance reported to the OECD DAC. For 2013–2014, developing country governments are specified as the recipients of about 40 per cent of the total flow. Climate finance channelled through other intermediaries may also reach national governments, but this is not captured in the data. Improving data on the recipients of climate finance could be an area for further work.

Global finance flows

21. On a comparable basis, global total climate finance has increased by almost 15 per cent since 2011–2012. In dollar terms estimated global total climate finance increased from a high bound estimate of USD 650 billion for 2011–2012 to USD 687 billion for 2013 and to 741 billion for 2014. Private investment in renewable energy and energy efficiency represents the largest share of the global total; however, the energy efficiency data are much less certain than the renewable energy data. Levels of finance have increased as the costs of clean technology have continued to fall. The coverage of data in the 2016 biennial assessment and overview of climate finance flows has increased and improved since the 2014 biennial assessment and overview of climate finance flows, but nevertheless the quality and completeness of data on global total flows are lower than those for flows to developing countries.

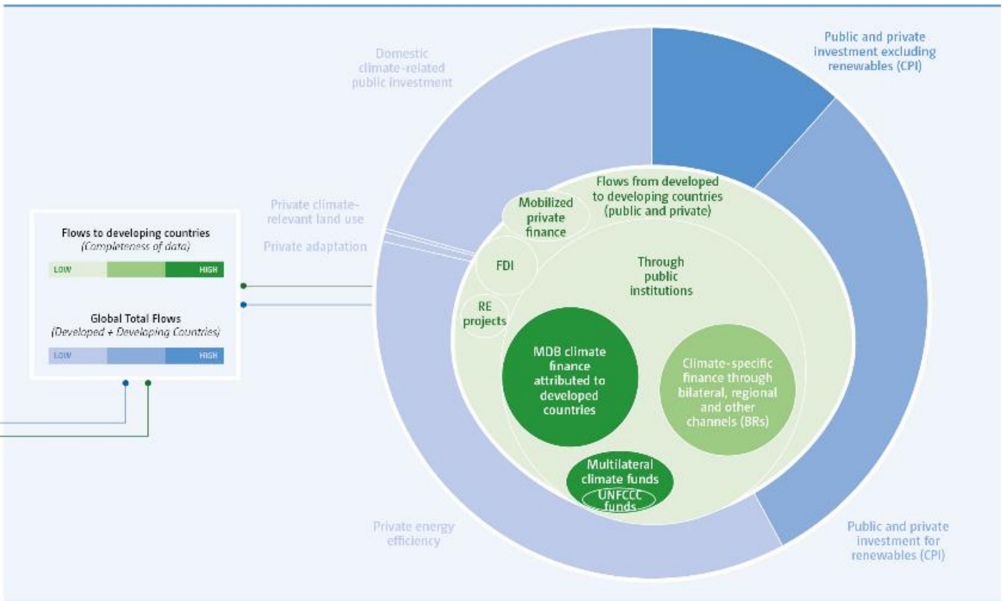
22. The estimate of global total climate finance in the 2016 biennial assessment and overview of climate finance flows includes adjustments to the CPI estimate that were not part of the 2011–2012 estimate reported in the 2014 biennial assessment and overview of climate finance flows. Partial data on domestic public finance expenditures of USD 192 billion per year were compiled. If these additional adjustments are included, they raise the upper end of the range to USD 880 billion in 2013 and USD 930 billion in 2014. However, the volume of the climate-related finance and investment flows globally may be higher, given that there are still significant data gaps in critical sectors such as sustainable transportation, agriculture, energy efficiency and resilient infrastructure.

23. Domestic climate finance: Comprehensive data on domestic climate expenditures are not available. Limited information is included in the BURs; estimates of climate-related finance included in national budgets, domestic climate finance provided by national development banks and commitments by developing country national climate funds. These indicative estimates suggest flows of USD 192 billion per year in developed and developing countries.

24. Some studies suggest that most climate finance in aggregate is mobilized and deployed domestically, both in developed and developing countries. In the limited number of developing countries for which information on domestic public climate finance is available, the data suggest that, in these countries, domestic public finance significantly exceeds the inflows of international public climate finance from bilateral and multilateral sources.

25. South–South cooperation: Data are limited, and mainly sourced from the OECD DAC, complemented with reports from a small number of other countries. On this basis, South–South cooperation was estimated to be in the range USD 5.9–9.1 billion for 2013 and USD 7.2–11.7 billion for 2014, of which about half was channelled through multilateral institutions.

