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Item 8(f) of the provisional agenda

Matters relating to finance**Compilation and synthesis of, and summary report on the
in-session workshop on, biennial communications of information
related to Article 9, paragraph 5, of the Paris Agreement****Biennial in-session workshop on information to be provided
by Parties in accordance with Article 9, paragraph 5, of the
Paris Agreement****Summary report by the secretariat****Summary*

This report summarizes the first biennial in-session workshop on the biennial communications of information related to Article 9, paragraph 5, of the Paris Agreement, held in conjunction with the first part of the 2021 sessions of the subsidiary bodies. Participants shared views on the information included in the first biennial communications and discussed how to improve the predictability and clarity of information on financial support for implementing the Paris Agreement.

* This document was scheduled for publication after the standard publication date owing to circumstances beyond the submitter's control.

Abbreviations and acronyms

CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	Conference of the Parties
EU	European Union
GCF	Green Climate Fund
GEF	Global Environment Facility
LDC	least developed country
NDC	nationally determined contribution
SIDS	small island developing State(s)

I. Introduction

A. Mandate

1. Recognizing the importance of predictability and clarity of information on financial support for the implementation of the Paris Agreement, CMA 1, in relation to the information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement:¹

(a) Reiterated that developed country Parties shall submit biennial communications of information as specified in the annex to decision 12/CMA.1;

(b) Requested the secretariat to establish a dedicated online portal² for posting and recording the biennial communications;

(c) Also requested the secretariat to prepare a compilation and synthesis of the information included in the biennial communications,³ starting in 2021, for consideration by the CMA and the COP;

(d) Further requested the secretariat to organize biennial in-session workshops, beginning the year after the submission of the first biennial communications, and to prepare a summary report on each workshop;

(e) Decided to convene a biennial high-level ministerial dialogue on climate finance, beginning in 2021, to be informed by the biennial communications and summary reports on the biennial in-session workshops.

B. Scope of the report

2. After the introduction in chapter I, chapter II below presents the key findings that emerged from the first biennial in-session workshop referred to in paragraph 1(d) above, chapter III below provides a summary of the scene-setting presentations at the workshop, and chapter IV below summarizes the open discussion among participants.

C. Background

1. Preparatory activities

3. The secretariat invited Gabriela Blatter (Switzerland) and Andres Mogro (Ecuador) to co-facilitate the workshop. Under their guidance, the secretariat prepared a provisional workshop programme and determined the approach to the workshop.

2. Objectives

4. The objectives of the workshop were to provide an opportunity for participants to share their views on the information in the first biennial communications and the compilation and synthesis thereof; and to discuss, on the basis of lessons learned from the first biennial communications, how the predictability and clarity of information on financial support for implementing the Paris Agreement could be improved.

D. Proceedings

5. The two-hour workshop was held virtually on 11 June 2021 in conjunction with the first part of the 2021 sessions of the subsidiary bodies. The workshop was open to participation by Parties and admitted observer organizations, while other observers were able to follow via live webcast.

¹ Decision 12/CMA.1.

² <https://unfccc.int/Art.9.5-biennial-communications>.

³ The first compilation and synthesis is contained in document FCCC/PA/CMA/2021/3.

6. Patricia Espinosa, UNFCCC Executive Secretary, and Lorena Palomo, from the COP 25 Presidency, provided opening remarks and the co-facilitators gave a short introduction to the workshop.

7. Three scene-setting presentations were made. A representative of the secretariat provided information on the compilation and synthesis of the first biennial communications, followed by presentations on the preparer and user perspectives on the information therein, by representatives of the EU and India, respectively. Participants then engaged in a fruitful exchange of views based on the information presented and guiding questions:

(a) What insights can be drawn from the information included in the first biennial communications?

(b) How are these biennial communications an improvement over the previous submissions on strategies and approaches for scaling up climate finance, and how can they improve further?

(c) What are some of the lessons learned from this first round of biennial communications that could be taken into consideration for subsequent rounds?

(d) How can the biennial communications improve the overall state of predictability and clarity of information on financial support for the implementation of the Paris Agreement?

