



Seventh meeting of the Standing Committee on Finance Bonn, Germany, 16–18 June 2014

Background paper on the draft guidance to the operating entities

Background

- 1) At COP 17, Parties decided that the SCF shall assist the COP in exercising its functions with respect to the financial mechanism (FM) of the Convention including through providing draft guidance to the operating entities (OEs) of the FM of the Convention to the COP, with a view to improving the consistency and practicality of such guidance, taking into account the annual reports of the OEs as well as submissions from Parties.
- 2) At its sixth meeting, the SCF discussed its approach to the provision of draft guidance to the OEs and decided that there is still a need to further improve the process of developing the guidance based on its experience from last year. It was agreed that work on this issue would be taken forward inter-sessionally by a working group facilitated by Mr. Jozef Buys. Following this mandate, an „Initial paper on improving draft guidance to the OEs of the FM“, prepared by Mr. Buys, was presented to members together with an invitation to provide their views and comments on the issues highlighted in the document. This initial paper is contained in annex I to this document. Annex II to this document contains all responses by SCF members received as at 09 May 2014. Comments were received from the following SCF members: Mr. Roger Dungan, Ms. Jessica Brown, Ms. Rajasree Ray, and Mr. Yorio Ito.
- 3) Representatives of the OEs will be present during the meeting and stand ready to engage with SCF members on issues identified in paragraphs 9 and 10 of the „Initial paper on improving draft guidance to the OEs of the FM“, with a view to providing clarifications as necessary in order for SCF members to come to a better understanding of their respective approaches to results frameworks and indicators.
- 4) The SCF may wish to consider the document prepared in advance of the meeting, the responses provided by SCF members, as well as the exchange with the representatives of the OEs with a view to agreeing on its overall approach to the provision of draft guidance to the OEs of the FM.

Annex I - Initial paper on improving the draft guidance to the operating entities of the financial mechanism

Background

1. At the sixth meeting of the Standing Committee on Finance (SCF), SCF members once again highlighted the importance of improving the practicality and consistency of guidance provided to the operating entities (OEs) of the financial mechanism (FM). It was agreed that further discussions on this issue would be facilitated by a paper to be prepared by the guidance working group, which was to be facilitated by Mr. Jozef Buys. SCF members are invited to comment on the issues highlighted in this document in advance of the SCF meeting, and no later than by 9 May 2014. The initial paper, as well as responses by SCF members, will serve as input to the SCF discussions during its seventh meeting.

Proposals to increase practicality and consistency of draft guidance to the operating entities

Updating existing guidance

2. One of the previous background documents prepared for the fifth meeting of the SCF, which gave an overview of elements addressed in past guidance to the GEF,¹ as well as the document prepared by the Global Environment Facility (GEF), "United Nations Framework Convention on Climate Change: Conference of the Parties Guidance and GEF Responses 1995 – 2011",² give a very good impression of the large body of guidance that has been provided to the GEF in the past.

3. Some of the feedback received from representatives of the GEF suggests that guidance provided over the years has been and continues to be not very practical and consistent, as e.g. part of the guidance may be redundant, incoherent, or a mere repetition of past guidance, and sometimes not easily implementable in accordance with GEF policies, which may hinder the full compliance of the GEF with the guidance provided.

4. In light of the volume, and in order to improve the guidance provided, it therefore seems important to analyze past guidance in order to identify redundancies, incoherence, consistency with the COP's mandate regarding guidance to the OEs on policies, programme priorities and eligibility criteria as per Art. 11.1 of the Convention, etc. This exercise would be a starting point for the SCF to rationalize future guidance provided and to sidestep the provision of guidance which is, from a practical point of view, difficult to implement due to redundancies or inconsistencies.

5. A similar exercise of consolidating guidance has successfully been undertaken by the Convention on Biodiversity which made an effort to identify obsolete, repetitive and overlapping guidance, and adopted a compilation of guidance to its financial mechanism that attempted to streamline the bulk of existing guidance to the GEF.³

6. It is proposed to develop, based on this analysis, a set of core guidance to the OEs, one for the GEF, and one for the Green Climate Fund (GCF), which would not have to be repeated time and again as it captures the essential guidance that needs to be provided to the respective OEs. The reports of the OEs would then be considered against this set of core guidance every year in order for the SCF to be able to identify whether additional guidance is needed, e.g. due to new technical or political developments. This set of core guidance would in time also have to be adjusted should the SCF identify any elements that would need to be added in order to avoid impracticality or inconsistency of draft guidance provided, but also to address the evolving nature of e.g. the GCF or the climate finance architecture under and outside the Convention.

➤ Members are invited to provide their views on the suggestion to develop a set of core guidance against which reports of the OEs would be evaluated in order for the SCF to identify need for further guidance.