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



		2013 (USD billion face value)	2014 (USD billion face value)	Sources of data and relevant chapter in the technical report
Flows to developing countries 2013–2014 average total Public: USD 41 billion Private: USD 2 billion renewables USD 24 billion FDI USD 14.8 billion mobilized	UNFCCC funds[a]	0.6	0.8	Chapter 2.2.1 Fund financial reports, climate funds update
	Multilateral climate funds (including UNFCCC funds)	1.9	2.5	Chapter 2.2.2 Fund financial reports, climate funds update
	Climate-specific finance through bilateral, regional and other channels	23.1	23.9	Chapter 2.2.3 CTF table 7(b)
	Of which grants and concessional loans	11.7	12.4	Chapter 2.2.3 CTF table 7(b)
	MDB climate finance attributed to developed countries (own resources only)[b]	14.9	16.6	Chapter 2.2.5 MDB climate finance reporting
	Renewable energy projects[c]	1.8	2.1	Chapter 2.2.9 CPI landscape of climate finance, BNEF
	FDI in greenfield alternative and renewable energy	26.4	21.6	Chapter 2.2.9 CPI landscape of climate finance, fDi Intelligence
	Mobilized private finance[d]	12.8	16.7	Chapter 2.2.9 OECD CPI report 2015
Global total flows (inclusive of flows to developing countries above) 2013–2014 average total USD 714 billion	Public and private investment excluding renewables (CPI)	95–102	102–112	Chapter 2.4.1 CPI landscape of climate finance
	Public and private investment for renewables (CPI)	244	285	Chapter 2.4.2 BNEF, CPI landscape of climate finance
	Private energy efficiency	334	337	Chapter 2.4.3 IEA energy efficiency market report
	Private sustainable transport	Not available	Not available	Chapter 2.4.4
	Private climate-relevant land use	5	5	Chapter 2.4.5 CPI land-use studies
	Private adaptation	1.5	1.5	Chapter 2.4.6
	Domestic climate-related public investment	192	192	Chapter 2.4.7 CPEIRs (UNDP, World Bank ODI), GFLAC climate finance studies, BURs

Note: Figure is not to scale, but seeks to show the relative size of flows. Flows to developing countries are a subset of global total flows.

Abbreviations: BNEF = Bloomberg New Energy Finance, BR = biennial report, BUR = biennial update report, CPEIR = Climate Public Expenditure and Institutional Reviews, CPI = Climate Policy Initiative, CTF = common tabular format, FDI = foreign direct investment, GFLAC = Climate Finance Group for Latin America and the Caribbean, IEA = International Energy Agency, MDB = multilateral development bank, ODI = Overseas Development Institute, OECD = Organisation for Economic Co-operation and Development, RE = renewable energy, UNDP = United Nations Development Programme.

[a] Includes commitments approved during 2013 and 2014. Almost all contributions are contributed by Parties included in Annex II to the Convention (Annex II Parties). The values do not reflect pledges to the Green Climate Fund amounting to USD 10.2 billion by the end of 2014.

[b] From Annex II Parties to Parties not included in Annex I to the Convention (non-Annex I Parties). Values are derived by excluding climate finance to Parties included in Annex I to the Convention from the total climate finance provided by MDBs from their own resources to arrive at climate finance provided to non-Annex I Parties, and by attributing 85 per cent of this to Annex II Parties.

[c] From Annex II Parties to non-Annex I Parties.

[d] From Annex II Parties as well as Czechia, Poland, Slovakia and Slovenia.

Figure 2
Characteristics of public finance in developing countries for 2013–2014

	Average (2013 and 2014 in billion USD)	Purpose (%)			Implementing entities	Instrument (%)				
		Adaptation	Mitigation	Cross-cutting		Grants	Loans	Concessional Loans	Equity	Other
UNFCCC funds[a]	0.7	50	50		United Nations agencies, MDBs, bilateral development agencies, accredited national institutions, NGOs and private banks / funds	100				
Multilateral climate funds (including UNFCCC funds listed above)	2.2	27	70	3	MDBs, United Nations agencies and bilateral development finance institutions	53		47		
Climate-related bilateral[b]	14.9–25.3	27	53	20	Bilateral development finance agencies (e.g. GIZ, DFID, USAID, NORAD)	49	2[c]	47	2[c]	
MDB climate finance	15.8	18	82		MDBs	9	83		2	6

Note: All values are based on approvals.

Abbreviations: DFID = Department for International Development, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, MDB = multilateral development bank, NGO = non-governmental organization, NORAD = Norwegian Agency for Development Cooperation, USAID = United States Agency for International Development

[a] Adaptation Fund, Global Environment Facility, Special Climate Change Fund and Least Developed Countries Fund. No Green Climate Fund projects were approved during 2013–2014.

[b] The values for bilateral finance are based on biennial report data for figure 1 in this document. The percentages for bilateral climate finance in this table are based on Organisation for Economic Co-operation and Development data due to data availability.

[c] Not primarily development or concessional. One per cent of the equity reported is concessional equity.

3. Assessment of climate finance flows

26. An assessment of the data underlying the overview of climate finance flows offers insights into key questions of interest in the context of the UNFCCC negotiations, including support for adaptation and mitigation, levels of finance for different regions and how finance is delivered. Key features of different channels of climate finance for developing countries are summarized in figure 2.

27. Mitigation-focused finance represented more than 70 per cent of the public finance in developing countries reported in 2013 and 2014. Adaptation finance provided to developing countries accounted for about 25 per cent of the total finance. This is similar to 2011–2012, although there has been a slight increase in the proportion of adaptation finance from climate funds and bilateral concessional channels. More than 80 per cent of MDB investments focused on mitigation, and less than 20 per cent on adaptation.

28. There has been a significant role for grants in adaptation finance. Grants represent 88 per cent of adaptation finance approved climate funds and 56 per cent of the bilateral finance reported to the OECD DAC with adaptation as a principal objective. Some least developed countries and small island developing States in Africa and Asia have been among the largest recipients of adaptation finance.