8. The workshop programme, presentation slides and webcast are available on the UNFCCC website.⁴

II. Key findings

A. Insights from the information in the first biennial communications

9. Views differ on the extent to which the first biennial communications provide clarity and assurance on financial support, including with respect to developed country Parties achieving the goal of jointly mobilizing USD 100 billion per year by 2020 and through to 2025.

10. The first biennial communications include more comprehensive information compared with Parties' previous submissions on strategies and approaches for scaling up climate finance. However, indicative projections of climate finance for developing countries are lacking, as are specific plans for scaling up the provision and mobilization of climate finance.

11. The limited information provided on projected levels of climate finance is generally attributed to the lack of availability of such information due to budgetary cycles. Where such information is communicated, the level of detail on themes, channels and instruments varies across the biennial communications.

12. The qualitative information in the biennial communications relates mainly to climate change strategies, policies and priorities, and covers how support provided and mobilized addresses the needs and priorities of developing countries, and how support is targeted at helping developing countries in their efforts to meet the long-term goals of the Paris Agreement. In this context, the importance of ensuring the effectiveness and impact of the support, including by communicating directly with the recipients and considering their national plans and programmes, was highlighted.

13. The communications include limited information on the shares of projected climate finance that will flow to adaptation and mitigation, and on plans for addressing the balance between the two. While information on finance for addressing loss and damage was not

⁴ <https://unfccc.int/event/biennial-in-session-workshop-on-information-to-be-provided-by-parties-in-accordance-with-article-9>.

requested to be communicated, it was noted that such information is important, and it was not included in the biennial communications.

14. While the scope, scale and speed of mobilization of private finance need to be increased, public sources of funding remain critical, including for mobilizing and leveraging private capital.

15. The biennial communications include information on projected levels of public financial resources to be provided to developing countries, particularly to the LDCs and SIDS, but the information is limited, including in terms of disaggregation by type of support and indicative annual projections.

16. Improving the predictability and clarity of projected levels of climate finance, including by increasing the level of detail of information provided in the biennial communications, is important to enable developing countries to significantly enhance their implementation of the Paris Agreement.

B. Improvement of first biennial communications over previous submissions, lessons learned and possible further improvements

17. The workshop underscored the importance of drawing lessons learned from the first biennial communications, for both the preparers and users of the information, including with respect to clarity of projected levels of climate finance and potential improvements to the preparation, communication and use of the information.

18. The first biennial communications represent an improvement on Parties' previous submissions on strategies and approaches for scaling up climate finance given the focused format and more detailed reporting requirements.

19. Preparing the first biennial communications required extensive and efficient collaboration among various ministries, government agencies and other institutions, which led to improvement in the coordination of actors at the national and international level and will help to enhance the effectiveness of climate action in the future.

20. In reflecting on possible further improvements, participants mentioned, among other things, that:

(a) The process under Article 9, paragraph 5, would benefit from more voluntary submissions of biennial communications;

(b) A summary table of quantitative information could be provided, presented in one currency in the case of a biennial communication submitted on behalf of several countries (e.g. in the case of the EU);

(c) The submission of the biennial communications could be aligned with national budgetary cycles so that they can provide a more reliable indication of funding and consequently more predictability for developing countries;

(d) The biennial communications could benefit from Parties focusing more on communicating forward-looking information such as projections and assessments rather than on reporting backward-looking information;

(e) Restructuring information on the basis of the elements set out in the annex to decision 12/CMA.1 would bring the information more in line with Parties' national circumstances;

(f) The more targeted and granular the information provided in the biennial communications, the more helpful it is for developing countries and the more it facilitates partnerships between developed and developing countries;

(g) Providing further information in the biennial communications on how the needs and priorities of developing countries are taken into account in accordance with the decisions related to financial support would be helpful.

C. Improving predictability and clarity of information on financial support

21. Providing ex ante information on means of implementation for developing countries in the biennial communications helps them to enhance their implementation of the Convention and the Paris Agreement. A key barrier to improving the predictability of public climate finance is the short-term nature of national budgetary cycles, which limits countries in providing information for long-term planning.

