

## Draft elements for SBSTA agenda item 12

### Modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Paris Agreement

#### Informal note by the co-facilitators

*These draft elements have been prepared by the co-facilitators of the negotiations on this agenda item under their own responsibility, on the basis of the deliberations by Parties at this session and the views they have submitted. These elements are preliminary and should not be considered as final in any way; they are offered as a basis for work and do not prejudice further work or prevent Parties from expressing their views at any time. It is recognized that the outcome of deliberations on this item will form part of the overall outcome under the Paris Agreement Work Programme.*

Note: This informal note builds on the information note by the co-chairs of the contact group of this agenda item from SBSTA 46.<sup>1</sup> The content of the note is not exhaustive and neither represents agreed views, ideas or text nor attempts to draw any conclusions on possible areas of convergence or divergence. The note has been prepared under our own responsibility and thus has no formal status. We also recognize that nothing is final until all the modalities are final, and that nothing in this informal note prejudices Parties' views on the final outcome of the modalities. We also recognized the need for strictly following the mandate of the SBSTA.

The mandate of the SBSTA as set out in decision 1/CP.21, paragraph 57, is to develop modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Paris Agreement for consideration by COP 24 (December 2018), with a view to making a recommendation for consideration and adoption by CMA 1.

#### Timing of SBSTA work

- The SBSTA is mandated to finalize its work in time for consideration by COP 24, with a view to making a recommendation for consideration and adoption by CMA 1.
- SBSTA recognized the need to ensure the development of modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Paris Agreement in time for them to be integrated into the transparency framework referred to in Article 13 of the Paris Agreement
- The SBSTA aims at finalizing its work at its 48<sup>th</sup> session or as soon as possible, and deliver its results to APA agenda item 5 for further discussion and the integration into the transparency framework

#### Objective and principles

- To facilitate the provision of information on measures taken by Parties to fulfill their commitments under article 4 of the Convention for the effective implementation of the Paris Agreement.
- To review the implementation of individual Party obligations; to assess individual and collective progress towards achieving the purpose of the Paris Agreement and its long-term goals; to build trust and accountability amongst Parties;
- To facilitate the provision of clarity on support provided and mobilized for the implementation of the Paris Agreement, and in line with Article 13, paragraphs 3, 6, and 9, and within the scope of the SBSTA mandate; The development of modalities should take into account the provisions of paragraph 92, decision 1/CP.21.
- Transparency, accuracy, consistency, comparability and completeness as well as avoiding double-counting;
- Facilitating improved reporting and transparency over time, and building on and enhancing current reporting modalities by improving clarity and transparency of climate-relevance and additionality of support provided and mobilized over time
- Avoiding duplication as well as undue burden on Parties and the secretariat;
- The modalities should be compatible with other reporting systems and allow for automatic insertion of data

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<sup>1</sup> [http://unfccc.int/files/meetings/bonn\\_may\\_2017/in-session/application/pdf/sbsta\\_11\\_informal\\_note.pdf](http://unfccc.int/files/meetings/bonn_may_2017/in-session/application/pdf/sbsta_11_informal_note.pdf)

- Harmonization and standardization of underlying methodologies, assumptions and definitions over time, where possible.
- This section is not necessary and not within the scope of the mandate.

### General considerations

- Build upon and enhance the current reporting framework, including the biennial reports common tabular format (CTF) tables.
- Enhancement of an electronic reporting application that facilitates the provision of project- and activity-level information by Parties (i.e. the direct transfer of information from other data sources to the system under the Convention) to enhance and simplify access to and provision of information;
- Drawing from relevant work, including lessons learned, within and outside the Convention related to the modalities for the accounting of financial resources, in particular the recommendations of the 2016 BA summary and recommendations; and
- Clear differentiation of mobilized climate finance and provided climate finance.
- Facilitate more granularity through the provision of project- and activity-level information to enhance the transparency of operational definitions of climate finance used and to foster engagement between donor and recipient countries.