29. About 33 per cent of funding from dedicated climate funds, 42 per cent of climate-related finance in the OECD DAC and 31 per cent of climate finance reported by MDBs is for Asia, often in countries with attractive investment climates. This funding has largely supported mitigation, including REDD-plus,[7] reflecting the significant greenhouse gas (GHG) emissions from the region. About 21 per cent of finance from dedicated multilateral climate funds, 28 per cent of climate-related finance in the OECD DAC and 15 per cent of MDB climate finance is directed to African countries. There has been a growing emphasis on adaptation in this finance. About 23 per cent of funding from dedicated multilateral climate funds, 15 per cent of climate-related finance reported to the OECD DAC and 16 per cent of the climate finance reported by MDBs is directed to Latin America and the Caribbean.

[7] In decision 1/CP.16, paragraph 70, the COP encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

30. There are costs associated with fund management, project development and implementation. These costs are recovered through mechanisms including administrative budgets and implementing agency fees, which vary across funds and institutions. Administrative costs range from less than 1 per cent to nearly 12 per cent of the approved funding. The actual costs are not necessarily proportional to the volumes of finance approved for projects.

31. A broad range of issues can present challenges in accessing climate finance, including: low levels of technical capacity to design and develop projects/programmes and to monitor and evaluate progress; difficulties in following the procedures of the funds to access finance; and low levels of awareness of the need for action and available sources of funding. Several efforts to strengthen "readiness" to access and make use of climate finance are now under way, and the Green Climate Fund (GCF) has recently stepped up its efforts in this regard. Investment in domestic capacity to structure and attract a range of sources of finance is also needed.

32. Ownership of climate finance and alignment of this finance with national climate change priorities and emerging policies and strategies is well recognized as an important element for ensuring effectiveness. Another important dimension is engagement of key stakeholders across government, particularly ministries of finance and planning, and across society, including civil society and the private sector. Most intended nationally determined contributions (INDCs) submitted by developing country Parties outlined, in varying levels of detail, the estimated financial costs of the future emission reduction and climate adaptation scenarios they describe. In general, methodologies used to estimate financial needs or definitions of scope were not specified, and differed substantially. Beyond INDCs, few efforts to assess national or global climate finance needs have been completed since the 2014 biennial assessment and overview of climate finance flows. INDCs may provide a framework for strengthening ownership in the future.

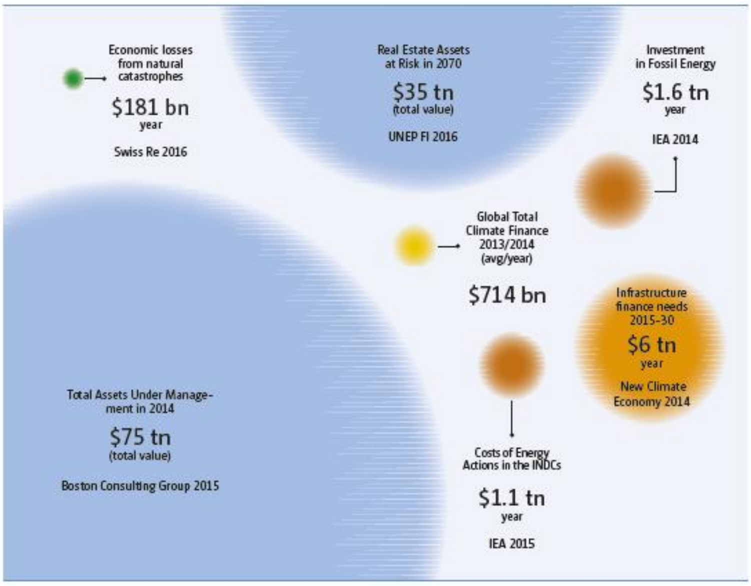
33. Impact monitoring systems are beginning to mature, although reporting of results remains nascent and relatively slow. GHG emission accounts are a primary metric of impact and effectiveness used for climate finance mitigation, often complemented with relevant output data such as the volume of installed clean energy or reductions in energy consumption. Consistency of methodologies for GHG accounting continues to be a challenge, though progress has been made by development finance institutions, which have adopted common principles.

34. Most adaptation interventions seek to identify the specific number of people that are likely to benefit from the proposed interventions, either directly or indirectly in terms of increased resilience. Ensuring the accuracy of estimates can be challenging, due to difficulties in identifying beneficiaries, establishing baselines and data collection, and defining and tracking resilience over time to what may be slow onset, or 1-in-100 or 1-in-500 year events.

35. Many funders use co-financing as best available evidence of private finance mobilization, and many climate funds use leverage ratios as one of their key results indicators. However, co-finance does not necessarily equate to mobilization, which is often used to imply a more causal relationship between public intervention and associated private finance, which is more complex to prove. High leverage ratios may not always indicate an effective use of public finance, as ratios can also be high in interventions that are the most commercially viable.

36. The 2016 biennial assessment and overview of climate finance flows identified climate-related global climate finance flows of USD 714 billion on average in 2013–2014 (see figure 1); this is a significant amount, but is relatively small in the context of wider trends in global investment (see figure 3). For example, while investment in clean energy is rising, volumes of finance for high carbon energy in all countries remain considerably higher. Infrastructure and assets are at risk from the impacts of climate change, with serious potential consequences for the global economy.

Figure 3
Global climate finance in context



Note: This figure seeks to put the total volume of global finance flows in the context of wider trends in global investment. The flows featured on this diagram are not strictly comparable, and are presented for illustrative purposes only. Full details of the underlying studies are included in chapter 3 of the 2016 biennial assessment and overview of climate finance flows.

Abbreviations: avg = average, bn = billion, IEA = International Energy Agency, INDC = intended nationally determined contribution, tn = trillion, UNEP FI = United Nations Environment Programme Finance Initiative, $ = United States dollars.

