Conference of the Parties
Twenty-seventh session
Sharm el-Sheikh, 6–18 November 2022
Item 8(b) of the provisional agenda
Matters relating to finance
Matters relating to the Standing Committee on Finance

Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
Fourth session
Sharm el-Sheikh, 6–18 November 2022
Item 8(a) of the provisional agenda
Matters relating to finance
Matters relating to the Standing Committee on Finance

Report of the Standing Committee

Addendum

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

Summary

At its 29th meeting, the Standing Committee on Finance concluded its work on the technical report on the fifth Biennial Assessment and Overview of Climate Finance Flows and its summary and recommendations, which are contained in this document.
### Abbreviations and acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFOLU</td>
<td>agriculture, forestry and other land use</td>
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<tr>
<td>Annex I Party</td>
<td>Party included in Annex I to the Convention</td>
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<tr>
<td>Annex II Party</td>
<td>Party included in Annex II to the Convention</td>
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<tr>
<td>BA</td>
<td>biennial assessment and overview of climate finance flows</td>
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<td>BUR</td>
<td>biennial update report</td>
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<tr>
<td>CCU/S</td>
<td>carbon capture and utilization/storage</td>
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<td>CFU</td>
<td>Climate Funds Update</td>
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<td>CMA</td>
<td>Conference of the Parties serving as the meeting of the Parties to the Paris Agreement</td>
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<td>CO₂ eq</td>
<td>carbon dioxide equivalent</td>
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<td>COP</td>
<td>Conference of the Parties</td>
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<td>CPEIR</td>
<td>climate public expenditure and institutional reviews*</td>
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<td>CPI</td>
<td>Climate Policy Initiative</td>
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<td>GCF</td>
<td>Green Climate Fund</td>
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<td>GEF</td>
<td>Global Environment Facility</td>
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<td>GEF-7</td>
<td>seventh replenishment of the Global Environment Facility Trust Fund</td>
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<td>GEF-8</td>
<td>eighth replenishment of the Global Environment Facility Trust Fund</td>
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<td>IEA</td>
<td>International Energy Agency</td>
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<td>LAC</td>
<td>Latin America and the Caribbean</td>
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<td>LDC</td>
<td>least developed country</td>
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<td>MDB</td>
<td>multilateral development bank</td>
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<td>non-Annex I Party</td>
<td>Party not included in Annex I to the Convention</td>
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<tr>
<td>non-Annex II Party</td>
<td>Party not included in Annex II to the Convention</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>SCF</td>
<td>Standing Committee on Finance</td>
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<td>SIDS</td>
<td>small island developing State(s)</td>
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* Used only in figure 3.
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

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\(^1\) 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.
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;

(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

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5 Decision 5/CMA.3.
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-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, CCUS, 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 CO₂ 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 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Clean energy systems</th>
<th>Sustainable transport</th>
<th>Building and infrastructure</th>
<th>Other sectors - mitigation</th>
<th>Adaptation</th>
<th>Both mitigation and adaptation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>346</td>
<td>155</td>
<td>179</td>
<td>62</td>
<td>56</td>
<td>19</td>
</tr>
<tr>
<td>2019</td>
<td>322</td>
<td>173</td>
<td>159</td>
<td>77</td>
<td>42</td>
<td>15</td>
</tr>
<tr>
<td>2018</td>
<td>322</td>
<td>120</td>
<td>136</td>
<td>62</td>
<td>34</td>
<td>12</td>
</tr>
<tr>
<td>2017</td>
<td>350</td>
<td>159</td>
<td>132</td>
<td>60</td>
<td>25</td>
<td>13</td>
</tr>
</tbody>
</table>

