

VIEWS ON ELEMENTS OF THE WORKPLAN ON MRV BEYOND THE BIENNIAL ASSESSMENT AND OVERVIEW OF CLIMATE FINANCE FLOWS

Submission by:

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MANDATE

1. The Standing Committee on Finance has the mandate to assist the COP in exercising its functions with respect to the financial mechanism of the Convention in terms of, *inter alia*, measurement, reporting and verification of support provided to developing country Parties (Decision 1/CP.16, paragraph 112).
2. As a first step to the implementation of this mandate on MRV of support, the COP decided that the SCF should undertake as an activity “the preparation of a biennial assessment, **an overview of climate finance flows**, to include information on **the geographical and thematic balance of such flows**, drawing on available sources of information, including national communications and biennial reports of both developed and developing country Parties, information provided in the registry, **information provided by Parties on assessments of their needs**, reports prepared by the operating entities of the financial mechanism, and information available from other entities providing climate change finance.” (Decision 2/CP.17, paragraph 121 -f).
3. The COP then requested the SCF, in its preparations for the first biennial assessment and overview of financial flows, to consider ways of strengthening methodologies for reporting climate finance (Decision 5/CP.18, paragraph 11).
4. In its decision 7/CP.19, paragraph 9, the COP then again requested the SCF to **consider ways to increase its work on MRV of support, beyond the biennial assessment to be conducted in 2014**. The COP likewise requested the SCF “in the context of its biennial assessment and overview of climate finance flows, to consider ongoing technical work on **the operational definitions of climate finance, including private finance mobilized by public interventions, to assess how adaptation and mitigation needs can most effectively be met by climate finance**” (Decision 3/CP.19, paragraph 11).
5. Five years after the establishment of the SCF, the COP, in its Decision 6/CP.20, paragraph 11, further requested the SCF, to “further explore how it can enhance its work on the MRV of support, **based on best available information on the mobilization of various resources, including private and alternative resources, through public interventions.**”

VIEWS AND COMMENTS:

From the above-cited guidance provided by the COP, the gaps that need to be addressed are clear:

1. **As a priority to come to agreement on an operational definition or definitions of climate finance.**

It would not be possible to assess the flows of climate finance without a common understanding of what is being assessed. Admittedly, as the channels used for the provision of financial resources of what is referred to as climate finance have been the voluntary channels listed in Article 11.5, the information from these institutions cannot be verified and controlled under the Convention. However, operational definitions will allow some measure of comparability.

A basic definition is applicable to the operating entities of the financial mechanism of the Convention but also to a certain extent to other sources of climate finance, is provided by Article 4.3 of the Convention. This would mean for example, that resources provided by the Global Environment Facility to Annex I Parties to the Convention, are not to be considered as climate finance to developing country Parties, as it is not in accordance with Article 4.3.

2. **For the flow of financial resources to be measured, the flow must be followed from the source to the recipient.**

What is sorely lacking is a clear methodology for information from developing country Parties to be reported and synthesized, so as to determine whether indeed what is reported as contributed as climate finance has been received as such by the recipient countries.

3. The SCF should therefore consider **a mechanism such as that submitted by Ecuador**, with support from 27 other developing countries, and tabled under the AWG-LCA, and then again in the SCF as part of its 2014 work plan, and recommend such a mechanism to the COP. This responds to the guidance provided by the COP in Durban in 2011, as laid out in paragraph 2 above.

4. **The continuation of the needs assessment project undertaken by the secretariat should be seriously considered, to respond to the COP guidance and as part of the mechanism for MRV of support.**

5. For a clear understanding of the amount of financial resources given to developing country Parties, **the amount of transaction costs charged by intermediaries must also be taken into account, including on percentage terms. For loans, in particular, the terms of concessionality must also be specified. Co-financing is often also in the form of loans, and should then likewise be specified.**

6. **For resources coming from the private sector, only those incentivized by public interventions could qualify as climate finance**, as contained in the guidance from the COP. All other private sector transactions are part of the regular economic activity of any countries, and cannot be subject to the MRV of support as required by the Convention.

7. As required by the Convention, and as specified in the arrangements concluded by the COP with the operating entities of the financial mechanism of the Convention (and in the case of the Global Environment Facility, established outside the Convention, in the Annex to the MOU with the COP), the secretariat should prepare/update its report on the determination in a predictable and identifiable manner of the amount of funding **necessary and available for the implementation of the Convention.**

This becomes absolutely necessary as we move towards an agreement at the COP in December 2015, in order to determine how developing countries could contribute to the enhancement of the implementation of the Convention.

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