D. Recommendations

37. The SCF invites the COP to consider the following recommendations:

(a) Invite Parties, the Ad Hoc Working Group on the Paris Agreement, the Subsidiary Body for Scientific and Technological Advice, the Subsidiary Body for Implementation and other relevant bodies under the Convention to consider the 2016 biennial assessment and overview of climate finance flows, particularly its key findings, in order to improve guidelines for the preparation and reporting of financial information,[8] as well as to develop the modalities, procedures and guidelines, as appropriate, for the transparency of support in accordance with Articles 9 and 13 of the Paris Agreement;

(b) Request the SCF, in fulfilling its function on measurement, reporting and verification of support, and in the context of its workplan, to cooperate with relevant institutions and experts and to consider ongoing work under the Convention;

Engaging with international organizations and the private sector

(c) Encourage climate finance providers to enhance the availability of granular, country-level data and for the UNFCCC secretariat to make such information more accessible, including via enhanced web-based data platforms;

(d) Encourage relevant institutions and experts, 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;

Ownership, needs and impact

(e) Encourage developing countries to take advantage of the resources available through the operating entities of the Financial Mechanism to strengthen their institutional capacity to programme their priority climate actions as well as to track and report climate finance;

[8] This includes enhanced information on: sectors, financial instruments, the methodology used for reporting financial support through bilateral channels, the methodology used to identify climate-specific portions of public financial support through multilateral channels, and disaggregated data at the activity level.

(f) Request the SCF in preparing future biennial assessments and overviews of climate finance flows to assess available information on investment needs and plans related to Parties' nationally determined contributions and national adaptation plans;

(g) Encourage Parties and relevant international institutions to enhance the availability of information that will be necessary for tracking global progress on the goals outlined in Article 2 of the Paris Agreement;

(h) Invite the Board of the GCF to consider information in the biennial assessment and overview of climate finance flows in its annual dialogues with climate finance delivery channels in order to enhance complementarity and coherence between the GCF and other funds at the activity level;

(i) Invite multilateral climate funds, MDBs, other financial institutions and relevant international organizations to continue working to further harmonize methods for measuring climate finance and to advance comparable approaches for tracking and reporting on impacts.

10th plenary meeting
18 November 2016

Decision 9/CP.22

(FCCC/CP/2016/10/Add.1)

Terms of reference for the review of the functions of the Standing Committee on Finance

The Conference of the Parties,

Recalling decisions 6/CP.20, 6/CP.21 and 1/CP.21, in particular paragraph 63,

1. *Adopts* the terms of reference for the review of the functions of the Standing Committee on Finance contained in the annex;

2. *Takes note* of the report of the Standing Committee on Finance to the twenty-second session of the Conference of the Parties and in particular annex VII thereto;[1]

3. *Invites* members of the Standing Committee on Finance, Parties, the constituted bodies under the Convention and external stakeholders to submit, by 9 March 2017, their views on the review of the Standing Committee on Finance based on the terms of reference contained in the annex, for consideration by the Subsidiary Body for Implementation at its forty-sixth session (May 2017);[2]

4. *Requests* the Subsidiary Body for Implementation, at its forty-sixth session, to initiate work on the review of the functions of the Standing Committee on Finance in accordance with the terms of reference contained in the annex, taking into account the submissions referred to in paragraph 3 above;

5. *Also requests* the secretariat to prepare a technical paper on the review of the Standing Committee on Finance, in accordance with the terms of reference contained in the annex, taking into account the deliberations and conclusions of the Subsidiary Body for Implementation at its forty-sixth session and the submissions referred to in paragraph 3 above, for consideration by the Subsidiary Body for Implementation at its forty-seventh session (November 2017);

6. Further requests the Subsidiary Body for Implementation to complete its work on the review of the Standing Committee on Finance at its forty-seventh session with a view to recommending a draft decision on the matter for consideration and adoption by the Conference of the Parties at its twenty-third session (November 2017).

[1] FCCC/CP/2016/8.

[2] Parties should submit their views via the submission portal at <http://www.unfccc.int/5900>. Observers and other stakeholders should e-mail their submissions to <secretariat@unfccc.int>.

Annex

Terms of reference for the review of the functions of the Standing Committee on Finance

A. Objective

7. The objective of the review of the Standing Committee on Finance (SCF) is to review the functions of the committee, with a view to:

(a) Strengthening the work of the SCF, as appropriate;

(b) Identifying opportunities for increased efficiency and effectiveness;

(c) Informing Parties on the extent to which the existing activities and working modalities of the SCF will fulfil its mandate to serve the Paris Agreement in line with decision 1/CP.21, paragraph 63;

(d) Taking into account interrelated review processes, such as the sixth review of the Financial Mechanism.

B. Scope

8. The scope of the review will cover the progress made to date and lessons learned in the fulfilment of the mandate of the SCF to assist the Conference of the Parties (COP) in the exercise of its functions with respect to the Financial Mechanism. In this context, the review should:

(a) Be based on the current mandate and functions of the SCF;

(b) Be informed by the work on climate finance conducted by other entities;

(c) Examine whether any gaps exist in the delivery of the work of the SCF and how they can be addressed.

