



Standing Committee on Finance

28 March 2018

**Seventeenth meeting of the Standing Committee on Finance
Bonn, Germany, 10–12 April 2018**

**Background paper on the draft guidance to the operating entities
of the Financial Mechanism**

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to:

- a) Agree on its working modalities, including the formation of a working group and timeline for conducting its work on this agenda item;
- b) Agree on its approach, taking into account the outcomes of the review of the functions of the SCF, in preparing the draft guidance to the operating entities for consideration by COP 24;
- c) Consider the updates made to the database of previous guidance provided to the operating entities and plans for outreach.

I. Possible actions for consideration by the Standing Committee on Finance

1. The Standing Committee on Finance (SCF) may wish to identify the members and co-facilitators of the working group, who will lead the work this year. An indicative timeline of work can be found in the annex to this document.
2. The SCF may wish to confirm or adjust its approach in preparing the draft guidance to the operating entities, taking into account relevant outcomes of the review of the functions of the SCF. The relevant outcomes are outlined in paragraph 6.
3. In addition to the Adaptation Committee (AC) and the Technology Executive Committee (TEC), the SCF may wish to consider inviting other constituted bodies for the inputs, such as the Paris Committee on Capacity-building (PCCB), the Executive Committee of the Warsaw International Mechanism for Loss and Damage (ExCom), and/or Least Developed Countries Expert Group (LEG). Scheduled meeting dates of the constituted bodies are contained in the annex.
4. Annual reports from the Green Climate Fund (GCF) and the Global Environment Facility (GEF) are expected to be available in August 2018. Any addendum to the report will be available after the last meeting of the governing body of the respective operating entity in 2018. An indicative timeline of the meetings is outlined also in the annex.
5. The SCF may wish to take note of the updates that were made to the database of previous guidance provided to the operating entities. The Committee may also wish to raise awareness on the use of the database by launching a dedicated web page on the SCF's work on the draft guidance, issuing a call for submissions on how to improve the database and by developing a user-manual on how to use the database.

II. Background

6. In the context of the review of the functions of the SCF, COP 23 requested the SCF to enhance the dissemination and utilization of outputs of the SCF, in order to effectively advance the work of the COP and invited Parties and relevant stakeholders to utilize the outputs. Furthermore, the COP encouraged Parties and other constituted bodies to continue to provide submission for the preparation of draft decision on guidance to the operating entities, based on the reports of the operating entities, in a timely manner to the SCF.¹

Updates on the inter-sessional activities

7. During the inter-sessional period, Ms. Diann Black-Layne was invited to brief the TEC at its 16th meeting held from 13 to 16 March 2018 SCF's work on the preparation of draft guidance and how the SCF invites the TEC to provide its input.² As Ms. Black-Layne was not available, secretariat briefed the TEC on her behalf and explained about the approach that the SCF took last year and presented the database of previous guidance to the operating entities. The presentation on the database focused on how to utilize the database in preparing the inputs to the draft guidance, for example how to search the database for relevant guidance on technology, with a view to avoiding any duplication with previous guidance.

8. Should there be any further similar invitation from another constituted body to the SCF this year, the focal points for other constituted bodies will be encouraged to coordinate with the co-facilitators, so that the respective focal points could incorporate draft guidance issues in their engagement with other bodies. This approach will result in an increased knowledge on what other constituted bodies are currently undertaking and ensure consistency in engaging with other bodies.

Preparation of draft guidance to the operating entities in 2018

9. At its 15th meeting, the SCF agreed on a set of criteria against which the inputs received from its members, Parties and other constituted bodies will be assessed, to ensure the inputs are:

- (a) In line with the mandates of the operating entities of the Financial Mechanism;
- (b) Ongoing and are being currently undertaken by the operating entities;
- (c) Not contradictory and duplicative to previous guidance given to the operating entities.

10. The criteria were communicated to the AC and the TEC last year to encourage them to apply the criteria in preparing consistent and practical inputs to the draft guidance. The two Committees were also encouraged to make use of the database of previous guidance to the operating entities, to cross-check possible redundancies of the inputs.

11. The inputs received that meet the abovementioned criteria and have annotations with clear rationale were considered in draft guidance that the SCF recommended to the COP. However, some inputs that did not meet the criteria or those scheduled to be considered by the upcoming governing meeting of the operating entities were placed in the annex of the draft guidance. This led to lengthy annexes to the draft guidance prepared by the SCF last year.³ The fact that Parties were not provided with the same template as the constituted bodies, which requires the input provider to provide the rationale, contributed to a longer annex.

12. In its communication to the constituted bodies, the SCF may wish to emphasize the importance of applying the criteria and of utilizing the database of previous guidance and to annotate inputs with rationale and background information. Furthermore, the SCF may wish to consider ways to provide the template to Parties, for example, by making it publicly available.

13. In accordance with the outcomes of the review of the functions of the SCF,⁴ the SCF may wish to invite other constituted bodies, such as the PCCB, ExCom and the LEG, to provide inputs

¹ Decision 8/CP.23, paragraph 6–8.

² More information is available at: <<http://unfccc.int/tclear/tec/meetings.html>>.

³ Draft guidance to the GEF contained in annex IV of FCCC/CP/2017/9 is a good example. Proportionally, the draft guidance contains 4 substantive paragraphs, while the appendix contains 16.

