

**Twelfth meeting of the Standing Committee on Finance
Bonn, Germany, 6–7 April 2016**

**Background paper on the draft guidance to the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 will be invited to consider and agree to its organization of work and indicative timeline for activities in 2016 related to:

- Preparing draft guidance to the operating entities of the Financial Mechanism for consideration by COP22;
- Finalizing its work on the compilation and analysis of past guidance;
- Identifying a draft set of core guidance to the operating entities of the Financial Mechanism;
- Proving recommendations to the COP on the frequency of guidance to the Financial Mechanism.

I. Identification and organization of work required in 2016, for consideration by the Standing Committee on Finance, related to the development of draft guidance

The working modalities and indicative timeline for activities in 2016

1. The SCF may wish to confirm a working group, its participants and co-facilitators, who would lead the work outlined in the section II below.
2. The SCF may wish to provide further guidance to the working group regarding the activities to be conducted to support its work. The SCF may consider, for example:
 - a. Areas where the SCF would request the secretariat to conduct further work to support its deliberations;
 - b. Soliciting exchanges and dialogue amongst members intersessionally to advance on the work;
 - c. Agreeing to its objectives in terms of deliverables over the course of the three SCF meetings and when it intends to conclude on an issue.
3. The SCF may also want to agree on the timeline for conducting the work. An indicative timeline is contained in annex I to the background document on the organization of work by the SCF in 2016 (SCF/2016/12/9) and proposes the distribution of work over the course of the year. It identifies inter-sessional work between SCF12 and SCF13, and between SCF13 and SCF 14. Further, it is proposed that SCF aim to complete its work on the compilation, of the core guidance and on the frequency of guidance at SCF13, to allow for adequate time for the development of draft guidance to the operating entities at the last meeting of the year at SCF14. Annex III to this document suggests a timeline for undertaking the technical work over 2016.
4. Additionally, the SCF may also wish to confirm its strategy to outreach and collaboration to advance this work. The draft outreach communication strategy document to be considered at SCF12 (Annex III of SCF/2016/12/2) identifies areas of collaboration with other thematic bodies of the Convention and with the operating entities that may further assist the SCF in enhancing its work. Annex II to this document includes the tentative dates of the meetings of the thematic bodies in 2016. Interaction between co-facilitators and other thematic bodies has been useful in the past to guiding inputs from them on draft guidance and the SCF may wish to consider doing the same this year.



II. Background information on the work to be undertaken in 2016

a) Introduction

5. At COP 17, Parties decided that the SCF shall assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention including through providing draft guidance for the operating entities to the COP, with a view to improving the consistency and practicality of such guidance, taking into account the annual reports of the operating entities as well as submissions from Parties.
6. At COP 20, Parties endorsed the recommendations by the SCF on the provision of guidance to the OEs,¹ which included the following proposed actions to be conducted by the SCF:
 - a. Conduct an analysis of past guidance provided in order to identify a set of core guidance to serve as basis for the provision of future guidance in order to reduce redundancies, incoherence, and inconsistencies within the guidance provided to the operating entities;
 - b. Increase collaboration between the SCF and the thematic bodies of the Convention in the provision of draft guidance to the operating entities;
 - c. Consider the issue of complementarity between the operating entities and the funds they administer when the GCF is operationalized.
7. Through the same decision, the COP requested the SCF to provide advice on the issue of the frequency of guidance to the Financial Mechanism and to report back to COP 21.

b) Preparing draft guidance to the operating entities of the Financial Mechanism in 2016

8. The SCF may wish to decide whether to follow or adjust the practice from last year to prepare draft guidance to the operating entities in the form of draft decisions based on: a) inputs provided by SCF members b) inputs provided by the other thematic bodies and c) views submitted by Parties on the guidance to the Financial Mechanism as per the invitation by the COP.²
9. The SCF may also wish to agree on how to process such inputs, such as whether it would like to request support by the secretariat to support the work of the working group by preparing a compilation document with each input, requesting the secretariat to prepare draft synthesized guidance based the received inputs for the SCF to consider, or for the working group to undertake its work intersessionally.
10. The SCF may also wish to agree on the modalities for the collection of the necessary inputs, building on the approach taken last year. Annex I below outlines a suggested flow chart for the provision of inputs to the SCF by thematic bodies for the development of draft guidance to COP22 which the SCF may want to consider.
11. The SCF may also wish to consider engagement with the different thematic bodies during their meetings (see Annex II for a tentative schedule of meetings), or otherwise, in order to provide guidance to assist them in their formulation of inputs to the SCF. In 2015, the SCF extended the invitation to the Adaptation Committee (AC) and the Technology Executive Committee (TEC) to provide inputs and communicated to them the following terms of reference on the draft guidance to the operating entities:
 - a. Scope (inputs to be based on the reports of the operating entities);
 - b. Format (based on the template for inputs as used previously);
 - c. Timing-related considerations (including the timing of the last SCF meeting in order to allow the thematic bodies sufficient time to provide the SCF with concrete inputs, and for the SCF to consider the inputs received);
 - d. How the SCF will process the inputs received (that SCF will consider inputs received from the thematic bodies in undertaking work related to the draft guidance to the operating entities of the Financial Mechanism, to be provided to the COP).