22. The aid budget is currently reported as the main source of public climate finance; therefore, enhancing the monitoring of mainstreaming climate in development assistance and expanding the climate finance portion of the aid budget are two possible measures to increase clarity of information on climate finance support provided to developing countries. The first biennial communications include limited information on methods for determining finance as new and additional and the funds that are new and additional to existing financial support provided internationally.

III. Presentations

A. Compilation and synthesis of the first biennial communications

23. A representative of the secretariat provided an overview of the information in the nine biennial communications received as at 11 June 2021, from Australia, Canada, the EU, Japan, Monaco, New Zealand, Norway, Switzerland and the United Kingdom of Great Britain and Northern Ireland.

24. **Projected levels of public finance** were presented in different ways:

- (a) Projected annual expenditure, typically to 2022 but in some cases to 2027;
- (b) Multi-year budget expenditure, typically for three to five years but in some cases for longer;
- (c) Annual increases in finance over a period of time, expressed through commitments to increase climate finance allocations by a certain monetary amount each year;
- (d) Annual contributions to funds and institutions, for example pledges to the operating entities of the Financial Mechanism for certain replenishments, or contributions to multilateral organizations and regional funds with long disbursement periods (e.g. funds with 10-, 15- or 20-year investment windows);
- (e) Proportional targets aimed at assigning a percentage of new financing to climate-relevant projects either annually or over a certain time frame (e.g. three to five years).

25. The increasing trend in annual climate finance flows over recent years and the commitment of Parties to scale up or at least maintain their level of climate finance was highlighted in the communications, as was the important role of initiatives for mobilizing private climate finance.

26. In terms of information on **methods, assumptions and limitations** in the communications:

(a) Budgetary and parliamentary requirements to obtain annual approval for disbursement were mentioned as a key limitation to projecting levels of public finance over the long term. Further, disbursement of climate finance may depend on the changing needs, priorities and socioeconomic challenges of recipient countries during the applicable period. The coronavirus disease 2019 pandemic was cited as an example of how unexpected challenges can affect projected disbursement schedules;

(b) Various methods of determining finance as new and additional were mentioned, such as considering finance as new and additional if it is (1) a new annual commitment, (2) an allocation or disbursement, (3) higher than the amount in a baseline year, such as 2009, or (4) provided in addition to the official development assistance budget or

greater than the 0.7 per cent of gross national income commitment for official development assistance.

27. In terms of **lessons learned** for informing future efforts to mobilize and deliver climate finance, the communications indicated that:

(a) Pandemic recovery packages can provide opportunities to boost efforts to mobilize and deliver climate finance;

(b) Enabling environments can help maximize climate finance flows and their alignment with the national development plans of recipient countries;

(c) Climate finance needs to be balanced between mitigation and adaptation;

(d) The LDCs, SIDS and other countries that are particularly vulnerable to the adverse impacts of climate change are priority recipients, particularly for grant-based adaptation finance;

(e) The close relationship between adaptation and development can be used to advantage, as can ongoing efforts to mainstream adaptation in development assistance and to integrate resilience into national development plans, and agreements such as the Sendai Framework for Disaster Risk Reduction 2015–2030, which links development, adaptation and disaster risk reduction;

(f) Capacity-building support should be designed in line with national development priorities and in a way that facilitates stakeholder participation with a view to building institutional knowledge in developing countries;

(g) Supporting developing countries in meeting the goals of the Paris Agreement through the provision of capacity-building and technical assistance for fiscal and macroeconomic policymaking will help them to identify and mobilize domestic financial resources for climate action as well as attract international climate finance that can fulfil their investment needs. In this context, it was noted in the communications that Article 9 and Article 2, paragraph 1(c), of the Paris Agreement are neither interchangeable nor mutually exclusive; rather, they reinforce each other;

(h) The GCF has an important role in promoting the shift towards low-emission and climate-resilient development.

B. Preparation of the first biennial communications

28. In her scene-setting presentation, the representative of the EU provided an overview of the key aspects of preparing the biennial communication and the information therein.

29. Defining the **approach to and scope** of the biennial communication serves to increase mutual understanding of and sharing of information on opportunities, barriers and challenges in improving the predictability and clarity of climate finance.