9. The review should address the following elements:

(a) Assessment of the extent to which the SCF has effectively delivered on its core functions and mandated activities as outlined in decision 2/CP.17 and other relevant decisions and, in this regard, taking stock of past achievements of the SCF in terms of its concrete outputs and how they have been utilized;

(b) Identification of the potential need for reorientation or reprioritization of the existing functions of the SCF;

(c) Assessment of whether the working modalities of the SCF, including the participation of its members, are fit-for-purpose for carrying out its functions;

(d) Quality of outputs;

(e) Linkages with the constituted bodies under the Convention;

(f) Relations with relevant external stakeholders.

C. Sources of information

10. The review shall draw upon, inter alia, the following sources of information:

(a) Submissions from members of the SCF, Parties and the constituted bodies under the Convention, as well as external stakeholders involved in the activities of the SCF;

(b) The annual reports of the SCF, including, in particular, annex VII to its report to COP 22;[143]

(c) The relevant decisions of the COP related to the SCF;

(d) Outputs delivered by the SCF, such as the biennial assessment and overview of climate finance flows;

[143] FCCC/CP/2016/8.

(e) A self-assessment report of the SCF and recommendations on improving its efficiency and effectiveness;

(f) The technical paper to be prepared by the secretariat in line with paragraph 5 of this decision.

D. Criteria

11. The review shall take into account, inter alia, the following:

(a) The effectiveness and efficiency of the SCF in the delivery of its functions;

(b) The transparency of its decision-making processes;

(c) The level and nature of stakeholder engagement;

(d) The quality and added value of the outputs of the SCF, including how they were received by the COP and external stakeholders, and in particular how its recommendations have informed and advanced the work of the COP;

(e) The timeliness of the outputs of the SCF.

10th plenary meeting
18 November 2016

Decision 6/CP.21

(FCCC/CP/2015/10/Add.2)

Report of the Standing Committee on Finance

The Conference *of the Parties*,

Recalling Articles 4 and 11 of the Convention,

Also recalling decisions 1/CP.16, paragraph 112, and 2/CP.17, paragraphs 120 and 121, as well as decisions 5/CP.18, 7/CP.19 and 6/CP.20,

1. Welcomes with appreciation the report of the Standing Committee on Finance to the Conference of the Parties at its twenty-first session, taking note of the recommendations contained therein;144

2. Requests the Standing Committee on Finance to continue to strengthen its engagement with all relevant stakeholders and bodies under the Convention;

3. Endorses the workplan of the Standing Committee on Finance for 2016–2017;145

4. Requests the Standing Committee on Finance, in implementing its workplan on the measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows, to continue to engage with relevant bodies under the Convention, multilateral and bilateral agencies, and international institutions;

5. Welcomes the third forum of the Standing Committee on Finance, on enhancing the coherence and coordination of forest financing, held on 8 and 9 September 2015 in Durban, South Africa;

6. Notes the recommendations of the Standing Committee on Finance from its third forum;146

7. Expresses its gratitude to the Government of South Africa and the Food and Agriculture Organization of the United Nations for their support in ensuring the success of the third forum of the Standing Committee on Finance;

8. Requests the Standing Committee on Finance to report to the Conference of the Parties at its twenty-second session (November 2016) on the progress made in the implementation of its workplan;

9. Decides to initiate the review of the functions of the Standing Committee on Finance referred to in decision 6/CP.20, paragraph 23, at the twenty-second session of the Conference of the Parties;

10. Requests the Subsidiary Body for Implementation, at its forty-fifth session (November 2016), to prepare draft terms of reference for the review referred to in paragraph 9 above, on the basis of the submissions referred to in paragraph 11 below, for consideration by the Conference of the Parties at its twenty-second session;

11. Also requests the members of the Standing Committee on Finance and invites Parties and observer organizations to submit their views on the terms of reference for the review of the functions of the Standing Committee on Finance by 21 September 2016,147 for compilation by the secretariat into a miscellaneous document;

12. Further requests the Standing Committee on Finance to consider the guidance provided to it in other relevant decisions of the Conference of the Parties.

10th plenary meeting
10 December 2015

[144] FCCC/CP/2015/8.
[145] As contained in document FCCC/CP/2015/8, annex X.
[146] As contained in document FCCC/CP/2015/8, annex II.
[147] Parties should submit their views via the submissions portal at <http://www.unfccc.int/5900>. Observer organizations should e-mail their submissions to <secretariat@unfccc.int>.

Decision 6/CP.20

(FCCC/CP/2014/10/Add.2)

Report of the Standing Committee on Finance

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention,

Also recalling decisions 1/CP.16, paragraph 112 and 2/CP.17, paragraphs 120 and 121; as well as decisions 5/CP.18 and 7/CP.19,

1. *Welcomes*, and *notes with appreciation*, the report of the Standing Committee on Finance;[148]

2. *Also welcomes* the transparency and openness with which the Standing Committee on Finance conducts its work;

3. *Endorses* the workplan of the Standing Committee on Finance for 2015;[149]

4. *Expresses its appreciation* for the financial contributions provided by the Governments of Belgium, Japan, Norway and Switzerland and the European Union in order to support the implementation of the work programme of the Standing Committee on Finance, and *recalls* decision 2/CP.17, paragraph 124;

5. *Invites* the Standing Committee on Finance to further strengthen its engagement with all relevant stakeholders and bodies of the Convention;

6. *Welcomes* the progress achieved by the Standing Committee on Finance through the successful completion of the 2014 biennial assessment and overview of climate finance flows covering the period 2010–2012;

7. *Notes with appreciation* the 2014 Biennial Assessment and Overview of Climate Finance Flows Report;[150]