¹ Paragraph 10 of the report of the SCF to COP 20 (FCCC/CP/2014/5).

² Decision 7/CP.21, paragraph 29.

c) Finalizing the work on the compilation and analysis of past guidance

12. The SCF may wish to agree on the process for finalizing the compilation and analysis of past guidance as a basis for identification of a set of core guidance to the operating entities of the Financial Mechanism. This process may include inter-sessional work by the working group, which would look at the work undertaken last year and consider whether to:
- a. Confirm if each piece of past guidance has been labelled accurately with regard to the suggested status paying special attention to pieces of guidance which have been labelled as “responded to”, as well as “responded to/on-going” in order to identify whether these categories have been adequately implemented; and
 - b. Confirm the categorization of guidance as per Article 11, paragraph 1 of the Convention has been conducted in an appropriate manner.
13. The SCF initiated work on the compilation and analysis of past guidance in line with the recommendations provided by the SCF to COP 20. It agreed that the compilation and analysis of past guidance, as well as the identification of draft core guidance, would form the basis for consideration of the issues of improving the consistency and practicality of guidance, the complementarity between the operating entities and the funds they administer, and the frequency of guidance provided to the Financial Mechanism.
14. Two documents were prepared by the SCF, one for the GEF and one for the GCF, outlining in each document the following items relating to the past guidance:
- a. Information provided by the operating entity in one of its reports in response to the guidance provided, if available;
 - b. Information on the suggested status of this respective piece of guidance (i.e. whether or not, inter alia, it had been responded to, and/or could be considered as obsolete, repetitive and/or ongoing); and
 - c. Which category it falls into in terms of policy, programme priority, eligibility criteria or other. Additionally, the SCF developed two compendiums, one for the GEF and one for the GCF, containing all guidance provided to the two operating entities.
 - d. An overview of past guidance provided in terms of thematic distribution was made available to SCF members.
15. The full outcome of this exercise is elaborated in detail in the previous SCF background document SCF/2015/11/5, Section IV and V.³ The Compilation and analysis of past guidance to the GEF and the GCF are also available on the SCF website as indicated in the footnote.⁴⁵

d) Identification of a draft set of core guidance to the operating entities of the Financial Mechanism

16. The SCF may wish to confirm how it wishes to extract information from the compilation and analysis to inform the development of core guidance, and where a further distillation is needed to extract the relevant information for this purpose. The SCF may wish to consider, for example, whether it could apply agreed criteria for extracting core guidance, such as durability, repetitiveness, level of detail, other strategic deliberations, etc., and how to conduct such work inter-sessionally (see the section below on working modalities and timeline).

³ The document can be found at: <

http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/item_5_-_background_paper_on_guidance_to_oes_.pdf>.

⁴ Compilation and analysis of past guidance to the GEF:

http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/compilation_analysis_of_past_guidance_gef.pdf

⁵ Compilation and analysis of past guidance to the GCF:

http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/compilation_analysis_of_past_guidance_gcf.pdf

17. In addition to the compilation and analysis of past guidance, the SCF may wish to consider whether other sources of information, consultation and outreach with relevant stakeholders could inform the development of core guidance. This could be with a view to increasing the practicality of the core guidance.
18. Specifically, the SCF could consider:
 - a. Utilizing the compilation and analysis, and particularly the pieces of guidance categorized as “on-going”, as basis for this exercise. The body of pieces of guidance categorized in such a manner could:
 - i. Either form the draft set of core guidance as such; or
 - ii. Be further distilled by members, also taking into consideration the categorization following Article 11, paragraph 1 of the Convention. This exercise could be based on specific criteria the SCF would have to develop in order to define what “core guidance” would constitute, which could take into account considerations such as durability, level of detail, strategic deliberations, etc.;
 - b. Identifying how it would make use of the set of core guidance in the future, once endorsed by the COP. Possible approaches could include evaluating every annual report by the operating entities against the set of core guidance to identify:
 - i. Whether the set would have to be amended or updated, also due to new developments under the Convention;
 - ii. Whether additional guidance is needed in a given year, or whether the core guidance is sufficient;
 - c. Reporting to the COP on its proposed approach to the development of a set of draft core guidance in order to seek feedback and endorsement from the COP.