30. The **predictability of climate finance** is a key element for partner developing countries, and commitments regarding climate finance should be based on political decisions. Short-term budget cycles are a barrier to enhancing predictability as they do not allow long-term planning of bilateral climate finance. Contributions to multilateral funds, however, are more likely to cover a longer time period. For example, the EU has a multi-annual financial framework, which includes a new instrument that will provide approximately EUR 24 billion in support for climate action for 2021–2027.

31. The mitigation and adaptation **goals of the Paris Agreement** can be achieved only by increasing global finance flows. Moreover, ambition in finance goes hand in hand with enhancing the effectiveness and efficiency of the flows and reducing or redirecting resources aimed at financing activities with negative impacts on mitigation and adaptation.

32. The scope, scale and speed of **mobilization of private finance** need to be increased, and initiatives and programmes for mobilizing private finance should be described in the biennial communications.

33. Climate action is most effective when support is demand-driven, aligned with absorptive capacities, and designed and implemented in partnership with the Governments of partner countries. National plans and programmes provide a helpful foundation for understanding how finance can best satisfy the **needs and priorities of developing countries**.

34. Regarding the **balance between mitigation and adaptation**, EU climate finance envisaged for adaptation has been increasing, with a focus on the most vulnerable countries. For climate finance to more effectively address specific adaptation aspects, such as environmental infrastructure, developing countries need to prioritize those aspects in their national budgets and development plans as well as highlight them to their developed country partners.

35. Four **lessons learned** from the preparation of the biennial communication were identified: (1) providing ex ante information on long-term planning for the provision of means of implementation to developing countries will depend on the nature of national budget systems; (2) improving national coordination processes in developed countries through internal capacity-building will lead to better provision of information; (3) support for improving enabling environments is needed to ensure alignment of finance flows; and (4) improving coordination of actors at the national and international level will enhance the effectiveness of climate action.

C. Information in the first biennial communications

36. In his scene-setting presentation, the representative of India provided an overview of the information missing from the first biennial communications that would, if included, enhance the predictability and clarity of information on financial support for implementing the Paris Agreement.

37. **Clarity of projections.** The need for increased clarity of projected levels of public financial resources to be provided to developing countries – both the scale of finance and the time frame over which it will be provided – was highlighted in the communications. Breaking down figures into annual projections, where possible, was seen as valuable, as was indicating the share of climate finance provided exclusively to a particular region or group of countries. In many cases, official development assistance was accounted for as climate finance; however, official development assistance qualifies as climate finance only if it has a new and additional component and is climate-specific.

38. **New and additional resources.** Some communications provided an indication of what funding was considered new and additional to existing commitments or contributions to multilateral development banks, and in a few others, there was a focus on climate finance within development assistance. However, overall, information on which funds were new and additional to existing support provided internationally was lacking.

39. **Balance between mitigation and adaptation.** Even though many Parties recognized this balance as a priority, only a small number included in their projections the shares of climate finance anticipated to flow to mitigation and adaptation. Information on financial resources for addressing loss and damage was not included in the biennial communications but would help to enhance understanding of support to be provided.

40. **Grant and non-grant financing.** Information on financial instruments, such as grants, concessional loans, equity and guarantees, was provided in the communications, but their breakdown was usually unclear in the projections. Given the vast range of financing types available globally, a common methodology for the accounting of financial support that qualifies as climate finance should be developed. The presenter proposed that only the grant equivalence of any claimed climate finance be counted, and not the gross value of loans, guarantees, export credits and other relevant financial instruments.

41. **Mobilization of private finance.** Private finance was highlighted in the communications as one of the main components of climate accountability, but its mobilization was not analysed. Also highlighted was that public sources of funding will remain critical for attracting, mobilizing and leveraging private capital as they act as a

catalyst in this regard, and that leveraging and mobilizing domestic private finance should remain entirely in the hands of developing countries.

42. **Needs and priorities of developing countries.** The communications presented sufficient information on initiatives of developed countries in energy and sustainable finance, but information on the impacts of the initiatives on developing countries was lacking. Such an impact analysis and its links with NDC targets is considered a prerequisite for addressing the needs and priorities of developing countries. The presenter highlighted that scaled-up climate finance should help developing countries enhance the implementation of the objectives of the Convention and the Paris Agreement, including meeting NDC targets and mitigation and adaptation goals and to address loss and damage.

