

Community of Practice on Climate Finance MRV in Pacific Alliance Countries: towards successful regional collaboration

Special thanks to Pacific Alliance countries' representatives for actively participating in this initiative and sharing their impressions and expectations on where the Community of Practice should move forward. In particular; Alfonso Enrique Galarce from Chile, Erika Casamadrid from Mexico, Fernando Corbelle from Colombia, and Nathaly Abadia from Peru.

Participation in the Community of Practice has made visible the progress of each of the four countries in the Pacific Alliance regarding implementation of a Climate Finance MRV system.

The interaction among peers has facilitated better understanding of where countries stand in this process, what challenges they may face from now on and which would be the upcoming activities for consolidating CF-MRV and aligning it with other national climate MRVs.

The Community of Practice marks out a path of successful regional collaboration to the extent that the discussion responds to the specific needs of each country and allows consensus to be reached as a Pacific Alliance bloc in order to improve the comparability and consistency of the CF-MRV systems.

Background and context

The Community of Practice on Climate Finance MRV (CoP CF-MRV) gives continuity to the activities defined in the [Coordination Framework](#) of the Pacific Alliance Climate MRV Technical Subgroup ([SGT-MRV](#)). Previous SGT-MRV work has included baseline reports by national experts that describe the status of CF-MRV systems in each country ([Chile](#), [Peru](#), [Mexico](#) and [Colombia](#)). The series of reports was accompanied by three online technical exchanges on CF-MRV held during April and May 2020 (see [Summary](#)). The CoP CF-MRV emerges in response to one of the requests from these virtual exchanges as a way to continue sharing experiences and learning. Figure 1 summarizes the background of the CoP CF-MRV described here.

The CoP CF-MRV seeks to connect people and institutions to facilitate access to information on climate finance, strengthening communication between members, and promoting training and generation of knowledge. During 2021, nine virtual exchanges have been held, in which issues relevant to the objectives established in the Coordination Framework of the SGT-MRV have been presented and discussed.

This document describes the potential of the CoP CF-MRV as an opportunity for successful regional collaboration, highlighting the current status and identifying challenges and opportunities for future work. It is also an invitation to actively participate in this initiative, to cooperatively build and join the CoP group on [LinkedIn](#) to work on strengthening the CF-MRV systems in the region.

"The great contribution of this community of practice is to deepen the knowledge we have about MRV of Climate Finance. In the case of Mexico, it has been very useful since we are at an early stage and all the inputs, experiences and learning sustain the path to follow."

Erika Casamadrid
Directorate of Environmental Financing Schemes
Secretariat of the Environment and Natural Resources - Mexico

"I want to highlight the importance of the opportunity to discuss climate finance issues that are directly relevant to us. Since these are themes in which we are actually working, it supports other countries facing similar challenges to learn from our first-hand experience"

Alfonso Galarce Jaramillo
Climate Change Office
Ministry of the Environment - Chile

"It [COP CF-MRV] is a good platform for interaction where you can exchange knowledge and lessons learned about the development of these systems. I believe that it is key; that it is a space of trust and closeness between those involved, which allows for greater learning effectiveness and adoption of learning."

Fernando Corbelle
Directorate of Environment and Sustainable Development
National Planning Department - Colombia

"This platform for exchange has allowed us to know the progress and challenges of the countries of the region for the development of monitoring and reporting on climate finance systems."

Nathaly Abadia Salinas
General Directorate of Climate Change and Desertification
Ministry of the Environment - Peru