8. *Invites* the relevant bodies under the Convention to take note of the summary and recommendations by the Standing Committee on Finance on the 2014 biennial assessment and overview of climate finance flows;[151]

9. *Requests* relevant technical bodies to consider the recommendations contained in the report of the 2014 biennial assessment and overview of climate finance flows as part of their ongoing deliberations related to climate finance;

10. *Also requests* the Standing Committee on Finance, as part of its ongoing work on measurement, reporting and verification of support, and with a view to recommending improvements to the methodologies for reporting financial information, to consider the findings and recommendations of the biennial assessment in its annual report to the Conference of the Parties for its consideration at its twenty-first session (November–December 2015);

11. *Further requests* the Standing Committee on Finance, in the context of its ongoing work, including the preparation of the biennial assessment and overview of climate finance flows, to further explore how it can enhance its work on the measurement, reporting and verification of support, based on best available information on the mobilization of various resources, including private and alternative resources, through public interventions;

12. *Requests* the Standing Committee on Finance to include, in its report to the Conference of the Parties at its twenty-first session, information on progress made in the implementation of its 2015 workplan, taking into account paragraphs 4–7 of decision 11/CP.20 on methodologies for the reporting of financial information by Parties included in Annex I to the Convention;

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[148] FCCC/CP/2014/5.

[149] FCCC/CP/2014/5, annex VIII.

[150] <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2014_biennial_assessment_and_overview_of_climate_finance_flows_report_web.pdf>.

[151] FCCC/CP/2014/5, annex II.

13. *Welcomes* the 2014 Standing Committee on Finance forum on the mobilization of adaptation finance;[152]

14. *Takes note* of the report of the 2014 Standing Committee on Finance forum;[153]

15. *Notes with appreciation* the progress of the work by the Standing Committee on Finance on the issue of financing for forests, taking into account different policy approaches;[154]

16. *Looks forward* to the third forum of the Standing Committee on Finance, taking place in 2015, which will focus on issues related to finance for forests; [155]

17. *Encourages* the Standing Committee on Finance to continue to engage with all relevant actors working on forests in the preparation of the forum, with a view to ensuring broad participation;

18. *Invites* the Standing Committee on Finance to consider, in the context of its forum on issues related to finance for forests, inter alia, decisions relevant to activities referred to in decision 1/CP.16, paragraph 70, including decisions 1/CP.16, 2/CP.17 and 12/CP.17 as well as decisions 9/CP.19 to 15/CP.19;

19. *Endorses* the recommendations on the provision of guidance to the operating entities provided in paragraph 10 of the report of the Standing Committee on Finance to the Conference of the Parties;[156]

20. *Request*s the Standing Committee on Finance to provide advice on the issue of the frequency of guidance to the Financial Mechanism and to report back to the Conference of the Parties at its twenty-first session;

21. *Welcomes* the inputs of the Technology Executive Committee and the Adaptation Committee to the work of the Standing Committee on Finance for its consideration in preparing elements of draft guidance to the operating entities;

22. *Requests* the Standing Committee on Finance to consider issues related to possible future institutional linkages and relations between the Adaptation Fund and other institutions under the Convention;

23. *Decides,* in accordance with decision 2/CP.17, annex VI, paragraph 10, to conduct the review of the functions of the Standing Committee on Finance no later than the twenty-third session of the Conference of the Parties (November–December 2017);

24. *Requests* the Standing Committee on Finance to consider the guidance provided to the Standing Committee on Finance in other decisions of the Conference of the Parties.

10th plenary meeting
13 December 2014

152 See <http://unfccc.int/cooperation_and_support/financial_mechanism/standing committee/items/8138.php>.
153 <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2nd_scf_forum_for_web.pdf >.
154 Decision 7/CP.19, paragraph 11.
155 Decision 9/CP.19, paragraph 20.
156 FCCC/CP/2014/5.

Decision 7/CP.19

(FCCC/CP/2013/10/Add.1)

Report of the Standing Committee on Finance to the Conference of the Parties

The Conference of the Parties,

Recalling decision 2/CP.17, paragraph 120,

Also recalling decision 5/CP.18,

1. *Notes with appreciation* the report of the Standing Committee on Finance;[1]

2. *Welcomes* the continued transparency and openness in the conduct of the work of the Standing Committee on Finance;

3. *Takes note* of the report on the initial forum of the Standing Committee on Finance;[1]

4. *Looks forward* to the second forum, to be held in 2014;

5. *Invites* the Standing Committee on Finance to consider focusing its second forum on mobilizing finance for adaptation from both public and private sectors;

6. *Endorses* the workplan of the Standing Committee on Finance for 2014–2015;[2]

7. *Requests* the Standing Committee on Finance to implement that workplan;

8. *Takes note* of the information provided by the Standing Committee on Finance on the workplan for the biennial assessment and overview of climate finance flows, to be conducted in 2014;

9. *Invites* the Standing Committee on Finance to consider ways to increase its work on the measurement, reporting and verification of support beyond the biennial assessment referred to in paragraph 8 above in accordance with its workplan for 2014–2015 and its mandates;

10. *Calls on* the Standing Committee on Finance to further enhance its linkages with the Subsidiary Body for Implementation and the thematic bodies of the Convention as mandated by decision 2/CP.17, paragraph 121(b);

11. *Requests* the Standing Committee on Finance to consider, in its work on coherence and coordination, inter alia, the issue of financing for forests, taking into account different policy approaches;

12. *Also requests* the Standing Committee on Finance to include in its annual report to the Conference of the Parties information on progress made in the implementation of its workplan for 2014–2015 and the guidance provided in this decision.