### Cross-cutting considerations<sup>2</sup>

<i>Considerations for elements</i>	<i>Parties views on possible underlying assumptions, definitions and methodologies</i>
Year *	<ul style="list-style-type: none"> <li>• Calendar year</li> <li>• Fiscal year</li> <li>• Reporting on 20xx-1 and 20xx-2</li> <li>• Assumptions</li> <li>• Definitions</li> <li>• Methodologies</li> <li>• Clarify if this means year when funding for a particular project/programme was committed or year when implementation starts.</li> </ul>
Currency (domestic currency and USD)*	<ul style="list-style-type: none"> <li>• Assumption: same approach to exchange rate applied overtime.</li> <li>• (Harmonization of) use of currency exchange rate</li> <li>• Uniform exchange rate per year</li> <li>• Standard used for currency exchange rate</li> <li>• Methodology</li> <li>• Provide information on source, date (range) and conversion methodology for exchange rates used.</li> </ul>
Status (disbursed, committed, and pledged)*	<ul style="list-style-type: none"> <li>• Provision of references to official documentation to indicate the status of funds</li> <li>• Information on the level of disbursement</li> <li>• (Harmonization of) how to count finance committed and/or disbursed, in accordance with the OECD DAC definitions / support harmonization and standardized approach as to whether report committed and/or disbursed</li> <li>• Information about the definition used for disbursed and committed</li> </ul>
Funding source (ODA, OOF, other)*	<ul style="list-style-type: none"> <li>• Definition used for ODA, OOF and other (Harmonization of) reporting funding sources</li> </ul>

<sup>2</sup> Cross-cutting considerations apply to (i) Climate finance provided through bilateral, regional and other channels; (ii) Climate finance provided through multilateral channels; and (iii) Climate finance mobilized through public interventions

	<ul style="list-style-type: none"> <li>• Methodology</li> </ul>
Financial instrument (grant, concessional loan, non-concessional loan, equity, other)*	<ul style="list-style-type: none"> <li>• How to report various financial instruments, for example, the reporting of the grant-equivalent/net value/face value when different financial instruments are used</li> <li>• Definition used for all the instruments reported</li> <li>• Level of concessionality/ grant-equivalency</li> </ul>
Type of support (mitigation, adaptation, cross-cutting)*	<ul style="list-style-type: none"> <li>• Assumption: all support needs to fall under one of these three categories. Cross-cutting should still be climate specific.</li> <li>• Definition used for mitigation, adaptation and cross-cutting</li> </ul>
Sector (energy, transport, industry, agriculture, forestry, water and sanitation, cross-cutting, other) * <ul style="list-style-type: none"> <li>• Reporting of subsectors</li> </ul>	<ul style="list-style-type: none"> <li>• Use of OECD DAC disaggregated sector and subsector codes</li> <li>• Definition and/or methodology used to identify the sectors and sub-sectors reported</li> </ul>

Note: \* elements that are in the biennial reports common tabular format

<b>Additional potential considerations</b>	<b>Parties views on underlying assumptions, definitions and methodologies</b>
Clarity on what counts as climate finance  (link to element of new and additional below)	<ul style="list-style-type: none"> <li>• Through an operational/working definition?</li> <li>• Through provision of information on boundaries/criteria such as climate relevance and the geographical origin?</li> <li>• Through funding of NDCs?</li> <li>• Elements of a working definition, including drawing from the work of the SCF Article 9.1 and 9.3 of Paris Agreement, Articles 4.3, 4.4, 4.5, 8.4, 9, 10, and 11 of the Convention)</li> <li>• Through enhanced reporting on instrument, sector, funding source, activity, etc.</li> </ul>
New and additional	<ul style="list-style-type: none"> <li>• How the climate finance counted is new and additional,</li> <li>• Reference to ODA</li> <li>• Progression beyond previous levels</li> </ul>
Whether/how to make use of built-in options	<ul style="list-style-type: none"> <li>• Information on how project level data is produced for reporting</li> </ul>
Mutual agreement/cross-checking with recipients before submitting information	<ul style="list-style-type: none"> <li>• The electronic reporting format could facilitate cross-checking of resources provided by the recipients through tick-box.</li> </ul>
How to capture the notion of scale-up and progression of climate finance	
Encouragement of all Parties that provide support to use the accounting modalities to facilitate the provision of as much information as possible, while recognizing the mandatory and non-mandatory aspects;	
Any other considerations that may be relevant to accounting modalities: Article 9, paragraph 5, of the Paris Agreement; reporting on finance to loss and damage.	
Reporting on the share of climate finance going to LDCs and SIDS	
Provision of supplementary information	<ul style="list-style-type: none"> <li>• Recommendations by SBSTA on the type of supplementary information that could be provided</li> </ul>
Avoiding double counting	<ul style="list-style-type: none"> <li>• Assumptions: financial resources provided will only be accounted once.</li> <li>• Definition: connected to the definition of climate</li> </ul>