43. **Recipient country information.** Information on support provided to recipient countries was missing from some of the communications.

44. **Technology and capacity-building.** Sufficient in-depth data on support for technology transfer and capacity-building for mitigation, adaptation, addressing loss and damage, and cross-cutting purposes was not included in the communications.

45. **Principle of concessionality.** The provision of support by multilateral development banks through bilateral channels was highlighted in many of the communications; however, information on the concessionality of the financing was lacking. The presenter underlined that the modalities for reporting information on financial support for developing country Parties shall be accounted on the basis of the principle of concessionality.

46. **Definition of climate finance.** The need for a clear definition of climate finance was highlighted in the communications, especially in terms of measuring its effectiveness. Several communications omitted detailed information on the ex ante accounting of climate finance. The presenter noted that only the climate-relevant portion of total aid expenditure should be counted as climate finance; in this context, none of the communications included a detailed analysis of accounting for climate finance.

IV. Discussion

A. Insights from the information in the first biennial communications

47. Participants from developed countries provided an overview of the key aspects included in their first biennial communications, and participants from developing countries expressed their views on information that is missing in order to enhance the predictability and clarity of information on financial support for the implementation of the Paris Agreement.

48. Many participants confirmed the view that the biennial communications represent an important means of improving the predictability and clarity of financial support for implementing the Paris Agreement. Several highlighted the preparation of the first biennial communications and this workshop as an important learning exercise for both developed and developing countries.

49. Many participants reiterated information on their national or organizational climate finance commitments or pledges to developing countries, with some specifying priority regions and areas of focus, such as renewable energy and disaster resilience. Several expressed the view that crucial indicative projections of climate finance available for developing countries, in particular for the LDCs and SIDS, were missing from the biennial communications.

50. Some participants highlighted the link between the biennial communications and the USD 100 billion goal, expressing the concern that the indicative quantitative information provided in the communications increases neither clarity nor assurance regarding the achievement of the collective commitment.

51. While developing country participants recognized the planning difficulties and budgetary challenges faced by developed countries, they noted that conditional targets

included in developing countries' NDCs often cover 5–10 years; therefore, clear long-term projections of financial support are crucial. Some participants pointed to the different time frames used in presenting climate finance projections in the biennial communications, which made aggregation difficult and thus led to a lack of information on overall projected climate finance. Other participants suggested that developed countries should aim to provide indicative annual projections, which would give more clarity to developing countries and therefore facilitate both implementing conditional NDC targets and setting more ambitious NDC targets.

52. Several participants provided an overview of the qualitative information provided in their first biennial communications, such as on climate action strategies, policies and priorities, while recognizing the importance of complementing that information with quantitative information to enhance transparency. Some participants explained that through the qualitative information provided in the communications they showed how their support addresses the needs and priorities – particularly those included in NDCs, national adaptation plans and other national development plans – of developing countries.

53. The importance of the effectiveness of climate finance was mentioned by some participants, who highlighted how they ensure that climate finance is used effectively to generate impacts. One participant mentioned that direct communication with recipient partners not only ensures that climate finance addresses their needs and priorities but also builds enduring linkages between the donor country and institutions in partner developing countries.

54. One participant noted that more information on how developed countries plan to support developing countries in implementing Article 2, paragraph 1(c), of the Paris Agreement, and on how mobilization efforts of developed countries will contribute to this goal, would help in enhancing the predictability and clarity of support.

55. A few participants included in their biennial communications information on priorities and plans for supporting technology development and transfer and capacity-building in developing countries, including by engaging with stakeholders such as the Climate Technology Centre and Network.

56. The need to balance climate finance for mitigation and adaptation was mentioned by many participants, with some expressing concern that this balance did not receive sufficient recognition in the biennial communications and others highlighting the lack of a specific plan for achieving it.

57. A few participants noted with appreciation the information captured in the biennial communications on social inclusion and gender equality, including in this regard the clear focus on the most vulnerable communities, especially women and girls, people with disabilities and indigenous peoples.

