

Submission from the Government of Ecuador in response to the “Call for evidence: information and data for the preparation of the 2020 Biennial Assessment and Overview of Climate Finance Flows” issued by the Standing Committee On Finance.

Ecuador appreciates the work that the Standing Committee on Finance under the UNFCCC does in improving the transparency of climate finance flows through its Biennial Assessments and Overview of Climate Finance Flows (BA). It also looks forward to the information that the SCF will prepare in relation to the climate finance needs of developing countries so that it can be read in conjunction with the BA.

With regards to the information requested by the SCF in the referred call for evidence, Ecuador would like to note that most of the categories of information requested are not available because before Biennial Transparency Reports, such detailed information on climate finance was not included in National Communications or BURs and the country does not count with the resources to obtain this data outside of BTRs. Nonetheless, since the adoption of the Paris Agreement and the Paris Agreement Work Programme, important normative and legislative advances have been made in Ecuador, through the Organic Environmental Code (2017) and its regulation (2019), which will be detailed below.

Methodological issues relating to measuring, reporting, and verifying climate finance flows

While it is a commonly known issue that countries, donors or entities use different definitions for climate finance and that this results in the accurate statement that there is no common definition for climate finance, Ecuador tackled this issue through a series of definitions in its Organic Environmental Code (COA).

It began by defining what climate change management entails. It determined that climate change management consists of policies, strategies, plans, programmes, projects, measures and actions meant to address climate change through adaptation, mitigation, capacity building, development, innovation, disaggregation and transfer of climate technology, climate finance and management of traditional, collective and ancestral knowledge. This definition was followed by the establishment of the characteristics that adaptation and mitigation measures should have to be considered as such. It was also determined that any such measures should take into account national adaptation and mitigation plans and the NDC. All of this was a valuable background so that when climate finance was defined as financial resources and technical assistance destined to climate change management it was very clear what activities should and should not be counted as climate finance and what their characteristics should be.

This is crucial so that climate finance statistics reflect climate impacts. When projects that are deemed to have mitigation or adaptation benefits but do not calculate these in relation to a robust baseline and do not register this information with the national authority on climate change, it becomes impossible to reflect those results as part of the national efforts of Ecuador and therefore, reporting such finance as climate finance becomes problematic.

Therefore, sources of financing should try to ease reporting exercises coming from developing countries. When the sum reported is very large and the results of climate action reported in official documents like a national communication or a BUR/BTR are not commensurate, this demonstrates a lack of coordination between sources of financing and priorities from developing countries, as well as between sources and national authorities, which also undermines country ownership of the financed actions. However, it is easy to interpret these cases as inefficient use of funds, which is certainly not the case.

Data on climate-related finance flows

It is difficult to estimate the value of financing coming from developed countries only, given that official climate funds and other mixed sources do not attribute their resources to specific providers. Therefore, Ecuador relies on the information that is generated by the SCF with regards to these issues in order to have a broad view of climate finance flows globally.

In terms of financial resources received for climate action in Ecuador, the official source of information is the Undersecretariat of Climate Change in the Ministry of Environment and Water, and the soon to be developed National Climate Change Registry and National MRV system, both created by the Organic Environmental Code, and which should be operational in 2022. The current registry shows that Ecuador has received approximately 631 million dollars of non refundable resources between 2015 and 2020 and that in that same period, it has also received 4,315 million in refundable resources, which includes credits, loans, guarantees, and other refundable instruments.

Over 75% of these resources has been dedicated to mitigation over adaptation, reaffirming the difficulty of channeling non refundable resources for adaptation activities, which has been the national priority with regards to climate change management since its beginning.

A crucial element to all these resources is country ownership. As has been mentioned, country ownership can only be guaranteed when new projects or sources of financing involved in these projects coordinate their actions with the national authority on climate change, which is to say,

the Undersecretariat of Climate Change at the Ministry of Environment and Water. This will help projects become aware of and implement national regulations, support the implementation of national mitigation or adaptation plans or the nationally determined contribution. It will also enable the Ministry to register these resources as climate finance.

Ongoing work and challenges related to climate finance

With regards to public expenditure, the Ministry of Environment and Water is currently working on tools that will enable an accurate follow up of climate finance in the country. Specifically, an Analysis for Public Spending and Institutional arrangements for Climate Change is ongoing. This analysis is evidencing that in order to timely access quality information and obtain complete data with the level of disaggregation that is needed is a challenge given existing weaknesses in the use of catalogues and budget classifiers within institutions. A large amount of work is needed to avoid subjectivity in the expenses that each institution considers are related to climate change.

Ecuador is currently working on a National Climate Change Strategy. This strategy will help the country to identify strategic lines of action for sources of climate finance with the objective of accelerating the mobilization of climate finance from the international, national, public and private levels. It will foster the participation of the private sector in climate action, determine orientations for the financial sector to include climate change in its operations and will promote the incorporation of climate change into public finances and public planning.

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