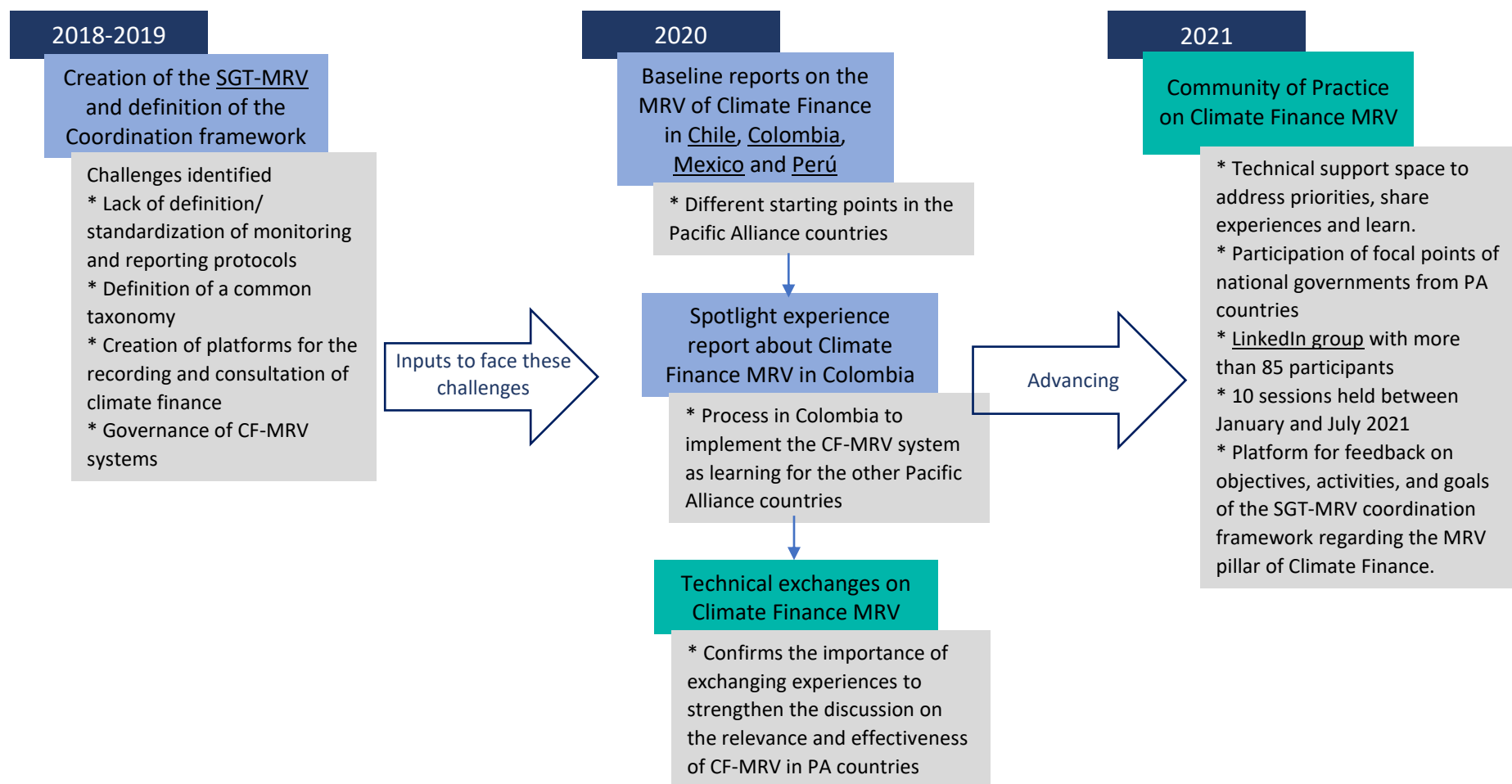


Figure 1. Background information for the Community of Practice on Climate Finance MRV.

Source: Prepared by the author.

Current State

The virtual exchanges within the CF-MRV CoP have allowed for better understanding of the current state in each country, highlighting that each one is at different stages of implementation of their CF MRV systems.

- *Chile* has based its process of formulating and implementing the CF-MRV system on [previous analyses](#) of public environmental and climate change spending, as well as on its international reporting processes with the United Nations Framework Convention on Climate Change (UNFCCC)¹. One recent milestone was the formalization of the [methodology for tracking public spending on climate change](#) and its official results with 2019 as the base year. Chile is still in the process of consolidating an intersectoral monitoring scheme that can integrate previous and international sources into the analysis. It is also in the process of defining how to include the amounts and impact of green projects (aligned with its NDC) financed through government bonds in the CF-MRV. A presentation of the Chilean government with the background information and challenges for a CF-MRV system is available for consultation at this [link](#).
- *Colombia* is working on a strategy of sustainability and strengthening of its [CF-MRV system](#) (already implemented) through which domestic public, domestic private and international public financing flows are reported. For this purpose, the government is working on three major tasks: i) consolidating its methodological approach; ii) modifying the current web platform to provide a better user experience by delivering knowledge and not just a report with data; and iii) guaranteeing adoption and use of the system and its information by decision makers. A presentation by the Colombian government outlining these lines of work is available for consultation at [this link](#).
- *Mexico* is at an early stage of implementing its CF-MRV system. It has enabling efforts for the process driven by the General Law on Climate Change, its National Determined Contribution (NDC) and a cross-cutting annex of the Federal Expenditure Budget that provides recommendations for the classification of resources for climate change adaptation and mitigation. In methodological terms, one of the most relevant input involves the [methodological proposal for the MRV of adaptation financing](#), developed by the National Institute of Ecology and Climate Change. Moreover, the Secretariat of Environment and Natural Resources of Mexico (SEMARNAT) is working on the systematization of technical cooperation and financing in the environmental sector, as a first step to learn about projects and resources aimed at tackling climate change supported by multilateral actors. A presentation by the Mexican government summarizing this information is available for consultation at [this link](#).
- *Peru* is working on the development of CF-MRV modules independently for public and private resources and international financing. The public finance module has a methodology to identify and classify climate change expenditures, connecting the budget categories and activities of the Integrated Financial Administration System (SIAF). The reports of this monitoring can be found on the [Economic Transparency website](#). The private and international financing modules are under development and have a roadmap for implementation by 2024. A presentation by the Peruvian government summarizing the status of each module is available for consultation at [this link](#).