10th plenary meeting
23 November 2013

[1] FCCC/CP/2013/8.
[2] FCCC/CP/2013/8, annex II.
[3] FCCC/CP/2013/8, annex VIII.

Decision 5/CP.18

(FCCC/CP/2012/8/Add.1)

Report of the Standing Committee

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention,

Also recalling decision 2/CP.17, paragraph 120, in which it was decided that the Standing Committee shall report and make recommendations to the Conference of the Parties, for its consideration, at each ordinary session of the Conference of the Parties, on all aspects of its work,

1. *Welcomes* the operationalization of the Standing Committee in accordance with decision 2/CP.17, paragraphs 120–125, and the progress achieved by the Standing Committee;

2. *Notes with appreciation* the report of the Standing Committee on the outcomes of its two meetings in 2012,[1591] including on the elaboration of its working modalities, its work programme for 2013–2015, including the organization of the forum of the Standing Committee, and its recommendations regarding guidance to the operating entities of the financial mechanism of the Convention;

3. *Endorses* the work programme of the Standing Committee for 2013–2015, contained in annex II to the report of the Standing Committee;

4. *Welcomes* the work on the forum of the Standing Committee and encourages the Standing Committee to facilitate the participation of the private sector, financial institutions and academia in the forum;

5. *Requests* the Standing Committee to report on the forum in its report to the Conference of the Parties;

6. *Adopts* the revised composition and working modalities of the Standing Committee as contained in annex IV to the report of the Standing Committee;

7. *Decides* that the Chair and Vice-Chair of the Standing Committee shall serve as Co-Chairs of the Standing Committee, effective from the first meeting of the Standing Committee in 2013;

8. *Welcomes* the financial contributions provided by the European Union and the Government of Norway to support the work of the Standing Committee;

9. *Decides* that the name of the Standing Committee shall be changed to the Standing Committee on Finance;

10. *Invites* developed country Parties to submit to the secretariat, by May 2014, information on the appropriate methodologies and systems used to measure and track climate finance;

11. *Requests* the Standing Committee, in preparing the first biennial assessment and overview of financial flows, to consider ways of strengthening methodologies for reporting climate finance;

12. *Requests* the Standing Committee to consider the guidance provided to the Standing Committee in other decisions of the Conference of the Parties.

9th plenary meeting
8 December 2012

[1] FCCC/CP/2012/4.

Decision 2/CP.17

(FCCC/CP/2011/9/Add.1)

Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention

IV. Finance

Standing Committee

The Conference of the Parties,

Recalling Articles 4 and 11 of the Convention,

Having established the Standing Committee under the Conference of the Parties as provided for in decision 1/CP.16, paragraph 112,

120. *Decides* that the Standing Committee shall report and make recommendations to the Conference of the Parties, for its consideration, at each ordinary session of the Conference of the Parties on all aspects of its work;

121. *Also decides* that the Standing Committee shall assist the Conference of the Parties in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financial mechanism, mobilization of financial resources, and measurement, reporting and verification of the support provided to developing country Parties through activities, such as the following:

(a) Organizing a forum for the communication and continued exchange of information among bodies and entities dealing with climate change finance in order to promote linkages and coherence;

(b) Maintaining linkages with the Subsidiary Body for Implementation and the thematic bodies of the Convention;

(c) Providing to the Conference of the Parties draft guidance for the operating entities of the financial mechanism of the Convention, with a view to improving the consistency and practicality of such guidance, taking into account the annual reports of the operating entities as well as submissions from Parties;

(d) Making recommendations on how to improve the coherence, effectiveness and efficiency of the operating entities of the financial mechanism;

(e) Providing expert input, including through independent reviews and assessments, into the preparation and conduct of the periodic reviews of the financial mechanism by the Conference of the Parties;

(f) Preparing a biennial assessment, overview of climate finance flows, to include information on the geographical and thematic balance of such flows, drawing on available sources of information, including national communications and biennial reports of both developed and developing country Parties, information provided in the registry, information provided by Parties on assessments of their needs, reports prepared by the operating entities of the financial mechanism, and information available from other entities providing climate change finance;

122. *Further decides* that the Standing Committee shall perform any other functions that may be assigned to it by the Conference of the Parties;

123. *Requests* the Standing Committee to develop a work programme based on the activities outlined in paragraph 121 above for presentation to the Conference of the Parties at its eighteenth session;

124. *Decides* that the cost of meetings and the participation of members from developing country Parties will be included in the consideration of the core budget of the secretariat;

125. *Also decides* to adopt the composition and working modalities of the Standing Committee as contained in annex VI;

Annex VI

Composition and working modalities of the Standing Committee

1. The Standing Committee shall be composed of the following:

(a) Ten members from Parties included in Annex I to the Convention (Annex I Parties);

(b) Ten members from Parties not included in Annex I to the Convention (non-Annex I Parties), including two members each from the African, Asia-Pacific, and the Latin America and Caribbean States, one member from a small island developing State and one member from a least developed country Party.

2. The Standing Committee shall be composed of members nominated by Parties for approval by the Conference of the Parties, who shall have the necessary experience and skills, notably in the areas of climate change, development and finance, taking into account the need to achieve gender balance in accordance with decision 36/CP.7.