¹ SCF/2013/5/4, annex I.

² Available at: <<http://www.thegef.org/gef/pubs/united-nations-framework-convention-climate-change-conference-parties-guidance-and-gef-response>>.

³ OPS 5 Technical Document #4: Relevance of the GEF to the Conventions, page 5. <http://www.thegef.org/gef/sites/thegef.org/files/EO/TD4_Relevance%20of%20the%20GEF%20to%20the%20Conventions.pdf>.

Performance based guidance

7. During the sixth meeting, one SCF member introduced the idea of providing performance based guidance. Following this idea, the SCF would be able to provide future guidance based on performance indicators defined by the OEs. Such performance indicators are currently being developed by the GEF as well as the GCF. More detailed information on this is outlined in the subsequent paragraphs. The SCF would then be able to assess the annual reports of the OEs against these performance indicators and provide guidance based on this assessment.

8. With regards to the two OEs, a performance based guidance would have to be differentiated along the lines of the respective result frameworks of the two OEs:

9. GEF: In the context of the programming of resources for its next replenishment cycle, the GEF has developed a set of indicators to monitor and track the results on mitigation and adaptation:

- a) For mitigation, the results framework will be driven by seven core outcome indicators that will assess the performance of programmes and projects implemented to reduce or avoid emissions of greenhouse gases;⁴
- b) For adaptation, the GEF has developed a series of indicators in order to assess the outcomes of the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) which serve as vehicle for adaptation and climate-resilience development. Such indicators are built in the realm of the mandate of these funds and will aim at providing a quantitative-based evidence of the outcome of GEF's action on adaptation;⁵

The sets of indicators are expected to be approved at the next GEF council meeting.

10. GCF: During its fifth meeting, the GCF Board adopted:

- a) Fourteen initial result areas of the Fund in order to enable low-emission and climate-resilient development pathways;⁶
- b) As well as performance indicators of the initial result areas of the Fund,⁷ which are categorized as follows:
 - i) Project and programme outputs performance indicators;
 - ii) Transformative impact of Fund activities performance indicators;

Both sets of indicators are again sub-categorized into mitigation and adaptation.

Work on the further development of the result areas and performance indicators is currently on-going in the GCF Board. The matter was discussed during the sixth meeting of the GCF Board and will be taken up again at the seventh meeting of the Board.

11. It is proposed to invite representatives of the OEs to attend the seventh meeting of the SCF in order to further specify and address questions by SCF members on the respective results frameworks and indicators in order for the SCF to get further clarity and therefore get a better impression of whether this would be a sound basis for the provision of draft guidance to the OEs.

➤ Members are invited to provide their views on the suggestion to approach the provision of guidance to the OEs from a performance based perspective, as well as to provide questions or comments that could serve as input to an active engagement with the representatives of the OEs on this matter during the seventh meeting of the SCF.

Timing of guidance

12. During the sixth meeting, one SCF member also raised the question whether annual COP guidance to the OEs is indeed necessary, or whether guidance provided on e.g. a biennial basis would be sufficient. This suggestion was made also in the spirit of increasing the practicality and consistency of such guidance as the need to provide annual guidance may promote the provision of iterative guidance. The issue of timing was also raised

⁴ GEF-6 Programming Directions: GEF/R.6/20/Rev.02, page 66.

⁵ GEF programming strategy on adaptation to climate change for the LDCF and SCCF: GEF/LDCF.SCCF.15/Inf.02.

⁶ Decision B.05/03, annex I.

⁷ Decision B.05/03, annex II.

by a representative of the GCF during this meeting who highlighted that, due to the official document submission deadline, internal procedural arrangements of the GCF, and in light of the on-going operationalization of the GCF, only very limited time would be left to the GCF to actually implement the guidance received from the COP and to timely report on this at this point in time.

13. Based on this, the reduction of guidance provided may prove to have a positive influence on the quality of COP guidance provided. But it goes without saying that this would not preclude or prevent the COP from providing guidance should it see need to do so.

14. Nonetheless, some members raised concerns with regards to this idea.

➤ Members are invited to provide their views on the suggestion to reduce the number of guidance provided to the OEs by not providing such guidance on an annual basis.

Complementarity between the operating entities of the financial mechanism

15. One of the mandates provided by COP 17 to the SCF refers to SCF recommendations on how to improve the coherence, effectiveness and efficiency of the OEs of the FM.⁸ In its work programme for 2014–2015, the SCF indicated that it would provide recommendations to the COP on this matter as appropriate.⁹ In addition, discussions are on-going between the two OEs with regards to the issue of complementarity between the GEF and the GCF, with this issue possibly being taken up during a joint retreat in the near future.