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

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6 FCC/CP/2022/8/Add.3–FCCC/PA/CMA/2022/7/Add.3 and FCC/CP/2022/8/Add.4–FCCC/PA/CMA/2022/7/Add.4.
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)
<table>
<thead>
<tr>
<th>Global total flows</th>
<th>2019</th>
<th>2020</th>
<th>Sources of data and relevant section</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable energy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>325.1</td>
<td>347.3</td>
<td>Section 2.2.3 CPI 2022 based on multiple sources</td>
</tr>
<tr>
<td>Private</td>
<td>108.2</td>
<td>115.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>216.9</td>
<td>231.6</td>
<td></td>
</tr>
<tr>
<td><strong>Sustainable transport</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>175.2</td>
<td>162.2</td>
<td>Section 2.2.4 IEA 2021b, CPI 2022 based on multiple sources</td>
</tr>
<tr>
<td>Private</td>
<td>112.1</td>
<td>85.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>63.1</td>
<td>76.4</td>
<td></td>
</tr>
<tr>
<td><strong>Buildings and infrastructure</strong></td>
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</tr>
<tr>
<td>Public</td>
<td>160.0</td>
<td>180.0</td>
<td>Section 2.2.5 IEA 2021b, CPI 2022 based on multiple sources</td>
</tr>
<tr>
<td>Private</td>
<td>26.0</td>
<td>40.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>134.0</td>
<td>140.0</td>
<td></td>
</tr>
<tr>
<td><strong>Industry</strong></td>
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<td>Public</td>
<td>45.0</td>
<td>35.0</td>
<td>Section 2.2.6 IEA 2021b, CPI 2022 based on multiple sources</td>
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<td>Private</td>
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<td>36.0</td>
<td>30.1</td>
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<tr>
<td><strong>Other sectors - mitigation a</strong></td>
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<td>Section 2.2.7 and 2.2.8 CPI 2022 based on multiple sources</td>
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<td>32.2</td>
<td>27.1</td>
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<td><strong>Adaptation public finance</strong></td>
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<td>Section 2.2.9 CPI 2022 based on multiple sources</td>
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<td>42.4</td>
<td>56.2</td>
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<tr>
<td><strong>Both mitigation and adaptation</strong></td>
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<td></td>
<td>Section 2.2.5 CPI 2022, based on multiple sources</td>
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<td>15.3</td>
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<tr>
<td><strong>Domestic climate-relate public investment</strong></td>
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<td>Section 2.3 Country level reporting, BURS, CPEs, various government reports, CPI</td>
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<td><strong>UNFCCC funds</strong></td>
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<td>Section 2.5.2 Fund financial reports, CFU</td>
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<td>2.2</td>
<td>2.9</td>
<td></td>
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<tr>
<td><strong>Multilateral climate funds (including UNFCCC)</strong></td>
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<td>3.5</td>
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<tr>
<td><strong>Climate-specific finance through bilateral, regional and other channels</strong></td>
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<td>Section 2.5.1 Preliminary data from Annex II Parties, subject to change</td>
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<td><strong>MDB climate finance attributed to developed countries a</strong></td>
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<td><strong>Mobilized private climate finance through multilateral channels</strong></td>
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<td>Section 2.5.4 OECD 2022a</td>
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<tr>
<td></td>
<td>8.6</td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td><strong>Mobilized private climate finance through bilateral, regional institutions a</strong></td>
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<tr>
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<td>5.8</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td><strong>Other private finance projects a</strong></td>
<td></td>
<td></td>
<td>Section 2.5.4 CPI 2022 based on multiple sources</td>
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<tr>
<td></td>
<td>7.3</td>
<td>9.6</td>
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</tr>
</tbody>
</table>

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.

C. 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.

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.

21. 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.

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7 For more information see document FCCC/CP/2022/8–FCCC/PA/CMA/2022/7.
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. 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.

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

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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. 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

25. 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.

26. **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.

27. **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.

28. **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 CO₂eq 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 CO₂eq 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.

29. **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.

30. **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.

31. 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.

32. 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.
33. 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

<table>
<thead>
<tr>
<th>Area of recommendation*</th>
<th>Progress</th>
<th>Challenges</th>
</tr>
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<tbody>
<tr>
<td>Improve transparency of reporting of climate finance provided and received (a), (b), (c), (d)</td>
<td>Improved reporting tables agreed for implementation in 2024 Increasing number of developing countries reporting on climate finance received</td>
<td>Limited capacities and resources to track climate finance received and report on the impacts and outcomes of climate finance</td>
</tr>
<tr>
<td>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)</td>
<td>Increasing data coverage for financing of electric vehicles, climate finance mobilized and domestic climate finance reporting</td>
<td>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</td>
</tr>
<tr>
<td>Align climate finance with national needs, plans, climate change frameworks and priorities, enhancing country ownership (j), (l), (p)</td>
<td>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</td>
<td>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</td>
</tr>
<tr>
<td>Balance funding for mitigation and adaptation (l)</td>
<td>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</td>
<td>Difficulties in costing adaptation needs to inform assessments of balance Different accounting approaches applied for mitigation and adaptation finance to inform assessment of balance</td>
</tr>
<tr>
<td>Encourage the uptake of available resources to strengthen institutional capacities for programming climate action and tracking climate finance (k), (l)</td>
<td>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</td>
<td>Different funding requirements of diverse climate finance actors Time lag in reporting from nascent domestic climate finance tracking</td>
</tr>
<tr>
<td>Improve tracking and reporting of the impacts of climate finance, including the incorporation of ‘climate proofing’ and climate resilience measures in line with new scientific information (n), (o)</td>
<td>Increased granularity of impact measurement frameworks (three multilateral climate funds have adopted revised frameworks since 2018) Wide availability of expected results reporting Initial development of transformational change indicators</td>
<td>Limited ex post results data in reporting chains 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</td>
</tr>
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</table>
### III. Recommendations

34. 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

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

   (a) **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;

   (b) **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;

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

   (d) **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;

   (e) **Encourage** Parties and climate finance providers to enhance their methodologies for measuring and reporting on climate finance results and impacts;

   (f) **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;

   (g) **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;

   (h) **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;

(i) 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

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

(a) 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;

(b) Encourage climate finance providers and recipients to further enhance the tracking of private climate finance, in particular for adaptation activities;

(c) 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

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

(a) 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;

(b) Encourage climate finance providers to enhance access and increase climate finance for the LDCs and SIDS;

(c) 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;

(d) 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;

(e) 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;

(f) 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;

(g) 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;

(h) Request the SCF, in preparing the sixth BA, to follow up on the recommendations made in this and previous BAs.