¹ [Biennial update reports](#) and national climate change communications.

Challenges and limitations

The experience through the CF-MRV CoP has made it possible to identify challenges and limitations faced by the Pacific Alliance countries to advance towards the consolidation of their Climate MRV systems.

- *Institutional coordination and involvement of other actors.* The countries have inter-institutional bodies defined by their regulatory frameworks on climate change. However, these bodies are still very general and do not necessarily manage to respond to the need for effective coordination between entities involved in handling the data on climate finance flows. A major challenge for the consolidation of CF-MRV systems in the region is to formalize the communication and assignment of responsibilities between environmental authorities (usually responsible for climate change management) and the finance and treasury authorities (responsible for the management of public budgets).

At the same time, it is essential to promote the participation of other actors (regulators, private sector, and academia) to strengthen methodologies, classification and reporting criteria, and verification processes, as well as to encourage data adoption and its use for decision-making processes.

- *Interoperability with monitoring and reporting systems for GHG emissions, mitigation actions and adaptation assessment.* With the exception of Colombia, the development of exclusive technological platforms for CF-MRV is still in its infancy. The first approaches show that in the four countries there are methodological and technological limitations to think about a consolidated national MRV system with interoperability between the CF-MRV and other MRV and/or national climate change information systems. For example, it is not evident how the CF-MRV is related to the MRV of mitigation actions, considering this correspondence as a instrument for monitoring the effectiveness/impact of investment.
- *Consistency of periodic reporting.* To the extent that the CF-MRV is consolidated, the tracking and reporting practice will no longer respond to a specific exercise in time, and continuous analysis of the information will be formalized with biannual or annual cuts that guarantee follow-up over time.
- *Financing of CF-MRV systems.* Pacific Alliance countries continue to depend mainly on international support for developing and consolidating the methodology and technology of the CF-MRV. This is a limitation, given that resources for these programs are cyclical and finite. Furthermore, given the condition and level of development of the Region, there is no guarantee that this support will continue in the future. Governments face the challenge of achieving independence and budgetary ownership of these systems within the responsible entities.
- *Regional consensus.* It is still a challenge to think about the regional unification of a taxonomy and tracking methodologies that would allow consideration of formalizing a standard report between the Pacific Alliance countries. As we already mentioned, the CoP can be the platform to collaborate regionally on a proposal for a common monitoring and reporting protocol that promotes the harmonization of the CF-MRV systems between countries.

Opportunities and recommendations for future work

We consulted representatives of the governments that took part in the CF-MRV CoP about their perspectives in terms of identified opportunities and next steps for this initiative, aiming at consolidating the CF-MRV systems in each country. This section summarizes these impressions.

- The CF-MRV CoP should continue to be a space to promote capacity building and the transfer of knowledge, becoming a permanent mechanism for discussion that allows contribution to the specific needs of each country and common points to be addressed as the Pacific Alliance trade bloc.
- This CoP offers the possibility to work towards greater effectiveness in the joint adoption (as a regional bloc) of the new reporting guidelines with the UNFCCC and other corresponding guidelines for CF-MRV systems in each country. This may be an opportunity to review a common protocol proposal between the Pacific Alliance countries for the monitoring and reporting of climate finance. Responding in this way to the need defined under the SGT-MRV coordination framework by the representatives of national governments.
- Under the framework of the CF-MRV CoP, reflections should be addressed to advance in understanding how climate MRV systems are linked to MRV of mitigation actions, GHG inventories and particularly with carbon pricing instruments and the mechanisms established in Article 6 of the Paris Agreement.
- The CF-MRV CoP offers the opportunity to make the MRV process and results in each country visible to other non-governmental actors. This is relevant because it broadens the base of potential data sources and information users, and because it can pave the way for funding options to give continuity to these initiatives at the country or regional level.
- In logistical terms, it is practical to maintain one-hour sessions and continue sharing the detailed minutes of each session. It has been recommended that the relevance and operability of the current virtual meeting platform be reviewed.
- Participants have suggested to have a recap session and final discussion to have a clearer view of the goals pursued in this working group, and how each virtual meeting contributes to achieving them always respecting the level of progress in each country. This would promote a better differentiated use of some of the work sessions.
- Further topics to be studied in depth, the countries have suggested (among others):
 - i. Taxonomy update proposals that are being reviewed by the countries within the framework of green recovery or reactivation processes.
 - ii. Taxonomies and tracking of misaligned financing (brown in line with the Net Climate Finance proposal).
 - iii. Implementation of a classification system that allows comparison with international methodologies (eg. Rio Markers).
 - iv. Alignment of the CF-MRV systems with the new international reporting needs with the UNFCCC and the OECD (climate and brown finance).
 - v. Methodologies for aggregating the amounts from different economic/financial instruments.
 - vi. Continue to share challenges and barriers from new experiences in the progress towards the consolidation of CF-MRV systems in each country.