3. Standing Committee members shall serve for a term of two years, with the option of seeking additional terms.

4. The Standing Committee shall elect annually a chair and a vice-chair from among its members for a term of one year each, with one being a member from a non-Annex I Party and the other being a member from an Annex I Party. The positions of chair and vice-chair shall alternate annually between a member from a developed country Party and a member from a developing country Party.

5. The Standing Committee shall develop further modalities for the participation of observers from the operating entities of the financial mechanism of the Convention, from funding entities (multilateral, bilateral and regional) involved in climate finance and from observer organizations from the private sector and civil society admitted to the Convention.

6. The Standing Committee shall draw upon additional expertise as it may deem necessary.

7. The Standing Committee shall meet at least twice a year, or more if necessary, and its first meeting shall take place prior to the thirty-sixth session of the Subsidiary Body for Implementation.

8. The Standing Committee shall reach its conclusions by consensus.

9. The secretariat shall provide administrative support for the work of the Standing Committee.

10. The Conference of the Parties will conduct a review of the functions of the Standing Committee in 2015.

10th plenary meeting
9 December 2011

Decision 1/CP.16

(FCCC/CP/2010/7/Add.1)

The Cancun Agreements: Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention

I. Finance, technology and capacity-building

A. Finance

The Conference of the Parties,

95. *Takes note* of the collective commitment by developed countries to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010–2012, with a balanced allocation between adaptation and mitigation; funding for adaptation will be prioritized for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa;

96. *Invites*, in order to enhance transparency, developed country Parties to submit to the secretariat for compilation into an information document, by May 2011, 2012 and 2013, information on the resources provided to fulfil the commitment referred to in paragraph 95 above, including ways in which developing country Parties access these resources;

97. *Decides* that, in accordance with the relevant provisions of the Convention, scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change;

98. *Recognizes* that developed country Parties commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries;

99. *Agrees* that, in accordance with paragraph 1(e) of the Bali Action Plan, funds provided to developing country Parties may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources;

100. *Decides* that a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund, referred to in paragraph 102 below;

101. *Takes note* of the relevant reports on the financing needs and options for the mobilization of resources to address the needs of developing country Parties with regard to climate change adaptation and mitigation, including the report of the High-level Advisory Group on Climate Change Financing;

102. *Decides* to establish a Green Climate Fund, to be designated as an operating entity of the financial mechanism of the Convention under Article 11, with arrangements to be concluded between the Conference of the Parties and the Green Climate Fund to ensure that it is accountable to and functions under the guidance of the Conference of the Parties, to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows;

103. *Also decides* that the Fund shall be governed by a Board of 24 members, comprising an equal number of members from developing and developed country Parties; representation from developing country Parties shall include representatives of relevant United Nations regional groupings and representatives of small island developing States and the least developed countries; each Board member shall have an alternate member; with alternate members entitled to participate in the meetings of the board only through the principal member, without the right to vote, unless they are serving as the member; during the absence of the member from all or part of a meeting of the Board, his or her alternate shall serve as the member;

104. *Further decides* that the Green Climate Fund shall have a trustee; the trustee for the Green Climate Fund shall have the administrative competence to manage the financial assets of the Green Climate Fund,

maintain appropriate financial records and prepare financial statements and other reports required by the Board of the Green Climate Fund, in accordance with internationally accepted fiduciary standards;

105. *Decides* that the trustee shall administer the assets of the Green Climate Fund only for the purpose of, and in accordance with, the relevant decisions of the Green Climate Fund Board; the trustee shall hold the assets of the Green Climate Fund separate and apart from the assets of the trustee, but may commingle them for administrative and investment purposes with other assets maintained by the trustee; and the trustee shall establish and maintain separate records and accounts to identify the assets of the Green Climate Fund;

106. *Decides* that the trustee shall be accountable to the Green Climate Fund Board for the performance of its fiduciary responsibilities;

107. *Invites* the World Bank to serve as the interim trustee for the Green Climate Fund, subject to a review three years after operationalization of the Fund;

108. *Decides* that the operation of the Fund shall be supported by an independent secretariat;

109. *Also decides* that the Green Climate Fund shall be designed by a Transitional Committee in accordance with the terms of reference contained in appendix III to this decision; the Transitional Committee shall have 40 members, with 15 members from developed country Parties and 25 members from developing country Parties as follows:

(a) Seven members from Africa;

(b) Seven members from Asia;

(c) Seven members from Group of Latin America and the Caribbean;

(d) Two members from small island developing States;

(e) Two members from the least developed countries;

110. *Invites* the Executive Secretary of the secretariat, in consultation with the President of the Conference of the Parties, to convene the initial meeting of the Transitional Committee, with members having the necessary experience and skills, notably in the area of finance and climate change; the meetings of the Transitional Committee will be open to observers;

111. *Requests* the secretariat, in consultation with the President of the Conference of the Parties, to make arrangements enabling relevant United Nations agencies, international financial institutions and multilateral development banks, along with the secretariat and the Global Environment Facility, to second staff to support the work of the Transitional Committee for the design phase of the Green Climate Fund;

112. Decides to establish a Standing Committee under the Conference of the Parties to assist the Conference of the Parties in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financial mechanism, mobilization of financial resources and measurement, reporting and verification of support provided to developing country Parties; Parties agree to further define the roles and functions of this Standing Committee;

9th plenary meeting
10–11 December 2010