16. Some of the SCF members, during last year's discussion on the issue of draft guidance to the GEF, also raised the question of the role of the GEF within the evolving finance architecture under the Convention, especially with regard to its respective role in the light of the operationalization of the GCF.¹⁰ This matter was again raised during the COP 19 negotiations under the agenda item on GEF guidance, but Parties did not come to a conclusion on this matter.

17. Therefore, in its considerations regarding how to improve the overall guidance to the OE, the SCF may also wish to take into account the question about the overall complementarity between the OEs of the FM, even if at this point in time, due to the status of operationalization of the GCF, more in-depth work on this issue may be premature.

➤ Members are invited to provide their views on whether there is need for the SCF to already have in-depth discussions on the issue of complementarity between the OEs or whether this matter should be considered at a later stage in light of progress made in the operationalization of the GCF.

⁸ Decision 2/CP.17, paragraph 121(d).

⁹ FCCC/CP/2013/8, annex VIII.

¹⁰ FCCC/CP/2013/8, annex V.

Annex II – Submissions received from SCF members as at 09 May 2014

Issue	Submission	SCF member
Updating existing guidance	In principle, this seems like a good idea. If we can identify some simple statements of core guidance that would be helpful, and could streamline recurrent COP guidance. One question that we might discuss further is how that core guidance would be reflected in annual COP guidance. There will surely be an expectation that the COP will give additional guidance as well, but I would be very surprised if the analysis proposed in para 4 does not identify some key recurring themes or principles. It would be good to conduct this analysis and identification of core principles in collaboration with the operating entities.	Roger Dungan 30/04/2014
	<ul style="list-style-type: none"> • Agree that it is a good idea to analyze past guidance to identify redundancies, incoherence, and consistency with the COP's mandate regarding guidance to the OEs on policies, program priorities and eligibility criteria. • Also agree that, based on the analysis, core guidance to the OEs, one for the GEF and one for the GCF, should be compiled to serve as the foundation for future guidance to the OEs. • The analysis and identification of core principles should be conducted in collaboration with the operating entities. 	Jessica Brown 06/05/2014
	<p>In the talks so far and documents received I see agreement to develop a template in order to build a standardized approach to be able to give annual guidance to operating entities. What I want to know if there has been any talks on any possible need for different templates, standards or treatment for GEF and GCF. I understand that the exercise of building a template and rationalizing future guidance would heavily draw from, lessons learned from past guidance, value and practicality of such guidance to operating entities, particular areas which may demand more attention, redundancy of different types of guidance etc. Based on consolidating past guidance, it is proposed to develop, on this analysis, a set of core guidance to the Operating Entities. The reports of the OEs would then be considered against this set of core guidance every year in order for the SCF to be able to identify whether additional guidance is needed, e.g. due to new technical or political developments. However it is important to note the different circumstances of GCF and GEF. Only because GEF has received guidance long enough in the past, this analysis can be done. However in the case of GCF, it has only received initial guidance so far and therefore is it too early to bind guidance for GCF in a template, without knowing fully what type of guidance it would need. In case we decide to do so, shouldn't then the template for GCF guidance have more flexibility to incorporate new things?</p> <p>Guidance does not guarantee that problems are easily solvable, nor does it guarantee that the facility will implement or is in a position to implement them fully. Therefore I would also like us to think of how the link between giving guidance and the operating entities acting on them can be enhanced.</p>	Rajasree Ray 08/05/2014
	<p>The idea of developing a set of core guidance to the OEs is good because it would increase practicality of the guidance by avoiding redundancies which the past guidance included.</p> <p>By using this set of core guidance repeatedly as the foundation, we could increase coherence of the guidance.</p> <p>I also think SCF should hear the OEs' view when developing core guidance, in order for the guidance to be practical and implementable.</p>	Yorio Ito 09/05/2014
Performance based guidance	Great idea, and could be part of the discussion and consideration of point 1, above. I think this is doubly important as any high-level results framework will likely filter through to results frameworks for individual activities that the OEs fund. It's also very clear from the GEF evaluation office analysis that the GEF is overburdened with onerous indicators and reporting requirements. If we, through COP guidance, can streamline that, and make sure that results frameworks are effective and focused on clear outcomes and performance improvements, we can help to make the OEs more accessible and performance focused. Our experience in working with our Pacific partners strongly suggests streamlined indicators and results frameworks would be a big help for governments with limited resources and institutional capacity.	Roger Dungan 30/04/2014