	finance. <ul style="list-style-type: none"> <li>• Methodology: ways and means to mitigate the risk of double counting scenarios</li> </ul>
Resources used towards emission trading schemes	
Information of the different domestic sources	
	<ul style="list-style-type: none"> <li>• Indicators on how finance provided was responsive for needs of developing countries,</li> <li>• Information on domestic policies related to the allocation and dissemination of resources</li> <li>• Information on domestic policies related to the allocation and dissemination of resources</li> </ul>

### Climate finance provided through bilateral, regional and other channels<sup>3</sup>

<i>Considerations for elements</i>	<i>Parties views on underlying assumptions, definitions and methodologies</i>
Recipient country/region/ Project/programme/activity*	<ul style="list-style-type: none"> <li>• How to facilitate more granularity through the provision of project- and activity-level information to enhance the transparency of operational definitions of climate finance used and to foster engagement between donor and recipient countries;</li> </ul>
Climate-specific*	<ul style="list-style-type: none"> <li>• More clarity on what each Party counts as climate finance (e.g. through the indication of coefficients where Rio markers were used, through operational definitions of climate finance, criteria used to determine climate relevance).</li> <li>• Explanation of methodology on how it counts its bilateral support to be climate-relevant or climate-specific. /Only climate specific</li> <li>• Provision of information/explanation on how the resources are linked to the implementation of the Paris Agreement</li> </ul>

*Note: \* elements that are in the biennial reports common tabular format*

<i>Additional potential considerations</i>	<i>Parties views on underlying assumptions, definitions and methodologies</i>
Tagging of activities that have a capacity-building and technology transfer component to facilitate better tracking and avoid double counting according to built-in options;	<ul style="list-style-type: none"> <li>• Placeholder on transparency framework</li> <li>• Methodology used to track the technology transfer and capacity-building support as an element of the financial support provided</li> <li>• Qualitative information covered in capacity-building and technology transfer section of reporting</li> <li>•</li> </ul>
Provision of information on transaction and overhead costs, loan repayments and return on investments;	<ul style="list-style-type: none"> <li>• Assumption: only concessional loan.</li> <li>• Information on whether the fees are going to a Direct Access entity or international entity)</li> </ul>
Provision of information on implementing agencies	
Provision of supplementary information**	Provision of information on implementing agencies
Information on whether the activity mobilized additional financial support from a private source	<ul style="list-style-type: none"> <li>• Methodology and/or assumption used to avoid double counting between multiple actors involved</li> <li>• Methodology and/or assumption used to avoid double</li> </ul>

<sup>3</sup> Biennial reports common tabular format Table 7 (b) is used for reporting financial information on the provision of public financial support through bilateral, regional and other channels

	counting with international transferrable mitigation outcomes
Amount*	Differentiate between support provided for capacity building and technology transfer and that provided for implementation of projects Resources used towards emission trading schemes