58. Elements considered essential to enhancing the predictability and clarity of support were highlighted as missing from the biennial communications by a few participants, namely specific plans for scaling up the provision and mobilization of climate finance in developing countries; a clear indication of the amount of support that will be directed towards addressing loss and damage; and quantitative and qualitative information on mobilization of climate finance, as well as granular information, such as on which financial instruments will be used.

59. Some participants raised their concern that, even though Latin America is facing development challenges and increasing costs from loss and damage related to climate change, the region was not mentioned as a priority in the biennial communications for receiving international public climate finance.

B. Improvement on previous submissions and possible further improvements

60. Participants viewed the first biennial communications as an improvement on the previous submissions on strategies and approaches under the long-term finance work programme, mainly because of the focused format and the more detailed reporting

requirements. A few participants highlighted that the process under Article 9, paragraph 5, will be more effective if more Parties submit biennial communications voluntarily.

61. One participant noted with appreciation the format of and graphics in some of the biennial communications, as well as the indicative quantitative information provided in response to the specific provisions in the annex to decision 12/CMA.1. This participant suggested including a summary table to provide an overview of quantitative information, presented in one currency, if the biennial communication is submitted on behalf of several countries, as in the case of the EU for example.

62. In the context of the challenges related to different time frames used in presenting climate finance projections and budgetary cycles, participants were of the view that the submission deadline for the biennial communications being towards the end of the year, following the implementation of annual national budgets, would enable the provision of more reliable indications of funding by developed countries and consequently more predictability for developing countries. The representative of the EU highlighted the seven-year budgetary cycle of the EU, through which it can provide some predictability of long-term climate finance for developing countries.

C. Lessons learned from the first biennial communications

63. Many participants underscored that the process of preparing a biennial communication required extensive and efficient collaboration among various ministries, government agencies and other institutions, which led to improved national coordination and enhanced relationships and provided opportunities for capacity-building for the staff involved.

64. Several participants shared views on the definition of climate finance. One participant, supported by others, mentioned that there is already an operational definition of climate finance, which was developed by the Standing Committee on Finance in the context of its biennial assessment and overview of climate finance flows. This participant highlighted the significant efforts made over the years to come to this definition, and noted that, while the definition is not perfect, it suffices. A few participants expressed a contrasting view – that the operational definition of climate finance is not clear enough – and mentioned the discrepancies and differences in methodologies used for accounting climate finance by developed countries in the past. Many participants noted that the lack of a clear definition and the use of different accounting methodologies has made it challenging to compare quantitative information across the biennial communications.

D. Improving predictability and clarity of information on financial support

65. Many participants recognized that the predictability of climate finance is crucial to developing countries. They noted short-term national budgetary cycles and annual parliamentary approval requirements as barriers to long-term planning of bilateral climate finance. Despite these challenges, several participants were able to provide quantitative information on multi-year commitments to various climate funds, such as the GCF and the GEF. A few participants considered the information on multilateral contributions as lacking in detail, including one who underlined that not enough information was provided beyond contributions to the GCF and the GEF.

66. Some participants noted that their national climate finance budget is part of their overall aid budget, and that the climate finance portion is based on needs and priorities discussed with partner developing countries. Therefore, to increase overall climate finance support, a focus is needed on both mainstreaming climate in the aid budget and increasing the climate finance portion of the national budget. Several participants argued that climate finance should not be sourced from the aid budget, and some argued that development assistance should qualify as climate finance only if it is new and additional, as well as climate-specific, but others disagreed.

67. Several participants considered that the biennial communications did not include sufficient information on how climate finance was identified as new and additional, and that including such information in future communications would significantly improve clarity on climate finance.

68. One participant highlighted four elements to be taken into consideration when preparing biennial communications: (1) the importance of scaling up finance for adaptation and resilience and ensuring that climate finance will achieve desired outcomes; (2) the appropriateness of financial instruments, including financing solutions, to the specific project or type of technology; (3) the alignment and consistency of climate finance flows not only for provision and mobilization of support but also in a broader context, to enable the 1.5 °C goal to be achieved; and (4) the importance of scaling down support for public subsidies for carbon-intensive infrastructure and activities, especially fossil fuel subsidies.