Issue	Submission	SCF member
	<ul style="list-style-type: none"> • Guidance based on performance indicators as set by the GEF and GCF is an interesting idea, but may in fact lead to guidance that is overly and unnecessarily specific, and that extends beyond the remit of the COP (i.e., to only provide guidance only on policies, program priorities and eligibility criteria). • Further complicating this potential approach is the fact that the GEF has several multi-focal programs (i.e., the integrated approaches) that extend beyond climate. It would therefore seem unfair for the COP to use the GEF's performance indicators as the basis from which to provide guidance, unless the COP only references an appropriate climate sub-set (which may be difficult). • Recommend inviting representatives of the OEs to attend the seventh meeting of the SCF in order to discuss this idea and gain their feedback. • Also recommend further elaborating on what this approach would actually entail / how it would be implemented in practice. 	Jessica Brown 06/05/2014
	<p>The idea of providing guidance from a performance perspective is fine but the question is why the SCF should provide future guidance based on performance indicators which are defined by the OEs themselves. There would be a conflict of interest in doing this. In fact a big part of SCF's work is to review the financial mechanism of the Convention in accordance with the principles and provisions of the Convention. Therefore it is more rational for SCF to broadly evaluate how these operating entities are fulfilling their mandate to this extent. In other words this should be the performance perspective. Yes of course the SCF may borrow performance indicators of the OEs to evaluate its performance; however it should not limit itself to such benchmarks, identified by OEs themselves.</p> <p>Evaluations include a performance and institutional perspective but equally important is effectiveness and impact perspective which the articles of the Convention stress on. For comprehensive guidance performance is only one dimension, there are other important parameters as well.</p>	Rajasree Ray 08/05/2014
	<p>The idea of providing guidance from a performance perspective is interesting and acceptable for us, provided that it is consistent with performance indicator which OEs develop.</p> <p>I also agree with the paper that SCF should invite, discuss with, and get feedback from the OEs in the seventh meeting of the SCF.</p>	Yorio Ito 09/05/2014
Timing of guidance	<p>While I like the sentiment behind this suggestion, I don't think it's realistic. Parties will find it hard to resist the urge to give guidance to the OEs every year. But if we streamline the guidance that we do give, we could likely achieve the same thing this suggestion is looking to achieve.</p>	Roger Dungan 30/04/2014
	<ul style="list-style-type: none"> • This is a great idea, and while it may be difficult to gain broad acceptance, we should definitely pursue this idea. There are certainly a lot of compelling reasons why biennial guidance would make more sense from a practical, implementation standpoint. • It is important to note that all of the other conventions that the GEF supports are already on a 2-year schedule for their guidance. 	Jessica Brown 06/05/2014
	<p>There is already agreement towards reducing the volume of guidance by developing a template. Giving guidance will be an annual repetitive exercise so developing a template is a rational thing to do. However slashing down the opportunity by reducing the frequency of guidance to biannually will be more of a lost opportunity than saved work. The template will automatically take care of the volume of guidance, which is the main concern, frequency is required to check the direction of the work, before it's too late to be able change track or take control in case required. Also, it is an opportunity for interaction between SCF and representatives of OEs. When evaluation and performance of GEF is assessed annually so should be the corresponding guidance to make this assessment meaningful.</p>	Rajasree Ray 08/05/2014
	<p>I think the suggestion to reduce the number of guidance provided to the OEs is a great idea.</p> <p>Once in two years would be appropriate in terms of avoiding repetitiveness and increasing practicality of the guidance.</p>	Yorio Ito 09/05/2014
Complementarity between the operating entities of the financial mechanism	<p>Very useful, and agree that it should take place once the GCF is properly up and running.</p>	Roger Dungan 30/04/2014

Issue	Submission	SCF member
	<ul style="list-style-type: none"> • It is great to hear that the GEF and GCF are engaged in ongoing discussions with one another so as to avoid the provision of duplicative climate finance. • The need for in-depth SCF discussions on the complementarity of the OEs is premature. Let's revisit this once the GCF is up and running. 	Jessica Brown 06/05/2014
	<p>GEF and GCF are the only two operating entities of the financial mechanism of the Convention. While GEF has been a long standing body with considerable experience and gone through evolutions over these years, GCF is in its genesis. The issue of complementarity between GEF and GCF can only be taken up when we know clearly how GCF will function, the volume of money into it, its allocation criteria and other such functioning. It may be likely that we might have to wait for GCF to go through at least one full cycle to fully comprehend its ground realities. Rushing into complementarity issues now, does not save us from doing this work in the future as only upon full clarity complementarity can be thought of. It is best to defer this discussion to a time when we have little more clarity about GCF. We should push this till next year atleast.</p>	Rajasree Ray 08/05/2014
	<p>I think that the discussion on complementarity should take place once the GCF is operationalized and running because for now we do not know what kind of institution GCF would become.</p>	Yorio Ito 09/05/2014