Note: \* elements that are in the biennial reports common tabular format

#### Climate finance provided through multilateral channels<sup>4</sup>

<i>Consideration for elements</i>	<i>Parties views on underlying assumptions, definitions and methodologies</i>
Multilateral climate change funds, as well as other climate change funds; multilateral financial institutions, including regional development banks; and specialized United Nations bodies*	<ul style="list-style-type: none"> <li>• Differentiation of reporting per sub-channel;</li> <li>• Provision of information on bilateral funds provided through multilateral channels;</li> </ul>
Core/general*	<ul style="list-style-type: none"> <li>• Reporting of only the climate-specific amount of core contributions (e.g. through imputed multilateral contributions);</li> <li>• Full core contributions</li> <li>• Avoidance of double counting</li> <li>• Methodology used to assess the core / general contribution</li> </ul>
Climate-specific*	<ul style="list-style-type: none"> <li>• More clarity on the criteria used by Parties and international financial institutions to identify contributions and outflows, respectively, as being climate-specific.</li> <li>• Multilateral climate-specific support to the multilateral climate change funds (e.g. GCF, LDCF, SCCF, AF, CIF) is to be reported by each relevant Party</li> <li>• Methodology used to identify the climate-specific inflow to the various multilateral channels</li> </ul>

Note: \* elements that are in the biennial reports common tabular format

<i>Additional potential considerations</i>	<i>Parties views on underlying assumptions, definitions and methodologies</i>
Facilitation of understanding on the outflow of finance from multilateral channels to developing country Parties	<ul style="list-style-type: none"> <li>• Methodology used to identify multilateral climate finance outflows;</li> <li>• How to ensure that only financial resources consistent with a pathway towards low greenhouse gas emissions and climate resilient development are reported and counted, consistent with Article 2.1 (c) of the Paris Agreement</li> <li>• through an invitation to multilateral financial institutions to provide project-level information by financial instrument and by recipient, as well as information on how climate-specific inflows relate to outflows going to climate change projects;</li> <li>• through the utilization of the Standing Committee on Finance's biennial assessment and overview of climate finance flows as a vehicle;</li> <li>• through recipient country reporting.</li> </ul>
Amount*	<ul style="list-style-type: none"> <li>• Methodology and/or assumption used to avoid double counting between multiple actors involves</li> </ul>

<sup>4</sup> Biennial reports common tabular format Table 7 (a) is used for reporting financial information on the provision of public financial support through multilateral channels

	<ul style="list-style-type: none"> <li>• Methodology and/or assumption used to avoid double counting with international transferrable mitigation outcomes</li> </ul>
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*Note: \* elements that are in the biennial reports common tabular format*

## Climate finance mobilized through public interventions

*Potential considerations, while recognizing challenges and limitations:*

- Building on existing studies and further inviting expert organizations to undertake technical work.
- Private finance Mobilized through multilateral public interventions should be covered in the SCF Biennial Assessment and not in the individual reports

Climate finance mobilized through bilateral, regional and other channels, as well as other public interventions

<i>Additional potential considerations</i>	<i>Underlying assumptions, definitions and methodologies</i>
Common understanding of fundamental concepts such as mobilization	<ul style="list-style-type: none"> <li>• Harmonization of methodologies (e.g. reporting on co-financing, causality and attribution); provision of definitions and approaches used Only climate finance mobilized through public interventions by developed country Governments and other Parties providing support to developing countries is accounted</li> </ul>
Boundaries of tracking mobilized finance through public interventions	<ul style="list-style-type: none"> <li>• Reporting should only include activities where there is a clear causal link between a public intervention and private finance, and where the activity would not have moved forward, or moved forward at scale, in the absence of the governments' intervention</li> </ul>
Type of public intervention used to mobilize the reported financial support (grant, concessional loan, non-concessional loan, equity, policy intervention, capacity-building, technology transfer, technical assistance)	
Amount of financial resources mobilized (original currency and USD)	<ul style="list-style-type: none"> <li>• Methodology and/or assumption used to avoid double counting between multiple actors involved</li> </ul>
Recipient country share of mobilization	
Status (disbursed and committed)	<ul style="list-style-type: none"> <li>• Information about the definition used for disbursed and committed</li> </ul>
Provision of qualitative information such as good practices on public policy and regulatory frameworks incentivize further private climate financing and investments	
Option for collective reporting where the double counting risk is high	
Provision of supplementary information	<ul style="list-style-type: none"> <li>• The reporting should also allow for Parties to report qualitative and indicative quantitative information on indirect mobilization through capacity building activities and to highlight their good practices in mobilizing private finance.</li> </ul>
Reporting format	<ul style="list-style-type: none"> <li>• Development of simple standardized/common reporting format to facilitate consistency of quantitative reporting across Parties</li> </ul>