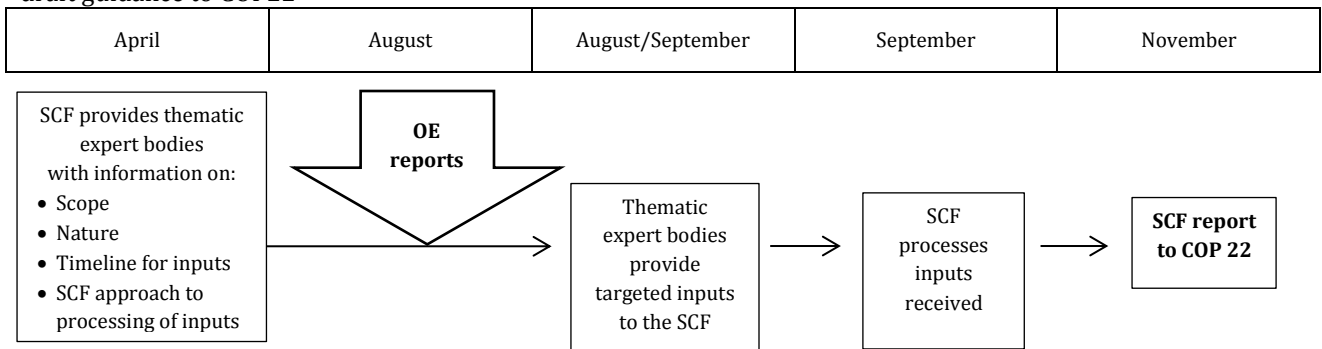
e) Frequency of guidance to the Financial Mechanism

19. In 2015 the SCF considered at its eleventh meeting, options that had been identified by the co-facilitators with the support of the secretariat. However, in the light of diverging views expressed by members on the options identified, including with regard to the feasibility of different frequencies for guidance to be provided to the two operating entities in the light of their different stages of operationalization, the SCF did not reach an agreement on any of the options and indicated that the SCF will undertake further work on this issue in 2016.
20. The SCF may wish to identify whether previous work conducted by the SCF is sufficient in order to develop its recommendations on the appropriate frequency of guidance, whether further information is needed, and what that information is. With respect to the work needed, the SCF may wish to recall some of the issues it had identified as important to factor in when considering this issue. These included, inter alia:
 - a. Timing and sequencing, particularly with regard to the reviews of the Financial Mechanism and replenishment cycles of the operating entities, including related evaluations of the operating entities;
 - b. The different stages of operationalization of the operating entities;
 - c. Ways to improve the reports of the operating entities to the COP; and The possibility of providing guidance to the operating entities on a more strategic level.
21. More information on the options, including legal and practical implications, can be found in the SCF background document SCF/2015/11/5, Section III.⁷ Specifically, the SCF noted information be taken into account in determining frequency:
 - a. The outcome of the compilation and analysis of past guidance provided;
 - b. The legal perspective of the provision of guidance to the operating entities;

⁶ FCCC/CP/2015/8, paragraph 26.

- c. Practical consideration with regard to the provision of guidance to the operating entities.
22. The SCF also considered but did not conclude on some options for recommendations to the COP, including:
- ii. One specific frequency of guidance; or
 - iii. The possibility of providing a recommendation on two different frequencies of guidance to the GEF and the GCF, in light of the current different stages of maturity of the GEF and the GCF;

Annex I. Proposed flow chart for the provision of inputs to the SCF by thematic bodies for the development of draft guidance to COP22



Annex II. Tentative dates of the meetings of the thematic bodies in 2016 are as follows (identified as at 30 March 2016)

| Organizer | Event | Location |
|-----------------------|--|----------------------------|
| Meetings of the TEC | TEC 12: 5 – 8 April 2016 TEC 13: 5 – 9 September 2016 (tbc) | Bonn |
| Meetings of the AC | AC9: 1–3 March AC10: 13–15 September | Bonn |
| Meetings of the LEG | LEG 29: March 15-19 LEG 30 (second half, tbd) | Dili, Timor Leste (tbd) |
| Meetings of the Excom | Excom 3: 26–30 April Excom 4: 19–23 September | Bonn |
| Meetings of the CGE | CGE 16: 2–4 February CGE 17: 30 August to 1 September | Bonn |

Annex III - Indicative timeline for activities related to the draft guidance to the operating entities of the Financial Mechanism

| Activity | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov/ COP 22 |
|---|-----|-----|-----|-----|-----|-----|-----|----------------|
| Analysis of past guidance/identification of core guidance | X | X | X | X | | | | |
| Identification of set of core guidance | X | X | X | X | | | | |
| Draft guidance to the operating entities for COP 22 | | | | | X | X | X | X |
| Deliberations on frequency of guidance to be provided | X | X | X | X | | | | |
| Deliberations on increase of consistency and practicality of guidance provided | X | X | X | X | | | | |
| Engagement with operating entities | X | X | X | X | X | X | X | X |
| Further technical work and engagement to support the work on the compilation, on the core guidance and on the frequency of guidance (TBD) | X | X | X | X | | | | |