⁴ Decision 8/CP.23, paragraph 9: Also encourages Parties and other constituted bodies under the Convention to continue to provide submission for the preparation of draft decisions on guidance to the operating entities of the Financial Mechanism, based on the reports of the operating entities, in a timely manner to the SCF.

to the draft guidance. This is in line with the outcomes of the review of the functions of the SCF, thereby increasing interaction with all constituted bodies and ensuring that the inputs received cover more thematic areas than only adaptation and technology.⁵

14. Annex to this document contains an indicative timeline of work relating to draft guidance to the operating entities in 2018.

Database on the previous guidance to the operating entities

15. During the inter-sessional period, the database was updated with the guidance from COP 23 to the operating entities.⁶ In line with SCF's agreement at its previous meeting to launch a dedicated webpage, and also in line with the outcomes of the review of the functions of the SCF to disseminate and utilize the outputs, the SCF will be invited to consider a draft webpage during this meeting. The webpage will feature efforts made by the SCF to enhance consistency and practicality of draft guidance, as well as openness, transparency and inclusiveness of the work by inviting inputs from other constituted bodies.

16. The database of previous guidance provided to the operating entities will be part of the website feature. This work undertaken by the SCF will not only present the SCF's work to enhance consistency and practicality of draft guidance, but also assist Parties track the guidance provided to the operating entities and progress made by them, as well as serve as a reference to avoid providing any repetitive or conflicting guidance to the operating entities.

17. Given that the database is currently in Excel form, a user guide can be created that will help users understand what this tool is, the intention behind creating it, and how Parties and observers might want to use it when deliberating on any additional guidance to the operating entities. Furthermore, an announcement that can be distributed widely, for example through the Climate-L list, will be useful to draw Parties and observers' attention to the database.

18. To continuously enhance the tool and improve the integrity of information contained therein, a call for inputs could be announced on the website to invite Parties, other constituted bodies and observers to provide feedback on, inter alia:

(a) The integrity of information contained in the database i.e. whether the compendium of guidance contained in the database is complete; whether allocation of criteria and thematic grouping is accurate;

(b) User-friendliness of the database and ways to improve it further.

Additional information

19. Initial guidance to the operating entities under the Paris Agreement: During the resumed session of the Ad Hoc Working Group on the Paris Agreement (APA) in May 2017, the APA agreed to continue its consideration of the remaining possible additional matters, which includes, inter alia, initial guidance by the CMA to the operating entities of the Financial Mechanism under Article 9, paragraph 8, and decision 1/CP.21, paragraphs 58 and 61 to 63, as well as initial guidance by the CMA to the Least Developed Countries Fund and the Special Climate Change Fund in accordance with decision 1/CP.21, paragraph 58. During the resumed session of the APA in November 2017, the APA continued its deliberations on this matter.⁷

20. Linkage between the Technology Mechanism and the Financial Mechanism: The TEC, in collaboration with the Climate Technology Centre and Network (CTCN) and the GCF, organized a thematic dialogue on climate technology incubators and accelerators, as part of its 16th meeting.⁸ The outcomes of the dialogue inform the GCF secretariat's work to develop a draft term of reference for a call for proposals on climate technology incubators and accelerators. The COP, in accordance with decision 14/CP.22 paragraph 10, will continue its consideration of linkages between the Technology Mechanism and the Financial Mechanism at COP 24.

⁵ Relevant workplans and activities of the respective bodies, which may be relevant to the preparation of draft guidance to the operating entities, are contained in annex to the SCF 17 background document on the linkages (SCF/2018/17/9).

⁶ The updated database can be accessed at <www.unfccc.int/6881>. Once the dedicated website is operational, the database will be relocated.

⁷ See also the "Informal note on agenda item 8: Further matters related to implementation of the Paris Agreement: other matters" contained in document FCCC/APA/2017/L.4/Add.1, pages 263 and 264.

⁸ Information available at: <http://unfccc.int/tclear/events/2018_event2>.

Annex

An indicative timeline of work

Activity	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<i>Preparation of draft guidance to the operating entities</i>									
SCF 17 – establishment of a working group	10–12								
Letters to other constituted bodies, inviting for inputs on the draft guidance to the operating entities	Week 3–4								
Annual reports of the operating entities to the COP released by the GCF and the GEF					X				
The SCF and other constituted bodies are invited to provide inputs on the draft guidance, based on the annual reports					X	X			
Inputs are combined into one compilation document for consideration and circulated to the SCF prior to its last meeting						X			
The SCF prepares the draft guidance during its last meeting						<i>SCF meeting (tbc)</i>			
<i>For information: scheduled meeting dates of the constituted bodies and the operating entities</i>									
The 2nd meeting of the PCCB		During the SBs (tbc)							
The 8th meeting of the ExCom						17–21			
The 17th meeting of the TEC						25–28			
The 14th meeting of the AC							24–26		
The 34th meeting of the LEG					<i>tbc</i>				
The 21th meeting of the GCF Board							23–26 (tbc)		
The 55th Council meeting of the GEF								26–29	
<i>Work on the database on the previous guidance to the operating entities</i>									
A dedicated webpage is launched, which will present the work of the SCF on enhancing consistency and practicality of draft guidance	Week 3–4								
Announce a call for inputs to other constituted bodies, Parties and observers on how the database can be further enhanced		X							
SCF presents the database to Parties and observers attending the SCF side event		During the SBs							
A user manual is uploaded on the website		X							
Further refine and fine-tune the database, based on the inputs received			X	X					
Present the status of work at the SCF meeting						<i>SCF meeting (tbc)</i>			